

Annual financial report

Iberdrola, S.A.

Year 2019



AUDITOR'S REPORT



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

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of Iberdrola, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Iberdrola, S.A. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework applicable to the entity in Spain (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

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 Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. 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 annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of investments in Group companies and associates – equity instruments

See note 10 to the annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>The recoverable amount of investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the uncertainty associated with the establishment of these estimates, it has been considered a relevant aspect of the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Evaluating the design and implementation of the key controls related to the process of calculating the recoverable amount. ▪ Assessing impairment indicators identified by the Company, as well as the methodology, hypotheses and assumptions used to determine the recoverable amount. ▪ We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) A specific level applicable to the non-financial information statement and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, that the directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the 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.

Based on the work carried out, as described above, we have verified that the directors' report includes a reference stating that the non-financial information mentioned in section a) above is presented in the consolidated directors' report of the Iberdrola Group to which the Company belongs, that the information from the ACGR, mentioned in the same section, is included in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

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

The Directors of the Company are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Company's audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the 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.

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Directors.
- Conclude on the appropriateness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view. We communicate with the Audit and Risk Supervision Committee of the Company 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 communicate with the Audit and Risk Supervision Committee of Iberdrola, S.A. 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 Company's Audit and Risk Supervision 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.

From the matters communicated to the Audit and Risk Supervision Committee of the Company, we determine those that were of most significance in the audit of the 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

Additional Report to the Audit Committee of the Company

The opinion expressed in this report is consistent with our additional report to the Company's Audit and Risk Supervision Committee dated 28 February 2020.

Contract Period

We were appointed as auditor of the Company by the shareholders at the ordinary general meeting on 31 March 2017 for a period of three years, from 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

28 February 2020

**ANNUAL ACCOUNTS AND DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.
BALANCE SHEET AT 31 DECEMBER 2019
(In thousands of Euros)

ASSETS	Notes	2019	2018 (*)
NON-CURRENT ASSETS		44,978,099	45,619,210
Intangible assets	7	109,087	116,102
Computer software		105,345	105,386
Other intangible assets		3,742	10,716
Property, plant and equipment	8	283,337	246,047
Land and buildings		167,890	167,452
Technical installations and other items		67,487	45,454
Under construction and advances		47,960	33,141
Non-current investments in Group companies and associates		43,456,096	44,138,073
Equity instruments	10	43,405,584	44,074,394
Loans to companies	23.1.a	32,329	53,759
Derivatives	15,23.1.c	17,762	9,499
Other financial assets	23.1.a	421	421
Non-current investments		113,176	83,089
Equity instruments		412	412
Loans to third parties		4,315	5,004
Derivatives	15	108,032	64,391
Other financial assets		417	13,282
Deferred tax assets	17.4	347,388	368,878
Non-current trade and other receivables	17.7	667,021	667,021
Current accruals		1,994	-
CURRENT ASSETS		2,665,909	1,788,814
Current trade and other receivables		213,905	204,676
Trade receivables		1,176	2,033
Trade receivables, Group companies and associates	23.1.b	100,377	78,190
Other receivables		11,932	3,874
Personnel		107	158
Current tax assets	17.1	99,407	116,009
Public entities, other	17.1	906	4,412
Current investments in Group companies and associates		2,308,858	1,368,925
Loans to companies	23.1.a	25,339	29,001
Derivatives	15,23.1.c	2,621	2,112
Other financial assets	23.1.a	2,280,898	1,337,812
Current investments		52,879	213,875
Loans to third parties		446	590
Derivatives	15	51,651	212,805
Other financial assets		782	480
Current accruals		1,510	1,338
Cash and cash equivalents		88,757	-
Treasury		88,757	-
TOTAL ASSETS		47,644,008	47,408,024

(*) The Balance sheet at 31 December 2018 is solely presented for comparison purposes. The accompanying Notes are an integral part of the Balance sheets at 31 December 2019

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

Balance sheet at 31 December 2019

(In thousands of Euros)

LIABILITIES	Notes	2019	2018 (*)
EQUITY	11	32,539,980	32,455,276
CAPITAL AND RESERVES		32,558,764	32,481,022
Capital	11.1	4,771,554	4,798,222
Registered capital		4,771,554	4,798,222
Share premium	11.2	14,512,006	14,667,679
Reserves		3,092,476	4,927,169
Legal and statutory reserves	11.3	968,999	968,999
Other reserves		2,123,477	3,958,170
Treasury shares and own equity investments	11.6	(1,428,266)	(1,002,272)
Prior years' profit and loss		8,732,387	8,070,225
Retained earnings		8,732,387	8,070,225
Profit for the year		2,848,815	991,768
Other equity instruments	12	29,792	28,231
VALUATION ADJUSTMENTS	11.7	(18,784)	(25,746)
Hedging instruments		(18,784)	(25,746)
NON-CURRENT LIABILITIES		6,570,133	7,093,137
Non-current provisions		490,662	483,297
Long-term employee benefits	13.1	257,697	254,667
Other provisions	13.2	232,965	228,630
Non-current payables		369,577	883,788
Loans and borrowings	14	283,019	740,342
Finance lease payables	8,14	56,519	58,500
Derivatives	15	27,041	77,791
Other financial liabilities		2,998	7,155
Group companies and associates, non-current	15,23.1.a,23.1.c	4,976,769	4,987,933
Deferred tax liabilities	17.4	733,125	738,119
CURRENT LIABILITIES		8,533,895	7,859,611
Current provisions		376	-
Current payables		1,406,373	679,699
Loans and borrowings	14	1,332,980	594,212
Finance lease payables	8,14	2,162	2,073
Derivatives	15	232	23,715
Other financial liabilities		70,999	59,699
Group companies and associates, current	15,23.1.a,23.1.c	6,946,944	7,062,118
Trade and other payables		149,230	117,762
Suppliers		35,902	21,286
Suppliers, Group companies and associates	23.1.b	2,946	2,773
Other payables		56,707	51,561
Personnel (salaries payable)		21,329	20,673
Current tax liabilities	17.1	75	-
Public entities, other	17.1	32,271	21,469
Current accruals		30,972	32
TOTAL EQUITY AND LIABILITIES		47,644,008	47,408,024

(*) The Balance sheet at 31 December 2018 is solely presented for comparison purposes. The accompanying Notes are an integral part of the Balance sheets at 31 December 2019.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Euros)

	Notes	2019	2018 (*)
CONTINUED OPERATIONS			
Revenue	18.1	4,566,641	2,225,257
Sales		421,567	399,094
Provision of services		–	560
Finance income from equity investments in group companies and associates	10,23.2	3,871,630	1,569,950
Finance revenue from debt securities and other financial instruments of group companies and associates	23.2	17,844	21,205
Income from services rendered to group companies	23.2	255,600	234,448
Work carried out by the company for assets	7,8	1,493	3,602
Supplies	18.2	(392,851)	(395,481)
Merchandise used		(392,851)	(395,481)
Other operating income		1,354	1,310
Non-trading and other operating income		1,222	1,199
Operating grants taken to income		132	111
Personnel expenses		(136,988)	(139,196)
Salaries and wages		(94,648)	(93,572)
Employee benefits expense	18.3	(42,340)	(45,624)
Other operating expenses		(203,671)	(189,178)
External services		(196,052)	(177,594)
Taxes		(4,419)	(9,166)
Losses, impairment and changes in trade provisions		(2)	(21)
Other operating expenses		(3,198)	(2,397)
Amortisation and depreciation	7,8	(68,525)	(64,179)
Impairment and gains/(losses) on disposal of fixed assets		897	(2,940)
Impairment and losses	8	695	(799)
Gains/(losses) on disposal and other		202	(2,141)
Impairment gains/(losses) on disposal of financial instruments of group companies and associates		(778,462)	(35,441)
Impairment and losses	10	(776,962)	(35,441)
Gains/(losses) on disposal and other		(1,500)	–
RESULTS FROM OPERATING ACTIVITIES		2,989,888	1,403,754
Finance income	18.6	1,081	1,866
from debt securities and other financial instruments in third parties		1,081	1,866
Finance expense	18.5	(166,052)	(277,199)
Due to borrowings from Group companies and associates	23.2	(183,639)	(254,833)
Due to third-party borrowings		29,681	(7,417)
Provision adjustments		(12,094)	(14,949)
Change in fair value of financial instruments	18.7	(1,121)	(195,720)
Exchange (gains)/losses	18.8	(10,991)	(4,543)
NET FINANCE EXPENSE		(177,083)	(475,596)
PROFIT/(LOSS) BEFORE INCOME TAX		2,812,805	928,158
Income tax	17.3	36,010	63,610
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		2,848,815	991,768
PROFIT FOR THE YEAR		2,848,815	991,768

(*) The Income statements for the year ended 31 December 2018 is presented for comparison purposes only. The accompanying Notes are an integral part of the Income statement for the year ended on 31 December 2019.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Euros)

A) Statement of recognised income and expense for the year ended 31 December 2019

	Notes	2019	2018 (*)
PROFIT FOR THE YEAR		2,848,815	991,768
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Cash flow hedges	11.7	(1,664)	37,820
Actuarial gains and losses and other adjustments	13.1.a	(8,313)	4,018
Tax effect		2,494	(10,460)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		(7,483)	31,378
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
Cash flow hedges	11.7	10,947	22,360
Tax effect	11.7	(2,737)	(5,590)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		8,210	16,770
TOTAL RECOGNISED INCOME AND EXPENSE		2,849,542	1,039,916

(*) The Statement of recognised income and expense at 31 December 2018 is presented solely for the purposes of comparison. The accompanying Notes are an integral part of the Statements of recognised income and expense for the year ended 31 December 2018.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

B) Statement of changes in equity for the year ended 31 December 2019

(In thousands of Euros)

	Share capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Note 11.3,11.4 and 11.5)	Treasury shares and own equity investments (Note 11.6)	Prior years' profit and loss	Profit for the year (Note 3)	Other equity instruments (Note 12)	Valuation adjustments (Note 11.7)	TOTAL
OPENING BALANCE 2018 (*)	4,738,136	14,667,679	6,234,009	(589,380)	6,614,050	1,598,871	23,757	(70,881)	33,216,241
Total recognised income and expense	–	–	3,013	–	–	991,768	–	45,135	1,039,916
Transactions with shareholders or owners									
Capital reduction	(148,780)	–	(1,096,691)	1,245,420	–	–	–	–	(51)
Scrip issue	208,866	–	(209,725)	–	–	–	–	–	(859)
Acquisition of free allocation rights	–	–	(97,899)	–	–	–	–	–	(97,899)
Distribution of profit	–	–	–	–	1,456,175	(1,598,871)	–	–	(142,696)
Transactions with treasury shares or own equity instruments (net)	–	–	(225)	(1,658,312)	–	–	–	–	(1,658,537)
Corporate reorganisation (Note 10)	–	–	94,687	–	–	–	–	–	94,687
Other changes in equity	–	–	–	–	–	–	4,474	–	4,474
CLOSING BALANCE 2018 (*)	4,798,222	14,667,679	4,927,169	(1,002,272)	8,070,225	991,768	28,231	(25,746)	32,455,276
OPENING BALANCE 2019	4,798,222	14,667,679	4,927,169	(1,002,272)	8,070,225	991,768	28,231	(25,746)	32,455,276
Total recognised income and expense	–	–	(6,235)	–	–	2,848,815	–	6,962	2,849,542
Transactions with shareholders or owners									
Capital reduction	(210,343)	–	(1,804,890)	2,015,182	–	–	–	–	(51)
Scrip issue	183,675	(155,673)	(28,822)	–	–	–	–	–	(820)
Distribution of profit	–	–	–	–	662,162	(991,768)	–	–	(329,606)
Transactions with treasury shares or own equity instruments (net)	–	–	5,254	(2,441,176)	–	–	–	–	(2,435,922)
Other changes in equity	–	–	–	–	–	–	1,561	–	1,561
CLOSING BALANCE 2019	4,771,554	14,512,006	3,092,476	(1,428,266)	8,732,387	2,848,815	29,792	(18,784)	32,539,980

(*) The Statement of changes at 31 December 2018 is presented solely for the purposes of comparison. The accompanying Notes are an integral part of the Statement of changes in equity for the years ended 31 December 2019.

Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Euros)

	Notes	2019	2018 (*)
Profit of the year before tax		2,812,805	928,158
Adjustments for:		(2,825,542)	(975,234)
Amortisation and depreciation	7, 8	68,525	64,179
Impairment		776,964	35,462
(Gains)/losses on disposal of fixed assets		(897)	2,940
(Gains)/losses on disposal of financial instruments		1,500	-
Finance income	18.1, 18.6	(3,890,555)	(1,593,021)
Finance expenses	18.5	166,052	277,199
Exchange (gains)/losses	18.8	10,991	4,543
Change in fair value of financial instruments		1,121	195,720
Other income and expenses		40,757	37,744
Changes in operating assets and liabilities		13,944	42,438
Trade and other receivables		(46,584)	76,825
Trade and other payables		60,528	(34,387)
Other cash flows from operating activities		3,056,056	1,572,018
Interest paid		(237,177)	(289,999)
Dividends received		3,199,290	1,564,006
Interest received		88,229	16,089
Income tax (payments) proceeds		57,669	341,910
Other (payments) proceeds		(51,955)	(59,988)
CASH FLOWS FROM OPERATING ACTIVITIES		3,057,263	1,567,380
Payments for investments		(1,003,471)	(1,738,237)
Group companies and associates	10	(917,109)	(965,761)
Intangible assets	7	(42,077)	(66,364)
Property, plant and equipment	8	(43,028)	(46,869)
Other financial assets		(1,257)	(659,243)
Proceeds from investments		612,711	327,519
Group companies and associates	10	610,963	285,215
Property, plant and equipment	8	1,017	1,164
Other financial assets		731	41,140
CASH FLOWS USED IN INVESTING ACTIVITIES		(390,760)	(1,410,718)
Proceeds from and payments for equity instruments		(1,355,599)	(1,612,445)
Issues of equity instruments	11.1	(820)	(859)
Capital reduction	11.1	(51)	(51)
Acquisition of own equity instruments	11.6	(1,402,123)	(1,672,087)
Disposal of own equity instruments	11.6	47,395	60,552
Proceeds from and payments for financial instruments		(892,541)	1,696,378
Issue		4,799,961	7,266,314
Loans and borrowings		138,306	77,185
Payables to Group companies and associates		4,661,655	7,178,922
Other payables		-	10,207
Redemption and repayment		(5,692,502)	(5,569,936)
Loans and borrowings		(816,397)	(294,074)
Payables to Group companies and associates		(4,876,105)	(5,267,103)
Other payables		-	(8,759)
Dividends paid and payments on other equity instruments		(329,606)	(240,595)
Dividends		(329,606)	(142,696)
Acquisition of free allocation rights	11.1	-	(97,899)
CASH FLOWS FROM FINANCING ACTIVITIES		(2,577,746)	(156,662)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		88,757	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		88,757	-

(*) The Statements of Cash Flows at 31 December 2018 is presented for comparison purposes only.
The accompanying Notes are an integral part of the Statement of Cash Flows for the year ended 31 December 2019.

IBERDROLA, S.A.**Notes to the annual accounts for the year ended 31 December 2019****1. ACTIVITY**

Pursuant to article 5 of its by-laws, the corporate purpose of Iberdrola, S.A. (hereinafter IBERDROLA), a company incorporated in Spain is as follows:

- To carry out all manner of activities and construction works and provide services required for, or related to, the production, transmission, switching and distribution or supply of electric power or electricity by-products and their applications, and involving the raw materials or primary energies required for electric power generation, energy, engineering, computer and telecommunications services, services relating to the Internet, the treatment and distribution of water, the integral provision of urban and gas supply services, and other gas storage, regasification, transport or distribution activities, which will be provided indirectly through the ownership of shares or other equity investments in companies that do not engage in the supply of gas.
- The distribution, representation and marketing of all manner of goods and services, products, articles, merchandise, computer programs, industrial equipment, machinery and hand tools, spare parts and accessories.
- To engage in the research, study and planning of investment and corporate organisation projects, and to promote, set up and develop industrial, commercial and service companies.
- To provide assistance and support services to the Group companies and other investees, providing for them the guarantees and collateral required for this purpose.

The aforementioned activities may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by IBERDROLA or through the ownership of shares or equity interests in other companies, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry.

IBERDROLA also provides various services to other Group companies, such as natural gas purchases for the Group's electricity generation plants, IT services and other non-operating, corporate and support services, as well as Group financing, which is managed centrally.

IBERDROLA, individually considered, has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results. Therefore, no specific environmental disclosures have been included in these notes to the annual accounts.

IBERDROLA's registered address is at Plaza Euskadi 5, in Bilbao.

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Accounting legislation applied

The annual accounts have been prepared in accordance with the Spanish General Accounting Plan (*Plan General de Contabilidad - PGC*) approved by Royal Decree 1514/2007, of 16 November, which was amended by Royal Decree 602/2016, of 2 December and prevailing mercantile legislation.

These annual accounts have been prepared by the IBERDROLA's directors and will be submitted for approval at the General Shareholders' Meeting. It is expected that they will be approved without modification.

Unless stated otherwise, the figures in these annual accounts are shown in thousands of euros. The euro is its functional currency.

On the other hand, IBERDROLA has prepared its Consolidated annual accounts in accordance with current legislation, according to International Financial Reporting Standards (IFRS) as approved by the European Union. The main figures in the IBERDROLA Group's 2019 and 2018 Consolidated annual accounts are as follows:

Thousands of Euros	2019	2018
Total assets	122,369,006	113,037,923
Equity		
Of the parent company	(37,678,307)	(36,582,199)
Non-controlling interests	(9,516,358)	(7,394,355)
Revenue	(36,437,908)	(35,075,873)
Profit for the year:		
Parent company	(3,406,311)	(3,014,052)
Non-controlling interests	(408,246)	(323,316)

2.2 True and fair view

The annual accounts have been prepared on the basis of IBERDROLA's auxiliary accounting records, in accordance with prevailing accounting legislation, to give a true and fair view of the equity, financial position and results of IBERDROLA.

The Cash flow statement has been prepared to present fairly the source and application of IBERDROLA's cash and cash equivalents.

IBERDROLA's balance shows as of 31 December 2019 a deficit of working capital (current liabilities exceeding current assets) in the amount of Euros 5,867,986 thousand fully justified by the existence of current debt with group companies and associates in the amount of Euros 6,946,944 thousand. According to IBERDROLA's directors, this will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends of its subsidiaries. Moreover, IBERDROLA has undrawn loans in Euros 6,029,612 thousand (Note 14).

2.3 Comparative information

In accordance with mercantile legislation, for comparative purposes in relation to each item on the Balance sheet, Income statement, Statement of changes in equity and Statement of cash flow, the figures for the previous year have been provided along with the figures for 2019. Quantitative information from the previous year is also included in the report.

3. DISTRIBUTION OF PROFIT

IBERDROLA's Board of Directors has agreed to submit for the approval of the shareholders at their General Meeting the following distribution of 2019 profit and prior years' profit and loss:

Thousands of Euros	2019
Basis of distribution	
Retained earnings	8,732,387
Profit for 2019	2,848,815
Total	11,581,202
Distribution:	
To Legal reserves	–
To dividends	Amount to be determined resulting from adding: (a) the total interim dividend and (b) the result of multiplying the complimentary dividend by the total number of shares that the holders have decided to receive as cash remuneration under the framework of the first execution of the <i>Iberdrola Flexible Remuneration</i> system for 2020.
To prior years' profit and loss	Amount to be determined resulting from deducting amounts earmarked for the legal reserves and dividends from the basis of distribution
Total	11,581,202

IBERDROLA's Board of Directors has agreed to propose at the General Shareholders' Meeting, the distribution, chargeable to the results of 2019 and the prior years' profit and loss from previous years, a gross dividend whose gross amount will be the same as the following amounts:

- (a) Euros 238,559 thousand that were paid out in an interim dividend paid on 5 February 2020 to the holders of 1,419,991,945 IBERDROLA shares that chose to receive their remuneration in cash under the framework of the second execution of the Iberdrola Flexible Remuneration system corresponding to 2019 through the collection of an amount corresponding to dividend paid of 0.168 gross Euros per share; and
- (b) the amount to be determined by multiplying:
 - (i) the gross amount per share that, in complimentary dividends for 2019, the Company will distribute under the framework of the first execution of the 2020 Iberdrola Flexible Remuneration system (the complimentary dividend), and will be equal to the cash remuneration; by
 - (ii) the total number of shares upon which the holders have opted for receiving the complimentary dividend within the first execution of the Iberdrola Flexible Remuneration system.

On the date of authorisation of these annual accounts, it is not possible to determine the amount of the complimentary dividend or, consequently, the amount of the Dividend.

The payment of the complimentary dividend shall be made together with the execution of the increase in share capital that will be proposed at the General Shareholders' Meeting, to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the complimentary dividend) or in the free shares of the new issuance of the Company (through the aforementioned increase in share capital).

The payment of the complimentary dividend is configured as one of the alternatives that the shareholder may choose when receiving their remuneration on the first execution of the Iberdrola Flexible Remuneration corresponding to 2020. As a consequence of the aforementioned, it will be understood that these shareholders who choose to receive their remuneration in cash by means of the complimentary dividend with respect to all or part of their shares, expressly, automatically and irrevocably waive the free allocation rights corresponding to these shares and the possibility of putting them on the market. They thus waive the right to transfer them in the market or receive share fully issued corresponding to those free allocation rights.

4. ACCOUNTING POLICIES

4.1 Intangible assets

Intangible assets are measured at acquisition cost or production cost, less any accumulated amortisation and any impairment losses. An intangible asset is recognised only if it is probable that it will generate future economic benefits that will flow to IBERDROLA and the cost of the asset can be measured reliably. The recoverability of intangible assets is analysed when events or changes in circumstances take place that indicate that their carrying amount may not be recovered.

The acquisition price or production cost includes specific and generic finance expenses, incurred prior to putting the asset to use for those intangible assets that take more than one year to be ready for use.

Intangible assets are amortised using the straight-line method over their estimated useful life. If the useful life cannot be reliably estimated, the intangible assets will be amortised on a 10 years' basis, unless another legal or regulatory provision establishes a different time limit. The amortisation periods and methods are revised annually at year-end and, where appropriate, adjusted prospectively.

Patents, licenses, trademarks and similar

These assets are recognised at acquisition cost and are amortised on a straight-line basis throughout the shorter of their period of validity or the period to which they contribute to revenue generation.

Computer software

The costs incurred in connection with the basic computer systems used in the management of IBERDROLA and developed in-house, and the amounts paid for ownership of or the right to use programs are also recorded under the "Intangible assets" heading of the Balance sheet. These items are amortised on a straight-line basis over a maximum period of five years from the date on which each application comes into service. Personnel expenses for employees who have worked on IT projects are recognised as an increase in the cost of the projects and recorded with a credit to "Work performed by the entity and capitalised" in the Income statement.

4.2 Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost, including the legally permitted revaluations undertaken by IBERDROLA under Royal Decree-law 7/1996, less accumulated depreciation and impairment losses, if any.

The acquisition price or production cost includes specific and generic financial costs incurred prior to putting the asset into use for assets that take more than one year to be ready for use. Also, personnel expenses related directly or indirectly to facilities under construction are recognised as an increase in the cost of the projects and recorded with a credit to "Work performed by the entity and capitalised" in the Income statement.

Repairs which do not prolong the useful life of the assets and maintenance expenses are charged directly to the Income statement as accrued. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalised as an increase in the value of the assets.

Replacements or renewals of complete units are recorded as a greater amount to property, plant and equipment, and the units replaced or renewed are retired from the accounts.

IBERDROLA transfers work under construction to property, plant and equipment in use once the plant starts up.

Leases are classified as finance leases when, based on the analysis of the nature of the agreement and its conditions, reveal that all risks and rewards of ownership of assets under contract have been substantially transferred to IBERDROLA. Therefore, the property acquired with these leases is accounted for by its nature in the property, plant and equipment for an amount equal to the lower of its fair value and the present value of minimum payments set at the beginning of the lease.

The amortisation and depreciation of the fixed assets included in the Balance sheet at 31 December 2019 is based on cost using the straight-line method over the next estimated years of useful life:

	Average years of estimated useful life
Buildings	50
Equipment for IT processes	4 - 8
Other intangible assets	7 - 40

At each financial year-end, IBERDROLA reviews and adjusts, where necessary, the assets' residual values, useful lives and depreciation method, adjusting the criteria followed prospectively as appropriate.

4.3 Impairment of non-current non-financial assets

IBERDROLA assesses, at least annually, whether there is an indication that its non-current non-financial assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of fair value less cost to sell, or value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risk to the asset. For assets that do not generate cash inflows that are largely independent of those from other financial assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses are recognised for all assets or, where appropriate, their cash-generating units, when the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the Income statement and, except in the case of goodwill, reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Reversal of an impairment loss is recognised as income in the Income statement and only to the extent that the increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset.

4.4 Financial instruments

4.4.1 Classification and measurement of financial assets and liabilities

IBERDROLA's financial assets are classified by their measurement as follows:

a) *Loans and receivables*

Includes the financial assets that originate from the sale of goods and lending of services related with the trafficking activities as well as other credits for non-commercial activities that, not being equity or hedging instruments, are of a fixed or determinable payments that are not quoted in an active market.

Assets herein are recognised at fair value. After initial recognition, loans and receivables are measured at amortised cost. Interests accrued on these liabilities are recognised in the Income statement using the effective interest rate method.

However, trade loans maturing in less than a year that do not have a contractual interest rate, as well as advances and loans granted to employees, receivable dividends and the unpaid portion of equity instruments expected to be received in the short term, are measured both initially and subsequently at par value when the impact of not discounting cash flows is not significant.

b) *Equity investments in group companies and associates*

This category includes investments in companies in which the entity exercises control (group companies), joint control via by-law resolutions or contractual arrangements with one or more partners (joint ventures), or has significant influence (associates).

In the balance sheet, financial liabilities are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration received. The initial value includes preferential subscription and similar rights. After the initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

In the case of non-monetary contributions to a group company for the purpose of a business, the investment is measured at the carrying amount of the delivered assets and liabilities in the Consolidated annual accounts on the date the transaction was performed. The Consolidated annual accounts used are those of the major group or subgroup, whose holding is Spanish, which includes the assets and liabilities. In the event the aforementioned annual accounts are not prepared, in accordance with any exemption provided for in the consolidated criteria, the values prior to carrying out the transaction in the Individual annual accounts of the contributing company will be taken.

When these assets must be valued, for derecognition from the Balance sheet or other purposes, they are measured using the weighted average cost method by standard groups, understanding that these values have the same rights. When preferential subscription rights or similar are sold or transferred for exercise, the cost of the rights is deducted from the carrying amount of the related assets.

c) *Available-for-sale financial assets*

Available-for-sale assets are debt securities and equity instruments of other companies that are not classified in any of the preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value, including any attributable transaction costs incurred to dispose of them. Any gains or losses in fair value are recognised directly in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the Income statement. However, impairment losses and exchange gains and losses on monetary financial assets denominated in foreign currency are recognised in the Income statement. Interest on these assets, calculated using the effective interest rate method, and dividends accrued are also recognised in the Income statement.

Investments in equity instruments whose fair value cannot be determined reliably are shown at cost, less any accumulated impairment losses. When these assets must be valued, for derecognition from the Balance sheet or other purposes, they are measured using the weighted average cost method by standard groups. When preferential subscription rights or similar are sold or transferred for exercise, the cost of the rights is deducted from the carrying amount of the related assets. This amount corresponds to the fair value or cost of the rights, calculated in accordance with the measurement of the related financial asset.

d) *Assets and liabilities held for trading*

IBERDROLA includes in this category derivative financial instruments that do not meet the criteria for hedge accounting according to accounting policies.

Assets and liabilities held for trade are recognised at fair value. The transaction costs directly attributable to purchase or issuing is recognised as an expense in the Income Statement. After initial recognition, available-for-sale financial assets are measured at fair value, including any attributable transaction costs incurred to dispose of them. Any gains or losses in fair value are recognised in the Income statement for the year.

e) *Loans and payables*

This heading includes financial assets arising from the sale of goods and rendering of services in the Company's ordinary course of business, as well as non-trade loans, that are not derivatives.

Financial liabilities are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration received. Directly attributable transaction costs are included in the initial measurement of financial liabilities. After initial recognition, financial liabilities included in this category are subsequently measured at amortised cost. Interest accrued is recognised in the Income statement applying the effective interest method.

However, trade payables that have no contractual interest rate and are payable within a year, and capital called up by third parties, which is expected to be paid in the short term, both in the initial and subsequent measurement, are measured at their nominal amount, when the effect of not discounting cash flows is immaterial.

4.4.2. Interest and dividends received on financial assets

Interest and dividends accrued on financial assets after acquisition are recognised as income in the Income statement. Interest is recognised using the effective interest rate method and dividends when the right to receive the payment is established.

When dividends paid explicitly from profits obtained prior to the acquisition date exceed profits generated by the investee since the acquisition, these dividends are not recognised as income, but are rather deducted from the carrying amount of the investment.

4.4.3. Impairment of financial assets

IBERDROLA assesses regularly whether a financial asset or group of financial assets are impaired.

a) *Loans and receivables*

If there is objective evidence that an impairment loss on an asset or group of assets carried at amortised cost has been incurred, due to an event or series of events that have occurred after initial recognition and that lead to a reduction or delay in the estimated future cash flows, the carrying amount of the asset or group of assets is corrected.

The amount of the impairment loss on these financial assets is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. For variable-rate financial assets, the effective interest rate at the year-end annual accounts date based on the contractual terms is used. Impairment losses on a group of financial assets are calculated using models based on statistical formulas or methods.

Impairment adjustments and their reversal, when the amount of such loss decreases due to causes related to a subsequent event, are recognised as an expense or income, respectively, in the Income statement. The loss can only be reversed to the limit of the carrying amount of the asset had the impairment loss not been recognised.

b) *Equity investments in group companies and associates*

When there is objective evidence that the carrying amount of an investment cannot be recovered, it is adjusted accordingly.

The amount of the loss is measured as the difference between the carrying amount of the investment and its recoverable amount. Recoverable amount is the higher of the fair value less costs to sell and the present value of the estimated future cash flows. In estimating impairment on investments, the investee's equity (or consolidated equity, as the case may be) is taken into consideration, corrected for any unrealised gains at the measurement date, unless better evidence of the recoverable amount of the investment is available.

The impairment losses and, where appropriate, their reversals are recognised as an expense or income, respectively, in the Income statement. An impairment loss may be reversed up to the carrying amount of the asset recognised at the date of reversal had no impairment loss been recognised previously.

c) *Available-for-sale financial assets*

IBERDROLA considers objective evidence of impairment to be a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. To this end, for available-for-sale financial assets, a significant or prolonged decline in the fair value (stock market value for listed instruments) is considered to be a 40% fall for at least 3 months or a loss of value below purchase price for at least 18 months. When the fair value is regained, the 18-month period must again be completed, provided it is not a momentary or insignificant event.

4.4.4. *Derecognition of financial assets*

IBERDROLA derecognises a financial asset, or part of a financial asset, when the contractual rights to receive cash flows from the asset have expired or are transferred, and it has transferred substantially all the risks and rewards incidental to its ownership. This is assessed by comparing IBERDROLA's exposure to the change in the amounts and schedule of net cash flows from the transferred asset before and after the transfer.

If IBERDROLA has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it has not retained control of the asset, which is determined based on the transferee's ability to transfer the asset. If IBERDROLA retains control of the asset, it continues to recognise the asset at the amount of the company's exposure to changes in the fair value of the transferred asset; that is, to the extent of its continuing involvement, and recognises the related liability.

When the financial asset is derecognised, the difference between the consideration received less directly attributable transaction costs, taking into account any new asset acquired less any liability assumed, and the carrying amount of the financial asset plus any cumulative amounts recognised directly in equity determines the related gain or loss and is recognised in the Income statement in the year.

IBERDROLA does not derecognise financial assets and recognises a financial liability at the amount received in return in transfers of financial assets where it has retained substantially all the risks and benefits inherent to ownership.

4.4.5. *Derecognition of financial liabilities*

IBERDROLA derecognises a financial liability when the obligation is discharged.

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 liability is recognised. The difference between the carrying amount of the financial liability or part of the financial liability and the amount paid to extinguish the liability, including attributable transaction costs and any asset transferred other than cash or liability assumed, is recognised in the Income statement for the period.

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

When the debt instrument is replaced by another on terms that are not substantially different, the original financial liability is not derecognised in the Balance sheet, and the carrying amount is adjusted for the fees paid. The amortised cost of the financial liability is determined using the effective interest rate, which is the rate that matches the carrying amount of the financial liability at the date of modification with the cash flows payable under the new terms.

4.4.6. *Derivative financial instruments and hedging*

Derivative financial instruments are initially recognised at fair value in the Balance sheet, which coincides with acquisition cost, and subsequently remeasured at fair value as necessary. Any gains or losses arising from changes in fair value on derivatives are recognised directly in the Income statement except for those designated as cash flow hedges, in which case the changes in fair value are temporarily recognised in equity.

At the beginning of each hedge relationship, IBERDROLA formally designates and documents the relationship. The documentation includes the beginning and ending date of the hedging, the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how it assesses the instrument's effectiveness. In addition, hedges are assessed periodically to determine that they are highly effective both prospectively and retrospectively.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

a) *Fair value hedges*

A hedge of the exposure to changes in the fair value of a recognised asset or liability or firm commitment.

Changes in the fair value of the derivative financial instruments designated as a hedge and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit to the same heading of the Income statement.

b) *Cash flow hedges*

Cash flow hedges: a hedge of the exposure to variability in cash flows that is either attributable to a specific risk associated with a recognised asset or liability or a highly probable forecast transaction as well as the change of the foreign currency risk in a firm commitment.

The effective portion of the gain or loss on the hedging instrument determined as effective is recognised temporarily in equity. Amounts taken to equity are transferred to the Income statement when the hedged transaction affects profit or loss. When the hedged relates to a forecast transaction that leads to the recognition of a non-financial asset or liability, the amounts taken to equity are transferred to the cost of the asset acquired or liability assumed. The part of the hedge considered ineffective is recorded in the Income Statement.

c) *Hedge of net investment in foreign operations*

Hedges of investments in foreign companies are treated as fair value hedges for the foreign currency component.

The value variations of the hedging instrument or exchange rate differences associated with the monetary amount used as the hedging instrument are entered in the Income Statement. The value variations of the investments associated with the underlying amount in foreign currency are entered in the Income Statement.

Discontinuation of hedges

The IBERDROLA Group prospectively discontinues the fair value hedge accounting in the cases in which the hedging instrument matures, is sold, let go of or exercised, the hedge does not fulfil the hedge accounting conditions or the designation is revoked.

When hedge accounting is discontinued, the cumulative amount at that date recognised under “Adjustments for changes in value” in the balance sheet in said heading 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 heading is transferred to the Consolidated Income statement.

Fair value of derivative financial instruments

The fair value of the derivative financial instruments is calculated as follows (Note 15):

- For derivatives quoted on an organised market corresponds to its market price at year end.
- For derivatives not traded in organized financial markets, IBERDROLA uses assumptions based on market conditions at the balance sheet date. 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.
 - currency futures are measured by discounting the future cash flows calculated using the forward exchange rates at year end.;

These measurement models take into account the risks of the asset or liability, among these, 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 features of the counterparty and its credit rating.
- Loss given default: the estimated loss in the event of default.

4.4.7. *Contracts to buy or sell non-financial items*

IBERDROLA 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 net of cash or in another financial asset are classified as derivatives 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 IBERDROLA's purchase, sale, or usage requirements.

Contracts to buy or sell non-financial items to which the treatment described in the previous paragraph does not apply are designated as "own-use contracts" and are recognised as IBERDROLA receives or delivers the rights or obligations originating from thereunder.

4.5 Cash and cash equivalents

This heading includes cash, bank current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the IBERDROLA's standard cash management policy.

In terms of the Statement of cash flow, occasional bank overdrafts used as part of the IBERDROLA's cash management strategy are recognised as a decrease in cash and cash equivalents.

4.6 Treasury shares

Treasury shares held by IBERDROLA at the Balance sheet date under the "Equity - Treasury shares and own equity investments" heading are measured at acquisition cost.

Gains and losses produced by the sale of treasury shares by the companies are recognised in the "Reserves - Other reserves" heading in the Balance sheet.

4.7 Post-employment and other benefits

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

In the case of defined benefit plans, IBERDROLA's policy is to recognise the related expense on an accrual basis over the working lives of the employees based on actuarial studies by independent experts using the projected unit credit method to measure the obligation accrued at the end of the period. Any actuarial gains and losses are recognised under the "Reserves - Other reserves" heading when they arise. The provision recognised under this concept represents the present value of the defined benefit obligation reduced by the fair value of the related plans.

When the fair value of the assets exceeds the present value of the obligation, the net asset is not recognised in the Balance sheet unless it is virtually certain that it will be recovered by IBERDROLA.

4.8 Collective redundancy procedures and other early retirement plans for employees

IBERDROLA recognises termination benefits when there is an agreement with the employees or a certain expectation that such an agreement will be reached that will enable the employees to be terminated in exchange for indemnity payment.

IBERDROLA has labour force reduction plans in progress which guarantee those benefits will be received throughout the pre-retirement period.

IBERDROLA recognises the full amount of the expenditure relating to these plans when the obligation is incurred by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year-end. The actuarial gains and losses disclosed each year are recognised in the Income statement for that year.

4.9 Termination benefits

Under current labour legislation, IBERDROLA is required to pay compensation to terminated employees under certain conditions.

4.10 Share-based employee compensation

The delivery of IBERDROLA shares to employees as compensation for their services is recognised under the "Personnel expenses" heading in the Income statement as the workers perform the remunerated services, with a credit to equity under the "Other reserves" heading in the Balance sheet at the fair value of the equity instruments on the grant date, defined as the date when IBERDROLA and its employees reach an agreement establishing the terms of the share grant.

If remuneration based on equity instruments is paid in cash, the amount booked as "personnel expenses" in the Consolidated Income statement is credited to "Long-term debts - Other financial liabilities" on the liabilities side of the Consolidated statement of financial position, as appropriate. The fair value of the cash-settled compensation is remeasured at each reporting date.

4.11 Contingent Provisions assets and liabilities

IBERDROLA's policy, based on its best estimates, recognises provisions for contingencies and expenses to cover probable or certain quantifiable third-party liabilities arising from litigation in progress or from indemnity payments, obligations or unpaid expenses of an undetermined amount, and collateral and other similar guarantees provided by the company. A provision is recognised when the liability or obligation arises, with a charge to the heading in the Income statement in accordance with the nature of the obligation, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognised under "Finance expense" in the Income statement.

Provisions are recognised in the Balance sheet when IBERDROLA has a present obligation (legal or contractual disposition, implicit or tacit liability) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

In addition, contingent liabilities are understood as possible liabilities resulting from past events, the materialisation of which is conditioned by expected future events that are not under the control of IBERDROLA, as well as current liabilities resulting from past events, for which there is a low probability of outflow of resources for their settlement or that cannot be valued reliably. These contingent liabilities are not subject to the accounting record, but are detailed in the Report when an outflow of resources is possible.

Contingent assets will only be recognised when they can be verified as virtually correct.

4.12 Foreign currency transactions

Transactions in foreign currency are initially recorded at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the Balance sheet date. All translation differences, gains and losses, originated in this process, including those arising from the settlement of Balance sheet items, are taken to the Income statement for the year.

4.13 Income tax expense

IBERDROLA files Consolidated Tax Returns with certain Group companies.

Income tax expense for the year is calculated as the sum of the current tax expense derived by applying the current tax rate to the tax base for the year, after taking into account all applicable tax credits and relieves, and the change in deferred tax assets and liabilities recognised. Deductions and credit taxes are registered in the companies in which they have been generated.

Income tax expense is recognised in the Income statement except when it relates directly to items recognised in equity, in which case it is recognised also in this heading.

Current Income tax assets and liabilities are measured at the amount expected to be recovered from tax receivables and paid to tax payables. The tax rates used are those that are enacted at the Balance sheet date, including any tax adjustments from previous years.

Deferred Income tax is accounted using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the annual accounts.

IBERDROLA recognises deferred tax liabilities for all taxable temporary differences unless the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affected neither accounting profit nor taxable profit or loss.

IBERDROLA recognises deferred income tax assets for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that IBERDROLA will have taxable profit available against which these can be utilised, in a maximum period of 10 years, except when the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

At the end of each year, IBERDROLA reviews the deferred tax assets recognised at the Balance sheet date and those that have not been recognised previously. Based on this review, IBERDROLA derecognises a previously recognised asset if it is no longer probable that it will be recovered or recognises a deferred tax asset not previously recorded only if it is probable that IBERDROLA will have sufficient taxable profit available for it to be utilised.

Unless there is evidence to the contrary, it is not considered likely that the tax group will have future tax gains if future recovery is expected in more than ten years from the reporting date. Nonetheless, it is considered likely that the tax group will have sufficient tax gains to recover deferred tax assets, provided there are taxable temporary differences that may be reverted in the same year as the expected reversion of deductible temporary differences or in years in which a tax loss, due to a deductible temporary difference, can be compensated with previous or subsequent gains.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply at the time of the reversal based on tax laws enacted and on how it reasonably expects to recover the deferred tax asset or settle the deferred tax liability. Changes to the carrying amounts of deferred income tax assets and liabilities are recognised in the Income statement, except where the related deferred tax assets and liabilities are recognised directly in equity.

Deferred tax assets and liabilities are measured without taking into account the impact of the time value of money.

4.14 Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the Balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with IBERDROLA's operating cycle and are going to be sold, consumed, realised or settled within one year.

4.15 Income and expenses

Income and expenses are recognised at the moment that the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Income from the sale of goods and rendering of services is recognised at the fair value of the counterparty received or to be received, derived from them, less the amount of any discount, price reduction or similar granted by the company, as well as the indirect taxes levied on the transactions which can be passed on to third parties.

Income is recognised based on the economic substance of the transaction and is recognised when all of the following conditions are met:

- IBERDROLA has transferred the significant risks and rewards of ownership of the goods to the buyer, regardless of the legal title.
- IBERDROLA does not maintain managerial involvement to the extent usually associated with ownership and effective control over the goods.
- The amount of the income can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to IBERDROLA.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In addition, income from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion at the reporting date. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, income should be recognised but only to the extent of the expenses recognised that are deemed recoverable.

As a holding of the IBERDROLA Group, IBERDROLA includes dividends and accrued income from the financing granted to subsidiaries, as well as services rendered to group companies, under "Net revenue" in the Income statement.

4.16 Related party transactions

Related party transactions are accounted for pursuant the abovementioned valuation standards.

5 FINANCIAL RISK MANAGEMENT

The IBERDROLA Group is exposed to various inherent risks in the countries, industries and markets in which it operates and the businesses it carries out, which could prevent it from achieving its objectives and executing its strategies successfully.

In particular, the financing and financial risk policy of the IBERDROLA Group approved by the Board of Directors identifies the risk factors described below. The IBERDROLA Group has an organisation and systems that enable it to identify, measure and control the financial risks to which it is exposed.

The Company performs its corporate business activities indirectly through the ownership of shares or other equity investments in other companies (subholding companies, which in turn perform their activities through their head of business companies). The corporate and governance organisation is based on the recognition of the multinational nature of the Group.

Interest rate risk

The Company is exposed to the risk of fluctuations in interest rates affecting cash flows and fair value in respect of items in the statement of financial position (debt and derivatives).

In order to adequately manage and limit this risk, the Company yearly determines the desired structure of the debt between fixed and floating interest rate. From time to time, actions to be carried out are determined throughout the year: new sources of financing (at a fixed, floating or indexed rate) and/or the use of interest rate derivatives.

IBERDROLA's debt structure at 31 December 2019 and 2018, after taking into account hedges via derivatives, is as follows:

Thousands of Euros	2019	2018
Fixed interest rate	380,506	744,286
Floating interest rate	1,294,174	650,841
Total	1,674,680	1,395,127

The debt structure at 31 December 2019 and 2018, after taking into account hedges via derivatives, is as follows:

Thousands of Euros	2019	2018
Fixed interest rate	806,160	478,259
Floating interest rate	11,106,731	11,564,208
Total	11,912,891	12,042,467

Floating rate borrowings and cash placements are basically pegged to market rates (mainly Euribor and Libor- pound sterling).

Exchange rate risk


As the IBERDROLA's functional currency is the Euro, fluctuations in the value of the currencies in which borrowings are instrumented and transactions are made, with respect to the Euro may have an impact on the Finance expense, profit for the year and equity of the group.

IBERDROLA mitigates the risk ensuring that all its economic flows are carried out in Euros, provided that this is possible and economically viable and efficient, through the use of derivatives if not.

The impact of exchange rate variations in foreign subsidiary companies are mitigated while keeping debt in a foreign current, as well as through financial derivatives.

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 on its business activities.



IBERDROLA Group's liquidity policy, at global level, 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 sufficient amount, term and flexibility, diversification of the hedge of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued (Note 14).

The figures relating to IBERDROLA's debt performance are included in Note 14 to the annual accounts.

As indicated in Note 14, at 31 December 2019 IBERDROLA had undrawn loans and credit facilities of approximately Euros 6,029,612 thousand.

Credit risk

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

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is Corporate credit risk policy setting the framework and action principles for a correct risk management.

Receivable accounts do not have a relevant credit risk since the activity as a holding company of the Group is centred on services provided to other Group companies. Regarding other exposure (counterparties in transactions with derivatives, placement of cash surpluses, sale transactions involving energy and guarantees received from third parties), in 2019 and 2018 there have been no material non-payments or losses.

Brexit

Following a long process initiated with the referendum in 2016, on 31 January 2020 the United Kingdom effectively exited the European Union (EU). A provisional agreement will govern the relationships between the two until 31 December 2020. The purpose of this transition periods is for both parties to reach a trade agreement on their relationships from 1 January 2021. If no agreement is reached, the rules governing the relationship between the EU and the United Kingdom would be those of the World Trade Organisation and the relevant customs fees and controls will be applied.

The risks linked to the Brexit may result in higher volatility of financial markets, which could affect the valuation in Euros of the contribution to Scottish Power dividends in IBERDROLA's Income statement and the financing conditions to which the Company has access. For further information, check Note 4 of IBERDROLA Group's Consolidated annual accounts for 2019.

6 USE OF ACCOUNTING ESTIMATES

Certain assumptions and estimates were made by IBERDROLA in the preparation of these annual accounts. The main matters subject to estimate in the preparation of these annual accounts are as follows:

- Provision for pensions and similar obligations:

At each year-end, IBERDROLA estimates the current actuarial provision required to cover obligations relating to restructuring plans, pensions and other similar commitments to its employees. In the preparation of these estimates, IBERDROLA receives advice from independent actuaries (Notes 4.7 and 4.8).

- Impairment of investments in group companies and associates

As described in Note 4.3, IBERDROLA, in accordance with applicable accounting regulations, performs an annual impairment test for those investments required. Specific tests are also conducted if indications of impairment are detected. These impairment tests require the estimate of the future evolution of the business and the most appropriate discount rate in each case. IBERDROLA believes these estimates are appropriate and consistent with the current market situation.

- Provisions for contingencies and expenses:

As described in Note 4.11, IBERDROLA recognises provisions to cover present obligations arising from past events. For this purpose, it must assess the outcome of certain procedures of a legal or other nature that are ongoing at the date of authorization for issue of these annual accounts based on the best information available.

Although these estimates were made on the basis of the best information available at the date of authorization for issue of these annual accounts, future events may require adjustments (upwards or downwards) in coming years, changes in estimates would be applied prospectively, recognising the effects of the change in estimates in the future periods.

7. INTANGIBLE ASSETS

The detail and movements in the items comprising "Intangible assets" in 2019 and 2018 are as follows:

Thousands of Euros	Balance at 01.01.2018	Additions and allowances	Decreases, disposals or reversals	Balance at 31.12.2018	Additions and allowances	Balance at 31.12.2019
Cost						
Patents, licenses, trademarks and similar	157	–	–	157	–	157
Computer software	614,115	57,382	(1,489)	670,008	42,077	712,085
Other intangible assets	20,859	8,982	–	29,841	–	29,841
	635,131	66,364	(1,489)	700,006	42,077	742,083
Accumulated depreciation						
Patents, licenses, trademarks and similar	(157)	–	–	(157)	–	(157)
Computer software	(527,400)	(37,435)	213	(564,622)	(42,118)	(606,740)
Other intangible assets	(12,060)	(7,065)	–	(19,125)	(6,974)	(26,099)
	(539,617)	(44,500)	213	(583,904)	(49,092)	(632,996)
Net value	95,514	21,864	(1,276)	116,102	(7,015)	109,087

In 2019 and 2018, Personnel expenses of the personnel who have worked on computer systems projects and have been capitalised in the cost of these projects amounted to Euros 1,179 and Euros 3,380 thousand, respectively.

At 31 December 2019 and 2018 there are no intangible assets securing bank loans.

The amounts for intangible assets acquired from group companies and associates at 31 December 2019 and 2018 are Euros 506 and Euros 387 thousand, respectively.

In 2019 and 2018, no intangible assets were sold to group companies.

IBERDROLA does not have intangible assets whose rights may be exercised outside of Spain in 2019 and 2018.

Fully amortised intangible assets amounted to Euros 185,020 thousand at 31 December 2019 (Euros 130,465 thousand at 31 December 2018).

At 31 December 2019 IBERDROLA's has firm commitments to acquire intangible assets amounted to Euros 5,630 thousand (Euros 5,067 thousand at 31 December 2018). At 31 December 2019 and 2018 there were no firm commitments to sell intangible assets.

The expenses incurred in due to research and development activities amount to Euros 28,604 thousand in 2019 and Euros (Euros 23,851 thousand in 2018).

8. PROPERTY, PLANT AND EQUIPMENT

The detail and movements of the balances of the “Property, plant and equipment” in 2019 and 2018 are as follows:

Thousands of Euros	Balance at 01.01.2019	Additions and allowances	Transfer	Decreases, disposals or reversals	Balance at 31.12.2019
Cost					
Land	59,496	–	–	–	59,496
Buildings	134,178	3,572	–	–	137,750
Technical installations and other items	345,498	22,857	15,490	(15)	383,830
Total PP&E in use	539,172	26,429	15,490	(15)	581,076
Under construction and advances	33,940	16,599	(1,675)	(800)	48,064
Total cost	573,112	43,028	13,815	(815)	629,140
Accumulated depreciation					
Buildings	(26,222)	(3,134)	–	–	(29,356)
Technical installations and other items	(300,044)	(16,299)	–	–	(316,343)
Total accumulated depreciation of PP&E	(326,266)	(19,433)	–	–	(345,699)
Impairment allowance					
Technical installations and other items	(799)	–	–	695	(104)
Total accrual for impairment	(799)	–	–	695	(104)
Total net cost	246,047	23,595	13,815	(120)	283,337

Thousands of Euros	Balance at 01.01.2018	Additions and allowances	Transfer	Decreases, disposals or reversals	Balance at 31.12.2018
Cost					
Land	59,496	–	–	–	59,496
Buildings	131,311	2,867	–	–	134,178
Technical installations and other items	326,544	18,932	22	–	345,498
Total PP&E in use	517,351	21,799	22	–	539,172
Under construction and advances	10,922	25,070	(22)	(2,030)	33,940
Total cost	528,273	46,869	–	(2,030)	573,112
Accumulated depreciation					
Buildings	(23,558)	(2,664)	–	–	(26,222)
Technical installations and other items	(283,029)	(17,015)	–	–	(300,044)
Total accumulated depreciation of PP&E	(306,587)	(19,679)	–	–	(326,266)
Impairment allowance					
Under construction and advances	–	(799)	–	–	(799)
Total accrual for impairment	–	(799)	–	–	(799)
Total net cost	221,686	26,391	–	(2,030)	246,047

During the years 2019 and 2018, IBERDROLA has not capitalised finance expense as additions to tangible assets.

In 2019 and 2018, Personnel expenses directly or indirectly related to construction in progress and capitalised in the cost of those assets, amounted to Euros 314 and Euros 222 thousand, respectively.

During 2019, tangible assets from group companies and associates have been acquired for an amount of Euros 396 thousand (no acquisitions in 2018). In 2019 and 2018, no property, plant and equipment assets were sold to group companies.

IBERDROLA owned no Property, plant and equipment outside the Spanish territory in 2019 and 2018.

At 31 December 2019 and 2018, IBERDROLA had fully depreciated Property, plant and equipment in use with a cost value of Euros 281,949 thousand and Euros 251,071 thousand, respectively, of which no amount corresponds to buildings.

At 31 December 2019 and 2018 IBERDROLA had no tangible assets securing bank loans.

At 31 December 2019 and 2018, Property, plant and equipment include Euros 86,653 thousand and Euros 87,809 thousand, respectively, corresponding mainly to the carrying amount of the land and building in IBERDROLA's Madrid head office which is held under a finance lease. The amount for which the asset was recognised initially amounted to Euros 104,133 thousand corresponding to the present value of the minimum future payments to be made on the initial recognition date.

The information related to the minimum payments on the finance lease at 31 December 2019 is as follows:

Thousands of Euros	2019
2020	4,100
2021	4,100
2022	4,100
2023	4,100
2024	4,100
From 2025 onwards	61,005
Total	81,505

Thousands of Euros	2019
Financial Cost	22,824
Present value of the payments	58,681
Total	81,505

The present value of these lease payments is recognised under "Non-current payables-Finance lease-Finance lease payments" and "Current Payables-Finance lease payables" in the Balance sheet.

At 31 December 2019 IBERDROLA has firm commitments to acquire Property, plant and equipment amounting to Euros 4,534 thousand (Euros 15,900 thousand at 31 December 2018).

9. CATEGORIES AND MEASUREMENT OF FINANCIAL INSTRUMENTS

At 31 December 2019 and 2018 the carrying value of each category of financial asset and liabilities, except for equity investments in group companies and associates, trade and other receivables, trade and other payables, and cash and cash equivalents, is as follows:

Thousands of Euros	Long-term financial assets							
	Equity instruments		Loans and receivables		Derivatives		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Assets held for trading	–	–	–	–	49,190	25,454	49,190	25,454
Loans and receivables	–	–	37,482	72,466	–	–	37,482	72,466
Available-for-sale assets measured at cost	412	412	–	–	–	–	412	412
Hedging derivatives	–	–	–	–	76,604	48,436	76,604	48,436
Total	412	412	37,482	72,466	125,794	73,890	163,688	146,768

Thousands of Euros	Short-term financial assets					
	Loans and receivables		Derivatives		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Assets held for trading	–	–	12,329	3,742	12,329	3,742
Loans and receivables	2,307,465	1,367,883	–	–	2,307,465	1,367,883
Hedging derivatives	–	–	41,943	211,175	41,943	211,175
Total	2,307,465	1,367,883	54,272	214,917	2,361,737	1,582,800

Thousands of Euros	Long-term financial liabilities							
	Loans and borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Liabilities held for trading	–	–	10,525	3,258	–	–	10,525	3,258
Debts and payables	339,538	798,842	–	–	4,969,242	4,988,134	5,308,780	5,786,976
Hedging derivatives	–	–	27,041	81,487	–	–	27,041	81,487
Total	339,538	798,842	37,566	84,745	4,969,242	4,988,134	5,346,346	5,871,721

Thousands of Euros	Long-term financial liabilities							
	Loans and borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Liabilities held for trading	–	–	777	(363)	–	–	777	(363)
Debts and payables	1,335,142	596,285	–	–	7,017,646	7,121,187	8,352,788	7,717,472
Hedging derivatives	–	–	(248)	24,708	–	–	(248)	24,708
Total	1,335,142	596,285	529	24,345	7,017,646	7,121,187	8,353,317	7,741,817

(1) Includes derivatives with third parties and with Group companies and associates.

Fair value in “Borrowings”, “Finance lease payables” and “Borrowings with group companies and associates” (except derivatives with group companies and associates) in current and non-current liabilities in the Balance Sheet as of 31 December 2019 and 2018 amounts to Euros 14,112,670 and Euros 13,785,580 thousand, respectively. Their carrying amount is Euros 13,587,571 and 13,437,594 thousand, respectively. The fair value of the derivative financial instruments does not differ significantly from book value thereof.

Fair value is determined by the discount of future cash flow payments discounted by using the applicable market rates at the measuring date.

10. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Details in “Non-current investments in group companies and associates - Equity instruments” excluding derivatives during 2019 and 2018 are as follows:

Thousands of Euros	Balance at 01.01.2019	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2019
Investments in group companies	44,337,140	57,020	(194)	51,326	44,445,292
Investments in associates	781	–	–	–	781
Valuation adjustments group companies and associates	(263,527)	(813,648)	36,686	–	(1,040,489)
Total	44,074,394	(756,628)	36,492	51,326	43,405,584

Thousands of Euros	Balance at 01.01.2018	Corporate reorganisation	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2018
Investments in group companies	44,022,885	94,687	299,940	–	(80,372)	44,337,140
Investments in associates	781	–	–	–	–	781
Valuation adjustments group companies and associates	(228,086)	–	(36,955)	1,514	–	(263,527)
Total	43,795,580	94,687	262,985	1,514	(80,372)	44,074,394

The IBERDROLA Group companies and associates and data relating thereto at 31 December 2019 and 2018 are as follows:

Company	Address	Operating currency	Share price at 31.12.2019	Activity	Percentage of ownership at 31.12.2019	Thousands of Euros				
						Carrying amount 2019	Share capital	Reserves	Profit/(Loss)	Dividends received in 2019
Iberdrola España, S.A.U. ⁽¹⁾	Bilbao	EUR	-	Holding	100%	9,548,580	2,921,234	9,793,376	1,848,133	1,098,060
Iberdrola Participaciones, S.A.U. ⁽²⁾	Madrid	EUR	-	Holding	100%	2,306,833	60	2,073,469	(58,720)	-
Iberdrola Energía, S.A.U. ^{(2) (3)}	Madrid	EUR	-	Holding	100%	2,263,232	1,477,831	833,800	213,424	102,522
Hidro I, S.L.U. ⁽²⁾	Madrid	EUR	-	Holding	100%	1,173,016	394,973	1,677,113	470,024	669,880
Iberdrola Financiación, S.A.U.	Bilbao	EUR	-	Financial – Instrumental	100%	1,139,668	2,000,060	(237,436)	(481,166)	-
SPW Investments Ltd. ⁽²⁾	United Kingdom	GBP	-	Holding	100%	14,302,677	1,201	14,352,548	467,662	1,594,437
Avangrid, Inc. ⁽²⁾	USA	USD	45.87	Holding	81.5%	11,258,873	2,297	16,912,798	538,183	396,238
Scottish Power Overseas Holdings, Ltd. ⁽²⁾	United Kingdom	GBP	-	Energy	100%	115,961	-	113,030	2,922	-
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	-	Financial – Instrumental	100%	100,061	100,061	26,322	(587)	-
Iberdrola Internacional, B.V.	Holland	EUR	-	Financial – Instrumental	100%	388	388	3,638	6,859	10,000
Iberdrola Inversiones 2010, S.A.U. ⁽²⁾	Bilbao	EUR	-	Holding	100%	160,180	144,010	26,068	1,941	-
Iberdrola Energía Internacional, S.L. ⁽²⁾	Bilbao	EUR	-	Holding	100%	969,063	60	1,000,913	110,810	-
Neoenergía, S.A. ⁽³⁾	Brazil	BRL	5.46	Holding	1.04%	57,020	-	-	-	493
Other companies	-	-	-	-	-	10,032	-	-	-	-
Total						43,405,584				3,871,630

Company	Address	Operating currency	Share price at 31.12.2018	Activity	Percentage of ownership at 31.12.2018	Thousands of Euros				
						Carrying amount 2018	Share Capital	Reserves	Profit/(Loss)	Dividends received in 2018
Iberdrola España, S.A.U. ⁽¹⁾	Bilbao	EUR	–	Holding	100%	9,548,580	2,921,234	9,666,182	1,366,992	1,200,952
Iberdrola Participaciones, S.A.U. ⁽²⁾	Madrid	EUR	–	Holding	100%	2,279,554	60	2,102,690	(30,335)	–
Iberdrola Energía, S.A.U. ⁽²⁾	Madrid	EUR	–	Holding	100%	2,263,426	1,477,831	774,645	164,973	–
Hidro I, S.L.U. ⁽²⁾	Madrid	EUR	–	Holding	100%	1,173,016	394,973	1,890,843	407,039	–
Iberdrola Financiación, S.A.U.	Bilbao	EUR	–	Financial – Instrumental	100%	1,953,317	2,000,060	(88,260)	(57,202)	–
SPW Investments Ltd. ⁽²⁾	United Kingdom	GBP	–	Holding	100%	14,256,282	1,201	14,319,230	726,923	–
Avangrid, Inc. ⁽²⁾	USA	USD	44.03	Holding	81.5%	11,253,527	2,297	16,496,372	528,574	368,998
Scottish Power Overseas Holdings, Ltd. ⁽²⁾	United Kingdom	GBP	–	Energy	100%	106,554	–	102,458	4,096	–
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	–	Financial – Instrumental	100%	100,061	100,061	27,049	(727)	–
Iberdrola International, B.V.	Holland	EUR	–	Financial – Instrumental	100%	388	388	7,185	6,035	–
Iberdrola Inversiones 2010, S.A.U. ⁽²⁾	Bilbao	EUR	–	Holding	100%	160,180	144,010	24,883	1,184	–
Iberdrola Energía Internacional, S.L. ⁽²⁾	Bilbao	EUR	–	Holding	100%	969,478	60	959,318	74,462	–
Other companies	-	-	–	–	–	10,031	–	–	–	–
Total						44,074,394				1,569,950

(1) Holding companies. The information regarding Capital, Reserves and Earnings for financial years 2019 and 2018 are presented in consolidated form in accordance with International financial reporting standards.

(2) Holding companies. The information regarding Capital, Reserves and Earnings for financial years 2019 and 2018 are presented in consolidated form in accordance with International financial reporting standards (hereinafter, IFRS), as adopted by the European Union.

(3) The information regarding Neenergía, S.A. referring to Capital, Reserves and Profit for the year 2019 is presented in Iberdrola Energía, S.A.U.

Below is a detail of activities developed by IBERDROLA Group through its main holdings:

Company	Activity
Iberdrola España, S.A.U.	Conventional generation, renewable generation, electricity and gas trade and electricity distribution in Spain.
Iberdrola Participaciones, S.A.U.	Real property and holding of interests in companies.
Iberdrola Energía, S.A.U.	Conventional generation, renewable generation, electricity and gas trade and electricity, transmission y distribution in Brazil.
Hidro I, S.L.U.	Conventional generation, renewable generation, electricity trade in Mexico.
Scottish Power Investments, Ltd.	Conventional generation, renewable generation, electricity and gas trade and electricity transmission distribution in the United Kingdom.
Avangrid, Inc.	Conventional generation, electricity and gas trade and electricity in the US.
Iberdrola Energía Internacional, S.L.	Renewable generation, electricity and gas trade in Germany, France, Portugal, Greece, Italy and other European countries.

Significant transactions in 2019 and 2018

The most significant transactions carried out in 2019 and 2018 involving equity stakes held by IBERDROLA were as follows:

- On 28 June 2019 the Public Sale Offer (PSO) over Neoenergia, S.A. (NEOENERGIA) was announced, whereby shares started to be traded under the Novo Mercado segment of the São Paulo Stock Market. As part of the PSO agreement, Iberdrola Energía, S.A.U. (over which Iberdrola, S.A. Holds a 100% interest) sold a non-controlling interest, reducing it to 50.0000001%. Later on, Iberdrola, S.A.A increased its interest in NEOENERGIA by purchasing 12,618,700 shares reaching a direct stake of 1.040%.
- IBERDROLA's individual financial statements include valuation adjustments for the investments in Iberdrola Financiación, S.A. in the amount of Euros 813,648 thousand. Valuation changes have been calculated as the difference between carrying value and fair value of all assets and liabilities of which it consists. The business activity of this subsidiary company, which consists of the collection of long-term funds to finance the operations of IBERDROLA Group's companies, as well as the Group's centralised management of exchange rate risk through derivatives, has been negatively impacted by the performance of long-term interest rates and exchange rates compared to the Euro, which in turn has impacted the fair value of loans.
- Additionally, the Company has reversed the impairment adjustment for Iberdrola Participaciones, S.A.U. And Scottish Power Overseas Holdings, Ltd. for the difference between its carrying amount and its recoverable amount. The amounts of the valuation changes reversals rose to Euros 27,279 and 9,407 thousand, respectively.
- On 15 June 2018 IBERDROLA purchased the company "Deckard Solutions, S.L." (later renamed "Iberdrola Energy Internacional S.L.") for Euros 4 thousand. Subsequently, on 30 July 2018 IBERDROLA executed as a public document the transfer of the stake in Iberdrola Renovables Internacional S.L. to Iberdrola Internacional S.L., by means of the partial spin-off of the company Iberdrola España, S.A.U. IBERDROLA has recognised a credit of Euros 94,687 thousand under "Other reserves" in the balance sheet due to the different between transferred stock and carrying amount of the equity transferred in the Group's Consolidated annual accounts (Note 4.4.1.b).

- On 3 October 2018 IBERDROLA increased Hidrola I, S.L.U.'s share capital in Euros 299,936 thousand in total, distributed in Euros 109,564 thousand in share capital and Euros 190,372 thousand in premium fee.

At 31 December 2019 the balance of group companies and associates includes Euros 11,258,873 and 57,020 thousand corresponding to IBERDROLA's interest in AVANGRID and NEONERGIA, respectively, whose trading price at reporting date amounts to Euros 11,570,518 and 68,933 thousand.

11. EQUITY

11.1 Registered capital

Changes in 2019 and 2018 in the different items of share capital of IBERDROLA are as follows:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Balance at 01.01.2018			6,317,515,000	0.75	4,738,136,250
Scrip issue	31 January 2018	1.913%	120,859,000	0.75	90,644,250
Capital reduction	28 June 2018	3.081%	(198,374,000)	0.75	(148,780,500)
Scrip issue	30 July 2018	2.526%	157,629,000	0.75	118,221,750
Balance at 31.12.2018			6,397,629,000	0.75	4,798,221,750
Scrip issue	31 January 2019	1.920%	122,828,000	0.75	92,121,000
Capital reduction	21 June 2019	4.301%	(280,457,000)	0.75	(210,342,750)
Scrip issue	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

The bonus share issues taken place in 2019 and 2018 correspond to the different execution approved by the General Shareholders' Meeting through which the *Iberdrola Flexible Remuneration (Iberdrola Flexible Dividend before)* system is implemented.

In 2017 IBERDROLA changed the framework of the second *Iberdrola Flexible Dividend* programme, adding a fourth additional option to the traditional three options. As a result, shareholders could choose among:

- receiving their remuneration in free allocation right shares;
- transfer in part or in whole the free allocation rights to the market;
- transferring in part or in whole the free allocation rights to the Company at a fixed guaranteed price by virtue of a purchase undertaking by the Company, or
- receiving their remuneration in cash, collecting an amount for the dividends corresponding to 2017.

In 2018, with the implementation of the first settlement of the Iberdrola flexible dividend, the option to transfer the free allocation rights to the Company at a fixed price was eliminated. The other three options remained. The same characteristics have been maintained for the second settlement of the Iberdrola flexible dividend IBERDROLA's Board of Directors will submit to the General Shareholders' Meeting for approval (Note 3).

Additionally, on 21 June 2018 and 18 June 2019, capital reductions through the amortisation of treasury stock were agreed, as approved by the shareholders at their General Meeting held on 13 April 2018 and 29 March 2019, 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.

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

Major 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 2019 and 2018, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with the 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 National Securities Market Commission (hereinafter, Comisión Nacional del Mercado de Valores - CNMV) or the company's annual accounts or press releases, and it is presented in the 2019 IBERDROLA Group's Annual Corporate Governance Report.

IBERDROLA treats as a "significant shareholder" any shareholder who exerts a significant influence on the company's financial and operating decisions. "Significant influence" is defined as having at least one director on the Board. This also applies to those significant shareholders whose ownership interest in the company enables them to exercise the proportional representation system. Therefore, the company treats Qatar Investment Authority as significant shareholder, being the only shareholder who satisfied that condition as of 31 December 2019 and 2018.

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

Holder	% of voting rights 2018			Financial instruments 2018	Directors in IBERDROLA 2018
	Direct	Indirect	Total		
Qatar Investment Authority ⁽¹⁾	–	8.646	8.646	–	–

(1) Parent company of Qatar Holding LLC, direct holder of the investment (formerly, the direct holder of the investment was Qatar Holding Luxembourg II, S.A.R.L.).

In addition, the breakdown of other companies having at 31 December 2019 and 2018 direct or indirect voting rights higher than 3% of the share capital are as follows:

Holder	% of voting rights 2019			% of voting rights 2018		
	Direct	Indirect	Total	Direct	Indirect	Total
Norges Bank	3.430	–	3.430	3.332	–	3.332
Blackrock, Inc.	–	5.160	5.160	–	5.131	5.131

At 31 December 2019, the direct and indirect stakes in the capital of IBERDROLA held by the members of the Board of Directors are as follows:

Directors	Number of shares			%
	Direct	Indirect	Total	
José Ignacio Sánchez Galán	6,917,528	3,829,021	10,746,549	0.169
Inés Macho Stadler	69,374	–	69,374	0.001
Iñigo Víctor De Oriol Ibarra	1,229,345	–	1,229,345	0.019
Samantha Barber	1,987	–	1,987	–
María Helena Antolín Raybaud	3,492	–	3,492	–
Georgina Yamilet Kessel Martínez	8,752	–	8,752	–
Denise Mary Holt	734	–	734	–
José Walfredo Fernández	–	–	–	–
Manuel Moreu Munaiz	25,492	25,492	50,984	0.001
Xabier Sagredo Ormaza	–	–	–	–
Juan Manuel González Serna	45,670	402,924	448,594	0.007
Francisco Martínez Córcoles	545,286	–	545,286	0.009
Anthony Luzzato Gardner	–	–	–	–
Sara de la Rica Goiricelaya	11,260	–	11,260	–
Total	8,858,920	4,257,437	13,116,357	0.206

Direct and indirect shareholdings of members of the Board of Directors at the date of authorization for issue of these annual accounts are set out in section A.3. of the Corporate Governance Report.

Powers delegated by the General Shareholders' Meeting

The General Shareholders' Meeting on 8 April 2016 resolved, in respect of items seven and eight 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 swappable for and/or convertible into shares in the Company or other companies, and warrants on new or existing shares in the Company or other companies, to a maximum amount of Euros 5,000 million. This authorisation includes the delegation of powers to, where applicable: (i) determine the basis and procedures for conversion, swap 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.

11.2 Share premium

The share premium amount at 31 December 2019 and 2018 rises to Euros 14,512,006 thousand. The Revised Companies Act expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

11.3 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, amounting to Euros 968,999 thousand, can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

11.4 Revaluation reserves

This reserve, included in the Balance sheet of the 1996 annual accounts, arose as a result of the revaluation of property, plant and equipment made by IBERDROLA pursuant to Royal Decree-Law 7/1996 of 7 June (Note 4.2).

This reserve may be used, tax free, to offset accumulated losses from previous years, as well as losses incurred in the current or future years and to increase capital. From 1 January 2007, it can be allocated to unrestricted reserves, provided that the capital gain has been realized. 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.

At 31 December 2018 the amount in this reserve was Euros 28,002 thousand. In 2019 said reserved was fully allocated to the share capital increase of 31 January 2019 (Note 11.1). As a result, at 31 December 2019 there are no amounts in said reserve.

11.5 Redeemed capital reserve

In 2019, a capital reduction was carried out by redeeming treasury stock, lowering its share capital by Euros 210,343 thousand and voluntary reserves by Euros 2,015,233 thousand, carrying out the resolution approved by the shareholders at their General Meeting held on 29 March 2019.

In accordance with article 335.c of the Revised Text of the Spanish Companies Act, IBERDROLA has a restricted "Redeemed capital reserve" of Euros 1,048,246 thousand, equivalent to the par value of the reduced share capital.

11.6 Treasury shares

The Company 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 2019 y 2018 the balances of the various instruments are as follows:

	31.12.2019		31.12.2018	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Treasury Stock	24,376,375	217,865	135,985,344	873,065
Total return swaps	11,949,623	77,599	11,810,088	77,599
Accumulators (exercised shares)	63,395,734	530,344	209,361	1,378
Accumulators (potential shares)	70,058,270	602,458	7,613,376	50,230
Total	169,780,002	1,428,266	155,618,169	1,002,272

a) Treasury Stock

Movements in treasury stocks during 2019 and 2018 were as follows:

	No. of shares	Thousands of Euros
Balance at 01.01.2018	75,710,149	507,175
Additions	266,442,793	1,672,087
Capital reduction	(198,374,000)	(1,245,420)
Disposals	(7,798,715)	(49,733)
<i>Iberdrola Flexible Remuneration</i>	5,117	–
<i>Iberdrola Flexible Remuneration remuneration</i> ⁽²⁾	–	(11,044)
Balance at 31.12.2018	135,985,344	873,065
Additions	172,369,618	1,402,123
Capital reduction	(280,457,000)	(2,015,182)
Disposals	(6,561,151)	(42,141)
<i>Iberdrola Flexible Remuneration</i> ⁽¹⁾	3,039,564	–
Balance at 31.12.2019	24,376,375	217,865

(1) Shares received

(2) Free of charges allocation rights disposed.

The profit obtained by IBERDROLA in 2019 and 2018 due to the disposal of treasury stock amounted to a profit of Euros 5,254 thousand and a loss of Euros 225 thousand, respectively, recognised under "Other reserves" in the balance sheet.

b) Physically settled derivatives

IBERDROLA has recognised the transaction directly in equity under the heading "Treasury shares and own equity investments" and the obligation to buy back the shares under the "Long-term and short-term liabilities - Bank borrowings" heading in the Balance sheet.

– Total return swaps

IBERDROLA has four swaps on treasury shares with the following features: during the life of the contract IBERDROLA will pay 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 2019 and 2018 are as follows:

2019	No. of shares	Strike price	Maturity date	Interest rate	Thousands of Euros
Total return swap	5,810,088	6.188	24/07/2020	3-month Euribor + 0.30%	35,953
Total return swap	6,139,535	6.783	25/07/2020	3-month Euribor + 0.30%	41,646
Total	11,949,623	-			77,599

2018	No. of shares	Strike price	Maturity date	Interest rate	Thousands of Euros
Total return swap	5,810,088	6.188	24/07/2019	3-month Euribor + 0.38%	35,953
Total return swap	6,000,000	6.941	25/07/2019	3-month Euribor + 0.30%	41,646
Total	11,810,088	-			77,599

- Accumulators

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

The characteristics of these contracts at 31 December 2019 and 2018 are as follows:

2019	No. of shares	Average Price of the period	Maturity date	Thousands of Euros
Exercised shares	63,395,734	8.3656	07/02/2020 - 11/06/2020	530,344
Potential maximum ⁽¹⁾	70,058,270	8.5994	07/02/2020 - 11/06/2020	602,458

2018	No. of shares	Average Price of the period	Maturity date	Thousands of Euros
Exercised shares	209,361	6.5819	14/02/2019	1,378
Potential maximum ⁽¹⁾	7,613,376	6.5976	14/02/2019	50,230

- (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 during the remaining life of the structure is always below the strike price).

11.7 Valuation adjustments

Movements in this reserve in 2019 and 2018 due to impairment of available-for-sale financial assets and derivatives classified as cash-flow hedges are as follows:

Thousands of Euros	01.01.2019	Change in fair value and others	Amounts allocated to income	31.12.2019
Interest rate swaps	(34,335)	(1,664)	10,947	(25,052)
Tax effect	8,589	416	(2,737)	6,268
Total	(25,746)	(1,248)	8,210	(18,784)

Thousands of Euros	01.01.2018	Change in fair value and others	Amounts allocated to income	31.12.2018
Interest rate swaps	(94,515)	37,820	22,360	(34,335)
Tax effect	23,634	(9,455)	(5,590)	8,589
Total	(70,881)	28,365	16,770	(25,746)

Details of the years in which this reserve is expected to affect the Income statement are as follows:

Thousands of Euros	2020	2021	2022	2023	2024 on	Total
Interest rate swaps	(10,663)	(8,002)	(2,323)	(2,323)	(1,741)	(25,052)
Tax effect	2,665	2,000	580	581	442	6,268
Total	(7,998)	(6,002)	(1,743)	(1,742)	(1,299)	(18,784)

12. SHARE-BASED COMPENSATION PLANS

2014-2016 Strategic Bonus Programme

On 25 April 2017 the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, decided to pay the 2014-2016 Strategic Bonus on determining that 93.20% of the objectives had been met.

In the first three-month period of 2019, and as the bases supporting the handover of shares in the first and second tranche of the payment were confirmed, the third and last annual payment was carried out through the handover of 1,595,056 shares. These shares included those delivered to executive directors (Note 20) and to senior management (Note 22).

2017-2019 Strategic Bonus Programme

The shareholders at their General Meeting held on 31 March 2017 approved under item fifteen on the agenda the establishment of a Strategic Bonus for executive directors, senior managers and other IBERDROLA employees who, due to their position or responsibility are deemed to have made a decisive contribution to the creation of value (up to a maximum of 300 beneficiaries), tied to the IBERDROLA Group's performance in relation to certain metrics throughout the assessment period, from 2017 to 2019.

The payment period for the scheme will run from 2020 to 2022, and payments will be made in the form of shares on a deferred basis in those three years.

The maximum number of shares to be delivered to the beneficiaries of the 2017-2019 Strategic Bonus will be 14,000,000 shares, equal to 0.22% of the share capital at the time this resolution is adopted. A maximum of 2,500,000 shares will be delivered to the executive directors in compliance with the terms and conditions of the scheme.

The variations in this headings in 2019 and 2018 are as follows:

No. of shares	
Balance at 01.01.2018	6,915,000
Additions	120,000
Cancellations	(180,000)
Other	(15,000)
Balance at 31.12.2018	6,840,000
Cancellations	(3,400)
Other	5,000
Balance at 31.12.2019	6,841,600

Changes in "Other reserves" in the balance sheet for the bonds described above are as follows:

Thousands of Euros	2014-2016 Strategic bonus	2017-2019 Strategic bonus	Total
Balance at 01.01.2018	18,324	5,433	23,757
Charges	4,683	12,602	17,285
Price effect charged to equity	748	–	748
Payments in shares	(11,141)	–	(11,141)
Payments in cash due to leaving the company	(2,418)	–	(2,418)
Balance at 31.12.2018	10,196	18,035	28,231
Charges	185	11,757	11,942
Price effect charged to equity	3,709	–	3,709
Payments in shares	(13,917)	–	(13,917)
Payments in cash due to leaving the company	(173)	–	(173)
Balance at 31.12.2019	–	29,792	29,792

13. PROVISIONS

13.1 Provisions for non-current employee benefits

The breakdown of this item in the Balance sheets at 31 December 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Remuneration stipulated in by-law 48.1 (Note 18.3)	26,590	27,099
Remuneration stipulated in by-law 48.4 (Note 18.3)	20,301	14,819
Defined benefit plans	192,363	190,644
Non-current provisions	6,075	5,869
Restructuring plans	12,368	16,236
Total	257,697	254,667

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 coming year. These are recognised as current liabilities in the Balance sheet.

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

IBERDROLA Group's main commitments to providing defined benefits for its employees, 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 2019 and 2018.

IBERDROLA has no liability of any kind for this group and has no claim on any potential excess generated in the assets of this plan over the defined benefits.

- Also, in relation to serving employees and employees who have retired after 1996 and are subjected to IBERDROLA's Collective Labour Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanage) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a pluriannual 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 2019 and 2018 are recognised under "Personnel expenses" heading in the Income statement and came to Euros 1,130 thousand and Euros 852 thousand, respectively (Note 18.3).
- In addition, IBERDROLA maintains a provision of coverage of certain commitments with its employees other than those indicated above, which are covered by internal funds linked to social security benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long-term benefits, primarily consisting of long-service bonus for active employees at 10, 20 and 30 years of service.

The movement in provisions for the commitments detailed in the previous section in 2019 and 2018 is as follows:

Thousands of Euros	Electricity tariff	Long-service bonus
Balance at 01.01.2018	201,912	6,368
Normal cost (Note 18.3)	348	563
Financial expenses (Note 18.5).	3,225	49
Actuarial gains and losses:		
To profit (Note 18.3)	–	(91)
To reserves	(4,018)	–
Payments and other	(10,823)	(1,020)
Balance at 31.12.2018	190,644	5,869
Normal cost (Note 18.3)	281	563
Other costs recognised under “Personnel expenses” (Note 18.3)	13	–
Finance expense (Note 18.5).	2,974	55
Actuarial gains and losses:		
To profit (Note 18.3)	–	79
To reserves	8,313	–
Payments and other	(9,862)	(491)
Balance at 31.12.2019	192,363	6,075

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the above mentioned commitments at 31 December 2019 and 2018 are as follows:

	2019			
	Discount rate	Wage increase	Price kWh (euros)	Survivorship table
Electricity tariff	0.93%	–	2019: 0.121303 2020: 0.112917 2021: 0.118913 2022: 0.116039 2023: 0.115581 [...]	PERM/F 2000P
Long-service bonus	0.47%	1.00%	–	PERM/F 2000P
	2018			
	Discount rate	Wage increase	CPI increase	Survivorship table
Electricity tariff	1.60%	–	2018: 0.118712 2019: 0.127224 2020: 0.130717 2021: 0.122148 2022: 0.121850 [...]	PERM/F 2000P
Long-service bonus	0.93%	1.00%	–	PERM/F 2000P

b) Defined contribution plans

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

In accordance with this system and IBERDROLA'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 joining the Company after 9 October 1996, who are subject from 1 January 2019 to a contributory system where the Company pays 62.50% and the employee 37.50% (from 1 January 2018, 60% charged to the company and 40% charged to the employee). 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 (BSR). At this moment the same criteria will be applied to those employees as the ones who were hired since 9 October 1996. The Company finances these contributions for all its respective current employees.

IBERDROLA's contributions in 2019 and 2018 were Euros 1,950 thousand and Euros 2,056 thousand, respectively, and are recognised under "Personnel expenses" heading in the Income statement (Note 18.3).

c) Restructuring plans

Given the interest shown by some of the employees in requesting early retirement, IBERDROLA has offered these employees mutually agreed termination of the employment relationship. To do so, IBERDROLA has carried out a process of individual termination contracts. At 31 December 2019, the existing provisions in this regard correspond to the following restructuring plans:

Thousands of Euros	31.12.2019		31.12.2018	
	Provisions	No. of contracts	Provisions	No. of contracts
2012 restructuring plan	72	1	140	2
2014 restructuring plan	5,501	39	8,880	52
2015 restructuring plan	65	1	219	2
2016 restructuring plan	206	1	303	2
2017 restructuring plan	5,455	13	6,694	13
2019 restructuring plan	1,069	3	-	-
Total	12,368	58	16,236	71

The discount to present value of the provisions is charged to "Finance expense" heading in the Income statement.

The movement in provisions for the commitments detailed in the previous section in 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Initial balance	16,236	21,346
Charges (Note 18.3)	1,165	-
Finance expense (Note 18.5)	60	74
Actuarial gain and losses and other (Note 18.3)	(79)	786
Payments and other	(5,014)	(5,970)
Final balance	12,368	16,236

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the above mentioned commitments relating to the restructuring plans at 31 December 2019 and 2018 are as follows:

	2019		2018	
	Discount rate	CPI	Discount rate	CPI
Collective redundancy procedures and other early retirement plans for employees	0.24%-0.26%	0.70%/1.00%	0.33%/0.42%	0.70%/1.00%

13.2 Other current and non-current provisions

The details and breakdown of the liabilities in the balance sheet in 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Initial balance	228,630	230,948
Charges	2,844	1,820
Charge for discount to present value (Note 18.5)	9,005	11,601
Overprovisions	(4,450)	(7,050)
Provisions applied and payments	(3,064)	(8,689)
Final balance	232,965	228,630

14. LOANS AND BORROWINGS FOR FINANCE LEASES

The detail of bank borrowings outstanding at 31 December 2019 and 2018, once considered foreign exchange hedges, and the repayment schedule are as follows:

Thousands of Euros	Balance at 31.12.2019	Current			Non-current			Total non-current
		2020	2021	2022	2023	2024	2025 and following	
Euros	1,381,290	1,294,220	23,992	12,326	958	1,922	47,872	87,070
Pounds sterling	292,092	39,624	39,645	39,645	39,645	39,645	93,888	252,468
Total	1,673,382	1,333,844	63,637	51,971	40,603	41,567	141,760	339,538
Interests accrued	1,298	1,298	–	–	–	–	–	–
Total	1,674,680	1,335,142	63,637	51,971	40,603	41,567	141,760	339,538

Thousands of Euros	Balance at 31.12.2018	Current			Non-current			Total non-current
		2019	2020	2021	2022	2023	2024 and following	
Euros	1,079,824	557,037	83,254	23,333	361,855	3,944	50,401	522,787
Pounds sterling	313,500	37,445	37,447	37,449	37,451	37,454	126,254	276,055
Total	1,393,324	594,482	120,701	60,782	399,306	41,398	176,655	798,842
Interests accrued	1,803	1,803	–	–	–	–	–	–
Total	1,395,127	596,285	120,701	60,782	399,306	41,398	176,655	798,842

Borrowings outstanding at 31 December 2019 and 2018 accrue a weighted average annual interest rate of 1.94 and 2.12%, respectively, once adjusted for the corresponding hedges.

The borrowings previously mentioned refer to the amounts drawn down and outstanding at 31 December 2019 and 2018. Additionally, at the end of 2019 and 2018 IBERDROLA had undrawn loans and credit facilities amounting to Euros 6,029,612 thousand and Euros 6,074,361 thousand, respectively, maturing between 2020 and 2024 and accrue a weighted average interest plus 0.30%.

Most significant financial transactions carried out by IBERDROLA during 2019 are as follows:

2019				
Transaction	Millions of Euros	Currency	Extension	Maturity
Main transactions for extending existing financing				
Sustainable syndicated loan ⁽¹⁾	2,979	Euro	Option +1 year	Feb-2024
Sustainable syndicated loan ⁽¹⁾	2,321	Euro	Option +1 year	Feb-2024

(1) Extension of the two novated syndicated loans for 1 additional year in January 2018 in the amount of Euros 5,300 million. Does not involve entry of funds.

Most significant financial transactions carried out by IBERDROLA during 2018 are as follows:

2018				
Transaction	Millions of Euros	Currency	Extension	Maturity
Main new financing transactions				
Sustainable syndicated loan ⁽¹⁾	2,979	Euro	option 1+1	Feb-2023
Sustainable syndicated loan ⁽¹⁾	2,321	Euro	option 1+1	Feb-2023
Main transactions for extending existing financing				
Sustainable syndicated loan ⁽²⁾	500	Euro	+1 year	June-2023
Bilateral loan ⁽²⁾	350	Euro	+1 year	Jul-2022

(1) Reconfiguration of Euros 4.4 billion, already existing, and new Euros 900 million, totalling Euros 5.3 billion, with the option of extension for 1+1 years.

(2) Does not involve entry of funds.

At 31 December 2019 and 2018, IBERDROLA was fully up to date on all its financial debt payments. None of the amounts in the table above matured prior to 31 December 2019. The terms of the IBERDROLA's borrowings include the usual covenants applied to such agreements.

In relation to credit ratings covenants, IBERDROLA has arranged funding with the European Investment Bank, amounting to Euros 292 million and Euros 125 million at 31 December 2019 and 2018, respectively, which may have to be renegotiated or shored up with additional guarantees in the event of a significant rating downgrade. Moreover, these transactions contracted with the European Investment Bank are likely to be declared overdue in advance or require additional guarantees in case of a change of control resulting from a takeover bid, unless the change is not considered harmful (Euros 189 million at 31 December 2018).

At the date of authorization for issue of these annual accounts, neither IBERDROLA nor any of its material subsidiaries were in breach of their financial commitments or any kind of obligation that could trigger the early redemption of their financial undertakings. IBERDROLA considers that the covenant clauses will have no effect on the classification of borrowings as current or non-current in the Balance sheet.

15. DERIVATIVES

The breakdown of balances at 31 December 2019 and 2018 including valuation of derivative financial instruments at those dates is as follows:

Thousands of Euros	2019				2018			
	Current		Non-current		Current		Non-current	
With third parties non-group	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate options								
Cash flow hedges								
Interest rate swaps	–	(3,304)	–	(883)	–	(777)	–	(4,338)
Fair value hedges								
Interest rate swaps	–	1,613	–	–	2,964	2,492	4,335	–
Exchange rate hedges								
Cash flow hedges								
Currency forwards	157	(553)	–	–	552	(954)	–	–
Fair value hedges								
Currency swaps	9,513	2,764	64,972	(26,158)	141,467	(16,767)	44,101	(73,453)
Fair net investment abroad								
Currency forwards	31,753	(272)	–	–	66,192	(8,722)	–	–
NON-HEDGING DERIVATIVES								
Exchange rate derivatives								
Currency forwards	9,938	(202)	15,219	–	1,630	(262)	15,772	–
Interest rate derivatives								
Interest rate swaps	–	–	–	–	–	1,275	183	–
Treasury shares derivatives								
Treasury shares derivatives	12	–	–	–	–	–	–	–
Commodities derivatives								
Other	278	(278)	27,841	–	–	–	–	–
Total	51,651	(232)	108,032	(27,041)	212,805	(23,715)	64,391	(77,791)

Thousands of Euros	2019				2018			
	Current		Non-current		Current		Non-current	
With group companies and associates	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Exchange rate hedges								
Cash flow hedges								
Currency forwards	520	–	11,632	–	–	20	–	(3,696)
NON-HEDGING DERIVATIVES								
Exchange rate derivatives								
Currency forwards	2,101	(297)	6,130	(10,525)	2,112	(650)	9,499	(3,258)
Total	2,621	(297)	17,762	(10,525)	2,112	(630)	9,499	(6,954)

The maturity schedule of the notional underlyings of derivative instruments contracted by IBERDROLA and outstanding at 31 December 2019, is as follows:

Thousands of Euros	2020	2021	2022	2023	2024 and following	Total
Interest rate options						
Cash flow hedges						
Interest rate swaps	60,000	88,101	–	–	–	148,101
Fair value hedges						
Interest rate swaps	–	75,000	–	–	–	75,000
Exchange rate hedges						
Cash flow hedges						
Currency forwards	106,812	–	–	–	263,196	370,008
Fair value hedges						
Currency swaps	223,288	886,979	–	19,440	–	1,129,707
Fair net investment abroad						
Currency forwards	291,711	–	–	–	–	291,711
NON-HEDGING DERIVATIVES						
Exchange rate derivatives						
Currency forwards	96,349	57,015	73,370	63,520	97,317	387,571
Treasury shares derivatives						
Treasury shares derivatives	35	–	–	–	–	35
Commodities derivatives						
Other	219,776	270,100	270,100	272,142	5,965,541	6,997,659
Total	997,971	1,377,195	343,470	355,102	6,326,054	9,399,792

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) and, therefore, do not constitute the risk assumed by IBERDROLA since this amount only records the basis on which the calculations to settle the derivative are made.

The par value of the liabilities for which foreign exchange hedges have been arranged is as follows:

Thousands of	2019		
	US dollars	Japanese Yens	Pounds sterling
Hedge rate			
Fair value	600,000	3,000,000	500,000
Cash flow	375,000	–	–
2018			
Hedge rate			
Fair value	1,819,000	13,000,000	700,000
Cash flow	375,000	–	–

IBERDROLA also engages in interest rate hedging transactions as part of its risk management policy. The purpose of these transactions is to offset the effect that fluctuations in interest rates could have on future cash flows from loans and borrowings with floating rates of interest and on the fair value of fixed-rate loans and borrowings.

The par value of the most significant liabilities for which interest rate hedges have been arranged is as follows:

Thousands of Hedge rate	2019	
	Euros	Pounds sterling
Fair value	75,000	–
Cash flow	60,000	75,000

Thousands of Hedge rate	2018	
	Euros	Pounds sterling
Fair value	195,000	–
Cash flow	60,000	75,000

16. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "REPORTING REQUIREMENT" OF LAW 15/2010, OF 5 JULY

The breakdown of the required information for 2019 and 2018 is the following:

Number of days	2019	2018
Average payment period to suppliers.	24.7	21.1
Paid transactions ratio	24.7	20.8
Outstanding payment transactions ratio	25.3	25.5
Thousands of Euros	2019	2018
Total payments made	596,522	614,327
Total payments due	33,024	33,025

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, from the *Instituto de Contabilidad y Auditoría de Cuentas*, on the information to be included in the notes to the annual accounts in relation to deferred payments to suppliers in commercial transactions operations. The specifications with which such information has been prepared are the following:

- Ratio of paid operations: amount in days of the ratio between the sum of the amount of each of the operations paid and the number of pay 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 generated from debts with suppliers of goods or services included in the current liabilities heading of the Balance sheet.
- Property, plant and equipment and other finance lease suppliers are not considered in the information scope.
- Taxes, levies, indemnifications and some other headings are not considered in the information scope since they are not commercial transactions.

17. TAXES

17.1 Public entities

The breakdown of receivables from and payables to Public Administrations in Balance sheets at 31 December 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Public administrations, receivable		
Public Treasury, VAT refundable	13	714
Public Treasury, Corporate income tax receivables	99,407	116,009
Public Treasury, other Receivables from withholdings applied	893	3,698
Total	100,313	120,421
Public Administrations, Payables		
Public Treasury, VAT payable	25,578	18,903
Public Treasury, withholdings payable	4,615	694
Public Treasury, other payables	878	878
Social Security Agencies, payables	1,275	994
Total	32,346	21,469

17.2 Income tax expense

IBERDROLA is the parent company of two tax consolidation groups in Spain: group 2/86 in the whole of Spain and group 02415BSC in Biscay, although Iberdrola, S.A., is currently integrated in the former.

Group 2/86 consists of 77 companies, whereas 02415BSC consists of 20 companies.

In the years previous to 2019, IBERDROLA was involved in a series of corporate restructuring transactions under the special neutrality tax regime provided under Chapter VII, Title VII of the Spanish Income Tax Law 27/2014 of 27 November. The disclosures required under this law are provided in the Notes to the annual accounts for the years when these transactions have been carried out.

The reconciliation between the parent company's accounting profit and its taxable profit for Income Tax purposes in 2019 and 2018 is as follows:

Thousands of Euros	2019	
	Income statement Increases /(decreases)	Income and expense recognised directly in equity Increases /(decreases)
Income and expenses for the year	2,848,815	(144)
Corporate income tax	(36,010)	(47)
Permanent differences	(3,049,369)	–
Temporary differences	–	–
Arising in the year	13,970	9,977
Arising in prior years	(31,719)	(10,947)
Taxable base (tax result)	(254,313)	(1,161)

Thousands of Euros	2018	
	Income statement Increases /(decreases)	Income and expense recognised directly in equity Increases /(decreases)
Income and expenses for the year	991,768	47,238
Corporate income tax	(63,610)	15,747
Permanent differences	(1,316,117)	–
Temporary differences	–	–
Arising in the year	12,577	(41,838)
Arising in prior years	(43,407)	(22,360)
Taxable base (tax result)	(418,789)	(1,213)

The amount of income and expenses directly attributed to equity in the years 2019 and 2018, before taxes, includes capital reduction expenses and paid-up capital increase expenses and amounting to Euros 1,161 and Euros 1,213 thousand respectively (Note 11). These expenses, as well as their tax effect of Euros 290 thousand and Euros 303 thousand, respectively, are not reflected in the Income statement.

Permanent differences are due to dividends received (Note 18.1), to changes in the equity investment valuation provision that have not generated a deferred tax asset (Note 10) and to other expenses that are not considered as tax-deductible.

17.3 Income tax expense

The breakdown between current and deferred Income Tax is as follows:

Thousands of Euros	2019	
	Income statement	Income and expense recognised directly in equity
Effective tax (Income) / Expense		
Current	(52,263)	(290)
Deferred	16,253	243
Total	(36,010)	(47)

Thousands of Euros	2018	
	Income statement	Income and expense recognised directly in equity
Effective tax (Income) / Expense		
Current	(79,968)	(303)
Deferred	16,358	16,050
Total	(63,610)	15,747

Income tax expense for 2019 y 2018 is as follows:

Thousands of Euros	2019	2018
Accounting profit before tax	2,812,805	928,158
Permanent differences	(3,049,369)	(1,316,117)
Adjusted accounting profit	(236,564)	(387,959)
Gross tax	(59,141)	(96,990)
Deductions (a)	(1,181)	(3,513)
Adjustment of deferred tax assets and liabilities	(3,077)	1,950
Other (b)	27,389	34,943
Income tax expense/(income)	(36,010)	(63,610)

(a) Tax credits taken by IBERDROLA include basically the credits to avoid double taxation and other credits intended to promote certain activities.

(b) In 2019 and 2018 it mainly corresponds to corporate income tax paid abroad and with the contribution to provisions.

17.4 Deferred taxes

The changes in “Deferred tax assets” and “Deferred tax liabilities” in 2019 and 2018 are as follows:

Thousands of Euros	01.01.2019	Credit (charge) to the income statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2019
Deferred tax assets:					
Measurement of financial instruments					
Derivatives:					
Cash flow hedges	20,329	–	–	(1,747)	18,582
Pensions and similar commitments	74,865	(1,907)	2,078	–	75,036
Tax credits for losses and deductions	241,049	(18,820)	–	–	222,229
Other deferred tax assets	32,635	(1,094)	–	–	31,541
Total	368,878	(21,821)	2,078	(1,747)	347,388

Thousands of Euros	01.01.2018	Credit (charge) to the income statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2018
Deferred tax assets:					
Measurement of financial instruments					
Derivatives:					
Cash flow hedges	23,627	–	–	(3,298)	20,329
Pensions and similar commitments	82,344	(6,475)	(1,004)	–	74,865
Tax credits for losses and deductions	244,258	(3,209)	–	–	241,049
Other deferred tax assets	39,570	(6,935)	–	–	32,635
Total	389,799	(16,619)	(1,004)	(3,298)	368,878

The balance of deferred tax assets, include the amount that the Company expects to recover within a period not exceeding 10 years.

Thousands of Euros	01.01.2019	Credit (charge) to the income statement	Credit (charge) to "Valuation adjustments"	31.12.2019
Deferred tax Liabilities				
Measurement of financial instruments				
Derivatives:				
Cash flow hedges	11,748	–	574	12,322
Accelerated depreciation	7,270	1	–	7,271
Deferred amounts associated with financial goodwill (art.12.5)	674,503	–	–	674,503
Other deferred tax Liabilities	44,598	(5,569)	–	39,029
Total	738,119	(5,568)	574	733,125

Thousands of Euros	01.01.2018	Credit (charge) to the income statement	Credit (charge) to "Valuation adjustments"	31.12.2018
Deferred tax Liabilities				
Measurement of financial instruments				
Derivatives:				
Cash flow hedges	–	–	11,748	11,748
Accelerated depreciation	7,086	184	–	7,270
Deferred amounts associated with financial goodwill (art.12.5)	674,503	–	–	674,503
Other deferred tax Liabilities	45,043	(445)	–	44,598
Total	726,632	(261)	11,748	738,119

The breakdown of taxable income generated by the Tax Group for business in 2019 and 2018 is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Liberalised business Spain	895,331	172,702
Renewables business Spain	263,660	429,145
Renewables business Spain	2,779	3,238
Other businesses	(210,210)	(75,195)
Corporation	(298,371)	(432,186)
Total	653,189	97,704

The details of Corporate Tax credits and debits at the end of the financial year by business between the companies in the Tax Group is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Liberalised business Spain	37,132	53,267
Renewables business Spain	28,494	(56,879)
Renewables business Spain	184	(246)
Other businesses	(38,064)	(16,682)
Corporation	(105,609)	137,869
Total	(77,863)	117,329

17.5 Administrative actions

At the reporting date, IBERDROLA keeps 2016 and subsequent tax years open to tax inspection in relation to the main taxes in which they are subject to, with the exception to income tax which is open for 2012 and subsequent years.

There are no general tax inspections in place. However, during this period several partial assessments have been completed which have resulted in agreed tax investigation reports and contested tax investigation reports. In the case of agreed tax investigation report, the Group has had to settle no material amounts, whereas in the case of contested tax investigation reports, the balance was zero.

17.6 Tax litigation

Among its principles, IBERDROLA includes the promotion of relationships with the tax authorities, based on the respect for the law, loyalty, trust, professionalism, collaboration, reciprocation and good faith, notwithstanding legitimate controversies that may arise due to the interpretation of tax rules. Therefore, when those controversies arise, IBERDROLA carries out its actions before the authorities based on a cooperative relationship, in accordance with the principles of transparency and mutual trust.

All IBERDROLA actions have been analysed by its internal and external advisors, both for this year and for preceding years, and they 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 occurrence of contingent liabilities has also been subject to analysis. IBERDROLA's overall criteria applied has been to recognise provisions for tax litigation when there is a risk of potential unfavourable decision for Iberdrola is probable whereas no recognition is required when the risk is possible or remote.

At present, IBERDROLA is awaiting the decision by the Central Administrative Economic Court for the complaints lodged as a result of disagreement signed as part of the general verification process for 2008-2011.

The main controversies arise from the settlement agreements resulting from contested tax investigation reports related to the quantification of goodwill, subject to tax amortisation and depreciation, for the acquisition of SCOTTISH POWER, the elimination of the exemption applicable to SCOTTISH POWER's dividends received for 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 Law in a debtor-swap operation in a number of debt issues.

At present, IBERDROLA is awaiting the decision by the Central Administrative Economic Court for the complaints lodged as a result of disagreement signed as part of the limited verification process for 2012-2014. The discrepancy with the Administration focuses on the applicability of the criteria of temporary imputation established in many Supreme Court's orders, regarding income received from the Group, resulting from payments made based on rules contrary to the Law.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to additional liabilities of significance for the IBERDROLA Group to those already recognised at 31 December 2019.

17.7 Other

Update of the financial goodwill (section 12.5 of the revised Corporate income tax Act).

No significant changes have taken place during this period. From the perspective of the Spanish authorities, an aid retrieval procedure was initiated by virtue of the General Tax Act, recovering from the IBERDROLA Group the amount Euros of 665 million (Euros 576 million as tax base and Euros 89 million as late-payment interests) by virtue of Section 12.5. IBERDROLA paid the required amount by (i) using Euros 363 million of the 2016 income tax rebate, and (ii) paying Euros 302 million in February 2018. For this, the Administration, in this case, understood that IBERDROLA was affected by the Third Decision of the European Commission.

Said amount, in the proportion corresponding to Iberdrola S.A., has been recognised in “Non-current trade and other receivables” in the balance sheet. The assets show the amount recoverable from the Administration for corporate income tax insofar as in the view of IBERDROLA the payments made are higher than the current tax whose recoverability is considered to be probable, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided in section 12.5 of the TRLIS resulted in a taxable temporary difference and subsequently deferred tax liabilities were recognised. Therefore, in the event the outcome is contrary to the Company’s interests (a circumstance which is not considered to be probable in accordance with the information currently available), the impact on equity would be substantially mitigated.

18. INCOME AND EXPENSES

18.1 Net revenue

The detail of this heading in the Income statements for 2019 and 2018 by categories, as well as geographical markets, is as follows:

2019 Thousands of Euros	European Union				Total
	Spain	Euro zone	Non-Euro zone	Other countries	
Gas (1)	391,997	–	–	–	391,997
Other	1,729	–	–	–	1,729
Income from market adjustment of gas contracts	–	–	–	27,841	27,841
	393,726	–	–	27,841	421,567
Finance revenue from equity investments in group companies and associates (Note 10 and 23.2)	1,870,462	10,000	1,594,437	396,731	3,871,630
Finance revenue from debt securities and other financial instruments of group companies and associates (Note 23.2)	7,936	8,583	1,162	163	17,844
Income from services rendered to Group companies (Note 23.2)	138,686	2,496	53,861	60,557	255,600
	2,017,084	21,079	1,649,460	457,451	4,145,074
Total	2,410,810	21,079	1,649,460	485,292	4,566,641

2018 Thousands of Euros	European Union				Total
	Spain	Euro zone	Non-Euro zone	Other countries	
Gas (1)	326,541	19,761	–	48,810	395,112
Other	–	–	–	4,542	4,542
	326,541	19,761	–	53,352	399,654
Finance revenue from equity investments in group companies and associates (Note 10 and 23.2)	1,200,952	–	–	368,998	1,569,950
Finance revenue from debt securities and other financial instruments of group companies and associates (Note 23.2)	9,900	9,930	1,285	90	21,205
Income from services rendered to Group companies (Note 23.2)	129,126	3,218	50,438	51,666	234,448
	1,339,978	13,148	51,723	420,754	1,825,603
Total	1,666,519	32,909	51,723	474,106	2,225,257

⁽¹⁾ The amount in Spain corresponds mainly to sales to Iberdrola Generación España S.A.U.

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 long-term liquid natural gas (LNG) supply contracts, sea transportation and use of gas infrastructures, as well as other ancillary contracts related to LNG supply.

In consideration for this Transaction, Pavilion will pay to IBERDROLA Group the amount of Euros 30,940 million, to be paid in accordance with the transaction's schedule subject to upward and downward changes agreed. The closing of the transaction took place on 1 January 2020, and Euros 24,752 thousand were collected in advance.

In 2019, IBERDROLA has recognised LNG supply contracts which had not been previously recognised in the financial statements until the time of delivery at their reasonable value taking into consideration that as of the execution date the requirements justifying the application of own use criteria had not been met. Consequently, IBERDROLA has recognised income amounting to Euros 27,841 thousand in "Revenue" in the Income statement at 31 December 2019.

Details of dividends received from group companies and associates are shown in Note 10.

18.2 Supplies

The detail of this heading in the Income statements for 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Gas purchases	391,998	391,740
Spain	56	64,800
European Union	177,803	197,859
Other countries	214,139	129,081
Other purchases	853	3,741
Total	392,851	395,481

18.3 Social security costs

The detail of this heading in the Income statements for 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Company social security costs	11,290	10,308
Contribution to provisions for pensions and similar commitments (Note 13)	3,152	2,458
Contributions defined for the outsourced pension plan	1,950	2,056
Attendance allowances Art. 48.1	17,000	17,000
Attendance allowances Art. 48.4	9,382	5,588
Other social expenses	(434)	8,214
Total	42,340	45,624

18.4 Operating leases

The “External services” heading in the Income statements includes operating lease payments of Euros 12,095 thousand and Euros 14,262 thousand for 2019 and 2018, respectively. Details of future minimum payments under non-cancellable operating leases outstanding at 31 December 2019 are as follows:

Thousands of Euros	2019
2020	7,227
2021	6,697
2022	5,597
2023	5,019
2024	4,452
From 2025 onwards	5,066
Total	34,058

18.5 Finance expense

Details in this heading in 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Finance expense related to liabilities at amortised cost:		
With third parties	15,402	19,430
With group companies and associates	183,229	254,350
Increase/(decrease) in Finance expenses from fair-value hedges of interest rate	(57,755)	(67,719)
Increase/(decrease) in Finance expenses from cash flow hedges of interest rate	2,634	9,573
Increase/(decrease) in Finance expenses from discontinued hedges	3,761	7,247
Other Finance expense	6,687	39,369
Discount to present value of provisions (Note 13)	12,094	14,949
Total	166,052	277,199

18.6 Financial Income

Details in this heading in 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Financial income related to Assets at amortised cost		
With third parties	184	80
Accrued interest on regulatory receivable (revenue shortfall)	–	199
Other financial Income	897	1,587
Total	1,081	1,866

18.7 Change in fair value of financial instruments

Details in this heading in 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Valuation at fair value of:		
Equity instruments	(194)	146
Non-hedging derivatives	1,161	6,790
Fair net investment abroad	(11,281)	(197,984)
Inefficiencies cash flow hedges	9,193	(4,672)
Total income/(expense)	(1,121)	(195,720)

18.8 Exchange gains/(losses)

The breakdown of exchange gains/losses in the Income statements for 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
For transactions settled during the year	(2,460)	(2,036)
For transactions settled during the year	(8,531)	(2,507)
Total income/(expense)	(10,991)	(4,543)

18.9 Employees

The average number of employees at IBERDROLA in 2019 and 2018, by professional category, is the following:

	2019	2018
University graduates	605	605
Qualified employees	45	41
Other	74	77
Total	724	723

Distribution by gender at the end of 2019 and 2018 for the IBERDROLA workforce, broken down by categories, is as follows:

	2019			2018		
	Women	Men	Total	Women	Men	Total
University graduates	255	348	603	263	360	623
Qualified employees	23	25	48	19	22	41
Other	56	15	71	59	17	76
Total	334	388	722	341	399	740

In 2019 there has been one IBERDROLA employee with a disability greater than or equal to 33 percent (no employees in 2018).

The Legislative Royal Decree 1/2013 of 29 November, by which the revised text of the General Law on rights of persons with disabilities and their social inclusion is approved, requires public and private companies employing 50 or more workers to have jobs reserved for people with disabilities of at least 2% of its workforce.

As IBERDROLA does not fulfil this reserve, it has opted for a number of alternative measures established by the Royal Decree 364/2005 of 8 April which, on an exceptional basis, governs alternative compliance with the reserve in favour of employees with disabilities. The alternative measures that may be applied by corporations to meet the obligation of an employment reserve in favour of employees with disabilities are as follows:

- A corporate or civil contract with a special employment centre, or with a freelancer with a disability, to supply raw materials, machinery, equipment goods or any other kind of merchandise required for normal operation of the business of companies taking up this measure.
- Donations and sponsorships, always in a monetary format, to enable employment insertion activities to be carried out and jobs to be created for people with disabilities, when the organisation benefiting from these actions is a foundation or a public-interest association the purpose of which is, among other aspects, professional training, employment insertion or the creation of jobs for people with disabilities.
- Creation of an employment enclave, following the signature of the contract with a special employment centre, in accordance with the provisions of Royal Decree 290/2004 of 20 February regulating employment enclaves as a means of encouraging employment for people with disabilities.

In order to fulfil the reserve, IBERDROLA has drawn up contracts with special employment centres to provide services that are ancillary to its usual business, and has made contributions in 2019 and 2018 (additionally, contributions were made in 2018).

19. GUARANTEE COMMITMENTS TO THIRD PARTIES

IBERDROLA and its subsidiaries are required to provide the bank or corporate guarantees associated with the normal management of the company's activities.

IBERDROLA also guarantees the business of Iberdrola Energía Internacional, S.L. with third parties in some of its commitments relating to the construction and commissioning of its offshore renewable wind farms and in gas purchase and sale agreements in the Generation business.

In 2016, regarding the corporate Income Tax for the years 2008 to 2011 and regarding the Value Added Tax, for years 2010 and 2011. IBERDROLA has filed the corresponding claims to the Economic Administrative Court against the liquidation agreements, which confirm the acts of nonconformity, requesting the automatic suspension of the execution of the settlements by means of the necessary bank guarantees (Note 17).

On the other hand, IBERDROLA guarantees the following Group companies: Iberdrola Finanzas, S.A.U., Iberdrola Finance Ireland, Limited, Iberdrola International, B.V. and Iberdrola Financiación, S.A.U., for various bonds issues and commercial paper of these and the arrangement of derivatives (ISDA) by subsidiaries and I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly, Iberdrola Distribución Eléctrica, S.A.U.) due to the European Investment Bank (IEB)'s financing.

IBERDROLA considers that any additional liability other than those provisioned at 31 December 2019 and 2018, arising from the guarantees provided at 31 December 2019 and 2018, if any, would not be significant.

20. REMUNERATION OF THE BOARD OF DIRECTORS

20.1 2019 by-law stipulated remuneration

Section 48 of IBERDROLA's by-laws provides that the Company shall 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 proposal of the Appointments and Remuneration Committee, the Board of Directors has decided to propose to shareholders at their General Meeting to assign by-law stipulated remuneration of Euros 17,000 thousand in 2019 and the same amount as in the previous four years, this is in 2015, 2016, 2017 and 2018.

These amounts have been registered under the "Personnel expenses" heading in the Income statements (Note 18.3).

a) Fixed remuneration and attendance premium

The fixed annual remuneration and attendance premium received by board and committee members depends on the duties assigned to them in the Board of Directors and its commissions in 2019 and 2018. The details are as follows:

Thousands of Euros	Fixed remuneration		Attendance fees	
	2019	2018	2019	2018
Chairman of the board	567	567	4	4
Vice-chair of the board and committee chairs	440	440	4	4
Committee members	253	253	2	2
Board members	165	165	2	2

b) Remuneration of the executive directors for their executive duties

The Board of Directors has resolved to maintain the fixed remuneration for the chairman and chief executive officer in 2019 at Euros 2,250 thousand. It also decided to maintain the limit of variable annual remuneration, which may not exceed Euros 3,250 thousand and which will be paid as far as been agreed in 2020.

The Board of Directors agreed on a fix remuneration in 2019 of Euros 1,000 thousand for the member of the board and Business CEO and set a limit of variable annual remuneration of Euros 1,000, to be paid, as may be agreed, in 2020.

c) Board member remunerations paid and accrued

The detailed fixed remuneration accrued by the members of the Board of Directors, individually, during 2019 and 2018, respectively, is detailed as follows:

Thousands of Euros	Salaries	Fixed remuneration ⁽¹⁾	Remuneration for sitting on Committees ⁽¹⁾	Attendance fees	Short-term variable remuneration ⁽¹⁰⁾	Remuneration in kind	Total 2019	Total 2018
Chairman of the board								
José Ignacio Sánchez Galán	2,250	567	–	92	3,250	72	6,231	6,062
Vice-chair of the board and committee chairs								
Inés Macho Stadler ⁽²⁾	–	165	275	76	–	3	519	511
Samantha Barber	–	165	275	82	–	2	524	516
María Helena Antolín Raybaud	–	165	275	52	–	7	499	486
Xabier Sagredo Ormazá ⁽³⁾	–	165	249	58	–	2	474	295
Juan Manuel González Serna ⁽⁴⁾	–	165	275	44	–	2	486	387
Committee members								
Iñigo Víctor de Oriol Ibarra	–	165	88	52	–	5	310	296
Georgina Kessel Martínez ⁽⁵⁾	–	165	114	46	–	1	326	505
Denise Mary Holt	–	165	88	40	–	1	294	294
José Walfredo Fernández	–	165	88	40	–	1	294	294
Manuel Moreu Munaiz	–	165	88	60	–	2	315	317
Francisco Martínez Córcoles	1,000	165	–	16	1,000	34	2,215	1,918
Anthony Luzzatto Gardner ⁽⁶⁾	–	165	88	30	–	1	284	198
Sara de la Rica Goiricelaya ⁽⁷⁾	–	126	67	24	–	1	218	–
Ceased members								
Braulio Medel Cámara ⁽⁸⁾	–	–	–	–	–	–	–	89
Angel Jesús Acebes Paniagua ⁽⁹⁾	–	39	21	12	–	1	73	314
Total	3,250	2,712	1,991	724	4,250	135	13,062	12,482

(1) Remuneration accrued in 2019. These amounts are not satisfied until the approval of 2019 by-law stipulated remuneration by the General Shareholders Meeting 2020.

(2) Appointed Vice-chairperson of the Board of Directors on 21 June 2018.

(3) On 19 February 2019 the Board of Directors approved his appointment as a chairman of the Audit and Risk Supervision Committee.

(4) On 21 June 2018 the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee.

(5) On 19 February 2019, the appointment as chairwoman of the Audit and Risk Supervision Committee expired.

(6) Appointed member on 13 April 2018. On that same date, the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee. On 24 April 2019 the appointment was approved as a member of the Audit and Risk Supervision Committee replacing Sara de la Rica Goiricelaya.

(7) Appointed member on 29 March 2019. On that same date, the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee. On 24 April 2019 the appointment was approved as a member of the Audit and Risk Supervision Committee replacing Anthony Luzzatto Gardner.

(8) Ceased as vice-chairman of Boards of Directors at their meeting on 13 April 2018.

(9) Ceased as member of the board on 28 March 2019.

(10) Amount relates to variable remuneration received in the year 2019, based on attainment of targets and personal performance in 2018.

Currently, all members of the Board of Directors of IBERDROLA, except for Francisco Martínez Córcoles, assume responsibility for any of the five committees of the board.

d) Civil Liability Insurance

The premium paid to cover directors' Civil Liability Insurance amounts to Euros 94 thousand and Euros 72 thousand in 2019 and 2018, respectively.

e) Others

The expenses of the Board of Directors related to external services and other items during 2019 and 2018 amounted to Euros 1,932 thousand and Euros 2,131 thousand, respectively.

In 2019 and 2018 rebates were received amounting to Euros 88 thousand and Euros 106 thousand, respectively, with respect to the adjustment of the pension insurance policies relating to former Members of the Board of Directors.

The undistributed by-law stipulated remuneration for 2019 amounting to Euros 2,000 thousand can be externalized to cover the obligations incurred by the Company to ensure them, in the event they should be materialized.

20.2 Remuneration through the delivery of Company shares

At their General Meeting held on 28 March 2014 the shareholders approved the *2014-2016 Strategic Bonus* as a long-term incentive tied to the performance of the Company in accordance to certain parameters (Note 12).

In the first half of 2019 the third and last annual settlement was made. The Chairman and CEO received 510,596 IBERDROLA shares. The member-Business CEO was granted 120,932 shares corresponding to his performance prior to his appointment as board member.

20.3 Remuneration for sitting on other committees

Remuneration received by executive directors who in 2019 carried out director duties in companies that are not wholly owned, directly or indirectly, by IBERDROLA amounts to Euros 302 thousand.

20.4 Law 11/2018: Non-financial information and diversity

Below the average remuneration received by members per type and genre in 2019 and 2018 is detailed as follows:

Thousands of Euros	2019		2018	
	Men	Women	Men	Women
Executive	4,374	–	4,121	–
Independent and other external	358	413	313	462

Additionally, executive members received 631,528 and 631,527 company shares in 2019 and 2018, respectively (Note 20.2).

20.5 Compensation clauses

Compensation clauses for Senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Directors' Report.

21. 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) introduced by the Royal Decree-Law 1/2010 of 2 July 2010 and in the Law 31/2014, of 3 December 2014, which modifies the Spanish Companies Act for the improvement of corporate governance, the conflict-of-interest situations in which directors are involved are noted below.

The president and CEO and the member-Business CEO were absent during the deliberation of all the agreements related to his system of remuneration and assurance.

Finally, Mr. Sagredo Ormaza was absent during the deliberation of that agreements involving Kutxabank, S.A.

22. REMUNERATION OF SENIOR MANAGERS

Senior managers are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in all cases, the Internal audit director, apart from any other director recognised as senior executive.

At 31 December 2019, the Company had 9 senior managers.

The personnel expenses relating to senior managers amounting to Euros 12,851 thousand and Euros 12,006 thousand in 2019 and 2018, respectively, are recognised under "Personnel expenses" in the Income statements of the mentioned years.

The remuneration and other compensation received by senior managers in 2019 and 2018 are detailed below:

Thousands of Euros	2019	2018 (1)
Remuneration in cash	4,893	5,125
Variable remuneration	5,233	4,436
Remuneration in kind and payments on account not charged	348	228
Social Security	138	124
Promoter contribution pension plan	1,094	1,079
Risk policy (death and permanent disability)	1,145	1,014
Total	12,851	12,006
Number of shares	2019	2018 (1)
Share-based payment plan, strategic bonus	418,340	418,340
Taxes charged and settlements (thousands of Euros)	2,386	1,872

(1) To facilitate comparison, the information regarding members who are considered senior managers from 1 January 2019 (4 additional members) has been included.

In the first half of 2019 the third of three annual payments corresponding to the 2014-2016 Strategic bonus has been made (Note 12), once it has been confirmed the remuneration grounds have been met. Senior management members have received 418,340 shares in the third payment.

A maximum of 1,600,000 net shares to be settled in three years, Euros 6,005 thousand, are to be delivered to senior managers under the 2017-2019 Strategic Bonus (Note 12), tied to their success in achievement of objectives.

In 2019 and 2018 senior managers who have held the position of directors in companies that are not wholly owned, directly or indirectly, by IBERDROLA have received Euros 1,089 and 970 thousand, respectively.

Compensation clauses for Senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Directors' Report.

On the other hand, during 2019 and 2018 there were no other transactions with executives outside the normal course of the business.

The amount of the fixed and variable remuneration of executives not included in the senior management of IBERDROLA (147 people) rose to Euros 48,537 thousand in 2019. This amount reached Euros 43,624 thousand in 2018 (146 people) ⁽²⁾. These amounts do not include shares delivered as part of the 2014-2016 Strategic bonus.

(2) To facilitate comparison, the information regarding members who are considered senior managers from 1 January 2019 (4 additional members) has been excluded.

23. RELATED PARTY TRANSACTIONS AND BALANCES

The transactions detailed below take place under the normal course of the business and are carried out in normal market conditions.

23.1 Balances of IBERDROLA with group companies and associates

a) Financial balances with group companies and associates

Loans to group companies and associates

Details of current and non-current "Loans to group companies and associates" in the balance sheets at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019			2018		
	Short-term	Non-current	Total	Current	Non-current	Total
ScottishPower Renewable Energy, Ltd.	21,430	32,324	53,754	21,336	53,754	75,090
Other group companies	–	5	5	–	5	5
Unpaid accrued interest	3,909	–	3,909	7,665	–	7,665
Total	25,339	32,329	57,668	29,001	53,759	82,760

The transactions above are in euros.

The average interest rate on these loans is 0.76% and 0.81% at 31 December 2019 and 2018, respectively.

The maturity schedule for loans is as follows:

Years	Thousands of Euros
2020	25,339
2021	21,619
2022	10,710
Total	57,668

Other financial assets/liabilities with group companies and associates

Details of current and non-current “Other financial assets” and “Other financial liabilities” with group companies and associates in the balance sheets at 31 December 2019 and 2018 is as follows:

Thousands of Euros	2019		2018	
	Receivables	Payables	Receivables	Payables
Long term				
Iberdrola Finance Ireland, DAC	–	100,984	–	100,412
Iberdrola Financiación, S.A.U.	–	3,000,000	–	3,000,000
Iberdrola Finanzas, S.A.U.	–	925,439	–	886,265
Iberdrola International, B.V.	–	939,821	–	994,302
Torre Iberdrola, A.I.E.	421	–	421	–
Total	421	4,966,244	421	4,980,979

Thousands of Euros	2019		2018	
	Receivables	Payables	Receivables	Payables
Short term				
Avangrid, Inc. (USD)	99,510	–	97,551	–
Eolicas de Euskadi, S.A.U.	–	53,491	–	7,975
HidroIa I, S.L.U.	669,880	22,410	–	20,934
Iberdrola Clientes Internacional, S.L.	245,425	–	30,734	–
Iberdrola Clientes Portugal, Unipessoal Ltda	22,602	–	101,295	–
Iberdrola Clientes, S.A.U.	–	214,352	–	132,833
Iberdrola Cogeneración, S.L.U.	–	30,732	–	51,306
Iberdrola Comercialización de Último Recurso, S.A.U.	35,832	–	92,282	–
I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly, Iberdrola Distribución Eléctrica, S.A.U.)	156,585	–	343,272	–
Iberdrola España, S.A.U.	–	450,563	–	286,132
Iberdrola Finance Ireland, DAC	–	13,493	–	1,039,005
Iberdrola Financiación, S.A.U.	–	4,354,638	–	3,782,022
Iberdrola Finanzas, S.A.U.	–	72,220	–	322,872
Iberdrola Generación España, S.A.U.	–	50,165	115,479	–
Iberdrola Generación Nuclear, S.A.U.	–	281,004	–	59,185
Iberdrola Generación S.A.U.	253,082	–	39,954	–
Iberdrola Generación Térmica, S.L.U.	91,103	–	55,451	6
Iberdrola Ingeniería y Construcción, S.A.U.	22,916	–	61,532	–
Iberdrola Inmobiliaria, S.A.	–	146,868	–	164,026
Iberdrola International, B.V.	–	117,187	–	148,415
Iberdrola Participaciones, S.A.U.	115,361	–	–	34,413
Iberdrola Re, S.A.	–	130,313	–	109,566
Iberdrola Renovables Castilla y León, S.A.	–	110,121	–	66,219
Iberdrola Renovables Castilla-La Mancha, S.A.U.	–	57,718	12,211	7
Iberdrola Renovables Deutschland, GmbH.	72,899	–	69,934	–
Iberdrola Renovables Energía, S.A.U.	–	53,483	–	208,261
Iberdrola Renovables France, SAS	59,545	–	42,281	–
Iberdrola Renovables Galicia, S.A.U.	–	85,334	–	50,214
Iberdrola Renovables Internacional, S.L.	–	177,139	–	41,546
Iberdrola Renovables Magyarország, KFT. (Hungarian Forint)	–	15,899	–	89,249
Iberdrola Renovables Offshore Deutschland, GmbH.	–	153,342	–	40,862
Proyecto Nuñez de Balboa, S.L.	108,159	–	6,359	–
Scottish Power. Ltd. (Sterling Pound)	64,995	–	93,149	73
Other	263,004	356,175	176,328	406,367
Total	2,280,898	6,946,647	1,337,812	7,061,488

Except for the loans granted by Iberdrola International B.V., Iberdrola Finance Ireland, DAC., Iberdrola Financiación, S.A.U. and Iberdrola Finanzas, S.A.U. mentioned below, most of the balances arose in normal transactions related to IBERDROLA's own cash management. These balances have no set maturity and they accrue interest indexed to market rates that are settled quarterly or annually.

At 31 December 2019 and 2018, Iberdrola International B.V., Iberdrola Finance Ireland DAC., Iberdrola Financiación, S.A.U. and Iberdrola Finanzas, S.A.U. had granted loans to IBERDROLA for the amount of several debt issues in different currencies made by these group companies with the guarantee of IBERDROLA, as well as current account transactions.

The maturity schedule for these unpaid loans at 31 December 2019 is as follows:

Thousands of Euros	31.12.2019
2020	4,557,538
2021	85,514
2022	272,726
2023	3,027,587
2024	660,591
2025 and following	919,826
Total	9,523,782

The maturity schedule for these unpaid loans at 31 December 2018 was as follows:

Thousands of Euros	31.12.2018
2019	5,292,314
2020	83,502
2021	85,500
2022	259,694
2023	3,027,199
2024 and following	1,525,084
Total	10,273,293

Details by currency of these items at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Euros	7,587,788	7,336,319
US dollars	1,036,769	2,003,309
Pounds sterling	872,580	828,297
Yen	26,645	105,368
Total	9,523,782	10,273,293

As indicated in Note 5, balances in a foreign currency other than Euro are hedged for the exchange rate risk.

At 31 December 2019 and 2018, these borrowings accrued a weighted average annual interest rate of 2.07% and 2.41%, respectively, following the corresponding hedges.

At the end of 2019 and 2018, the accrued unpaid interest payable on these borrowings was Euros 73,414 thousand and Euros 93,340 thousand, respectively.

b) Commercial balances with group companies and associates

The breakdown of IBERDROLA's payables and receivables with group companies and associates at 31 December 2019 and 2018 is as follows:

Thousands of Euros	2019		2018	
	Receivables	Payables	Receivables	Payables
Short term				
Avangrid Management Company, LLC	32,879	762	29,089	802
Iberdrola Generación España, S.A.U.	35,928	12	21,383	(168)
Neoenergía, S.A.	15,826	–	9,953	–
Other	15,744	2,172	17,765	2,139
Total	100,377	2,946	78,190	2,773

Most of the balances above arise from transactions undertaken in the normal course of business.

c) Derivatives group companies and associates

The breakdown of derivatives arranged by IBERDROLA with group companies and associates at 31 December 2019 and 2018 is as follows:

Thousands of Euros	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Iberdrola Financiación, S.A.U.	11,632	–	–	3,696
Iberdrola Generación Térmica, S.L.U.	6,130	10,051	9,499	3,258
Other	–	474	–	–
Total	17,762	10,525	9,499	6,954
Current				
Iberdrola Generación Térmica, S.L.U.	1,944	297	1,916	625
Other	677	–	196	5
Total	2,621	297	2,112	630

23.2 Related party transactions by IBERDROLA

The transactions detailed below are specific to the ordinary business activity and have been carried out on an arm's-length basis.

The most noteworthy transactions in 2019 and 2018 are as follows:

Transactions with significant shareholders (Note 11)

Thousands of Euros	Major shareholders	
	2019	2018
	Qatar Investment Authority	Qatar Investment Authority
Other transactions		
Dividends and other distributed profit ⁽¹⁾	2,766	2,766

(1) The amounts recorded as dividends and other distributed profit correspond to cash dividends and the General Shareholders' Meeting attendance premium.

Transactions with other related parties

Thousands of Euros	2019			2018		
	Group entities or subsidiaries	Jointly controlled companies	Associated entities	Group entities or subsidiaries	Jointly controlled companies	Associated entities
Expenses and income						
Finance expenses	183,639	–	–	254,814	3	16
Leases	–	3,875	–	1	4,448	–
Received services	21,518	29	–	23,419	3	3
Other expenses	298	–	–	65,571	–	–
Total expenses	205,455	3,904	–	343,805	4,454	19
Financial income (Note 18.1)	17,843	–	1	21,205	–	–
Dividends received (Note 18.1)	3,871,630	–	–	1,569,950	–	–
Rendering of services (Note 18.1)	255,577	12	11	234,418	16	14
Sale of stock	391,997	–	–	326,541	–	–
Total income	4,537,047	12	12	2,152,114	16	14

Thousands of Euros	2019			2018		
	Group entities or subsidiaries	Jointly controlled companies	Associated entities	Group entities or subsidiaries	Jointly controlled companies	Associated entities
Other transactions						
Purchase of tangible, intangible and other assets	902	–	–	387	–	–

Balances with other related parties

Thousands of Euros	2019			2018		
	Group entities or subsidiaries	Jointly controlled companies	Associated entities	Group entities or subsidiaries	Jointly controlled companies	Associated entities
Trade and other receivables	100,308	15	54	77,850	19	321
Total	100,308	15	54	77,850	19	321
Trade and other payables	2,945	–	–	2,402	371	–
Total	2,945	–	–	2,402	371	–

23.3 Transactions with directors and senior managers

Thousands of Euros	2019		2018	
	Directors	Executives	Directors	Executives
Dividends and other distributed profit ⁽¹⁾	298	158	482	11

(1) The amounts recorded as dividends and other distributed profit correspond to the Iberdrola Flexible Remuneration program (Iberdrola Flexible Dividend before) and the General Shareholders' Meeting attendance premium received if applicable.

24. FEES PROVIDED FOR SERVICES PROVIDED BY AUDITORS

The fees resulted from the services provided in 2019 and 2018 by the main auditor (KPMG Auditores, S.L.) are detailed in the chart below:

Thousands of Euros	2019	2018
Auditing services	3,028	3,223
Other provided services related to auditing	1,359	1,459
Limited revision interim information	1,199	1,194
Comfort letters debt issue	145	205
Agreed procedure reports (*)	15	60
Total	4,387	4,682

(*) Mainly agreed procedure reports required by the regulator.

In 2019 and 2018 no services have been provided by auditors other than the main auditor.

25. SUBSEQUENT EVENTS

The main events following the closing of the year have been:

Iberdrola Flexible Remuneration

On 07 January 2020, the facts in relation to the implementation of the second paid-up capital increase (*Iberdrola Flexible Remuneration*) approved by the shareholders at their General Meeting held on 29 March 2019, under item 13 of the agenda, were as follows:

- The maximum number of shares to be issued under the capital increase is 117,816,148.
- The number of free allocation rights required to receive one new share is 54.
- The maximum par value of the capital increase amounts to Euros 88,362,111
- Gross interim dividend amount per share was Euros 0.168.

At the end of the trading period for free allocation rights:

- During the period established for this purpose, the holders of 1,419,991,945 shares of the Company decided to receive interim dividends. Thus, the gross total of distributed interim dividends was Euros 238,559 thousand. As a result, these shareholders have expressly forgone 1,419,991,945 free allocation rights and therefore 26,296,147 new shares.
- Furthermore, the final number of new ordinary shares with a par value of Euros 0.75 to be issued will be 91,520,000, giving a nominal capital increase (in this issue) from this implementation of Euros 68,640 thousand. This will add 1.44% to IBERDROLA's pre-issue share capital.
- As a result of this share capital increase, IBERDROLA's share capital amounts to Euros 4,840,194,000, represented by 6,453,592,000 ordinary shares of Euros 0.75 par value each, fully subscribed and paid.
- Following the fulfilment of legal requirements (and verification of compliance by the Spanish National Security Market Commission), the new shares have been admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia, through the Stock Exchange Interconnection System (Continuous Market), on 6 February 2020. The ordinary trading of new shares started on 7 February 2020.

Banking Market

The most significant financing transactions carried out by IBERDROLA following the closing of the year correspond to the extension of syndicated loans as shown below:

2020					
Transaction	Millions of Euros	Currency	Extension	Maturity	
Main transactions for extending existing financing					
Sustainable syndicated loan ⁽¹⁾	2,979	Euro	-	Feb-2025	
Sustainable syndicated loan ⁽¹⁾	2,321	Euro	-	Feb-2025	

(1) Second option to extend novated syndicated loans for 1 additional year in January 2018 in the amount of Euros 5,300 million.

26. EXPLANATION ADDED FOR THE TRANSLATION TO ENGLISH

These Financial statements are presented on the basis of accounting principles generally accepted in Spain.

Consequently, certain accounting practices applied by the Company may not conform with generally accepted accounting principles in other countries.


APPENDIX

ADDITIONAL INFORMATION FOR THE YEAR 2019 REGARDING COMPANIES BELONGING TO THE STATE TAX GROUP 2/86 AND BIZCAIA REGIONAL TAX GROUP 2415BSC

Below is a list identifying the companies subject to taxes under the tax consolidation regime:

Companies from State Tax Group 2/86	Activity
Liberalised Business	
Energyworks Aranda, S.L.	Energy
Energyworks Carballo, S.L.	Energy
Energyworks Cartagena, S.L.	Energy
Energyworks Fonz, S.L.	Energy
Energyworks Milagros, S.L.	Energy
Energyworks Monzón, S.L.	Energy
Energyworks San Millán, S.L.	Energy
Energyworks Villarrobledo, S.L.	Energy
Iberdrola Clientes, S.A.U.	Retailer
Iberdrola Cogeneración, S.L.U.	Holding
Curenergía Comercializador de Último Recurso, S.A.U. (before, Iberdrola Comercialización de Último Recurso, S.A.U.)	Retailer
Iberdrola Generación España, S.A.U.	Energy
Iberdrola Generación Nuclear, S.A.U.	Energy
Iberdrola Generación Térmica, S.L.U.	Energy
Iberdrola Operación y Mantenimiento, S.A.U.	Services
Productos y Servicios de Confort, S.A.	Services
Tarragona Power, S.L.U.	Energy
Renewables Business	
Anselmo León Hidráulica, S.L.	Energy
Biovent Energía, S.A.	Energy
Ciener, S.A.U.	Energy
Electra Sierra de San Pedro, S.A.	Energy
Eléctricas de la Alcarria, S.L.	Energy
Eme Hueneja Cuatro, S.L.	Energy
Energía de Castilla y León, S.A.	Energy
Energías Eólicas de Cuenca, S.A.U.	Energy
Energías Fotovoltaicas de Puertollano, S.L.	Energy
Energías Renovables de la Región de Murcia, S.A.U.	Energy
Iberdrola Generación, S.A.U.	Energy
Fincalia Agropecuaria, S.L. (before, Iberdrola Renewables Solutions, S.A.)	Energy
Fincalia Agropecuaria siglo XXI, S.A.	Energy
Iberdrola Renovables Galicia, S.A.U.	Energy
Iberdrola Renovables Andalucía, S.A.U.	Energy
Iberdrola Renovables Aragón, S.A.U.	Energy
Iberdrola Renovables Canarias, S.A.U.	Energy
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Energy
Iberdrola Renovables Castilla y León, S.A.	Energy
Iberdrola Renovables Energía, S.A.U.	Holding
Iberenova Promociones, S.A.U.	Energy
Iberjalón, S.A.	Energy
ICARO Renovables, S.A.	Energy
Parque Eólico Cruz del Carrutero, S.L.	Energy

Companies from State Tax Group 2/86	Activity
Peache Energías Renovables, S.A.	Energy
Producciones Energéticas Asturianas, S.L.	Energy
Producciones Energéticas de Castilla y León, S.A.	Energy
Proyecto Nuñez de Balboa, S.L.	Energy
Renovables de Buniel, S.L.	Energy
Sistemas Energéticos Altamira, S.A.U.	Energy
Sistemas Energéticos Chandrexa, S.A.	Energy
Sistemas Energéticos del Moncayo, S.A.	Energy
Sistemas Energéticos La Gomera, S.A.U.	Energy
Sistemas Energéticos de la Linera, S.A.U.	Energy
Sistemas Energéticos La Muela, S.A.	Energy
Sistemas Energéticos Mas Garullo, S.A.	Energy
Sistemas Energéticos Nacimiento, S.A.U.	Energy
Sistemas Energéticos Tacica de Plata, S.A.U.	Energy
Sistemas Energetics Savalla del Comtat, S.A.U.	Energy
Sistema Fotovoltaico de Levante, S.A.	Energy
Networks Business	
Anselmo León Distribución, S.L.	Energy
Anselmo León, S.A.U.	Holding
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L.	Energy
Distribuidora Eléctrica Navasfrías, S.L.	Energy
Electro-Distribuidora Castellano-Leonesa, S.A.	Energy
Empresa Eléctrica del Cabriel, S.L.	Energy
Herederos María Alonso Calzada – Venta de Baños, S.L.	Energy
San Cipriano de Rueda Distribución, S.L.	Energy
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Services
Other businesses	
Engineering	
Adicora Servicios de Intermediación de Ingeniería, S.L.U. (Before, Adicora Servicios de	Engineering
Iberdrola Ingeniería y Construcción, S.A.U.	Engineering
Real Property	
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Real Property
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Real Property
Iberdrola Inmobiliaria, S.A.	Real Property
Other businesses	
Iberdrola Participaciones, S.A.U.	Holding
Corporation	
CarteraPark, S.A.U.	Inactive
HidroIa I, S.L.U.	Holding
Iberdrola, S.A.	Holding
Iberdrola Energía, S.A.U.	Holding



Companies from State Tax Group 2/86	Activity
Iberdrola Financiación, S.A.U.	Financial

Companies from Bizkaia Regional Tax Group 2415BSC	Activity
Liberalised Business	
Spain and Portugal	
Energyworks Vit-Vall, S.L.	Energy
Iberdrola Clientes Internacional, S.A.U.	Holding
Iberdrola Servicios Energéticos, S.A.U.	Services
Iberduero, S.L.U.	Energy
Renewables Business	
Spain	
Eólicas de Euskadi, S.A.U.	Energy
Iberdrola Eólica Marina, S.A.U.	Energy
Iberdrola Renovables Internacional, S.A.U.	Holding
Networks Business	
Spain	
Iberdrola Redes España, S.A.U.	Holding
I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly, Iberdrola Distribución Eléctrica,	Energy
Sociedad Distribuidora de Electricidad de	Energy
Other businesses	
Engineering	
Iberdrola Ingeniería de Explotación, S.A.U.	Engineering
Ingeniería, Estudios y Construcciones, S.A.	Engineering
Innovation	
Iberdrola Servicios de Innovación, S.L.	Other activities
Inversiones Financieras Perseo, S.L.	Holding
Other businesses	
Iberdrola Inversiones 2010, S.A.U.	Holding
Corporation	
Iberdrola Corporación, S.A.	Inactive
Iberdrola España, S.A.U.	Holding
Iberdrola Finanzas, S.A.U.	Financial
Iberdrola Finance Ireland, DAC	Financial
Iberdrola Energía Internacional, S.A.U.	Holding

DIRECTORS REPORT 2019

1. BUSINESS PERFORMANCE

IBERDROLA is a holding company and therefore its earnings are chiefly produced by dividends and revenues from financing granted to investees and the services provided to investees. It also supplies gas on a wholesale basis, which is subsequently delivered to its subsidiary, Iberdrola Generación España, S.A.U.

2. SIGNIFICANT EVENTS 2019

2.1. Income statement highlights

Net revenue in 2019 was Euros 4,567 million, of which Euros 422 million correspond to sales (mainly gas to its subsidiary Iberdrola Generación España S.A.U.), Euros 3,872 million to dividends received from group companies and associates, and Euros 18 million to finance income related to financing of subsidiaries and Euros 256 million to income from services rendered to group companies.

Cost of sales during the year totalled Euros 393 million, mainly of gas supplied on a wholesale basis and subsequently delivered to Iberdrola Generación España, S.A.U.

Other operating income of Euros 1 million, operating expenses of Euros 204 million, personnel expenses of Euros 137 million, amortisation and depreciation of Euros 69 million, and impairments and disposals of non-current assets for Euros 778 million, mainly due to valuations changes in the investments in Iberdrola Financiación, S.A.U., brought operating income to Euros 2,990 million.

The financial result was a Euros 177 million loss, due to, mainly, debts with group companies and associates.

Profit of the year before tax was Euros 2,813 million, and corporate income tax stood at Euros 36 million, leaving net profit at Euros 2,849 million, against Euros 992 million in 2018.

Two facts should be pointed out that have a significant impact on the Income statement:

- The contributions of dividends from subsidiaries during 2019 amounted to Euros 3,872 million compared to Euros 1,570 million in 2018. This variation results from the dividends from the *subholding* companies Scottish Power, Ltd., Hidrola I, S.L and Iberdrola Energía, S.A., received, which contribute Euros 1,594, 670 and Euros 103 million, respectively, of the increase in dividends received from Avangrid Inc. and Iberdrola International, B.V. in the amount of Euros 27 and 10 million, respectively, as well as the reduction in dividends received from Iberdrola España, S.A in the amount of Euros 103 million. The breakdown of dividends received by group companies and associates as shown in Note 10 is as follows:
- Profit for the year 2019 is Euros 299 million higher than the previous year due, mainly, to the performance of "Changes in fair value of financial instruments", Euros 195 million better than in 2018 and lower financial costs related to financing from group companies which have been reduced in Euros 71 million.

2.2 Balance

On 31 December 2019, IBERDROLA shows a working capital of Euros 5,868 million loss, which will be covered by funds generated from its business and dividends from its subsidiaries.

2.3. Compliance with article 262.1 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) in relation to the average payment period to suppliers

As discussed in Note 16, the Company's average payment period for paying suppliers in 2019 was 24.7 days. This period represents a greater turnaround in the payment in comparison to the maximum payment period legally foreseen.

3. MAIN RISK FACTORS ASSOCIATED WITH THE ACTIVITIES OF THE IBERDROLA GROUP

The IBERDROLA Group of which the Company is the head company, is exposed to various inherent risks in the countries, industries and markets in which it operates and the businesses it carries out, which could prevent it from achieving its objectives and executing its strategies successfully. The Company performs its corporate business activities indirectly, through the ownership of shares or other equity investments in other companies (subholding companies, which in turn perform their activities through their head of business companies). Therefore, the main Company's risk factors are related to invested companies, described in details in the section Main risks and uncertainties in IBERDROLA Group's Consolidated directors' report for 2019.

The Company's Board of Directors, aware of the importance of this matter, has undertaken to develop its capabilities to ensure that the risks relevant to all of the Group's activities and businesses are appropriately identified, measured, managed and controlled, and has established, through the Group's general risk control and management policy, the basic mechanisms and principles necessary for the appropriate management of risk-opportunity with a level of risk that enables it to:

- attain the strategic goals set by the Group with controlled volatility,
- 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 customers, shareholders, other groups interested in the progress of the Company, and society in general, and
- ensure corporate stability and financial strength in a sustained fashion over time.

For the development of the aforementioned commitment, the Board of Directors and its Executive Committee have the cooperation of the Audit and Risk Supervision Committee, which, as a consultative body, monitors and reports upon the appropriateness of the assessment system and internal control of significant risks, acting in coordination with the audit committees existing in other companies of the Group.

Every action aimed at controlling and mitigating risks will consider the following basic action principles:

- a) Integrate the risk-opportunity vision into the Company'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 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 monitor such risks, maintaining suitable channels that favour communication.
- e) Ensure appropriate compliance with the corporate governance rules established by the Company through its corporate governance system and the update and continuous improvement of such system 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 established in the *Code of ethics* and under the principles of zero tolerance for the commitment of illicit acts and fraud situations included in the *Crime prevention policy* and *Anti-corruption and anti-bribery policy* and the principles and good practices reflected on the *Corporate Tax Policy*.

The *General Risk Control and Management Policy* and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system, supported by a corporate risk committee of the group and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon suitable supporting procedures, methodologies, and tools, including the following stages:

- a) The establishment of a structure of policies, guidelines, and limits, as well as of the corresponding mechanisms for the approval and implementation thereof, which effectively contribute to risk management being performed in accordance with the Company's risk appetite.
- 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 controlling 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 internal controlling 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 periodic monitoring and control of profit and loss account risks in order to control the volatility of the annual income of the Group.
- h) 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.
- i) The audit of the system by the Internal Audit Division.

In addition, the *General Risk Control and Management Policy* is further developed and supplemented through the policies listed below which are also subject to approval by the Company's Board of Directors.

Structure of the Group's risk policies:

- a) Corporate risk policies:
 - Corporate Credit Risk Policy.
 - Corporate Market Risk Policy.
 - Operational Risk 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.
 - Health and safety risks policy.
 - Reputational risk framework policy.
- b) Risk policies for the various businesses of the Group:
 - Risk policy for the liberalised business of the IBERDROLA Group.

- Risk policy for the renewables business of the IBERDROLA Group.
- Risk policy for the network business 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 at the 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 the group's risk limits.

Subholding companies are responsible for adopting the group's risk policies and specifying their application, approving the guidelines regarding specific risk limits, addressing the characteristics and unique features businesses in each country. They shall also implement, within their areas of activity, the control systems required for their compliance.

Listed subholding companies and those with significant minority interests, by virtue of their own special autonomy framework, have their own risk policies approved by the competent bodies, aligned with those of 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 safeguard the interests of the Company and the strategy of 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, particularly those of the various stakeholders and communities and regions in which the Company and its employees act.
- b) Market risks: defined as the exposure of the Group's results and equity to changes in market prices and variables, such as exchange rates, interest rates, commodity prices (electricity, gas and other fuel), CO2 emission rights and other mechanisms to support renewables, prices of financial assets and other.
- 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 final 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 business, such as the characteristics of demand, weather conditions, the strategies of different players, and others.

- e) **Political and Regulatory Risks:** defined as 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 environmental or tax regulations, including risks related to political changes that could affect the legal security and to the legal framework applicable to the group's businesses in each jurisdiction, the nationalization or expropriation of assets, the operating licenses cancellation and the previous end of the contracts of the administration.
- f) **Operational, Technological, Environmental, Social and Legal Risks:** defined as those related to direct or indirect economic losses resulting from inadequate internal procedures, technical failures, human error, or as a consequence of certain external events, including the economic, social, environmental, and reputational impact, as well as legal and fraud risks. These risks encompass, among others, those related to technology information and the cybersecurity, such as the risk obsolescence technology.
- g) **Reputational Risks:** potential negative impact on the value of the Company resulting from the conduct of the Company that is below the expectations created among various stakeholders: shareholders, such as they are defined on the Relationship Policy with stakeholders. Stakeholders include: customers, media, analysts, Government, employees, and society in general.

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 risk quarterly reports, which include monitoring compliance with risk limits and indicators and updated key risk maps, submitted by the Group's director of corporate risks.
- It coordinates and reviews risk reports sent periodically, at least semi-annually, by the audit and compliance committees of the main subsidiaries of the Group, being included the subholding companies of the main countries where the Group operates that, along with the risk director appearances are used to prepare a risk report for the Board of Directors at least semi-annually.

For further details, see the section *Control systems and risk management* of the *Corporate Governance Report 2019* and the risks section of the *Integrated report February 2020*. Furthermore, Note 5 in these annual accounts explain the *Financing and Financial Risk Policy*.

4. NON-FINANCIAL INFORMATION AND DIVERSITY

IBERDROLA is a holding company. As a result, there are not environmental items to be included in the report as required by the Spanish General Accounting Plan.

The statement on non-financial information, referred to in sections 262 of the Companies Act and 49 of the Code of Commerce, is presented in a separate report entitled *Statement of non-financial information. The consolidated sustainability report for IBERDROLA, S.A., and its subsidiary companies for 2019*, which expressly indicates that the information contained in the mentioned report is part of IBERDROLA Group's consolidated directors' report. This document will be verified by an external verification services supplier and will be subject to the same requirements in terms of approval, deposit and publication as the IBERDROLA Group's consolidated management report.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

Innovation is IBERDROLA's primary tool to guarantee the Company's sustainability, efficiency and competitiveness.

IBERDROLA is today the Utility of the future due to its innovative strategy, extended to all its businesses 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, in accordance with 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 2019 IBERDROLA directed Euros 28,604 thousand to R+D+i activities. These resources have been directed mainly to the following businesses: more renewables, more structured smart grids and more customer solutions. Moreover, developing digital transition, providing the system with intelligence, has been crucial.

For recognition purposes, in 2019 the Spanish Ministry of Science, Innovation and Universities granted the National Innovation award, in the Innovating trajectory category, to the IBERDROLA Group's Chairman, Ignacio Galán.

6. TREASURY SHARES AND CAPITAL REDUCTION

At their General Meeting held on 08 April 2016, the shareholders expressly agreed to delegate powers to the Board of Directors, with powers of substitution, pursuant to the provisions of the Spanish Companies Act, to carry out derivative acquisition of shares in Iberdrola, S.A. under the following conditions:

- Acquisitions may be made directly by Company or indirectly through their subsidiary companies under the same terms and conditions as this agreement. The subsidiary companies which develop regulated activities as prescribed in Law 24/2013 of 26 December 2013 on the Electricity Sector and Law 34/1988 of 26 December 1998 on the Hydrocarbon Sector, are excluded
- Acquisitions may be made by purchase transactions, swaps or any other form permitted by law.
- Acquisitions may be made up, at all times, to the maximum legal threshold.
- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the share.
- This authorization is granted for a maximum period of five years since the adoption of the agreement.

- As a result of the acquisition of shares, including those in which the Company or the person acted on its own name but on behalf of the Company it had previously required and already had in stock, resulting net equity could not be reduced under its share capital plus unavailable legal or statutory reserved, as provided in section 146.1.b) of the Spanish Companies Act.

Shares acquired under these powers can be transferred or cancelled or used for the compensation systems as provided for in paragraph 3.a) in section 146.1 of the Spanish Companies Act. They may also be used to develop programmes that encourage participation in the Company's share capital such as the dividend reinvestment plan, loyalty bonuses and other similar instruments.

The result of transactions involving treasury stock in IBERDROLA'S portfolio in 2019 and 2018 have been destined, mainly, to its amortisation and to personnel retribution systems, and the details are as follows:

Treasury Stock	No. of shares	Nominal (thousands of Euros)	Cost Treasury shares (thousands of Euros)	Average price (Euro)	Total shares	% over capital
Balance at 01.01.2018	75,710,149	56,782	507,175	6.70	6,317,515,000	1.20
Additions	266,442,793	199,832	1,672,087	6.28	-	-
Capital reduction	(198,374,000)	(148,781)	(1,245,420)	6.28	-	-
Disposals	(7,798,715)	(5,849)	(49,733)	6.38	-	-
<i>Iberdrola Flexible Remuneration ⁽¹⁾</i>	5,117	4	-	-	-	-
<i>Iberdrola Flexible Remuneration ⁽²⁾</i>	-	-	(11,044)	-	-	-
Balance at 31.12.2018	135,985,344	101,988	873,065	6.42	6,397,629,000	2.13
Additions	172,369,618	129,277	1,402,123	8.13	-	-
Capital reduction	(280,457,000)	(210,343)	(2,015,182)	7.19	-	-
Disposals	(6,561,151)	(4,921)	(42,141)	6.42	-	-
<i>Iberdrola Flexible Remuneration ⁽¹⁾</i>	3,039,564	2,280	-	-	-	-
Balance at 31.12.2019	24,376,375	18,281	217,865	8.94	6,362,072,000	0.38

(1) Shares received

(2) Free allocation rights disposed

7. SUBSEQUENT EVENTS

Events after the reporting period are described in Note 25 of the Annual accounts.

ANNUAL CORPORATE GOVERNANCE REPORT 2019

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED
COMPANIES**

ISSUER IDENTIFICATION

YEAR-END DATE: 31/12/2019

Tax Identification No. (C.I.F.) A-48010615

Company Name: **IBERDROLA, S.A.**

Registered Office: Plaza Euskadi número 5
48009 Bilbao - Biscay - Spain

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
25/07/2019	4,771,554,000.00	6,362,072,000	6,362,072,000

Remarks
On 30 January 2020, the share capital was increased to 4,840,194,000.00 euros, represented by 6,453,592,000 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.

Please state whether there are different classes of shares with different associated rights:

Yes No

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks
All shares are of the same class and carry the same rights.

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC,	0.00	5.10	0.00	0.06	5.16
NORGES BANK	3.43	0.00	0.00	0.00	3.43
QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69

Remarks
Data at 31/12/2019.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC	BLACKROCK GROUP	5.10	0.06	5.16
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LUXEMBOURG II, S.A R.L.	8.69	0.00	8.69

Remarks
<p>According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows:</p> <ul style="list-style-type: none"> - Foreign investors 69.70% - Domestic entities 7.74% - Domestic retail investors 22.56%

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
NORGES BANK	08/01/2019	Its interest has decreased to below 3%
NORGES BANK	16/01/2019	Its interest has increased to above 3%
NORGES BANK	17/01/2019	Its interest has decreased to below 3%
NORGES BANK	18/01/2019	Its interest has increased to above 3%

Most significant movements
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.

On 7 January 2020, the Qatar Investment Authority reported that Qatar Holding Luxembourg II, S.à r.l transferred its direct interest in the company to Qatar Holding LLC, both entities being controlled by Qatar Investment Authority.

On 7 January 2020, Norges Bank reported that its percentage voting rights in the Company decreased to below 3%.

On 14 January 2020, Norges Bank reported that its percentage voting rights in the Company increased to above 3% on 13 January 2020.

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of total voting rights <u>that can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.11	0.06	0.03	0.00	0.20	0.00	0.00
MS INÉS MACHO STADLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MS SAMANTHA BARBER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS MARÍA HELENA ANTOLÍN RAYBAUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MS GEORGINA KESSEL MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS DENISE MARY HOLT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JOSÉ WALFREDO FERNÁNDEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MANUEL MOREU MUNAIZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR XABIER SAGREDO ORMAZA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	0.00	0.01	0.00	0.00	0.01	0.00	0.00
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01	0.00	0.01	0.00	0.01	0.00	0.00
MR ANTHONY L. GARDNER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SARA DE LA RICA GOIRICELAYA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.24
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Remarks
<p>The data reflected in this section is at the date of approval of this report.</p> <p>Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Furthermore, pursuant to the provisions of the 2017-2019 Strategic Bonus, the Business CEO may receive up to a maximum of 300,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the</p>

circumstances on which the performance evaluation was based remain in effect.

As at the date of this Report, the Remuneration Committee has not yet evaluated performance during the 2017-2019 period.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Royal Park 2000, S.L.	0.06	0.00	0.06	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	Grupo Siro Corporativo, S.L.	0.01	0.00	0.01	0.00

A.4 If applicable, state 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, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
No data		

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of legal-person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their

representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives 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 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes No

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
24,376,375		0.38

(*) through:

Name of direct shareholder	Number of direct shares

No data	
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Explain any significant changes during the year:

Explain significant changes
<p>The Company sent to the CNMV three updates to its treasury share position in 2019 as a result of a change in the number of voting rights arising from corporate transactions:</p> <ul style="list-style-type: none"> • On 5 February 2019 notices were provided of direct acquisitions of a total of 3,617,643 shares (representing 0.055% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. • On 26 June 2019 notices were provided of direct acquisitions of a total of 235,024 shares (representing 0.004% of voting rights on that date), coinciding with the reduction in capital; and • On 2 August 2019 notices were provided of direct acquisitions of a total of 379,515 shares (representing 0.006% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. <p>During financial year 2019 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:</p> <ul style="list-style-type: none"> • On 22 June 2019 notices were provided of direct acquisitions of a total of 66,286,268 shares (representing 1.017% of voting rights on that date). • On 17 June 2019 notices were provided of direct acquisitions of a total of 81,529,569 shares (representing 1.250% of voting rights on that date). • In addition, on 18 February 2020 the Company notified the CNMV of direct acquisitions of own shares in the total amount of 75,462,635 shares (1.169%).

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.

<p>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 (<i>Ley de Sociedades de Capital</i>), to carry out the derivative acquisition of shares of Iberdrola on the following terms:</p> <ol style="list-style-type: none"> 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 (<i>Ley del Sector Eléctrico</i>) and the Hydrocarbons Act (<i>Ley de Hidrocarburos</i>). 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.
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- 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 8 April 2016, 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, with the power to exclude preemptive rights, limited to a maximum nominal amount of 20% of the share capital.

A.11 Estimated working capital:

	%
Estimated working capital	82.13

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No

Description of restrictions
<p>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.</p> <p>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.</p>

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.

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes No

If so, please list each type of share and the rights and obligations conferred on each.

B GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes No

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC 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 State whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes X

No

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for 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. State the rules for amending the company’s Articles of Association. In particular, state 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 <i>et seq.</i> 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.
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B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

Date of General Meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
31/03/2017	0.40	71.92	0.17	4.71	77.20
Of which, free float:	0.32	60.43	0.17	4.71	65.63
13/04/2018	0.33	71.44	0.27	4.05	76.09
Of which, free float:	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, free float:	0.55	61.17	0.33	3.39	65.44

Remarks
<p>The "Other" column reflects the percentage of share capital of all absentee votes issued at each Meeting through depositaries and custodians, cards received at shareholder information desks, cards received by post and the telephone channel (started in 2018). Adding all votes and proxies received through the corporate website, electronic participation reached a percentage of share capital equal to 0.82% in 2017, 1.03% in 2018 and 1.11% in 2019.</p> <p>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.</p>

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes No

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes No

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes No

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

Sections s), t) and u) of article 17 of the By-Laws provide that the shareholders acting at a General Shareholders' Meeting will decide the following issues, among others:

s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

t) The acquisition, transfer or contribution of key assets from or to another company.

u) The approval of transactions having an effect equivalent to liquidation of the Company.

B.8 State the address and manner of access to the page on the company website where one may find 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

COMPANY ADMINISTRATIVE STRUCTURE

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

Remarks

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr José Ignacio Sánchez Galán		Executive	Chairman & CEO	21/05/2001	29/03/2019	Resolution of General Shareholders' Meeting
Ms Inés Macho Stadler		Other external	Vice Chair	07/06/2006	08/04/2016	Resolution of General Shareholders' Meeting
Mr Íñigo Víctor de Oriol Ibarra		Other external	Director	26/04/2006	08/04/2016	Resolution of General Shareholders' Meeting
Ms Samantha Barber		Independent	Director	31/07/2008	08/04/2016	Resolution of General Shareholders' Meeting
Ms María Helena Antolín Raybaud		Independent	Director	26/03/2010	29/03/2019	Resolution of General Shareholders' Meeting
Ms Georgina Kessel Martínez		Independent	Director	23/04/2013	13/04/2018	Resolution of General Shareholders' Meeting
Ms Denise Mary Holt		Independent	Director	24/06/2014	29/03/2019	Resolution of General Shareholders' Meeting
Mr José Walfredo Fernández		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Manuel Moreu Munaiz		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Xabier Sagredo Ormaza		Independent	Director	08/04/2016	29/03/2019	Resolution of General Shareholders' Meeting
Mr Juan Manuel		Independent	Lead Independent	31/03/2017	31/03/2017	Resolution of General

González Serna			Director (independent)			Shareholders' Meeting
Mr Francisco Martínez Córcoles		Executive	Director	31/03/2017	31/03/2017	Resolution of General Shareholders' Meeting
Mr Anthony L. Gardner		Independent	Director	13/04/2018	13/04/2018	Resolution of General Shareholders' Meeting
Ms Sara de la Rica Goiricelaya		Independent	Director	29/03/2019	29/03/2019	Resolution of General Shareholders' Meeting

Total number of directors	14
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Ángel Jesús Acebes Paniagua	Independent	27/03/2015	28/03/2019	Executive Committee and Appointments Committee	No

Reason for leaving and other remarks
End of term.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name of director	Post in organisational chart of the company	Profile

Mr José Ignacio Sánchez Galán	Chairman & CEO	<p>Salamanca, Spain, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>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 in Brazil).</p> <p>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.</p> <p><u>Academic training</u></p> <p>He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid).</p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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.</p>
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		<p><u>Noteworthy experience in other industries</u></p> <p>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.</p> <p><u>Other information</u></p> <p>Amongst other recognitions, 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.</p> <p>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.</p> <p>In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering.</p> <p>In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group.</p> <p>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.</p> <p>In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey.</p> <p>In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of</p>
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		<p>Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón.</p> <p>In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards.</p> <p>He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).</p>
Mr Francisco Martínez Córcoles	Business CEO	<p>Alicante, Spain, 1956.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the Business CEO of the Iberdrola group, chair of Iberdrola España, S.A. and of Iberdrola Energía Internacional, S.A.U. and a member of the board of the country subholding company in Mexico, Iberdrola México, S.A. de C.V.</p> <p>He is also a member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI).</p> <p><u>Academic training</u></p> <p>Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He worked at Compañía Sevillana de Electricidad, S.A. before joining Hidroeléctrica Española, S.A. and (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.</p> <p>In June 2014 he was appointed Business CEO of the Iberdrola group, with overall</p>

		<p>responsibility for all of the group's businesses throughout the world.</p> <p>He has also held the position of chair of Elektro Holding, S.A., of Iberdrola Generación, S.A.U., 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.U.</p> <p>He was also a member of the Board of Directors of the Spanish Electric Industry Association (<i>Asociación Española de la Industria Eléctrica</i>) (UNESA).</p> <p><u>Noteworthy experience in other industries</u></p> <p>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.</p> <p><u>Other information</u></p> <p>He was awarded the XVII Annual Javier Benjumea Prize of the National Association of Engineers of ICAI Technical Engineering School and the Gold Medal of the Spanish Nuclear Society.</p>
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Total number of executive directors	2
Percentage of the Board	14.29

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
No data		

INDEPENDENT DIRECTORS

Name of director	
Ms Samantha Barber	<p>Dunfermline, Scotland, 1969.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p>She is Vice Chair of the 2020 Group on Climate Change.</p> <p><u>Academic training</u></p> <p>Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria, Newcastle (England) and Post-Graduate degree in EU Law from the University of Nancy (France).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a member of the Advisory Council of Scottish Power Ltd. following the integration of the Scottish company into the Iberdrola group.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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, and the chief executive of Scottish Business in the Community.</p> <p>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.</p> <p><u>Other information</u></p> <p>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.</p>

<p>Ms María Helena Antolín Raybaud</p>	<p>Toulon, France, 1966.</p> <p><u>Other current positions and professional activities</u></p> <p>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 (<i>Asociación Española de Fabricantes de Equipos y Componentes para Automoción</i>) (Sernauto), vice president of the Excellence in Management Club (<i>Club de Excelencia en la Gestión</i>), a member of the Advisory Board of Sabadell Urquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (<i>Confederación Española de Organizaciones Empresariales</i>) (CEOE), a board member of France Foreign Trade (<i>Comercio Exterior de Francia</i>), Spain section, and a member of the Plenary Committee of the Chamber of Commerce of Spain.</p> <p><u>Academic training</u></p> <p>Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States of America), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has served as an external independent director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee.</p> <p>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 for the Group.</p>
<p>Ms Georgina Kessel Martínez</p>	<p>Mexico City, Mexico, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director of Fresnillo plc and of Grupo Financiero Scotiabank Inverlat, S.A. de C.V., as well as the chair of the latter's Audit Committee, a partner of Spectron E&I and a member of the Business Board of Universidad de las Américas Puebla (UDLAP).</p> <p><u>Academic training</u></p>

	<p>Holder of a degree in Economics from Instituto Tecnológico Autónomo de México and of a Master's and Doctor's degree in Economics from Columbia University (New York).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been chair of the Audit and Risk Supervision Committee of Iberdrola, S.A., chair of the Energy Regulatory Commission (<i>Comisión Reguladora de Energía</i>) and Energy Secretary of the Government of Mexico.</p> <p>She has also been chair of the Board of Directors of Pemex (Petróleos Mexicanos) and of the Board of Directors of the Federal Electricity Commission (<i>Comisión Federal de Electricidad</i>) (CFE).</p> <p>She has participated in the Energy Council of the World Economic Forum and in the United Nations Organization Secretary General's advisory group (Sustainable Energy for All).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been an adviser to the chair of the Federal Competition Commission (<i>Comisión Federal de Competencia</i>), head of the Quasi-Autonomous Non-Governmental Organisations Investment and Divestment Unit (<i>Unidad de Inversiones y Desincorporación de Entidades Paraestatales</i>) of the Office of the Secretary of Finance and Public Credit of Mexico, general manager of the National Mint of Mexico (<i>Casa de Moneda de México</i>), member of the boards of Nacional Financiera (Nafinsa) and of Banco Nacional de Comercio Exterior (Bancomext), and general manager of Banco Nacional de Obras y Servicios Públicos.</p> <p>In the academic field, she has been a professor in the Economics Department of Instituto Tecnológico Autónomo de México, deputy chair of the course towards a Degree in Economics, and chair of the Alumni Association. She has also been holder of the Quintana Chair for Research in International Trade and is the author of many papers and specialised articles.</p>
Ms Denise Mary Holt	<p>Vienna, Austria, 1949.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director and member of the Audit Committee of HSBC Bank plc, chair of the Board of the University of Sussex and President of Cañada Blanch Centre for Contemporary Studies of the London School of Economics and Political Science (LSE).</p>

	<p><u>Academic training</u></p> <p>Degrees in Spanish philology, French philology and political sciences from the University of Bristol and Doctor of Laws from the same university (England, United Kingdom).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a director of Scottish Power Renewable Energy Ltd. and of Scottish Power Energy Networks Holdings Ltd.</p> <p><u>Noteworthy experience in other industries</u></p> <p>In her diplomatic career, she has been first secretary of the Embassy of the United Kingdom in Brazil, director of Human Resources, of Migration and of the Overseas Territories at the UK Foreign and Commonwealth Office, and ambassador of the United Kingdom to Mexico, Spain and Andorra. For her contribution to the British diplomatic service, she was elevated to Dame Commander of the Order of St Michael and St George (DCMG).</p> <p>She has also been chair and an independent director of Mark & Spencer Financial Services, Ltd., an independent director and member of the Risk Committee of HSBC Bank plc, an independent director and member of the Quality and Safety and Remuneration Committees of the Board of Directors of Nuffeld Health, chair of the Anglo-Spanish Society and of the Institute of Latin American Studies at the University of London, and has chaired the Nominations Committee of the Alzheimer's Society.</p>
Mr José Walfredo Fernández	<p>Cienfuegos, Cuba, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p><u>Academic training</u></p> <p>Degree in History from Dartmouth College (New Hampshire, United States of America), and Juris Doctor from Columbia University (New York, United States of America).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p>

	<p>He has been Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America. He has also been an independent director of Iberdrola USA, Inc.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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.</p> <p><u>Other information</u></p> <p>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).</p>
Mr Manuel Moreu Munaiz	<p>Pontevedra, Spain, 1953.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p>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.</p> <p><u>Academic training</u></p> <p>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).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a member of the Corporate Social Responsibility Committee of Iberdrola, S.A., of the Board of Directors of Iberdrola Renovables, S.A., and a director and member of the</p>

	<p>Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa Renewable Energy, S.A.).</p> <p><u>Noteworthy experience in other industries</u></p> <p>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.</p>
Mr Xabier Sagredo Ormaza	<p>Portugalete, Spain, 1972.</p> <p><u>Other current positions and professional activities</u></p> <p>He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa, of BBK Fundazioa and of Fundación Eragintza. 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.</p> <p>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.</p> <p><u>Academic training</u></p> <p>Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee.</p> <p>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.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the</p>

	<p>concessionaire Transítia and a member of the Board of the Bilbao Port Authority.</p> <p>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.</p>
<p>Mr Juan Manuel González Serna</p>	<p>Madrid, Spain, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of Ceralto Spain Foods, S.A., the parent company of the Siro Group, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (<i>Asociación Española de Codificación Comercial</i>) (AECOC).</p> <p>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.</p> <p><u>Academic training</u></p> <p>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 Escuela de Dirección del Instituto de Estudios Superiores de la Empresa de la Universidad de Navarra (IESE Business School) in Barcelona.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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.</p> <p><u>Noteworthy experience in other industries</u></p> <p>Apart from the food sector, 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.).</p>

	<p>He is also a member of the board of directors of the HM Hospitales Group.</p>
Mr Anthony L. Gardner	<p>Washington D.C., United States of America, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>He is a member of the board of directors 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.</p> <p><u>Academic training</u></p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He was an independent director of Scottish Power, Ltd and a member of that company's Audit and Compliance Committee.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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 also worked as an attorney at international law firms in London, Paris, New York and Brussels.</p> <p>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 Transatlantic Free Trade Agreement.</p> <p>He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, with the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels.</p>

	<p><u>Other information</u></p> <p>He is the author of “A New Era in US-EU Relations? The Clinton Administration and the New Transatlantic Agenda” and numerous articles on EU affairs.</p>
Ms Sara de la Rica Goiricelaya	<p>Bilbao, Spain, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>She is director of Fundación ISEAK (Initiative for socio-economic analysis and knowledge), a member of the Scientific Advisory Board of Fundación Gadea, of the Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI), an honorary member of the Spanish Economics Association (<i>Asociación Española de Economía</i>).</p> <p>She is an associate researcher for CreAM (Centre for Research and Analysis of Migration - London) and IZA (Institute for the Study of the Labour Market - Bonn). She is also a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., the 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.</p> <p><u>Academic training</u></p> <p>PhD in Economics from the University of the Basque Country and 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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been an independent director of Iberdrola España, S.A.U.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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).</p>

	<p>She has worked on editorial boards and/or research project review boards.</p> <p><u>Other information</u></p> <p>In 2018 she was given the “2018 Basque Economist Award” (<i>Ekonomistak Saria 2018</i>) by the Basque Association of Economists (<i>Colegio Vasco de Economistas</i>).</p> <p>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.</p>
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Number of independent directors	10
Percentage of the Board	71.43

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the 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.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
Ms Inés Macho Stadler	More than 12 years have passed since appointment.	IBERDROLA	<p>Bilbao, Spain, 1959.</p> <p><u>Other current positions and professional activities</u></p> <p>She is a professor of Economics in the Economics and Economic History Department of Universidad Autónoma de Barcelona and a professor of the</p>

		<p>Barcelona Graduate School of Economics. She is also an honorary member of the European Economic Association and of the Spanish Economic Association (<i>Asociación Española de Economía</i>) as well as a member-elect of The Academy of Europe.</p> <p><u>Academic training</u></p> <p>Degree in Economics from the University of the Basque Country. She has a Master's degree in Economics from l'École des Hautes Études en Sciences Sociales, and a doctorate in Economics (Ph.D.) from the same academic institution and from l'École Nationale de la Statistique et de l'Administration Économique (ENSAE) (Paris, France).</p> <p>Noteworthy experience in the energy and industrial engineering sector She has served as lead independent director (<i>consejera coordinadora</i>) of Iberdrola, S.A.</p> <p><u>Noteworthy experience in the energy and industrial economy sector</u></p> <p>She has been a member of the International Scientific Advisory Committee of the Basque Centre for Climate Change (bc3) and has served as chair of the Scientific Committee of the 2011 Conference of the Spanish Association for Energy Economics (<i>Asociación Española para la Economía Energética</i>).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been president of the Spanish Economic Association, coordinator of the National Agency for Quality Evaluation and Accreditation (<i>Agencia Nacional de Evaluación y Prospectiva</i>), and representative at the European Science Foundation, as well as a</p>
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			<p>member-elect of the Council of the European Economic Association and a member of the Executive Committee of the European Association for Research in Industrial Economics. She has been a member of the Advisory Board of the Research Service of Caja de Ahorros y Pensiones de Barcelona, “la Caixa”. She has taught at universities in Germany, Belgium, Brazil, Denmark, France, Portugal and Spain.</p>
Mr Íñigo Víctor de Oriol Ibarra	More than 12 years have passed since appointment.	IBERDROLA	<p>Madrid, Spain, 1962.</p> <p><u>Academic training</u></p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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 Neoenergia, S.A. (Brazil), of Empresa Eléctrica de Guatemala, S.A. and of Empresa de Alumbrado Eléctrico de Ceuta, S.A.</p> <p>He has also been a director of Corporate Governance for the Americas, director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of Iberdrola, S.A.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.</p>

Total number of other external directors	2
Percentage of the Board	14.29

State any changes in status that have occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
Mr Xabier Sagredo Ormaza	29/03/2019	Other external	Independent

Remarks
The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 ratified his interim appointment (co-option) and re-elected him as an independent director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016
Executive	-	-	-	-	0.00	0.00	0.00	0.00
Proprietary	-	-	-	-	0.00	0.00	0.00	0.00
Independent	5	4	5	5	50	44	50	50
Other external	1	1			50	50	0.00	0.00
Total:	6	5	5	5	42.86	35.71	35.71	35.71

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes

No

Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
<p>The Company's Corporate Governance System, and particularly the <i>Board of Directors Diversity and Member Selection Policy</i>, provides that any type of bias entailing any kind of discrimination, including for reasons of gender, ethnic origin, age or disability, 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 continues to account for at least thirty per cent of the total number of members of the Board of Directors in the year 2020, shall be avoided.</p> <p>The <i>Regulations of the Appointments Committee</i> give this committee the duty to ensure compliance with the above-described goal.</p> <p>Six of the fourteen members of the Board of Directors are currently women. One of them holds the position of vice chair of the Board of Directors and another two chair two of the four consultative committees.</p> <p>On 7 June 2006 the Board of Directors appointed Ms Inés Macho Stadler as independent director on an interim basis to fill a vacancy; such appointment was ratified by the shareholders at the General Shareholders' Meeting held on 29 March 2007. On 22 September 2009 Ms Inés Macho Stadler was appointed as independent director with special powers (<i>consejera independiente especialmente facultada</i>), the name of which was later changed to lead independent director (<i>consejera coordinadora</i>), in which position she was replaced by Mr Juan Manuel González Serna by resolution of the Board of Directors on 21 June 2018 upon Ms Stadler losing the status of independent director required for this position. Ms Inés Macho Stadler was appointed vice chair of the Board of Directors on this same date.</p> <p>On 31 July 2008 the Board of Directors resolved to appoint Ms Samantha Barber as an independent director 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. Ms Barber has also chaired the Sustainable Development Committee since 24 April 2012.</p> <p>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 external independent director.</p> <p>On 23 April 2013, Iberdrola's Board of Directors approved the interim appointment of Ms Georgina Kessel Martínez as an external independent director, which appointment was subsequently ratified by the shareholders at the General Shareholders' Meeting held on 28 March 2014. Ms Kessel Martínez was appointed chair of the Audit and Risk Supervision Committee on 17 February 2015, which position has been held by the director Mr Xabier Sagredo Ormaza since 19 February 2019.</p>

On 24 June 2014, the Board of Directors approved the interim appointment of Ms Denise Mary Holt as an external independent director. This appointment was ratified by the shareholders at the General Shareholders' Meeting held on 27 March 2015.

The Appointments and Remuneration Committee was split into two separate committees on 25 March 2015. The appointment of Ms María Helena Antolín Raybaud and of Ms Inés Macho Stadler as chairs of the Appointments Committee and the Remuneration Committee, respectively, was approved for these purposes. Ms Antolín continues to be the chair of the Appointments Committee while the Remuneration Committee has been chaired by Mr Juan Manuel González Serna since 21 June 2018.

The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya in order to fill the vacancy occurring due to the end of the term of Mr Ángel Jesús Acebes Paniagua.

At 31 December 2019 the women represented 50% of the external directors on the Board of Directors.

C.1.6 Describe the means, if any, agreed upon by the appointments 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 and which makes it possible to achieve a balance between men and women:

Explanation of means
<p>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.</p> <p>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.</p>

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.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of reasons
Not applicable.

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Appointments Committee believes that Iberdrola is developing the *Board of Directors Diversity and Member Selection Policy* in a fully consistent manner and that the objectives for 2020 were met significantly in advance, as shown in section C.1.4 of this Report.

- C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

No

- C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

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 Corporate Governance System.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Mr José Ignacio Sánchez Galán	SCOTTISH POWER LTD.	Chair	No
Mr José Ignacio Sánchez Galán	AVANGRID, INC.	Chair	No
Mr José Ignacio Sánchez Galán	NEOENERGIA, S.A.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA ESPAÑA, S.A.U.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA MÉXICO, S.A. DE C.V.	Director	No
Mr Francisco Martínez Córcoles	IBERDROLA ENERGÍA INTERNACIONAL, S.A.U.	Chair	No

C.1.11 List any directors or representatives of legal person-directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS GEORGINA KESSEL MARTÍNEZ	GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.	Director
MS GEORGINA KESSEL MARTÍNEZ	FRESNILLO, PLC	Director
MS DENISE MARY HOLT	HSBC BANK, PLC	Director

MR MANUEL MOREU MUNAIZ	TUBACEX, S.A.	Director
MR ANTHONY L. GARDNER	BROOKFIELD BUSINESS PARTNERS, LP.	Director

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes 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 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	18,186
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

Remarks
This amount includes the remuneration received (5,562 thousand euros) by all of their directors for their performance as such during financial year 2019 (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 third period of the 2014-2016 Strategic Bonus, all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mr José Sainz Armada	Chief Financial Officer (CFO)
Mr Juan Carlos Rebollo Liceaga	Corporation Administration and Control Director
Mr Pedro Azagra Blázquez	Corporate Development Director
Mr Santiago Martínez Garrido	Director of Legal Services

Ms Sonsoles Rubio Reinoso	Internal Audit Director
Mr Xabier Viteri Solaun	Director of the Renewable Energy Business
Mr Armando Martínez Martínez	Director of the Networks Business
Mr Aitor Moso Raigoso	Director of the Liberalised Business
Mr Asís Canales Abaitua	Director of Procurement and Insurance

Total senior management remuneration (thousand euros)	19,520
Remarks	
The amount of the fixed and variable remuneration of the officers of the Iberdrola group (147 people) was 48,537 thousand euros. This figure does not include the shares delivered for the third and final payment of the 2014-2016 Strategic Bonus.	

C.1.15 State whether the Board rules were amended during the year

Yes

No

Description of changes
Within the process of ongoing review of Iberdrola's Corporate Governance System, apart from certain technical improvements, there have been amendments of the <i>Regulations of the Board of Directors</i> in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i> .

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: 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 senior officers 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 Corporate Governance 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 how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
<p>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.</p> <p>The Regulations of the Board of Directors were amended in March 2019 in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i>.</p> <p>More than 90% of the work areas defined in the evaluation process from the prior year were met during 2019.</p> <p>Other milestones that took place during financial year 2019 include the following:</p> <p>Composition of the governance bodies:</p> <ul style="list-style-type: none"> - Continuation of the process of regular and staggered renewal of the Board of Directors with the appointment of Ms Sara de la Rica Goiricelaya, increasing the number of women to approximately 43% of the total number of members on the Board of Directors. <p>Development of competencies:</p> <ul style="list-style-type: none"> - Definition of the Purpose and update of the Values of the Iberdrola group. - Review of alternatives for comprehensive analysis of the group's risks (combined assurance). - Expansion of the competencies of the Appointments Committee. - Expansion of the competencies of the Remuneration Committee.

Operation:

- Half-yearly review of the annual work plan of the consultative committees.
- Digitisation of the orientation programme on the directors' website and adaptation to the technical guides published by the CNMV.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Appointments Committee will coordinate the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and will submit to the full board the results of said evaluation together with a proposed action plan or with recommendations to correct any potential detected deficiencies or to improve the operation of the Board of Directors or the committees thereof.

The evaluation of the chairman & CEO will be led by the lead independent director.

The process of evaluation of the Board of Directors, its committees, the chairman & CEO and each of the other directors of the Company will include the following aspects: (i) the operation and quality of the work of the Board of Directors and its committees; (ii) the size, composition and diversity of the Board of Directors and of its committees; (iii) the performance of duties by the chairman of the Board of Directors & CEO; (iv) the performance and contribution of each director, paying special attention to those responsible for the various committees; (v) the frequency and duration of the meetings; (vi) the contents of the agenda and the sufficiency of the time dedicated to dealing with the various issues based on the importance thereof; (vii) the quality of the information received; (viii) the broadness and openness of debates, avoiding group-think; and (ix) whether the decision-making process within the Board of Directors or any of its committees was dominated or strongly influenced by a member or a small group of members.

The evaluation for financial year 2019 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser in the process.

The scope of the process in 2019 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 *Good Governance Code of Listed Companies*, (ii) monitoring of corporate governance trends, and (iii) analysis of achievement of potential areas of progress defined in evaluations from prior years.

More than 370 indicators of good practices with verifiable evidence were used. All of this was supplemented with interviews of the directors by the 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 National Securities Market Commission.

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 95% 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 2020 deriving from the 2019 evaluation process focuses on advancing in the following areas, among others:

- Monitoring of the changes made to be made to the recommendations of the *Good Governance Code of Listed Companies*.
- Deepening the supervision of critical issues like climate change, the energy transition and emerging risks.
- Continued improvement of training and initial orientation plans, including new issues and new formats.

On 24 February 2020 the Board of Directors approved the results of the evaluation of financial year 2019 and the Continuous Improvement Plan for financial year 2020.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Iberdrola has been assisted by an outside consultant for the last ten years. In 2019 PwC's business relations with the Iberdrola group worldwide were approximately 23 million euros (a large portion of this figure is due to the recent outsourcing of tax services by Avangrid, Inc.). The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2019 was 373,000 euros.

C.1.19 State the situations in which directors are required 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 Iberdrola's Corporate Governance 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

<p>the Corporate Governance System.</p> <p>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.</p> <p>c) 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.</p> <p>d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.</p> <p>e) 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.</p> <p>f) 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.</p> <p>g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.</p> <p>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.</p>

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes

No

If so, please describe any differences.

Description of differences
<p>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.</p> <p>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.</p>

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes No

Remarks
<p>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.</p> <p>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.</p>

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors or other more stringent requirements in addition to those established by law:

Yes No

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the 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 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	8
Number of Board meetings without the chairman	0

State 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
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Remarks
<p>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.</p> <p>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.</p>

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	15
Number of meetings held by the Audit and Risk Supervision Committee	12
Number of meetings held by the Appointments Committee	9
Number of meetings held by the Remuneration Committee	7
Number of meetings held by the Sustainable Development Committee	9

C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

Number of meetings with the attendance of at least 80% of the directors	8
% personal attendance of total votes during the year	98.21
Number of meetings with all directors attending in person or by proxy with specific instructions	8
% of votes cast in person and by proxy with specific instructions of all votes cast during the year	100.00

Remarks

The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2019 is detailed in the Annex to this Report.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mr José Ignacio Sánchez Galán	Chairman & CEO
Mr José Sainz Armada	CFO
Mr Daniel Alcaín López	Corporation Administration and Control Director

Remarks
<p>The Iberdrola group has established a certification process by 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 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.</p> <p>The culmination of the process is a joint certification that the chairman & CEO, the CFO and the Corporation Administration and Control Director submit to the Board of Directors.</p> <p>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.</p>

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

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 economic/financial information regarding the Company and its group and, based on available sources of internal information (including reports from the Internal Audit Area, 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), 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.
- 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, if 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 on the economic/financial information of the Company throughout the financial year and prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). 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 2019:

- Report dated 23 April 2019 on the *Interim Management Statement* for the first quarter of 2019.
- Report dated 22 July 2019 on the economic/financial information for the first half of 2019.
- Report dated 28 October 2019 on the *Interim Management Statement* for the third quarter of 2019.
- Report dated 24 February 2020 regarding the annual accounts of Iberdrola and its consolidated group for financial year 2019.

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

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Mr Julián Martínez-Simancas Sánchez	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, 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 Corporate Governance System, provide that:

- The relations of the committee with the statutory auditor of the Company shall respect the independence thereof, in accordance with the provisions of the Corporate Governance System.
- 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 ask the statutory auditor to provide an annual 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 law on statutory audit. 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 of the Company and of the Iberdrola group, stating 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 quality assurance and independence safeguarding internal procedures 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 2019:

- Iberdrola's statutory auditor, "KPMG Auditores, S.L." ("KPMG") appeared on fifteen 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 18 February 2019 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2018.
- On 16 July 2019 KPMG sent to the committee written confirmation of its independence with regard to the limited review of the economic/financial information as at 30 June 2019.

- On 19 February 2020 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2019.
- In the letters described above, the statutory auditor represents that it has implemented internal policies and procedures designed to reasonably ensure that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- The hiring of the statutory auditor for services other than auditing 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 of 24 February 2020, KPMG reported that it had no evidence that any member of the teams participating in the audit of the financial statements for financial year 2019 had joined as an employee of Iberdrola or of its related companies.
- On 24 February 2020 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 or entities related thereto.

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, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance 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 Office of the Shareholder). The Finance 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 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.

To actualise the principles of transparency and non-discrimination, always in strict compliance with regulations regarding the securities market, the Company has a number of communication channels:

- 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) and a 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 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes No

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated

Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)	11.11%	11.11%
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C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Explanation of procedure
<p>The <i>Regulations of the Board of Directors</i> 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 <i>Orientation Programme</i> shall be made available to them through the directors' website.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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, as well as the <i>Orientation Programme</i> and the training materials intended for the directors and presentations made to the Board of Directors.</p> <p>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 to any other information that the Board of Directors approves or that the chairman or the secretary of the Board of Directors deems appropriate to include.</p>

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 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes

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 Company's Corporate Governance 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 set forth in the Regulations of this body, particularly:

- a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Corporate Governance 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 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.

- d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
- e) 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.
- f) 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.
- g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.

In any of the aforementioned instances, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director's removal from office to the shareholders at the General Shareholders' Meeting.

By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply if the Board of Directors believes that there are reasons that justify the director's continuance in office, after a report of the Appointments Committee, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes

No X

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

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 for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to a takeover bid or any other type of transaction.

Number of beneficiaries	28
Type of beneficiary	Description of agreement
Executive directors and officers	<p>1. EXECUTIVE DIRECTORS</p> <p>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</p>

	<p>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.</p> <p>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.</p> <p>2. OFFICERS</p> <p>Some employment contracts with officers of Iberdrola include specific severance clauses. 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, more so for positions deemed to decisively contribute to the creation of value due to the responsibilities entailed thereby. 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.</p> <p>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.</p>
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State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance 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 membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Position	Category
Mr José Ignacio Sánchez Galán	Chair	Executive
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent
Ms Samantha Barber	Member	Independent

% of executive directors	25
% of independent directors	50
% of other external directors	25

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Category
Mr Xabier Sagredo Ormaza	Chair	Independent
Ms Denise Mary Holt	Member	Independent
Ms Georgina Kessel Martínez	Member	Independent
Mr José Walfredo Fernández	Member	Independent

% of independent directors	100
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Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or 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 or risk management, 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, 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 that the Chairperson of this committee was appointed.

Name of directors with experience	Mr Xabier Sagredo Ormaza and Ms Georgina Kessel Martínez
Date of appointment of the chairperson	19/02/2019

APPOINTMENTS COMMITTEE

Name	Position	Category
Ms María Helena Antolín Raybaud	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Mr Anthony L. Gardner	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or 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 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

REMUNERATION COMMITTEE

Name	Position	Category
Mr Juan Manuel González Serna	Chair	Independent
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Category
Ms Samantha Barber	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Ms Sara de la Rica Goiricelaya	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 set out 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, 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			
	FY 2019 Number %	FY 2018 Number %	FY 2017 Number %	FY 2016 Number %
Executive Committee	2/50	2/40	2/40	1/20
Audit and Risk Supervision Committee	2/50	2/50	2/50	2/50
Appointments Committee	1/33.33	1/33.33	1/33.33	1/33.33
Remuneration Committee	1/33.33	1/33.33	1/33.33	1/33.33
Sustainable Development Committee	2/66.67	1/33.33	1/33.33	1/33.33

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments

made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Each of the committees 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 Corporate Governance System, apart from technical improvements, there have been amendments of the Regulations of the Appointments Committee and of the Remuneration Committee in order to reflect the recommendations included in the National Securities Market Commission's Technical Guide 1/2019 on Nomination and Remuneration Committees.



RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for 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 Management of the Internal Audit Area.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
QATAR INVESTMENT AUTHORITY	IBERDROLA, S.A.	Corporate	Dividends and other distributed profits	2,766
QATAR INVESTMENT AUTHORITY	IBERDROLA Group	Corporate	Other	248

Remarks
<p>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.</p> <p>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.</p> <p>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.</p> <p>The amount allocated for "dividends and other distributed profits" corresponds to the bonus for attending the General Shareholders' Meeting and "other" corresponds to the income from treasury placements made with Qatar National Bank by Scottish Power Ltd.; there was no outstanding amount at 31 December.</p>

D.3 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the directors or officers of the company:

Name of director or manager	Name of related party	Relationship	Type of transaction	Amount (thousand euros)
No data				

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 preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions. In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		

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 Describe significant transactions conducted with other related parties that have not been reported in the previous sections.

Name of the related party	Brief description of the transaction	Amount (thousand euros)
SIEMENS GAMESA GROUP	PURCHASE OF MATERIAL ASSETS	698,463
SIEMENS GAMESA GROUP	RECEIPT OF SERVICES	42,978
SIEMENS GAMESA GROUP	PURCHASE OF GOODS (FINISHED OR IN PROGRESS)	1,995

SIEMENS GAMESA GROUP	SALES	1,201
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D.6 Describe 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 include, 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 approved by the shareholders at a General Shareholders' Meeting if the value of the transaction exceeds 10% of the corporate assets. All transactions will be reported in the Annual Corporate Governance Report and in the Annual Financial Report.

D.7 Is there more than one company in the group listed in Spain?

Yes

No

Identify the other companies that are listed in Spain and their relationship to the company:

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

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 a Risk Committee of the group 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, implementation and monitoring thereof, which effectively contributes to risks being managed in accordance with the Company's risk appetite.
- 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 periodic monitoring and control of profit and loss account risks in order to control the volatility of the annual income of the group.
- h) 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.
- i) 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 *Corporate Governance 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 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* in further development thereof apply to all companies over which the Company has effective control, within the limits established in the legal provisions applicable to the companies of the group that carry out regulated activities in the various countries in which it has a presence.

The listed country subholding companies (Avangrid, Inc. and Neoenergia, S.A.) have their own risk policies approved by their competent bodies pursuant to their own special framework of strengthened autonomy, which are aligned with those of the group.

At those companies in which the Company has an interest but which do not belong to the group, 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 creating and executing the Risk Management and Control System, including tax compliance 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, it has the following powers, among others, relating to the risk control and management systems and the tax area:

- Directly supervise the Corporate Risk Division and maintain an appropriate relationship therewith and with the audit and compliance committees of the other companies of the group.
- Continuously review the risk control and management systems, such that the principal risks are properly identified, managed and reported.
- Supervise the effectiveness of the risk control and management systems, formulating proposals for improvement.

- Obtain information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work.
- Ensure that the group's risk control and management system identifies at least:
 - the various risk factors that the Company faces;
 - the establishment and review of the risk map and the risk levels that are deemed acceptable;
 - the measures identified in order to mitigate the potential impact the materialisation of any of the identified risks; and
 - the internal control and information systems to be used in order to control and manage such risks.
- Promote (within the limits of its purview) a culture in which risk is a factor that is taken into account in the decisions of the Company.
- Identify and evaluate emerging risks, like those arising from technological, climactic, social and regulatory changes and reputational risks, as well as existing alert mechanisms, periodically evaluating the effectiveness thereof.
- Receive annual visits from the heads of the businesses of the group in order for them to report on the trends of their respective businesses and the risks associated therewith.
- Report in advance on the risks of the group to be included in the *Annual Corporate Governance Report*.
- Receive information from the Company's tax director regarding the tax standards applied during the financial year, and particularly regarding the level of compliance with the *Corporate Tax Policy*.

4. BOARDS OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEES OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the risk policies of the group and define the application thereof, approving 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 risk control and management systems.

The management decision-making bodies of the head of business companies of each country must approve the specific risk limits applicable to each of them and implement the control systems necessary to ensure compliance therewith, all within the limits provided by the legal provisions applicable to the companies of the group that carry out regulated activities.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group (Avangrid, Inc. and Neoenergia, S.A.) and those with significant interests of other shareholders 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 CFO 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 Division and the Administration 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 the 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. State the primary risks, including tax compliance 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* for financial year 2019, 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.

Due to the universal and dynamic nature thereof, the comprehensive risk system allows for the consideration of new risks that could affect the group as a consequence of changes in the environment or revisions of objectives and strategies, as well as updates based on the monitoring, verification, review and supervision activities that are performed on a continuous basis.

Pursuant to the definitions established by the *General Risk Control and Management Policy*, risks at the group level are classified as follows:

- a) Corporate governance risks.
- b) Market risks.
- c) Credit risks.
- d) Business risks.
- e) Regulatory and political risks.
- f) Operational, technological, environmental, social and legal risks.
- g) Reputational risks.

The activities of the group during financial year 2020 and later years will be 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 commodities and electricity prices in these countries.
- The annual change in hydraulic or wind resources for 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.
- The risks associated with cybersecurity.

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 or 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:

- The annual accounts 2019, and particularly the section dedicated to risk factors in the Management Report.
- Statement of Non-Financial Information. Sustainability Report 2019
- The Integrated Report 2019.
- Other sections of this Annual Corporate Governance Report.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance 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.

By way of complement, the Administration 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 Technologies Policy*
- *Cybersecurity Risk Policy*
- *Reputational Risk Framework Policy*
- *Procurement 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 of the Iberdrola group*

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 discretionary 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, the Administration and Control Division and the Risk Management Division also participate in the process.

E.5. State which risks, including tax compliance risks, have materialised during the year

The activities of the Iberdrola group during 2019 have been subject to various risk factors occurring in the countries and markets in which it operates, and on a global basis have not had a significant impact on the results for the financial year, thanks to the diversification of activities, markets and geographic areas in which the group is present, which has allowed for the negative effects of some businesses to be offset with favourable performance in others.

During the financial year, the group was negatively affected by events described below, although they have been offset by the following positive events:

- The approval at the end of 2019 of the new remuneration framework and rate applicable to the electricity distribution business in Spain for the 2020-25 period and the approval in December 2019 of the remuneration rate applicable for the next 12 years to the assets of the rate-regulated renewable energy business in Spain.
- These approvals, together with the agreement reached with ENRESA at the beginning of the year for a "Plan for scheduled closing of Spanish nuclear plants", positively eliminate uncertainties relating to these activities by the group in Spain.
- The approval in August 2019, on terms favourable to the group, of the remunerative framework of Elektro, applicable until August 2023.
- The sale with positive impacts for the group of: 1) 40% of the East Anglia One offshore wind farm in the United Kingdom, 2) the group's long-term liquefied natural gas supply contracts, and 3) the fibre optic business of the networks business in Spain.

The risks that have materialised include:

- The slowdown of economic growth in some of the countries in which the group is present, like Mexico, Brazil and the United Kingdom, partially offset by the group's business model, which makes it less sensitive to changing circumstances in the economic growth of the countries in which it is present.
- Lower hydrological contributions received by our hydroelectric plants as a result of the drought in Spain during 2019, which has resulted in hydroelectric production 4.5 TWh lower than expected in annual terms.

The write-off of 54 million euros in accounts receivable for territorial supplements, corresponding to the eco-tax in Extremadura (Spain).

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, 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 of the Company 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.

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 country subholding and head of business 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 RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. 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; (ii) their implementation; and (iii) their 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 the country subholding companies and 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 global 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 relies on the Internal Audit Area to carry out these responsibilities. Any audit committees at the country subholding and head of business companies have these powers within their respective purviews.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication 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 and General Services 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 and General Services Division, as well as by the Finance and Resources Division.

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, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a 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. In its review of April 2019, the *Code of Ethics* strengthened the obligation of the group's professionals to report to the Compliance Division the commission of any illegal act or any impropriety. The obligation of suppliers to comply with the *Code of Ethics* and with the corporate anti-corruption policies is also included.

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, which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of employees 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 Compliance 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 regulatory 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 the Company and of the other companies of the group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

The Compliance Unit is also in charge of determining whether a professional of Iberdrola, S.A. has engaged in activities that violate the provisions of law or the *Code of Ethics*, and if applicable, for tasking the Human Resources and General Services Division to apply 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 thereof, directors, professionals of the companies of the group and the suppliers thereof expressly accept the rules of conduct established in the *Code of Ethics* 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*. For this purpose, a literal extract of the corresponding section in each case is attached to their respective contracts.

Likewise, directors shall receive a complete copy of the *Code of Ethics*, for which they shall deliver a signed receipt.

- **Whistleblower channel, that allows 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, reporting, as the case may be, if this is of a confidential nature.**

Iberdrola has various reporting 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.

One need not identify oneself in order 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 employee making a complaint, unless there is bad faith on the party of the complaining party.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

Training is key in the Iberdrola's human resources policy and is an essential element for adjusting new employees 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 conformance of the group to future rules and to 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 2019 there were, among other events, the International Internal Audit Planning Days, the "VII-Global Tax Meeting" and the annual "XII Global Control Committee", which analyses the most significant issues affecting the function, like new accounting rules, with special attention on reviewing and evaluating the group's ICFR system.

In addition, although not considered specific training activities, the Accounting Practices 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 financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, 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 for performing the internal control over financial information at Iberdrola, documenting both the objectives and performance thereof as well as its results.

The methodology 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 evaluation, 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, as well as systematic review by the Internal Audit Area.

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. 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.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

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 company structures, shell companies, or special purpose entities.**

The scope of consolidation is identified on a monthly basis, and is obtained as a product of an updated map of companies, with express identification of 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 Iberdrola's *Regulations of the Audit and Risk Supervision Committee*.

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.

- **If 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 affect the financial statements, which risks are evaluated and managed by various corporate units like the Risk Division or the Legal Division, among others. However, there is no express identification of such other types for the identification 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 Management of the Internal Audit Area in the performance of this duty.

F.3. Control activities

State whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, 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 financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

On 24 July 2018, Iberdrola's Board of Directors approved an *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, 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 Corporate Administration and Control Director, 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 Management of 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 process of global consolidation and with the process of preparing the notes. 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 opinions, 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, once again with the support of the Internal Audit Division, 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 verifying the proper definition of the scope of consolidation, as well as the correct application of generally accepted accounting principles and international financial reporting standards.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation 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, of the transaction, and of 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 good market 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 2019, the total number of systems covered by the IT controls system was 46, on which there was homogeneous application of 14 controls, 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 Division.

F.3.3. Internal control policies and procedures intended to guide the management of activities subcontracted to third parties, as well as those aspects of assessment, calculation or evaluation 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

State 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 directly 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 quarterly bulletin 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. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding 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 system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the 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 prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The activities for supervising the ICFR by the ARSC mainly include: (i) monitoring of compliance with the process of certification by the various parties responsible for the financial information; (ii) the review, with the support of the Management of the Internal Audit Area, of the design and operation of the internal control system, to evaluate the effectiveness thereof; and (iii) regular meetings with the external auditors, internal auditors 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.

It should be mentioned that 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 Internal Control Division, 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 serious, medium or mild, based precisely on their potential impact on the financial information) and the action plans to fix them, are presented at an annual specialised meeting chaired by the Administration and Control director, and at which the Management of the Internal Audit Area is also present. 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 Administration and Control 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 reports hierarchically to the chairman of Iberdrola's Board of Directors, and functionally 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 Management of 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 Management of the Internal Audit Area plans for in-depth review of the entire internal control system is five years.

Specifically, 18 cycles were reviewed during financial year 2019. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A. (Sociedad Unipersonal), Neoenergía, S.A. and Iberdrola Inmobiliaria, S.A.U., as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Management of 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 Management of 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. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - “Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings by the various agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditors, with the internal auditors, and with the management 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 Management 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 process by 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 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 half-yearly process is a joint certification that the chairman & CEO and the Administration and Control director 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 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 of 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 process of certification 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 Internal Control Division, 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.

Furthermore, the Management of the Internal Audit Area, which is responsible for supervising 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 Management of 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 1,750 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 1,180

risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

In addition, the approximately 110 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 on:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its 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 EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do 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 shares on the market.

Complies | Explanation | 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 parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**
- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
 - b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies	X	Complies Partially	Explanation	Not Applicable

- 3. That, during the course of the ordinary General Shareholders’ Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**
- a) Changes that have occurred since the last General Shareholders’ Meeting.**

- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | X Complies Partially | Explanation |

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies | X Complies Partially | Explanation |

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies | X Complies Partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies | X Complies Partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | X Explanation |

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies | X Complies Partially | Explanation |

9. That the company permanently maintains on its web page 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 | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is 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, and the promotion of continuity and maximisation of 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 in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies | **X** | Complies Partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies | **X** | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call to the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | **X** Complies Partially | Explanation |

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies | **X** Complies Partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies | **X** Explanation |

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies | **X** Explanation |

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.

- b) Any other Boards to which the director belongs, regardless of whether 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) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies | | Complies Partially | | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | | Complies Partially | | Explanation | | Not Applicable |

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. 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 representing this shareholder.

Complies | | Complies Partially | | Explanation | | Not Applicable |

21. That the Board of Directors may 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 appointments 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 attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into 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 similar 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 the proportionate representation criteria provided for in Recommendation 16.

Complies | | Complies Partially | | Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible

and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies | Complies Partially | Explanation |

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 in the case of the secretary of the Board of Directors, despite not being a director.

Complies | Complies Partially | Explanation | Not Applicable |

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies Complies Partially | Explanation | Not Applicable |

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies | Complies Partially | Explanation |

26. That the Board of Directors meets frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies | Complies Partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies | Complies Partially | Explanation |

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, upon a request from the protesting party.

Complies | Complies Partially | Explanation | Not Applicable |

29. That the company 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 | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies | **X** | Explanation | Not Applicable |

31. That the agenda for meetings clearly states those matters about 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, under 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 | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies | **X** | Complies Partially | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required 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 so dictate.

Complies | **X** | Complies Partially | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chair of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; 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 coordinate a succession plan for the chairman.

Complies | **X** | Complies Partially | Explanation | 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 the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies | **X** | Explanation |

36. That the Board of Directors meets 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 of membership and competence of the Board of Directors.**
- d) **Performance of the chairman of the Board of Directors and 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 appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies | Complies Partially | Explanation |

37. **That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies | Complies Partially | Explanation | Not Applicable |

The Executive Committee is made up of the chairman & CEO, the vice chair of the Board of Directors, who is classified as other external director, and two independent directors, one of whom is a woman. Iberdrola believes that the various types of directors are duly represented and that the composition of said Committee is sufficiently diverse.

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 | Complies Partially | Explanation | Not Applicable |

39. **That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.**

Complies | Complies Partially | Explanation |

40. **That under the supervision of the audit committee, there must 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 | Explanation |

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies | **X** | Complies Partially | Explanation | 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) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure 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) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure 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 accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies | **X** | Complies Partially | Explanation |

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies | **X** | Complies Partially | | Explanation |

- 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 draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies | **X** | Complies Partially | | Explanation | | Not Applicable |

- 45. That the risk management and control policy identify, at a minimum:**
- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.**
 - b) **Fixing of the level of risk the company considers acceptable.**
 - c) **Means identified in order to minimise identified risks in the event they transpire.**
 - d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies | **X** | Complies Partially | | Explanation |

- 46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**
- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
 - b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
 - c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies | **X** | Complies Partially | | Explanation |

- 47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies | **X** | Complies Partially | | Explanation |

- 48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies | **X** | | Explanation | | Not Applicable |

- 49. That the appointments 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 may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | Complies Partially | Explanation |

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies | Complies Partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies | Complies Partially | Explanation |

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen 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 detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last 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 the minutes be made available to all directors.

Complies | Complies Partially | Explanation | Not Applicable |

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to

its powers of self-organisation, to which at least the following responsibilities shall be specifically assigned:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of corporate social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies | **X** | Complies Partially | Explanation |

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, at a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies | **X** | Complies Partially | Explanation |

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies X	Complies Partially	Explanation
<p>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 judgment of non-executive directors.</p>		

Complies X	Complies Partially	Explanation
<p>57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.</p>		

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies X	Complies Partially	Explanation
<p>58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.</p>		

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 undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies X	Complies Partially	Explanation	Not Applicable
<p>59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.</p>			

Complies X	Complies Partially	Explanation	Not Applicable
<p>60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.</p>			

Complies X	Complies Partially	Explanation	Not Applicable
<p>61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.</p>			

Complies | **X** Complies Partially | Explanation | Not Applicable |

- 62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies | **X** Complies Partially | Explanation | Not Applicable |

- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies | **X** Complies Partially | Explanation | Not Applicable |

- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies | Complies Partially | **X** Explanation | 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.

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 at year-end 2014, there were 62 officers with a right to severance pay greater than two years in case of termination. At year-end 2019, the number has decreased again to 26, without the enforcement of any guarantee clause.

[H] FURTHER INFORMATION OF INTEREST

1. If there is any 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 is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it 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 redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

On 20 July 2010 the Company acceded to the Code of Good Tax Practices, a document approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established by the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*) and certain large companies and held on that date.

Pursuant to the provisions of section 2 of the annex of accession to the Code of Good Tax Practices and section 4.a) 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 2019, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 18 February 2019 and 22 July 2019 to report on 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 2019. 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 24/02/2020.

State whether any directors voted against or abstained from voting on this report.

Yes

No

Annex to ACGR 2019:

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 2019. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	8/8	15/15	-	-	-	-
MR ÍÑIGO VÍCTOR DE ORIOL IBARRA	8/8	-	-	9/9	-	9/9
MS INÉS MACHO STADLER	8/8	15/15	-	-	7/7	-
MS SAMANTHA BARBER	8/8	15/15	-	-	-	9/9
MS MARÍA HELENA ANTOLÍN RAYBAUD	8/8	-	-	9/9	-	-
MR ÁNGEL JESÚS ACEBES PANIAGUA	2/2	3/3	-	2/2	-	-
MS GEORGINA KESSEL MARTÍNEZ	8/8	-	12/12	-	-	-
MS DENISE MARY HOLT	8/8	-	12/12	-	-	-
MR JOSÉ W. FERNÁNDEZ	8/8	-	12/12	-	-	-
MR MANUEL MOREU MUNAIZ	8/8	15/15	-	-	7/7	-
MR XABIER SAGREDO ORMAZA	8/8	-	12/12	-	-	-
MR JUAN MANUEL GONZÁLEZ SERNA	8/8	-	-	-	7/7	-
MR FRANCISCO MARTÍNEZ CÓRCOLES	8/8	-	-	-	-	-
MR ANTHONY L. GARDNER	8/8	-	-	6/6	-	2/3
MS SARA DE LA RICA GOIRICELAYA	5/5	-	-	1/1	-	6/6

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 (previously the Corporate Social Responsibility Committee).

SECTION E.3.

ACTIONS OF IBERDROLA, S.A. AND IBERDROLA RENOVABLES ENERGIA, S.A.U. RELATING TO THE HIRING OF CLUB EXCLUSIVO DE NEGOCIOS Y TRANSACCIONES, S.L. (CENYT)

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**”), Iberdrola, S.A. (Iberdrola) has conducted various investigations described below in accordance with the provisions of its Corporate Governance 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, in relation to the facts referred to in said news reports.

The first news about the hiring of CENYT by Iberdrola appeared on 11 June 2018. Four days later, on 15 June 2018, the Compliance Unit (which, pursuant to the provisions of the *Regulations of the Compliance Unit*, is the body authorised since its creation in 2012 to investigate facts like those referred to above) prepared a first report identifying 14 invoices issued by CENYT to Iberdrola between 2004 and 2009 (in the total amount of 1,017,824.14 euros) and another 3 invoices issued between 2012 and 2017 to Iberdrola Renovables, S.A.U. (Iberdrola Renovables) (in the total amount of 114,200.00 euros).

In relation to the same news reports, the Audit and Risk Supervision Committee requested a report from the Internal Audit Area regarding invoices issued to the Iberdrola group on 19 November 2018 by companies connected to the former police commissioner Villarejo. Said report concluded (i) that the only company linked to Mr Villarejo Pérez (through his spouse and son) that invoiced the Iberdrola group was CENYT; and (ii) that the invoices paid corresponded to services purchased by the Corporate Security Division, which, according to statements thereby, were actually provided by CENYT within the context of Iberdrola’s international expansion process, in order to ensure the integrity of its officers in their travels to at-risk countries, ensure the confidentiality of communications and of significant meetings of the management team, and strengthen the security of vital sites for the group’s power generation activities.

On 25 September 2019 Iberdrola’s Internal Audit Area prepared a second report on the internal control of third parties, which was intended to describe the main controls implemented in recent years in relation with the process of hiring third party creditors and analyse how the internal controls worked in the hiring of CENYT. The Internal Audit Area concluded that the process followed conformed to the internal control procedures in effect at that time.

Beginning on 8 October 2019, additional news referring to alleged specific assignments by Iberdrola to CENYT were published in the media, on this occasion describing allegedly illegal content or purposes.

On that same 8 October, the Compliance Unit, under the supervision of the Sustainable Development Committee and in coordination with Iberdrola Renewable’s Compliance Division, commenced an internal investigation to clarify this additional news.

The content of the 24 meetings of Iberdrola’s governance bodies between the months of October 2019 and February 2020 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 documentations) or the lack of cooperation of certain former employees, complete documentation was not available.

The Compliance Unit also directly hired the services of “Pricewaterhousecoopers Asesores de Negocio, S.L.” (“PwC”) to perform an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings immediately available to the judicial authorities, whatever those findings may be. PwC dedicated more than 3,000 hours of work to this investigation, processing 4.67 TB of information (4.4 million files) and reviewing more than 300,000 files and more than 3,000 invoices.

As arises from the internal investigations conducted by the respective Internal Audit Areas and the Compliance divisions:

- (i) After the 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 and 3 to Iberdrola Renovables.
- (ii) 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.
- (iii) 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.
- (iv) No evidence or indications have been detected that would warrant a suspicion that the services set forth in the invoices reviewed were not provided.
- (v) In particular, based on the information available to Iberdrola and Iberdrola Renovables, no illegal conduct or conduct contrary to the rules making up the Corporate Governance System has been identified as a result of the internal investigations being conducted.
- (vi) All relevant information available and the full findings from the forensic work performed by PwC have been made available to Central Investigation Court number 6.

As of the date hereof, based on both the internal information and the external events of which the Company has become aware, the facts 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.

To ensure maximum dissemination in accordance with the Company’s commitment to transparency, the information set out in the preceding paragraphs in connection with the hiring of CENYT reproduces the text of the memorandum of the Board of Directors regarding this issue published on the corporate website on occasion of the call to the General Shareholders’ Meeting.

PROFIT DISTRIBUTION PROPOSAL

PROFIT DISTRIBUTION PROPOSAL YEAR 2019

Euros	2019
Basis of distribution	
Prior years' profit and loss	8,732,386,577
Profit for 2019	2,848,815,453
Total	11,581,202,030
Distribution:	
To Legal reserves	–
To dividends	Amount to be determined resulting from adding: (a) the total interim dividend and (b) the result of multiplying the complimentary dividend by the total number of shares that the holders have decided to receive as cash remuneration under the framework of the first execution of the Iberdrola Flexible Remuneration system for 2020.
To prior years' profit and loss	Amount to be determined resulting from deducting amounts earmarked for the legal reserves and dividends from the basis of distribution
Total	11,581,202,030

On the date the Board of Directors (or the body upon which its powers are delegated) decides to execute the share capital increase submitted for approval at the General Shareholders' Meeting under item 12 on the agenda (and, therefore, the first execution of the Iberdrola Flexible Remuneration system for the year 2019 is implemented) the minimum amount for the complimentary dividend will be disclosed. The final amount of the Cash remuneration will be notified as soon as the Board of Directors (or the delegated body) makes its decision as provided for in the Common Terms and Conditions. Likewise, once the first execution of the Iberdrola Flexible Remuneration system for 2020 is completed, the Board of Directors (with explicit authority for replacement) will proceed to specify the aforementioned distribution proposal and determine the final amount of the Dividend and the amount to be left over.

Annual financial report

Iberdrola, S.A., and subsidiary
companies

Year 2019



AUDITOR'S REPORT



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

Independent Auditor's Report on the Consolidated Annual Accounts

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

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 2019, 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 2019 and of its consolidated financial performance and its 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 in Spain pursuant to the legislation regulating the audit of accounts. 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 13 to the consolidated annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>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.</p> <p>Furthermore, as a result of the acquisitions made in recent years, the consolidated annual accounts include goodwill for an amount of Euros 8,153 million.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ 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. ▪ Assessing the sensitivity of the recoverable amount to changes in certain assumptions that are considered reasonable. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

Pension commitments
See note 25 to the consolidated annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>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.</p> <p>The present value of commitments undertaken is Euros 11,198 million, while the fair value of the different plan assets amounts to Euros 8,750 million, of which Euros 1,844 million is classified as level 3 in the fair value hierarchy.</p> <p>Non-material 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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Assessing the design and implementation of controls related to the valuation process. ▪ Reading and understanding of collective agreements and other commitments assumed with personnel. ▪ Evaluation of the integrity and accuracy of the databases used for the beneficiaries of the different commitments. ▪ Analysis of the reasonableness of the main actuarial assumptions and calculation methods applied by the Group in the different jurisdictions in which it operates through the involvement of our specialists. ▪ Performance of substantive procedures on a sample of the assets subject to the different plans in order to verify the reasonableness of their valuation. Our procedures included obtaining external confirmations. ▪ Analysis of compliance with the disclosure requirements established in IFRS-EU.

Provisions for litigation and claims See note 26 to the consolidated annual accounts	
<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>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 procedures underway amounting to Euros 1,196 million that are shown in the "provisions for litigation, indemnities and other items" and "other provisions" columns of note 26 to the consolidated annual accounts. Current tax liabilities under non-current liabilities amount to Euros 261 million.</p> <p>The calculation of amounts to be provided for is subject to significant uncertainties that affect both the determination of the probability of an outflow of resources and the quantification thereof..</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Assessing the design and implementation of the controls related to the process of recognising and evaluating litigations and claims. ▪ Obtaining details of litigation prepared by the Group's legal services department and analysing the reasonableness of the amounts recognised in the consolidated annual accounts. ▪ Sending confirmations to the lawyers with whom the Group operates. ▪ Reading of the minutes of board of directors' meetings. ▪ Selection of a sample of the main litigation procedures and analysis of the reasonableness of provisions, if any, with the involvement of our specialists. ▪ Analysis of compliance with the disclosure requirements established in IFRS-EU.

Revenue recognition See note 5 to the consolidated annual accounts	
<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>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.</p> <p>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.</p> <p>Estimated electricity supplied and not invoiced amounts to Euros 2,137 million.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Analysis of the design, implementation and operating effectiveness of the key controls related to the estimation of unbilled revenue. ▪ Evaluation of 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). ▪ Verification of the reasonableness of the volume of unbilled electricity through an analysis of historical information and other available internal and external data. ▪ Verification, for a sample selected, of the tariffs applied by comparing them with the data contained in the customer contract databases.

Other information: Consolidated Directors' Report

Other information solely comprises the 2019 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 content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) A specific level applicable to the consolidated non-financial information statement and to certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.
- b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting 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.

Based on the work carried out, as described above, we have verified that the non-financial information mentioned in section a) above is presented in the separate report, "Non-financial information statement – Consolidated sustainability report of Iberdrola, S.A. and its subsidiaries", to which reference is made in the consolidated directors' report, that the information contained in the ACGR, mentioned in said section, is included in the consolidated directors' report, and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019 and 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 and Risk Supervision 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 consolidated 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 consolidated annual accounts.

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 and Risk Supervision Committee of Iberdrola, S.A. 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 and Risk Supervision 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.

From the matters communicated to the Audit and Risk Supervision 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

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 and Risk Supervision Committee dated 28 February 2020.



Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 31 March 2017 for a period of three years, from 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

28 February 2020

**CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

Thousands of Euros			
ASSETS	Note	31.12.2019	31.12.2018 (*)
Intangible assets	8	20,367,861	21,000,248
Goodwill		8,152,918	7,837,843
Other intangible assets		12,214,943	13,162,405
Investment property	9	342,286	428,592
Property, plant and equipment	10	71,289,209	66,109,320
Property, plant and equipment in use		63,448,544	58,517,671
Property, plant and equipment under construction		7,840,665	7,591,649
Right-of-use asset	2.a, 11	1,782,247	-
Non-current investments		5,818,537	5,191,132
Equity-accounted investees	14.a	1,956,827	1,709,518
Non-current securities portfolio		86,058	68,831
Other non-current investments	14.b	3,019,222	2,685,387
Derivative financial instruments	28	756,430	727,396
Trade and other non-current assets	15	2,850,970	814,577
Current tax assets	2.d, 33	665,675	665,675
Deferred tax assets	33	5,694,528	5,485,999
NON-CURRENT ASSETS		108,811,313	99,695,543
Assets held for sale		-	62,164
Nuclear fuel	17	305,501	272,674
Inventories	18	2,541,593	2,173,831
Trade and other receivables current		7,499,400	6,854,733
Current tax assets	34	318,082	252,907
Public entities, other	34	507,031	503,444
Trade and other receivables current	15	6,674,287	6,098,382
Current investments		1,097,920	1,177,821
Other current financial investments	14.b	692,561	571,568
Derivative financial instruments	28	405,359	606,253
Cash and cash equivalents	19	2,113,279	2,801,157
CURRENT ASSETS		13,557,693	13,342,380
TOTAL ASSETS		122,369,006	113,037,923

(*) The Consolidated statement of financial position at 31 December 2018 is presented for comparative purposes only.

The accompanying Notes 1 to 55 and the Appendix are an integral part of the Consolidated statement of financial position at 31 December 2019.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

Thousands of Euros			
EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018 (*)
Of the parent company	20	37,678,307	36,582,199
Subscribed capital		4,771,554	4,798,222
Valuation adjustments		(544,109)	(32,196)
Other reserves		33,581,946	32,731,625
Treasury shares		(1,436,205)	(1,010,348)
Translation differences		(2,101,190)	(2,919,156)
Net profit for the year		3,406,311	3,014,052
Non-controlling interests		9,516,358	7,394,355
EQUITY		47,194,665	43,976,554
Capital grants	23	1,398,523	1,477,928
Facilities assigned and financed by third parties	24	4,987,463	4,823,396
Non-current Provisions		5,990,106	5,267,918
Provision for pensions and similar obligations	25	2,661,283	2,420,032
Other provisions	26, 2.d	3,328,823	2,847,886
Non-Current financial liabilities		33,639,307	31,778,763
Loans and borrowings and obligations or other securities	27	30,125,903	30,751,710
Equity instruments having the substance of a financial liability	22	193,384	140,582
Derivative financial instruments	28	471,221	387,153
Leases	2.a, 30	1,613,880	–
Other non-current financial liabilities	31	1,234,919	499,318
Other non-current liabilities	32	407,347	374,688
Current tax liabilities	2.d	261,467	179,669
Deferred tax liabilities	33	9,358,886	9,042,567
TOTAL NON-CURRENT LIABILITIES		56,043,099	52,944,929
Liabilities linked to assets held for sale		–	561
Current Provisions		660,056	579,984
Provision for pensions and similar obligations	25	24,669	22,874
Other provisions	26	635,387	557,110
Current financial liabilities		16,534,288	13,639,597
Loans and borrowings and obligations or other securities	27	8,800,387	6,574,762
Equity instruments having the substance of a financial liability	22	22,149	36,647
Derivative financial instruments	28	477,545	448,381
Leases	2.a, 30	153,237	–
Trade payables		5,097,884	5,259,414
Other non-current financial liabilities	31	1,983,086	1,320,393
Other current liabilities		1,936,898	1,896,298
Current tax liabilities	34	242,626	349,314
Public entities, other	34	1,020,645	1,039,449
Other current liabilities	32	673,627	507,535
TOTAL CURRENT LIABILITIES		19,131,242	16,116,440
TOTAL EQUITY AND LIABILITIES		122,369,006	113,037,923

(*) The Consolidated statement of financial position at 31 December 2018 is presented for comparative purposes only.

The accompanying Notes 1 to 55 and the Appendices are an integral part of the Consolidated statement of financial position at 31 December 2019.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED AT 31 DECEMBER 2019

Thousands of Euros	Note	31.12.2019	31.12.2018 (*)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS			
Revenue	36	36,437,908	35,075,873
Supplies	37	(20,174,529)	(19,640,736)
GROSS MARGIN		16,263,379	15,435,137
Personnel expenses	38	(2,841,171)	(2,678,725)
Capitalised personnel expenses	38	695,114	658,719
Net personnel expenses		(2,146,057)	(2,020,006)
External services		(2,842,958)	(2,797,175)
Other operating income		658,578	661,950
Net external services		(2,184,380)	(2,135,225)
Net operating expenses		(4,330,437)	(4,155,231)
Taxes	39	(1,828,973)	(1,931,003)
GROSS OPERATING PROFIT (EBITDA)		10,103,969	9,348,903
Valuation adjustments, trade and contract assets	15	(297,315)	(253,656)
Amortisation, depreciation and provisions	40	(3,929,433)	(3,655,874)
OPERATING PROFIT (EBITDA)		5,877,221	5,439,373
Result of equity-accounted investees - net of taxes	14.a	13,998	55,904
Finance income	42	863,610	839,911
Financial costs	43	(2,163,701)	(1,996,005)
Financial result		(1,300,091)	(1,156,094)
Gains on disposal of non-current assets	41	206,215	48,468
Losses on disposal of non-current assets	41	(3,416)	(39,617)
Gains /(losses) from non-current assets		202,799	8,851
PROFIT BEFORE TAX		4,793,927	4,348,034
Corporate tax	33	(914,016)	(959,499)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		3,879,911	3,388,535
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS (NET OF TAXES)		(65,354)	(51,167)
Non-controlling interests	20	(408,246)	(323,316)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		3,406,311	3,014,052
BASIC EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS	53	0.534	0.455
DILUTED EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS	53	0.533	0.454
BASIC AND DILUTED EARNINGS PER SHARE IN EUROS FOR DISCONTINUED OPERATIONS	53	(0.010)	(0.008)

(*) The Consolidated income statement at 31 December 2018 is presented for comparative purposes only.

The accompanying Notes 1 to 55 are an integral part of the Consolidated income statement for the year ended at 31 December 2019

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). 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 AT 31 DECEMBER 2019

Thousands of Euros	Note	31.12.2019			31.12.2018 (*)		
		Parent company	Non-controlling interests	Total	Parent company	Non-controlling interests	Total
NET PROFIT FOR THE YEAR		3,406,311	408,246	3,814,557	3,014,052	323,316	3,337,368
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS							
In valuation adjustments		(508,586)	(90)	(508,676)	19,981	(7,298)	12,683
Change in value of cash flow hedges	20	(643,408)	1,438	(641,970)	32,787	(9,884)	22,903
Changes in hedging costs		(5,291)	–	(5,291)	1,041	–	1,041
Tax effect	33	140,113	(1,528)	138,585	(13,847)	2,586	(11,261)
In translation differences		817,966	89,146	907,112	(90,686)	(193,420)	(284,106)
TOTAL		309,380	89,056	398,436	(70,705)	(200,718)	(271,423)
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS							
In other reserves		(285,649)	5,616	(280,033)	(39,595)	(634)	(40,229)
Actuarial gains and losses on pension schemes	25	(340,118)	8,534	(331,584)	(48,501)	(333)	(48,834)
Tax effect	33	54,469	(2,918)	51,551	8,906	(301)	8,605
TOTAL		(285,649)	5,616	(280,033)	(39,595)	(634)	(40,229)
OTHER COMPREHENSIVE INCOME OF EQUITY-ACCOUNTED INVESTEEES (NET OF TAXES)							
In other reserves		–	–	–	(862)	–	(862)
In valuation adjustments		(3,327)	–	(3,327)	(11,031)	–	(11,031)
TOTAL	14.a	(3,327)	–	(3,327)	(11,893)	–	(11,893)
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY		20,404	94,672	115,076	(122,193)	(201,352)	(323,545)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,426,715	502,918	3,929,633	2,891,859	121,964	3,013,823

(*) The Consolidated statement of comprehensive income at 31 December 2018 is presented for comparison purposes only. The accompanying Notes 1 to 55 and the Appendix are an integral part of the Consolidated statement of comprehensive income for the year ended at 31 December 2019.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). 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 AT 31 DECEMBER 2019

Thousands of Euros	Subscribed capital	Treasury shares	Other reserves				Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
			Legal reserve	Revaluation reserves	Share premium	Other restricted reserves						
Balance at 01.01.2019	4,798,222	(1,010,348)	968,998	28,000	14,667,676	842,464	16,224,487	(32,196)	(2,919,156)	3,014,052	7,394,355	43,976,554
Comprehensive income for the period	–	–	–	–	–	–	(285,649)	(495,545)	779,419	3,406,311	502,918	3,907,454
Transactions with shareholders or owners												
Share capital increase (Note 20)	183,675	–	–	(28,000)	(155,673)	–	(820)	–	–	–	–	(818)
Share capital reduction (Note 20)	(210,343)	2,015,182	–	–	–	210,343	(2,015,233)	–	–	–	–	(51)
Distribution of 2018 profit	–	–	–	–	–	–	2,684,445	–	–	(3,014,052)	(178,778)	(508,385)
Transactions with non-controlling interests (Notes 6 and 20)	–	–	–	–	–	–	445,220	(16,368)	38,547	–	1,033,997	1,501,396
Transactions with treasury shares (Note 20)	–	(2,441,039)	–	–	–	–	5,252	–	–	–	–	(2,435,787)
Other movements in equity												
Share based payments (Note 21)	–	–	–	–	–	–	4,585	–	–	–	542	5,127
Issuance of perpetual subordinated bonds (Note 20)	–	–	–	–	–	–	(4,120)	–	–	–	800,000	795,880
Other movements	–	–	–	–	–	–	(10,029)	–	–	–	(36,676)	(46,705)
Balance at 31.12.2019	4,771,554	(1,436,205)	968,998	–	14,512,003	1,052,807	17,048,138	(544,109)	(2,101,190)	3,406,311	9,516,358	47,194,665

Thousands of Euros	Other reserves						Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
	Subscribed capital	Treasury shares	Legal reserve	Revaluation reserves	Share premium	Other restricted reserves						
Balance at 01.01.2018 (*)	4,738,136	(597,797)	968,998	236,866	14,667,676	693,684	14,868,427	(42,254)	(2,828,470)	2,803,994	7,223,926	42,733,186
Adjustments due to IFRS 9 (Note 2.a)	-	-	-	-	-	-	100,731	1,108	-	-	(8,017)	93,822
Adjustments due to IFRS 15 (Note 2.a)	-	-	-	-	-	-	(40,325)	-	-	-	-	(40,325)
Adjusted balance at 01.01.2018(*)	4,738,136	(597,797)	968,998	236,866	14,667,676	693,684	14,928,833	(41,146)	(2,828,470)	2,803,994	7,215,909	42,786,683
Comprehensive income for the period	-	-	-	-	-	-	(40,457)	8,950	(90,686)	3,014,052	121,964	3,013,823
Transactions with shareholders or owners												
Share capital increase (Note 20)	208,866	-	-	(208,866)	-	-	(859)	-	-	-	-	(859)
Share capital reduction (Note 20)	(148,780)	1,245,420	-	-	-	148,780	(1,245,469)	-	-	-	-	(49)
Distribution of 2017 profit	-	-	-	-	-	-	2,661,298	-	-	(2,803,994)	(197,955)	(340,651)
Acquisition of free-of-charge allocation rights (Note 20)	-	-	-	-	-	-	(97,899)	-	-	-	-	(97,899)
Transactions with treasury shares (Note 20)	-	(1,657,971)	-	-	-	-	(225)	-	-	-	-	(1,658,196)
Other movements in equity												
Share based payments (Note 21)	-	-	-	-	-	-	2,671	-	-	-	(448)	2,223
Issuance of perpetual subordinated bonds (Note 20)	-	-	-	-	-	-	(2,538)	-	-	-	700,000	697,462
Write-off of subordinated perpetual obligations (Note 20)	-	-	-	-	-	-	-	-	-	-	(525,000)	(525,000)
Other movements	-	-	-	-	-	-	19,132	-	-	-	79,885	99,017
Balance at 31.12.2018 (*)	4,798,222	(1,010,348)	968,998	28,000	14,667,676	842,464	16,224,487	(32,196)	(2,919,156)	3,014,052	7,394,355	43,976,554

(*) The Consolidated statement of changes in equity at 31 December 2018 is presented for comparison purposes only.

The accompanying Notes 1 to 55 and the Appendix are an integral part of the Consolidated statement of changes in equity for the year ended at 31 December 2019.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). 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 AT 31 DECEMBER 2018

Thousands of Euros	Note	31.12.2019	31.12.2018 (*)
Profit for the year from continuing activities before tax		4,793,927	4,348,034
Profit before tax from discontinued operations		(56,428)	(64,660)
Adjustments for			
Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions	38, 40	4,527,296	4,080,238
Net profit/loss from investments in associates and joint ventures	14	(7,345)	(55,904)
Capital grants and other deferred income	23	(273,805)	(282,898)
Finance income and finance costs	42, 43	1,304,337	1,156,094
Gains on disposal of non-current assets	41	(202,681)	(8,851)
Movement in working capital			
Change in trade receivables and other		(963,085)	(434,905)
Change in inventories		(344,626)	(313,389)
Change in trade payables and other liabilities		(500,482)	(24,057)
Change in receivables and other non-current payables		-	(24,520)
Provisions paid		(625,612)	(511,382)
Income taxes paid		(796,512)	(332,891)
Dividends received		60,133	55,339
Net cash flows from operating activities		6,915,117	7,586,248
Acquisition of intangible assets	8	(410,971)	(1,040,078)
Acquisition of associates	14.a	(204,823)	(91,305)
Acquisition of investment property	9	(2,673)	(11,878)
Acquisition of property, plant and equipment	10	(5,169,315)	(4,655,478)
Interest paid excluded capitalised interest	42	(222,990)	(193,424)
Capitalised personnel expenses paid		(695,114)	(658,719)
Capital grants and other deferred income	23	12,404	14,040
Collection/(payments) for securities portfolio		(17,227)	(1,746)
Collection/(payments) for other investments		(925,298)	(675,737)
Collection/(payments) for current financial assets		(135,209)	(63,360)
Interest collected		49,172	192,291
Income tax		-	22,076
Proceeds from disposal of non-financial assets		340,011	6,604
Proceeds from disposal of financial assets		-	47,152
Disposal of subsidiaries		-	1,059,150
Net cash flows used in investing activities		(7,382,033)	(6,050,412)
Acquisition of free allocation rights	20	-	(97,899)
Dividends paid		(329,607)	(142,696)
Dividends paid to non-controlling interests		(178,778)	(161,241)
Perpetual subordinated bonds	20		
Issue		795,880	697,462
Reimbursement		-	(525,000)
Interest paid		(37,125)	(39,563)
Loans and borrowings, obligations or other securities	29		
Issues and disposals		15,301,504	13,148,399
Reimbursement		(14,953,110)	(12,422,739)
Interest paid excluding capitalised interest		(818,659)	(873,853)
Financial liabilities from leases	30		
Payment of principal		(155,890)	(4,924)
Interest paid excluding capitalised interest		(33,101)	(5,536)
Equity instruments having the substance of a financial liability	22		
Issue		114,384	176,704
Payments		(99,786)	(65,658)
Cash outflows due to capital decrease	20	(51)	(49)
Cash outflows due to capital increase	20	(818)	(859)
Acquisition of treasury shares	20	(1,404,316)	(1,674,480)
Proceeds from disposal of treasury shares	20	49,723	63,286
Transactions with non-controlling interests	6	1,472,820	132,483
Net cash flows from/(used in) financing activities		(276,930)	(1,796,163)
Effect of exchange rate fluctuations on cash and cash equivalents		55,968	(135,856)
Net increase/(decrease) in cash and cash equivalents		(687,878)	(396,183)
Cash and cash equivalents at the beginning of period		2,801,157	3,197,340
Cash and cash equivalents at the end of period		2,113,279	2,801,157

(*) The Consolidated statement of cash flows for 2018 is presented for comparison purposes only. The accompanying Notes 1 to 55 and the Appendix are an integral part of the Consolidated statement of cash flows at 31 December 2019.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated financial statement for the year ended at 31 December 2019

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 another 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.
- Retailing 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 applicable legislation 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 ANNUAL ACCOUNTS

2.a) Applicable accounting legislation

The IBERDROLA Group's 2019 Consolidated annual accounts were prepared by the directors on 24 February 2020, in accordance with International financial reporting standards (hereinafter, IFRS), as adopted by the European Union, in conformity with Regulation (EC) number 1606/2002 of the European Parliament and of the European Council. The directors of IBERDROLA expect these Consolidated annual accounts to be approved at the General Shareholders' Meeting without modification.

The IBERDROLA Group's 2018 Consolidated annual accounts were approved at the General Shareholders' Meeting on 29 March 2019.

At 31 December 2019, the annual accounts present a negative working capital of Euros 5,574 million. The directors declare the deficit will be offset by the generation of funds from the IBERDROLA Group's businesses. Moreover, as detailed in Note 4, the IBERDROLA Group has undrawn granted borrowings amounting to Euros 12,187 million.

These Consolidated annual accounts have been prepared on the basis of a historical cost, except for available-for-sale financial assets and derivatives, 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 2018, IFRS 9 “Financial instruments” and IFRS 15 “Revenues from contracts with customers” published by the International Accounting Standards Board (IASB), adopted by the European Union for its use in Europe, were applied for the first time.

The accounting policies used in the preparation of these Consolidated annual accounts correspond with those used for the year ended on 31 December 2018, except for the application on 1 January 2019, of the IFRS 16 “Leases” adopted by the European Union to be used in Europe.

Application of IFRS 16 Leases

Transition

From the perspective of the lessee, IFRS 16 eliminates the previous classification between operating and financial leases based on the transfer of risks and benefits and sets, in relation to lease contracts, that the lessee should recognise a right-of-use asset (Note 11) and a liability for the present value of the lease during said period (Note 30) in the statement of financial position. From the perspective of the lessor, IFRS 16 does not introduce relevant changes.

The IBERDROLA Group made the transition to IFRS 16 through the modified retroactive alternative, which involves not restating the comparative period and applying IFRS 16 for the first time on 1 January 2019 (the date it was first applied). Therefore, in leases previously classified as operational in accordance with IAS 17 where the IBERDROLA Group is lessee, lease liabilities are measured at the present value of the remaining lease payments, discounted using the discount rate at the time of the first application will be applied.

In accordance with the transition options of the regulation, the IBERDROLA Group has opted for:

- Not recognising the right of use and lease liabilities related to contracts for which the termination date came up twelve months before the transition date, recognising them as current leases;
- Excluding initial direct costs related to contracts from right-of-use assets; and
- Calculating lease terms from information available at the time of the transition.

Lease contracts previously recognised as financial leases in accordance with IAS 17 where the IBERDROLA Group acted as lessee maintains lease assets and liabilities before the first application date. From said date, these agreements will be registered applying the IFRS 16.

Presentation of financial statements

In the Consolidated financial statements for 2019, the IBERDROLA Group has classified the right-of-use asset 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.

At 31 December 2018, the IBERDROLA Group classified assets and liabilities from financial leases in which it acted as lessee in “Property, plant and equipment”, “Non-current financial liabilities-Loans and other financial liabilities” and “Current financial liabilities-Loans and other financial liabilities”, respectively. On 1 January 2019, Euros 215,465, 114,767 and 27,541 thousand have been respectively reclassified, moving to the new headings "Right-of-use asset", "Non-current financial liabilities - Leases" and “Current financial liabilities - Leases” of the Consolidated statement of financial position.

In addition, in the Consolidated annual accounts for 2019 the lease expense related to lease contracts classified as operating leases under IAS 17 is now recognised under the headings “Amortisation, depreciation and provisions” and “Financial expense” of the Consolidated income statement, whereas in the comparative year it was recognised under the heading “External services” of the Consolidated income statement.

Impact on IBERDROLA Group

The IBERDROLA Group has performed an analysis to assess whether an agreement constitutes or includes a lease on the date of first application, in accordance with the definition and conditions set out in IFRS 16.

The IBERDROLA Group has opted not 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 has opted not to separate such elements for accounting purposes and to recognise them as a single element.

In the Consolidated annual accounts for 2018 it was stated that the IBERDROLA Group considered agreements for the use of land where the wind energy generation facilities are located did not comply with the requirements for being considered leases. This conclusion coincided and coincides with the one applied under the American standards (ASC 842 Leases) whose definition of lease is the same as the one used in international standards. Moreover, condensed consolidated annual accounts for the six-month period ended on 30 June 2019 and the results information for the first and third quarter of 2019 were prepared using this criterion.

Note 2.a of the Consolidated annual accounts for 2018 and Note 6 of the Condensed consolidated accounts for the six-month period ended on 30 June 2019 included a mention regarding the accounting treatment of shared use agreements, i.e. agreements that convey the share use of the underlying assets. The accounting treatment of these agreements was subject to judgement that could change in accordance with future interpretations. Moreover, those notes stated that in case of agreements for the shared use of land for windfarms were considered to meet lease definition in IFRS 16, the maximum increase in lease liabilities for IBERDROLA Group that would have been recognised amounted to Euros 846,374 thousand at 1 January 2019. At 30 June 2019 that amount did not experienced significant changes .

In June 2019, the International Financial Rules Interpretation Committee (IFRIC) issued its conclusion on a query related to the accounting treatment of an agreement executed with a pipeline operator which allowed its installation underground during a specific period of time for a consideration (subsurface rights). Although the query does not specifically approach the problem of land assignment agreements for installing wind farms in which the agreed terms and conditions allow shared use of the land by the owner and the Group, the analysis carried out by the IFRIC and the interpretations of auditing firms from the publication of said query determined the need to restate the accounting treatment initially adopted. In this regard, as a result of the new information available, the Group decided to consider that agreements for the shared use of land where windfarms are located qualify as lease contracts within the scope of IFRS 16 and expanded, as such, the scope of application.

Bearing in mind this, the impact recognised by the IBERDROLA Group in implementing IFRS 16 at 1 January 2019 was as follows:

Thousands of Euros	01.01.2019
Property, plant and equipment	(215,465)
Right-of-use asset	1,419,528
NON-CURRENT ASSETS	1,204,063
TOTAL ASSETS	1,204,063
Provisions	9,243
Non-Current financial liabilities	
Loans and borrowings and obligations or other securities	(114,767)
Leases	1,244,809
Other financial liabilities	(31,021)
NON-CURRENT LIABILITIES	1,108,264
Provisions	843
Current financial liabilities	
Loans and borrowings and obligations or other securities	(27,541)
Leases	143,011
Trade payables	(20,514)
CURRENT LIABILITIES	95,799
TOTAL EQUITY AND LIABILITIES	1,204,063

Net increases in “Loans and borrowings and obligations or other securities” and “Leases” in current and non-current liabilities related to lease contracts correspond to the following type of assets:

Thousands of Euros	01.01.2019
Buildings and real property	231,437
Vehicle fleet	34,543
Fibre optic and other distribution facilities	38,334
Land associated to renewable facilities	892,394
Other	48,804
Total	1,245,512

Details of discount rates (minimum and maximum range) on the date of the first application are as follows:

Currency	Less than 5 years		Between 20-30 years	
	Minimum	Maximum	Minimum	Maximum
Euro	-	2.15	1.87	2.94
Sterling Pounds	1.12	3.21	3.19	4.94
US dollar	2.68	3.30	4.16	4.48
Mexican peso	9.09	9.46	11.36	12.62
Brazilian reals	8.68	11.96	14.55	15.15

Below is a detail of the reconciliation between minimum future payments of non-cancellable operating leases under the scope of IAS 17 at 31 December 2018 and lease liabilities recognised at 1 January 2019 in the transition to IFRS 16:

Thousands of Euros	
Future non-cancellable minimum lease payments in accordance with IAS 17	1,462,154
Lease contracts starting after 1 January and 2019 and other	(127,171)
Difference in finance discount	(89,471)
Lease liabilities at 1 January 2019 under IFRS 16	1,245,512

Standards issued pending of application

On the other hand, at the date these Consolidated financial statements were authorised for issuance, the following standards, amendments and interpretations had been issued, all of which are effective subsequent to 1 January 2020:

Regulation		Mandatory application	
		IASB	European Union
Amendments to IFRS 3	Business definition	01.01.2020	Pending approval
Amendments to IFRS 9, IAS 39 and IFRS 7	Reform of reference interest rate index	01.01.2020	01.01.2020

The amendments to IFRS 3 “Business combinations” 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 asset acquisition.

The amendments to IFRS 9, IAS 39 and IFRS 7 on financial instruments approach the uncertainties related to the reform of interbank rates (IBOR indexes) avoiding the discontinuation of existing hedges due to temporary exceptions to the application of certain specific requirements of hedging accounting (Note 4).

The IBERDROLA Group has not applied in advance of the formulation of these Consolidated financial statements 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 annual accounts.

2.b) Basis of consolidation

The appendix I to these Consolidated annual accounts lists all IBERDROLA subsidiaries, jointly controlled entities and associates, together with the consolidation or measurement basis used and other related disclosures.

Subsidiaries

The subsidiaries over which the IBERDROLA Group exercises control are fully consolidated, except when they are scantily material with respect to presenting fairly the annual accounts of the IBERDROLA Group.

The IBERDROLA Group considers that it maintains control of a company when it is exposed, or has the right to variable yields from its involvement in the company, and has the capability to influence in these yields through its power thereon.

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.

Holdings of non-controlling interests are recognised at the initial moment at an amount equivalent to their proportional interest in the net assets of the acquired company on the takeover date. The interest of non-controlling interests shareholders 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 company of the Group, its assets, liabilities and any non-controlling interests are written off. The resulting gains or losses are recognised in the profit and loss account. Holdings maintained in the subsidiaries whose control has been lost will be measured by their fair value on the date when this loss of control occurred.

The income obtained in stock purchase transactions with minority shareholders 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 investments include investments in associates and joint businesses. 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 business is a joint agreement in which the Group has the right to net assets of the agreement.

In the transactions carried out with associates and joint businesses, the gains or losses of the operation are eliminated in the percentage of holding interest in each company. The result of measuring investments in associates using the equity method is recognised under the headings "Other reserves" and "Result of equity-accounted investees - net of taxes" of the Consolidated balance sheet and income statement, respectively.

Closing date of the annual accounts

The closing date of the annual accounts of the subsidiaries, jointly controlled entities and associates is 31 December, with the exception of Siemens Gamesa Renewable Energy, S.A. (hereinafter, SIEMENS GAMESA), whose closing date was changed to 30 September. However, for the purposes of these Consolidated annual accounts harmonisation has been applied so that the equity method includes the equity of the associate at 31 December. As described in Note 51, the interest in SIEMENS GAMESA has been sold at the beginning of 2020.

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

Conversion of the annual accounts of foreign companies

The annual accounts 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 conversion of the annual accounts of foreign companies has been carried out by applying the year-end exchange rate method. This method consists of converting to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the Consolidated annual accounts; for at the average exchange rates (provided that there are non-material transactions that do not deem appropriate to use the average exchange rate) for the year 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 accumulated results). The resulting translation differences are taken directly to reserves.

2.c) Comparative information

When comparing the figures for 2019 included in these Consolidated annual accounts with those corresponding to the year 2018, it is necessary to take into account the application on 1 January 2019 of IFRS 16 (Note 2.a).

2.d) Amendment to comparative information

- Classification of uncertain tax assets and liabilities: In the meeting held in 2019, the Interpretation Committee of the IASB concluded in a decision that uncertain assets and liabilities recognised in accordance with IFRIC 23 “Uncertainty over income tax treatments” are current (or deferred) tax assets and liabilities, defined in IAS 12 “Taxes”.

Therefore, the IBERDROLA Group has reclassified the uncertain tax assets and liabilities in the Consolidated statement of financial position at 31 December 2018. Uncertain tax assets have been reclassified from the heading “Trade receivables and other non-current assets” to the new heading “Current tax assets” in non-current assets in the amount of Euros 665,675 thousand. Uncertain tax liabilities have been reclassified from the heading “Non-current provisions” to the new heading “Current tax liabilities” in non-current liabilities in the amount of Euros 179,669 thousand.

- Geographical and business segment reporting (Note 7) In the first half of 2019 it was decided to extend the breakdown of geographical information corresponding to the Liberalised segment. Thus, the activities included under Spain and continental Europe at 31 December 2018 have been disaggregated in Spain and Rest of the World bearing in mind the ever increasing importance of the retail business in other geographical areas.
- Earnings per share (Note 53): As described in Note 20 and 51 of these Consolidated annual accounts, in July 2019 and January 2020 two free capital increases took place in the context of the “Iberdrola flexible dividend” programme. In accordance with IAS 33: “Earning per share” these free capital increases have resulted in the correction of the earnings per share corresponding to the 2018 year-end included in the Consolidated annual accounts for that year, and they have been taken into account to calculate the 2019 year share basic and diluted earnings per share.
- Moreover, current liabilities and non-current liabilities in the Consolidated statement of financial position have been reorganised compared to the Consolidated annual accounts at 31 December 2018 in order to adapt the liabilities structure to the accounting standards in force.

3. ACCOUNTING POLICIES

3.a) Goodwill

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

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

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and the one that is 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 depreciation and valuation changes due to impairment if applicable.

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

Infrastructures within the scope of a service concession arrangement are not recognised as property, plant and equipment of the operator, because the operator does not have the right to control the use of the infrastructure.

If the operator performs more than one service (i.e. 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 distribution activities carried out by the IBERDROLA Group in Brazil (Note 12). Remuneration for network construction and upgrade work carried out by the IBERDROLA Group in this country consisted, 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 IFRS 12, two different assets were recognised for the two types of consideration received:

- A financial asset, which is recognised under the heading "Other non-current financial assets" of the Consolidated statement of financial position (Note 14.b).
- An intangible asset, amortisable in the concession period, which is recognised under the heading "Other intangible assets" of the Consolidated statement of financial position (Note 8).

Computer software

The acquisition and development costs incurred in relation to the computer software are recorded with a charge to the heading "Other intangible assets" 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 execution of purchase agreements as intangible assets and 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 will be recognised at their acquisition cost net of accumulated depreciation. They are depreciated on a straight-line basis, minus material residual value, over each asset's estimated useful life which ranges between 37.5 y 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 deducted the accumulated amortisations and value adjustments.

The acquisition cost includes, where applicable, are as follows:

1. Prior to the transition to IFRS (1 January 2004), the IBERDROLA Group updated certain Spanish assets under the heading "Property, plant and equipment" 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 42) 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 costs incurred in the year.
3. Personnel expenses related directly or indirectly to construction in progress (Note 38).
4. If the IBERDROLA Group is required to dismantle its facilities or renovate the place where it is located, the current value of said costs is included in the carrying value of assets for their present value, with a credit to the sub-heading "Provisions - Other provisions" of the Consolidated statement of financial position (Note 3.r).

The IBERDROLA Group periodically checks their 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 following years of estimated useful life:



	Average years of estimated useful life
Conventional thermal power plants	25-50
Combined cycle power plant	40
Nuclear power plants	44-47
Onshore wind farms	
Structural components	40
Non-structural components	25
Offshore wind farms	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
Buildings	50-75
Dispatching centres and other facilities	4-50

As hydroelectric plants are operated under concessions (Note 12), the depreciation of civil engineering assets is performed over the life of the concession, while its electromechanical equipment is depreciated over the lower of the concession period or 50 years.

The important components of the 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.

Following the agreement reached with the authorities, ENRESA and all other partners, the IBERDROLA Group amended the useful life of the nuclear facilities on 1 January 2019, based on the agreed closure schedule for said facilities. The useful life had been considered to be 40 years prior to the change. The closure calendar is as follows:

Nuclear facility	Closure date
Almaraz I	November 2027
Almaraz II	October 2028
Ascó I	October 2030
Ascó II	September 2032
Cofrentes	November 2030
Valdellós II	February 2035
Trillo	May 2035

As a result, the heading "Amortisation and provisions" of the Consolidated income statement for 2019 includes the impact of this change in the estimate, which as per accounting regulations had been applied prospectively since 1 January 2019, and produced a lower depreciation charge of approximately Euros 111,498 thousand.

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.

Criteria applied before 2019

Before 2019, the Group’s income was recognised, mainly, in accordance with IAS 17: “Leases” and IFRIC 4: “Determining whether an arrangement contains a lease”. The IBERDROLA Group classifies as finance leases all arrangements under which the lessor transfers to the lessee substantially all the risks and rewards incidental to ownership of the asset. All other leases are classified as operating leases. Said classification was applied both the IBERDROLA Group was the lessor and the lessee.

Assets acquired under finance leases are recognized as non-current assets in accordance with their nature and function. Assets are measured at the lower of the fair value of the leased asset and the present value of the future lease payments, and it is amortised by the useful life of each asset.

The expenses arising from operating leases are allocated to the Consolidated income statement on an accrual basis over the life of the lease agreement.

Criteria applied from 1 January 2019

After 1 January 2019, the Group’s lease was recognised in accordance with the criteria in IAS 16: “Leases”.

Right-of-use assets are initially recorded by 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 amortisation and deterioration losses. The amortisation of right-of-use assets is recorded under the heading "Amortisations, depreciation and provisions" of the Consolidated income statement for the useful life of the underlying asset or the lease term, whichever is shorter (Note 40). If the property is transferred to the lessee or it is practically certain that the lessee will exercise the purchase option, it will be amortised over the useful life of the asset. Furthermore, for calculation loss due to right of use asset impairment, the Group applies impairment criteria on the value of non-current assets described in Note 3.i).

Moreover, right of-use asset is later on adjusted due to the impact of certain restatement affecting lease liabilities.

The initial value of lease liabilities is calculated as present value of future lease payments deducted at the implicit interest rate that may reliably be determined or, otherwise, at the incremental interest rate.

Lease payments include:

- Fixed or substantially fixed lease fees specified in the contract, minus any incentive to be received for the lessee;
- variable fees 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 to be fairly certain or early lease cancellation fines if the lease period are included in early cancellation.

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

Subsequently, lease liability is increased to show finance costs and is reduced in the amounts paid. The financial update is recorded under the heading "Finance costs" of the Consolidated income statement (Note 43).

Lease liability is revaluated when there is a change in indexes 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 options to cancel are considered not to be exercised within reasonable.

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 costs accrued during construction, calculated as indicated in Note 3.d (Note 42).

The nuclear fuel consumed is recognised under the heading "Procurements" 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 average weighted price method, or net realisable value, if the latter is lower. 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

The real estate inventories were measured at acquisition cost, which includes both the acquisition cost of the land and plot and the costs of urban infrastructures and construction of real estate developments incurred until the year end. These costs include those incurred by the architecture and construction departments.

The acquisition cost also includes finance cost to the extent that such expenses relate to the period of town planning permits, 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 42).

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 recognising the corresponding income.

For land, construction in progress and unsold units, net realisable value is used taking into account the appraisals by independent experts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to finish the production and the necessary costs to carry on with the sale of the element.

This value is determined using the residual method, where the estimated total cost of the work, is deducted from the gross value of the completed project, and the allowance for developer's risk and profit is added. The key variables of the residual method are:

- Expected income: it consists in the estimated price at which each of the promotion 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 work, it includes the cost of projects and licenses (10%-12% of the physical construction project), legal fees (1%-1.5% of the material implementation project), 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 trade periods.
- The developer profit considered for each asset, depending on the zone state of the land, 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 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.

Emission allowances and renewable certificates

Energy resources are measured at acquisition cost, calculated using the average weighted price method, or net realisable value, if the latter is lower. 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.

Emission allowances acquired for the purpose of benefiting through 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 statements 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 CO₂ emissions were produced.

3.i) Non-Financial assets impairment

Each closing date at every accounting year, the IBERDROLA Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if it is necessary. In the case of assets that do not generate cash inflows that 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 performs the recoverability analysis systematically every year, except when there are indications of impairment in another moment, in which case recoverability analysis is performed at the same time.

For purposes of this recoverability analysis, goodwill is allocated to the cash generating units in which it is controlled for internal management purposes (Note 8).

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, in making the estimates 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 13).

If the recoverable amount of an asset is less than its carrying amount, the difference is registered as a charge to the heading "Amortisation and provisions" 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 of the carrying amount of assets, either because the impairments are considered definitive and non-reversible, or because the accounting standards establish that, such as the case of goodwill, or when considering that the value of the asset is not going to be recovered 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 heading “Amortisation and provisions” of the Consolidated income statement when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so the increased carrying amount does not exceed 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 annual accounts are immaterial are recorded at acquisition cost within “Non-current financial assets – Non-current equity investments” heading of the Consolidated statements of financial position.

The IBERDROLA Group regularly analyses the existence of impairment at 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 operation

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 annual accounts include the proportional part of the assets, liabilities, income and expenses of the joint operation in which the IBERDROLA Group takes part in (Note 45).

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 met 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. Interests accrued on these liabilities are recognised in the Income statement using the effective interest rate method. However, trade loans maturing in less than a year that do not have a contractual interest rate, as well as advances and loans granted to employees, receivable dividends and the unpaid portion of equity instruments expected to be received in the short term, 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 and loss:

The IBERDROLA Group includes in this category the derivative financial instruments which do not satisfy the conditions necessary for hedge accounting based on the requirements established for this purpose in IAS 9: "Financial instruments (Note 28).

Assets at fair value with changes are recognised at fair value. The transaction costs directly attributable to purchase or issuing are recognised as an expense in the Income Statement insofar as they are incurred. The changes that occur in their fair value are allocated to the Consolidated income statement for the period in the headings "Finance costs" and "Finance income" of the Consolidated income statement, as may be 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 recognised valuation changes resulting from credit losses expected from financial assets and contract assets at amortised cost.

The IBERDROLA Group will apply the general model for calculation of expected loss on financial assets other than trade and lease receivables, where the simplified model will be applied.

Under the general model, credit losses expected in the next twelve months are recorded unless the credit risk of financial instruments has significantly increased from the initial recording. In such case, they will qualify as expected credit losses over the life of the asset. The IBERDROLA Group recognises that the credit risk of a financial instrument has not increased in a significant manner since its initial recognition if it is determined that at the reporting date it is a low credit risk.

Under the simplified model, they qualify as expected credit losses over the life of the asset. The IBERDROLA Group has adopted the practical solution whereby it calculates the expected credit loss on trade receivables by using a matrix of provisions based on its experience of losses historically adjusted for available prospective information

Valuation changes and reversals of financial assets at amortised cost and contract assets are recognised under the heading "Valuation changes in trade and other receivables" of the Consolidated income statement. Valuation changes and reversals of financial assets due to impairment of the other financial assets at amortised cost are recognised under the heading "Finance costs" of the Consolidated income statement (Note 43).

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 profits are considered to have been substantially assigned arising from its ownership.

The derecognition of a financial asset implies the recognising in the Consolidated statement of profit the difference between its carrying value 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 profit.

Classification and measurement of financial liabilities

The IBERDROLA Group classifies all financial liabilities measured at amortised cost using the effective interest method, except for financial instruments registered at reasonable value.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished, this means, 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 liability is recognised.

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

The difference between the carrying value of the financial liability or of the part of it that has given below and the paid consideration, including the attributable transaction costs, and in which any transferred asset different from the assumed cash or liability is also included, recognised in the Consolidated income statement of the period in which it takes place.

When there is an exchange in debt instruments that do not have substantial changes, changed flows are deducted at the original interest rate, and every difference with the previous accounting value is recognised in the Consolidated statement of profit. In addition, costs or commissions adjust the carrying value of financial liabilities and are amortised at amortised cost method during the rest of the life of the changed liabilities.

Interests and dividends

Interest income is accrued on a time proportional basis, by reference to the outstanding principal and 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 them.

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 net of cash or in another financial asset are classified as derivatives 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.

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 foreign countries.

At the start of the hedge, the hedging relationships are designed and documented formally, as well as the purpose and strategy of risk management. Moreover, at the beginning of the hedging relationship it is assessed, as well as periodically, if the relationship complies prospectively with efficiency requirements.

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, or the exchange rate component of a monetary item in the case of non-derivative hedge instruments, such as changes in the fair value of the hedged item produced by the hedged risk are recognised with a charge or credit to the same caption of the Consolidated income statement.

2. Cash flow hedges:

The IBERDROLA Group recognises under the heading "Valuation adjustments" the profit or loss proceeding from the assessment at fair value of the hedge instrument that corresponds to the part identified as effective hedge. The hedging portion considered ineffective is recognised under the headings "Finance income" and "Finance expense" of the Consolidated income statement.

Accumulated loss or gain in "Valuation adjustments" is 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 investment hedges:

The IBERDROLA Group recognises in "Translation differences" the profit or loss proceeding from the assessment at fair value of the hedge instrument that corresponds to the part identified as effective hedge. The hedging portion considered ineffective is recognised under the heading "Finance income" and "Finance expense" of the Consolidated income statement.

Discontinuation of hedging accounting

The IBERDROLA Group prospectively discontinues the fair value hedge accounting in the cases in which the hedging instrument matures, is sold, let go of or exercised, the goal of the risk management has changes, there is no financial relation between the hedge element and the hedged item, the credit risk effect dominates value changes, the hedge instrument matures or is liquidated or the underlying hedge ceases to exist.

When hedge accounting is discontinued, the cumulative amount at that date recognised under the headings “Valuation adjustments” and “Translation differences” in cash flow hedges and net investment hedges, respectively, is retained under that heading 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 heading is transferred to the Consolidated income statement.

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 financial instruments in which they are embedded, providing the entire contract is not measured at fair value through profit or loss.

Fair value of derivative financial instruments

The fair value of the derivative financial instruments is calculated as follows (Note 16):

- For 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 Exchange 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, they are measured by 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 annual accounts, using, wherever possible, prices established on futures markets.

These measurement models take into account the risks of the asset or liability, among these, 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 features of the counterparty and its credit rating.
- Loss given default: the estimated loss in the event of default.

Financial instruments offsetting principles

The financial assets and liabilities are offset and 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 heading "Treasury shares" 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 heading "Other reserves" 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 heading "Other operating income" of the Consolidated income statement as the facilities are depreciated.

3.o) Facilities transferred 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 for the construction of 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 heading "Facilities transferred" of the Consolidated statement of financial position.

These amounts are subsequently recognised under the heading "Other operating income" 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 registered as an expense under the "Personnel expenses" 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 concept represents the present value of the defined benefit obligation reduced by the fair value of the related plans.

New measurement of net liabilities corresponding to defined provision commitments including positive or negative actuarial differences, the performance of the plan assets, excluding amounts included in the net interest on assets or liabilities and any changed impacting the limit of assets, are recognised under the heading "Other reserves".

If the fair value of the assets exceeds the present value of the obligation, the net asset is not recognised in the Consolidated statement of financial position.

The IBERDROLA Group determines the net financial expense (income) related with their commitments for pensions by applying the discount rate used in its measurement on their value at the beginning of the period once considering the changes in the net commitments for pensions 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 the bonds or business obligations of high credit quality (The Iberdrola Group considers rating equivalent to AA/Aa). In the countries in which does not exist a deep market to such bonds and obligations, the discount rate is determined with reference to Government bonds.

For the Eurozone, 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. In reference to the countries related to the Eurozone, the depth of the bond or obligation market is evaluated at the level of the monetary union and not for the particular country. In the case of Brazil, the discount rate has been determined taking into account the Brazilian sovereign credit, because a deep corporative market does not exist as they don't satisfy the indicated credit qualifications.

The IBERDROLA Group applies a weighted average discount rate that reflects the estimate timing and amount of benefit payment, as well as 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 outstanding bonds that meet the criteria of an AA/Aa rating is generated. The source of the information used is Bloomberg. The IBERDROLA Group has adopted the notional issuances that are higher than Euros 50 million or its equivalent in local currency as the selection criteria.
- Once the bonds' database is obtained, the result is screened and the bonds that show any deficiencies are eliminated.
- The sample is grouped based on the bonds' duration and the return on each duration and outstanding nominal amount of the issuance 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 in which government bonds or corporate bonds with maturity dates beyond 25/30 years are not available, bench marking sovereign rates at said maturity periods are combined with the AA corporate credit spread.

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

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

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

The payments related with restructuring processes are recognised when the IBERDROLA Group has an implicit debenture, i.e., at the time that there is a detailed formal plan to perform the restructuring (in which are identified, at least, the company activities, or part of them, implied, the main locations affected, the location, function and approximate number of employees that will be paid for the termination of their contracts, the repayments that will be carried out, and the dates on which the plan will be implemented) and has generated a valid expectation amongst the affected personnel which the restructuring will be carried out, either for having started to execute the plan or for having announced its main characteristics.

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 in several decommissioning costs of its production plants, among which include those arising from necessary tasks to fit 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, of which Empresa Nacional de Residuos Radioactivos, S.A. (hereinafter, ENRESA) is responsible for.

The estimated present value of these costs is capitalised with a credit to “Provisions – Other provisions” at the beginning of the useful life of the related asset (Note 26).

This estimate is subject to annual revision 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 variances with respect to the initial one.

The IBERDROLA Group applies a risk-free rate to financially update the provision because the estimated future cash flows to satisfy the obligation reflect the specific risks of the corresponding liability. The risk-free rate used corresponds to the yield at year end on which reports, 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 its discounting is recognised under the heading “Finance cost” of the Consolidated income statement.

3.s) Other provisions

The IBERDROLA Group recognises provisions to cover present obligations, whether these are legal or implied, which arise as a result of past events, provided that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (Note 26).

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, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognised under the heading “Finance cost” of the Consolidated income statement.

These provisions include those recorded to cover environmental damage, which were determined on the basis of 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 items and those due within more than twelve months as non-current items.

3.u) Recognition of income from customer contracts

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

In the case of contracts with customers with several performance obligations, income is assigned to each performance obligation based on 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 to similar customers. If there are no observable prices in the market, the price is estimated based on the most adequate method based on the information available.

When the IBERDROLA Group acts as principal, it recognises ordinary income in the gross amount of the consideration it expects to have right in exchange for the goods or services transferred, whereas when it acts as agent, it recognises ordinary income in the amount of any payment or commission it expects to have right 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 situation as a contract assets or liabilities 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 contract liabilities 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 from 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 performance 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.

Ordinary income beyond the scope of IFRS 15 “Ordinary income from contracts with customers” related to lease contracts (Note 3.f) and derivative financial instruments (Note 3.l) are 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.

The monetary assets and liabilities denominated in foreign currency have converted to euros applying the existing rate at the close of the financial year, while the non-monetary ones assessed at historical cost are converted applying the exchange rates applied on the date on which the transaction took place.

During the year, the 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 made are charged or credited, as appropriate, to the Consolidated income statement.

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

3.w) Income Tax

Since 1986, IBERDROLA has filed Consolidated Tax Returns with certain Group companies. Foreign companies are taxed according to the current legislation of their respective jurisdiction.

The expense or income for the Corporate income tax includes both the current and deferred tax. The tax on the current or deferred earnings are recognised in the Consolidated income statement, unless arising from a transaction or economic success that has been recognised in the same year or in a different one, against net equity or from a business combination.

The assets or liabilities from tax on the current earnings are assessed for the quantities expected to pay or recover from the tax authorities, using the regulations and tax rates that are approved or are about to be approved on the closing date.

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

The IBERDROLA Group recognises deferred tax liabilities in all cases but when:

- arise from the initial recognition of the goodwill or from an asset or liability in a transaction that is not a business combination and on the date of the transaction does not affect the accounting income or the taxable income;

- correspond to temporary differences related with investments in subsidiary companies, associates and joint ventures over which the Group has the ability to control the moment of their reversal and was not probable that their reversal occurred in a foreseeable future.

The IBERDROLA Group recognises deferred tax assets in all cases but when:

- it is probable that there are sufficient future tax earnings for clearing or when the tax legislation includes the possibility of future conversion of assets for deferred tax in a credit due to the public administration. However, the deferred tax assets that arise from the initial recognising 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 taxable income, are not recognised;
- correspond to temporary differences related with investments in subsidiaries, associates and joint ventures inasmuch as the temporary differences will not be reinvested in a foreseeable future and are not awaiting creating future positive tax earnings to clear the differences.

Deductions in order 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.

The existence of uncertainties in the treatment of transactions for tax purposes is considered in the taxable events, credits for negative taxable income or applied deductions. In those cases, in which the asset or the liability for tax calculated with these criteria, exceeds the amount in the self-settlements, 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 interest on arrears on the liability as earned in the profit and loss account. The IBERDROLA Group records the changes in facts and circumstances regarding tax uncertainties as a change in the estimate.

3.x) Final radioactive waste management costs

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

Meanwhile, the Royal Decree-law 5/2005 and the Law 24/2005 establish that the costs relating to the management of radioactive waste and spent fuel from nuclear plants, and to the dismantling 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 the other hand, on 7 May 2009, the 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 that are definitively dismantled before the state-owned radioactive waste management company ENRESA begins operating, which had not yet been done at the date of these Consolidated annual accounts, 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 Law 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 register 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 dismantling and closure costs will not be treated as supply diversification and security costs, since 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 the Royal Decree-law 6/2009, the IBERDROLA Group considers that the rate is the best estimate available of the accrued expenses originated for 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 20 and 53).

Meanwhile, diluted earnings per share are calculated by dividing the net profit for the year attributable to the parent company and 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 disposable 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 the costs of sale.

The impairment losses related with the disposal asset groups are assigned first to the goodwill and then to the rest of assets and liabilities proportionally. Value adjustments that could affect the stocks, financial assets, deferred tax assets, assets related with commitments with staff are not recognised. These assets are assessed in accordance with the principles contained in the previous sections. The losses recognised at the time of initial classification in this sub-heading and the capital gains and/or losses that are highlighted later are recognised in the Consolidated income statement.

The elements classified as non-current kept for their disposal are not amortised.

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 can be considered separately from the rest; or
- is a subsidiary acquired exclusively with a view to resale.

If discontinued operations are deemed to exist, 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 recognized by measurement at fair value less costs of sale, or sale or disposal by other means of the assets or disposable groups of assets that constitutes the discontinued operation.

3.aa) Consolidated statements 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 heading “Personnel expenses” 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 in reference to the market value of shares at the concession date deducting estimated dividends, to which employees are not entitled, during the irrevocability period. Market conditions and undetermined irrevocability 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 finally, the amount recognised for the services received, is based on the number of equity instruments that will prospectively be consolidated.

If remuneration based on equity instruments is paid in cash, the amount booked 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 cash-settled compensation is remeasured at each reporting date.

The equity instruments retained to make the payment of the corresponding tax obligations to the employee do not change the qualification of the plan as settled on equity instruments.

4. FINANCING AND FINANCIAL RISK POLICY

The IBERDROLA Group is exposed to risks inherent to the different countries, industries and markets in which it operates and in the businesses it carries out, which could prevent it from achieving its objectives and executing its strategies successfully. Section 4 of the consolidated directors’ report contains additional information on the Group’s risks.

In particular, the *Financing and Financial Risk Policy* of the IBERDROLA Group approved by the Board of Directors identifies the risk factors described below. The IBERDROLA Group has an organisation and systems which allow the financial risks to which the group is exposed to be identified, measured and controlled.

Interest rate risk

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, the IBERDROLA Group yearly determines the desired structure of the debt between fixed and floating interest rate. Once the target structure has been defined, the Group carries out a dynamic management due to which the actions to be taken throughout the year are limited: new sources of financing at a fixed or floating rate and/or the use of interest rate derivatives, whether to set interest rate (or limit its variability) of variable rate debt or to change debt from fix rate to variable rate. Derivatives may also be used to establish the cost of future debt emissions, provided they are highly probable in accordance with the budget or the strategic plan in force.

The debt structure at 31 December 2019 and 2018, after taking into account hedges via derivatives (Note 28), is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Fixed interest rate	23,044,770	22,081,044
Floating interest rate	15,881,520	15,245,428
Loans and borrowings and obligations or other securities (Note 27)	38,926,290	37,326,472
Cash and cash equivalents (Note 19)	2,113,279	2,801,157
CSA Derivatives value guarantee deposits (Notes 14.b and 20)	112,550	77,840
Total net loans and borrowings and obligations or other securities	36,700,461	34,447,475

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 in the case of the debt of Brazilian subsidiaries).

IBOR (Interbank offered rates) Reform

The global reform of benchmark interest rates is crucial and is continuously followed-up by IBERDROLA Group since interbank interest rates (IBORs) are key benchmarks in many contracts of the Group.

In 2019, European institutions continued working on the reform of interest rate indices and in the transition towards alternative indices adapted to the Benchmarks - Regulation (EU) 2016/1011. The European Central Bank started publishing on 2 October 2019 the €STR (*Euro short-term rate*), a Euro short-term interest rate reflecting the financing cost of credit entities in the Eurozone in the wholesale market of daily deposits. EONIA, on the other part, is calculated as €STER +8.5 basis points until it is suspended following its publication on 2 January 2022. In the same line 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*).

With regards to Euribor, a new hybrid calculation methodology has been developed in 2019 based on real market transactions distinguishing three levels of estimates based on the observability of said transactions. This new methodology was approved by the authorities, so it is not required to amend the existing contracts. For the remaining IBORs, the cease of the publication of 31 December 2021 is expected. For this reason, the main market intervening parties (regulators, central banks, banks, institutions, ...) are working in the definition of the equivalences between those IBORs and the new RFR references.

As a result, IBERDROLA Group considers the on-going IBOR rates reform a risk, due to the impact it may have on any good linked to said references and, more specifically, due to a hypothetical discontinuation of cash flow hedges. In face of the existing uncertainty during the transition, IBERDROLA Group has initiated an action plan with the purpose of minimising any potential negative risk, identifying first the transactions affected, quantifying its notional and reviewing, with the counterparties, the drafting of the agreements.

At 31 December 2019, no amendments to the terms and conditions related to the on-going IBOR reform have been made.

Exchange rate 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, the Sterling Pound and the Brazilian Real.

Moreover, IBERDROLA Group is exposed to exchange rate risks as a result of net investments in foreign companies (mainly Scottish Power, Avangrid, Iberdrola México and Neenergía) arising from fluctuations in cash exchange rate differences of operating currencies other than the Euro. Currency exchange variations imply a risk affecting the valuation of net assets and the translation of profit, impacting IBERDROLA Group's equity situation.

The IBERDROLA Group mitigates exchange rate risks ensures that all its economic flows are carried out in the 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 raw materials (natural gas, coal, fuel oil, gas oil, emission allowances, etc.), whose price is subject to the volatility of international markets (global and regional) where those raw materials 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 close the cost of own generation and purchase of energy associated to the expected sales of gas and electricity to customers.

Derivatives for managing risk

In relation to the derivatives subscribed to mitigate the abovementioned interest rate, exchange rate and commodities prices risks, in accordance with the risk management policies developed by IBERDROLA Group, the critical terms of hedging instruments are set in terms and conditions equivalent to those of the hedged item, among other:

- 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 28.

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 on 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 sufficient amount, term and flexibility, diversification of the hedge of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

For 2020 the IBERDROLA Group is expected to face the ordinary investment program established with the cash flow generated from its operations and access to the bank financial markets, capital markets and supranational moneylenders (such as EIB), even though, the Group has the treasury and sufficient credits and loans available to meet these investments.

At 31 December 2019 and 2018, the IBERDROLA Group had undrawn loans and credit facilities amounting to Euros 12,186,633 and 10,210,609 thousand, respectively. The breakdown is shown below by maturities of the liquidity position at 31 December 2019 and 2018, considering the balance of the heading "Cash and cash equivalents" of the Consolidated statement of financial position:

Thousands of Euros	2019	2018
Available maturity		
2019	–	671,213
2020	457,631	193,605
2021 ⁽¹⁾	100,259	9,345,791
2022 on	11,628,743	–
Total	12,186,633	10,210,609
Cash and cash equivalents (Note 19)	2,113,279	2,801,157
Liquidity position	14,299,912	13,011,766

(1) The information corresponding to 2018 refers to maturity dates from 2021 on.

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.

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is *Corporate credit risk policy* setting the framework and action principles for a correct risk management, 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 2019 and 2018 of financial assets and contract assets:

Thousands of Euros	Other non-current investments (Note 14.b)		Other current financial investments (Note 14.b)		Trade receivables and other non-current assets (Note 15)		Trade and other receivables current (Note 15)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Spain	78,575	94,686	397,427	186,617	466,959	339,815	2,658,350	2,369,953
United Kingdom	126	61	114,497	40,773	108,149	80,354	1,147,153	1,004,961
United States	53,418	55,187	47,656	65,044	17,821	10,247	991,722	1,021,981
Mexico	9,220	5,947	10,151	2,193	345,462	303,212	156,691	137,505
Brazil	2,857,998	2,514,505	120,974	276,831	1,908,080	76,813	1,320,096	1,227,174
Iberdrola Energía Internacional (IEI)	19,885	15,001	1,856	110	4,499	4,136	400,275	336,808
Total	3,019,222	2,685,387	692,561	571,568	2,850,970	814,577	6,674,287	6,098,382

Balances of "Other current and non-current financial investments" correspond to concession agreements executed with Brazilian public administrations (Note 12) and receivables related to regulated activities in Spain. With regard to credit risk on trade receivables, the historical cost of defaults has remained moderate, below 1% of total turnover of this activity at global level.

With regard to the heading “Cash and cash equivalents” of the Consolidated statement of financial position, the credit quality of the counter parties is BBB+ according to the Standard and Poor’s rating.

IBERDROLA and the United Kingdom leaving the EU (BREXIT)

Following a long process that started with the referendum in 2016, on 31 January 2020 the effective exit of the United Kingdom from the European Union took place under a provisional framework governing the relationships between the two, to be in force until 31 December 2020.

By virtue of said framework and for the purposes of the relationships between both parties, the United Kingdom will continue being considered another European Union country, although it will be able to close trade agreements with third parties. The purpose of this transition periods is for both parties to reach a trade agreement on their relationships from 1 January 2021. If no agreement is reached, the rules governing their relationship will be those of the World Trade Organisation, including its corresponding customs fees and customs controls.

Therefore, risks will have an impact on both the Group’s activities in the United Kingdom and those of the IBERDROLA Group as a whole and will depend on whether an agreement is reached or not and, in case of agreement, on the conditions thereof.

In terms of the potential impacts to ScottishPower, for some time the business has been proactively analysing the performance of negotiations through the multidepartment group and has identified the most relevant risks and the response plans associated. It must be highlighted that risks may arise directly from the lack of agreement but also from the direct impact of other ScottishPower sectors.

Some of the key risks taken into consideration are:

Risk	Measures
<p>Market reactions to the events during the negotiation (such as Sterling Pound and interest rate).</p> <p>In the longer term, there may be positive or negative impact on the UK’s economy and the political and regulatory framework under which the Group operates.</p>	<p>Besides monitoring law developments and on-going measures related to Brexit, the Group’s <i>Financial risk policy</i> bears in mind most common financial risks in the short-term.</p> <p>Any impact in the long-term on the British economy and its impact on the Group and its businesses will be managed based on future performance.</p> <p>A wide ScottishPower’s regulatory team is monitoring any potential risk that may arise and is proactively in touch with regulators.</p>
<p>Interruption of supply change: delays in the import of equipment and components essential for the main maintenance projects and construction projects which may cause delays and extra costs.</p>	<p>Key materials and supplies have been identified placing additional orders to increase stock levels before 31 January 2020.</p> <p>This process could repeat itself at the end of 2020 based on the evolution of the negotiations.</p>
<p>Exposure to exchange rates and entry into force of additional custom fees if WTO’s rules are applied.</p>	<p>Exchange rates have been covered by existing hedge contracts.</p> <p>All critical contracts have been reviewed from a legal perspective in order to determine potential exposure to additional fees.</p>

Additionally, risks have been identified and action plans have been implemented regarding employee movement, transfer of personal data and potential impact on existing trading contracts and contracts of any other nature.

With regards to the possible impact on IBERDROLA Group, it must be highlighted that the main risks to which the Group is subject result from a greater or lower growth in the countries where the Group operates, directly or indirectly affected by Brexit, and the Sterling Pound / Euro translation risk of our businesses in the UK, which are mitigated by:

- ScottishPower represents 16.53% of the reported Groups' total EBITDA.
- Approximately 90% of said EBITDA is generated by the regulated business of distribution and transmission and the output of renewable energy.
- Said regulated business have stable long-term regulatory frameworks with updated income, totally or partially, based on the evolution of inflation or interest rates in the United Kingdom no 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 2019 and 2018.

- 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 net debt at variable rate, 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 reporting date, whose variation in fair value is recognised in equity.

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

Thousands of Euros	Increase/ decrease in interest rate (basis points)	Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
2019	25	(34,727)	101,914	67,187
	(25)	34,727	(101,914)	(67,187)
2018	25	(34,929)	112,923	77,994
	(25)	34,929	(112,923)	(77,994)

- 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 operating currency is different to the Euro (net of subscribed economic hedges), given the risk originated from other transactions in foreign currency, either due to financing or business operation, are covered by exchange rate hedges. The sensitivity of equity to exchange rates is calculated applying an appreciation or depreciation of 5% on net translation differences and on cash flow derivative hedges whose variation in fair value are recognised in equity.

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

Thousands of Euros	Change in the dollar/euro exchange rate	Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
2019	Depreciation 5%	(12,159)	(865,113)	(877,272)
	Appreciation 5%	1,173	956,177	957,350
2018	Depreciation 5%	(3,296)	(774,761)	(778,057)
	Appreciation 5%	3,643	856,315	859,958

Thousands of Euros	Change in the sterling pound/euro exchange rate	Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
2019	Depreciation 5%	(11,166)	(693,359)	(704,525)
	Appreciation 5%	7,418	766,344	773,762
2018	Depreciation 5%	(4,137)	(583,133)	(587,270)
	Appreciation 5%	4,573	644,515	649,088

Thousands of Euros	Change in the Brazilian real/euro exchange rate	Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
2019	Depreciation 5%	(4,050)	(232,823)	(236,873)
	Appreciation 5%	3,917	257,330	261,247
2018	Depreciation 5%	(1,744)	(221,775)	(223,519)
	Appreciation 5%	1,927	245,120	247,047

- Raw materials:

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

Year 2019	Variation in price	Thousands of Euros		
		Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
Gas	5%	511	13,796	14,307
	(5)%	(511)	(13,796)	(14,307)
Electricity	5%	(2,356)	30,100	27,744
	(5)%	2,360	(30,337)	(27,977)
CO ₂	5%	-	-	-
	(5)%	-	-	-
Coal	5%	(72)	-	(72)
	(5)%	72	-	72

Year 2018	Variation in price	Thousands of Euros		
		Impact on profit of the year before taxes Income/(Expense)	Direct impact on equity before taxes	Impact on equity before taxes
Gas	5%	(2,356)	30,100	27,744
	(5)%	2,360	(30,337)	(27,977)
Electricity	5%	5,825	71,949	77,774
	(5)%	(5,581)	(71,949)	(77,530)
CO ₂	5%	(171)	–	(171)
	(5)%	171	–	171
Coal	5%	(552)	621	69
	(5)%	552	(621)	(69)

5. USE OF ACCOUNTING ESTIMATES

The most significant estimates made by the IBERDROLA Group in these Consolidated annual accounts are as follows:

- Unbilled power supplied:

The revenue figure for each year includes 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. The estimated unbilled power at 31 December 2019 and 2018 amounted to 2,137,292 and 2,066,981 thousand, respectively. This amount is included under the heading "Trade and other receivables" of the Consolidated statements of financial position at 31 December 2019 and 2018 (Note 15).

- 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 36).

These estimates are made on the basis of the provisional settlements published up to the date of formulation of the Consolidated annual accounts 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 nature procedures that are ongoing at the date of formulation of these Consolidated annual accounts based on the best information available.

- Useful lives:

The IBERDROLA Group's tangible assets operate 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. In several cases, it involves the valuation of the assets affected to certain plans. In making these estimates, the IBERDROLA Group receives advice from independent actuaries and expert appraisers (Notes 3.p, 3.q and 25).

- Fair value of investment property:

The IBERDROLA Group appraises its investment property each year.

- Impairment of assets:

As described in Notes 3.i and 13, 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 market situation and reflect its investment plans and the best available estimate of its future expense and income. Also, the discount rates reflect the risk of cash-generating units.

- 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. CHANGES TO THE SCOPE OF CONSOLIDATION AND OTHER SIGNIFICANT TRANSACTIONS

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 operation, Lyntia Networks is due to acquire Iberdrola Spain, 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, amounts to Euros 260 million.

Following the authorisation from the Spanish Market and Competition Commission, the closing of the transaction took place in August 2019, resulting in a credit of Euros 48,630 thousand under the heading "Revenue" of the Consolidated income statement for 2019 for the sale of the contracts portfolio in force with optic fibre customers and a credit of Euros 113,816 thousand under the heading "Gains on disposal of non-current assets" 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 networks (Note 41).

- 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 portfolio in the long term, sea transportation and use of gas infrastructures, as well as other ancillary contracts related to LNG.

In consideration for this Transaction, Pavilion will pay to IBERDROLA Group the amount of Euros 119 million, to be paid in accordance with the transaction's schedule subject to upward and downward changes agreed, as well as the value of the LNG inventory transferred at the time of closing the transaction. The closing of the transaction will take place on 1 January 2020, and Euros 96 million have been collected in advance on 31 December 2019.

As a result of the transaction, in 2019, IBERDROLA has 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 have been discontinued

As a result, IBERDROLA Group has recognised an income of Euros 86,747 thousand under the heading "Revenue" of the Consolidated income statement for 2019 and a reduction of Euros 85,109 thousand in the heading "Valuation adjustments" of the Consolidated statement of financial position at 31 December 2019.

Transactions with non-controlling interests

- On 27 June 2019, Neoenergia S.A., initial public offering took place in Brazil at a final price per share of BRL 15.65 (equivalent to Euros 3.576). In July the gross amount of Euros 101,835 thousand was collected. Prior to this, IBERDROLA Group had an interest of 52.45% that subsequent to the transaction was reduced to 50%. Later on, Iberdrola Group increased its interest in Neoenergia Group up to 51.04% by purchasing 12,618,700 shares to Iberdrola, S.A.

Since IBERDROLA Group holds the control over Neoenergia Group, the transaction was recognised as a transaction in non-controlling interests resulting in an increase of Euros 72,384 thousand of the heading "Non-controlling shares" (Note 20), a charge of Euros 70,498 thousand under the heading "Other reserves" and a credit of Euros 38,547 thousand under the heading "Translation differences" of the Consolidated statement of financial position at 31 December 2019.

- On 30 August 2019 the sale of 40% of the share capital in East Anglia One Ltd, holder of the offshore project East Anglia One in the United Kingdom, to Bilbao Offshore Holding Ltd, subsidiary of Macquarie Group was completed. Since IBERDROLA Group holds the control over the company, the transaction was recognised as a transaction in non-controlling interests resulting in an increase of Euros 765,293 thousand in "Non-controlling shares" (Note 20), a credit of Euros 515,718 thousand under the heading "Other reserves" and a charge of Euros 16,223 thousand under the heading "Translation differences" of the Consolidated statement of financial position at 31 December 2019. Additionally, subsequent share capital increases which have resulted in a credit of Euros 196,320 thousand under the heading "Net equity - Non-controlling interests" of the Consolidated statement of financial position at 31 December 2019 (Note 20).

With regards to 2018, the IBERDROLA Group carried out the following sales of interests in Group companies:

- On March 2018, Avangrid Renewables Holdings, Inc., subsidiary company of AVANGRID, executed the sale of the gas trading business operated through Enstor Energy Services, LLC, to CCI U.S. Asset Holdings LLC, subsidiary of Castleton Commodities International, LLC. Additionally, on 1 May 2018 the Final agreement for the sale of Enstor Gas, LLC, operating the gas storage business unit, to Amphora Gas Storage USA, LLC, subsidiary of ArcLight Capital Partners, LLC, was executed.

Said transactions resulted in gross losses of Euros 13,881 thousand recorded under the heading "Losses on disposal of non-current assets" of the Consolidated financial statement for 2018 (Note 41).

- In November 2018, 90% of Iberdrola Energía Solar de Puertollano, S.A. was sold to Sociedad Ence Energía, S.L.U. for Euros 72,300 thousand. The transaction resulted in a gross surplus of 12,470 thousand, which was recorded under the heading "Earnings from sales of non-current assets" of the Consolidated income statement for (Note 41).
- On 16 October 2018 Scottish Power agreed the sale of Scottish Power Generation Ltd. to Drax Group Plc. (DRAX). The transaction was completed on 31 December 2018 for Sterling Pounds 693 million (Euros 779,101 thousand). The transaction implied a gross capital gain of Euros 25,579 thousand, which was registered under the heading "Gains on disposal of non-current assets" of the Consolidated income statement for 2018 (Note 41).

- In December 2018, the IBERDROLA Group sold 80% stake in Coyote Ridge Wind LLC to WEC Infrastructure, for an amount of Euros 50,789 thousand, which implied a gross capital gain of Euros 23,116 thousand recorded under the heading "Gains on sale of non-current assets" of the Consolidated income statement for 2018 (Notes 14.a and 41).

7. SEGMENT INFORMATION

The IBERDROLA Group combines their segments tending to 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 bearing in mind the changes described in Note 2.d 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 rest of the countries within the Iberdrola Energía Internacional (IEI) holding.
- Renewables business: activities related to renewable energies (principally wind, solar and hydroelectric) in Spain, the United Kingdom, the United States, Brazil and the rest of the countries within the Iberdrola Energía Internacional (IEI) holding.
- Other businesses: groups supply and gas storage up to the moment of sale (Notes 6 and 41) and other non-energy businesses.

Additionally, 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 under market conditions.

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

Business segment reporting for 2019:

Thousands of Euros	Liberalised						Renewables						Networks					Other business, Corporation and adjustments	Total	
	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil			Total
REVENUE																				
External revenues	12,007,169	4,489,721	2,357,676	275,250	1,127,582	20,257,398	396,198	82,051	1,063,643	87,260	133,919	334,909	2,097,980	1,997,213	1,211,359	4,271,789	6,438,846	13,919,207	163,323	36,437,908
Intersegment sales	793,673	36,757	(30,678)	316,843	22,767	1,139,362	931,558	644,835	–	29,083	81,270	49,559	1,736,305	124,955	161,275	–	4,485	290,715	(5,851)	3,160,531
Eliminations						(670,567)							–					–	(2,489,964)	(3,160,531)
Total						20,726,193							3,834,285					14,209,922	(2,332,492)	36,437,908
RESULTS																				
Segment operating profit	1,114,748	(242,603)	636,406	41,634	(58,131)	1,492,054	394,826	363,155	116,394	43,448	76,278	227,805	1,221,906	1,162,449	641,037	713,278	779,569	3,296,333	(133,072)	5,877,221
Result of equity-accounted investees - net of taxes	5,568	–	–	–	–	5,568	8,594	992	(7,451)	–	6,741	(3)	8,873	2,259	21	9,417	–	11,697	(12,140)	13,998
ASSETS																				
Segment assets	7,023,024	6,742,499	4,995,347	466,664	462,003	19,689,537	9,106,209	7,216,645	13,216,433	1,459,204	1,577,999	2,307,791	34,884,281	12,377,117	13,357,858	22,407,312	6,342,791	54,485,078	4,280,374	113,339,270
Equity-accounted investees	23,008	–	–	–	–	23,008	59,513	9,311	444,791	–	665,750	–	1,179,365	29,186	3	123,839	–	153,028	601,426	1,956,827
LIABILITIES																				
Segment liabilities	3,065,195	1,364,898	1,227,133	115,523	158,819	5,931,568	1,120,927	1,278,708	4,040,677	297,830	255,514	344,632	7,338,288	5,496,257	2,644,733	7,255,157	2,551,720	17,947,867	2,098,912	33,316,635
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment and non-current intangible assets	306,940	213,142	312,286	32,564	81,953	946,885	727,426	954,482	1,314,524	111,210	32,114	58,885	3,198,641	548,763	688,908	1,263,662	11,140	2,512,473	168,935	6,826,934
Valuation adjustments, trade and other receivables (expense/income)	44,886	78,058	(402)	148	10,898	133,588	(149)	556	1,605	970	(210)	(751)	2,021	2,673	2,165	82,164	78,941	165,943	(4,237)	297,315
Amortization and depreciation	396,933	267,302	126,030	22,050	22,305	834,620	339,310	161,171	469,732	41,188	52,020	95,900	1,159,321	537,112	341,863	507,737	367,609	1,754,321	126,151	3,874,413
Reversal for asset impairment	–	–	–	–	–	–	–	–	(20,024)	–	–	–	(20,024)	–	–	–	–	–	–	(20,024)
(Charges)/Reversal for other provisions	1,152	7,345	(42)	10	(32)	8,433	1,208	96	23,588	33	(3,129)	45	21,841	8,453	1,760	27,170	8,181	45,564	(794)	75,044
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	27,322	4,135	2,334	–	14	33,805	10,097	–	(591)	–	–	453	9,959	40,479	21,586	77,331	7,380	146,776	75,108	265,648

Business segment reporting for 2018:

Restated (Note 2.d)	Liberalised						Renewables						Networks					Other business, Corporation and adjustments	Total	
	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil			Total
REVENUE																				
External revenues	11,810,659	4,942,455	2,252,552	477,457	978,369	20,461,492	367,908	119,913	1,026,925	92,976	56,100	250,988	1,914,810	1,994,890	1,113,669	4,274,777	5,184,180	12,567,516	132,055	35,075,873
Intersegment sales	778,788	80,220	(6,303)	315,432	49,323	1,217,460	1,328,206	577,560	–	(1,981)	187,701	38,697	2,130,183	130,644	161,879	–	1,199	293,722	3,046	3,644,411
Eliminations						(686,775)							–					–	(2,957,636)	(3,644,411)
Total						20,992,177							4,044,993					12,861,238	(2,822,535)	35,075,873
RESULTS																				
Segment operating profit	520,350	55,301	533,518	71,386	(41,484)	1,139,071	588,298	355,549	213,982	39,803	76,071	123,218	1,396,921	1,174,156	605,293	712,063	542,756	3,034,268	(130,887)	5,439,373
Result of equity-accounted investees - net of taxes	23,590	–	–	–	–	23,590	3,624	1,527	(3,548)	–	11,303	(9)	12,897	2,769	(18)	11,067	–	13,818	5,599	55,904
ASSETS																				
Segment assets	6,779,470	6,297,480	4,483,086	468,940	312,476	18,341,452	8,386,777	5,555,003	11,967,083	1,327,027	1,560,275	2,282,958	31,079,123	12,117,292	12,141,816	21,308,069	5,186,168	50,753,345	3,631,729	103,805,649
Equity-accounted investees	10,409	–	–	–	–	10,409	62,216	7,834	195,226	–	661,553	–	926,829	29,773	–	123,696	–	153,469	618,811	1,709,518
LIABILITIES																				
Segment liabilities	2,462,164	1,342,529	1,085,490	122,222	115,533	5,127,938	1,135,109	907,132	3,841,665	316,362	240,994	358,465	6,799,727	5,587,747	2,456,186	7,121,821	1,694,157	16,859,911	1,933,997	30,721,573
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment and non-current intangible assets	204,677	194,654	628,717	16,223	26,127	1,070,398	369,023	365,037	307,934	324,683	99,184	221,090	1,686,951	495,395	564,223	1,053,862	725,883	2,839,363	148,926	5,745,638
Valuation adjustments, trade and other receivables (expense/income)	39,209	66,495	2,323	(287)	7,349	115,089	9	(355)	(72)	14	260	1,059	915	611	955	72,462	61,629	135,657	1,995	253,656
Amortization and depreciation	469,628	169,129	102,485	20,742	8,471	770,455	323,898	159,641	410,177	25,616	45,595	119,533	1,084,460	519,395	313,229	474,685	344,740	1,652,049	80,135	3,587,099
Charges for asset impairment	–	13,565	–	–	–	13,565	–	–	–	–	–	–	–	–	–	–	–	–	–	13,565
Reversal for asset impairment	–	–	–	–	–	–	–	–	(52,688)	–	–	–	(52,688)	–	–	–	–	–	–	(52,688)
Write-off (Charges)/Reversal for other provisions	(2,788)	2,731	96	170	–	209	5,498	2,672	1,669	(1)	7,477	(2,220)	15,095	15,200	(34)	71,993	5,873	93,032	(438)	107,898
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	13,492	8,189	(3,730)	–	310	18,261	5,415	–	429	–	–	363	6,207	14,744	8,033	72,905	2,845	98,527	95,299	218,294

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

Thousands of Euros	31.12.2019	31.12.2018
Revenue		
Spain	14,513,186	14,165,352
United Kingdom	5,807,931	6,247,767
United States	5,335,432	5,323,913
Mexico	2,443,367	2,337,219
Brazil	6,848,015	5,717,489
IEI	1,489,977	1,284,133
Total	36,437,908	35,075,873

Thousands of Euros	31.12.2019	31.12.2018
Non-current assets (*)		
Spain	23,553,881	22,681,809
United Kingdom	24,916,547	21,983,136
United States	32,769,241	30,071,080
Mexico	5,426,599	4,892,649
Brazil	4,821,302	5,703,513
IEI	2,294,033	2,205,973
Total	93,781,603	87,538,160

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

In addition, the reconciliation between segment assets and liabilities and the total assets and liabilities of the Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Segment assets	113,339,270	103,805,649
Non-current financial investments	5,818,537	5,191,132
Current financial investments	1,097,920	1,177,821
Cash and cash equivalents	2,113,279	2,801,157
Assets held for sale	–	62,164
Total assets	122,369,006	113,037,923

Thousands of Euros	31.12.2019	31.12.2018
Segment liabilities	33,316,635	30,721,573
Equity	47,194,665	43,976,554
Non-Current financial liabilities	32,404,388	31,279,445
Loans and borrowings and obligations or other securities	30,125,903	30,751,710
Equity instruments having the substance of a financial liability	193,384	140,582
Derivative financial instruments	471,221	387,153
Leases	1,613,880	–
Current financial liabilities	9,453,318	7,059,790
Loans and borrowings and obligations or other securities	8,800,387	6,574,762
Equity instruments having the substance of a financial liability	22,149	36,647
Derivative financial instruments	477,545	448,381
Leases	153,237	–
Liabilities linked to assets held for sale	–	561
Total liabilities and equity	122,369,006	113,037,923

8. INTANGIBLE ASSETS

The changes in 2019 and 2018 in intangible assets and the appropriate accumulated amortisations and procurement has been as follows:

Thousands of Euros	Balance at 01.01.2018	First application of IFRS 15 (Note 2.a.)	Translation differences	Modification of the consolidation perimeter (Note 6)	Additions and charges/(reversals)	Capitalised Personnel expenses (Note 38)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2018	Translation differences	Additions and charges/(reversals)	Capitalised Personnel expenses (Note 38)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2019
Cost:															
Goodwill	7,932,404	-	(77,605)	(16,956)	-	-	-	-	7,837,843	359,228	-	-	-	(44,153)	8,152,918
Concessions, Patents, licenses, trademarks and others	7,930,667	-	(31,055)	(318,228)	5,704	8,725	23,888	(3,858)	7,615,843	168,903	30,535	2,726	(7,295)	(132)	7,810,580
Intangibles assets under IFRIC 12 (Notes 3.b and 12)	5,506,356	-	(688,654)	-	739,358	55,408	(271,146)	(64,639)	5,276,683	(41,521)	-	-	(512,330)	(65,425)	4,657,407
Computer software	2,040,009	-	25,506	(12,057)	144,163	8,644	(10,823)	(18,831)	2,176,611	45,187	154,011	11,166	1,271	(34,629)	2,353,617
Customer acquisition costs	-	298,028	(2,564)	-	161,784	-	-	-	457,248	9,869	222,018	-	300	(42,605)	646,830
Other intangible assets	3,549,070	-	97,144	-	24,805	1,122	(73,742)	(332,303)	3,266,096	87,753	10,126	-	(372,771)	(14,938)	2,976,266
Total cost	26,958,506	298,028	(677,228)	(347,241)	1,075,814	73,899	(331,823)	(419,631)	26,630,324	629,419	416,690	13,892	(890,825)	(201,882)	26,597,618
accumulated depreciation and procurement:															
Concessions, Patents, licenses, trademarks and others	823,497	-	(36,948)	(305,838)	141,299	-	2,215	-	624,225	17,546	241,336	-	3,033	(132)	886,008
Intangibles assets under IFRIC 12 (Notes 3.b and 12)	2,467,907	-	(309,147)	-	260,855	-	5,519	(47,520)	2,377,614	(30,456)	281,630	-	396	(50,557)	2,578,627
Computer software	1,467,064	-	16,599	(11,374)	132,754	-	(10,823)	(17,695)	1,576,525	30,424	162,625	-	384	(34,499)	1,735,459
Customer acquisition costs	-	123,027	(1,073)	-	80,580	-	-	-	202,534	3,653	121,955	-	-	(42,605)	285,537
Other intangible assets	674,161	-	14,218	-	121,648	-	(1,061)	(299,962)	509,004	12,921	103,220	-	(882)	(12,114)	612,149
Total accumulated depreciation	5,432,629	123,027	(316,351)	(317,212)	737,136	-	(4,150)	(365,177)	5,289,902	34,088	910,766	-	2,931	(139,907)	6,097,780
Impairment allowance (Notes 7 and 40)	377,850	-	15,012	-	(52,688)	-	-	-	340,174	5,919	(20,024)	-	(194,092)	-	131,977
Total accumulated depreciation and procurement	5,810,479	123,027	(301,339)	(317,212)	684,448	-	(4,150)	(365,177)	5,630,076	40,007	890,742	-	(191,161)	(139,907)	6,229,757
Total net cost	21,148,027	175,001	(375,889)	(30,029)	391,366	73,899	(327,673)	(54,454)	21,000,248	589,412	(474,052)	13,892	(699,664)	(61,975)	20,367,861

The amounts incurred in due to research and development (expenses and investment) activities in 2019 and 2018 totals Euros 280,395 and 266,547 thousand respectively.

The fully amortised intangible assets in use at 31 December 2019 and 2018 amounted to 1,214,042 and 1,122,173 thousand, respectively.

The IBERDROLA Group maintains at 31 December 2019 and 2018 commitments to acquire intangible assets for Euros 16,184 and 18,942 thousand, respectively.

In addition, at 31 December 2019 and 2018, there were no significant restrictions on the ownership of intangible assets, except for the regulated businesses that may require authorisation of the corresponding regulator for specific transactions.

The allocation of goodwill to the cash-generating units at 31 December 2019 and 2018 is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Electricity and gas generation and supply in the UK	4,503,920	4,256,753
Regulated activities in the UK	881,318	832,954
Renewables in the UK	524,503	495,720
Renewable in the USA	839,829	866,431
Regulated activities in the	1,065,977	1,044,989
Regulated activities in Brazil	151,426	153,038
Electricity generation and retail in the UK	40,636	41,059
Renewable activities in Brazil	119,707	120,976
Other activities	25,602	25,923
Total	8,152,918	7,837,843

The allocation of indefinite life and in-progress intangible assets at 31 December 2019 and 2018 to the different cash generating units is as follows:

Thousands of Euros	2019			2018		
	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	781,628	–	781,628	738,734	–	738,734
Electricity distribution in Wales and England	752,261	–	752,261	710,979	–	710,979
Electricity transmission in the UK	297,075	–	297,075	280,772	–	280,772
Renewable in the USA	–	41,738	41,738	–	126,756	126,756
Electricity and gas distribution in New York (NYSEG)	1,062,289	–	1,062,289	1,041,374	–	1,041,374
Electricity and gas distribution in New York (RG&E)	957,493	–	957,493	938,641	–	938,641
Electricity transmission and distribution in Maine (CMP)	263,803	–	263,803	258,609	4,908	263,517
Electricity transmission and distribution in Connecticut (UI)	1,106,269	–	1,106,269	1,084,487	–	1,084,487
Gas distribution in Connecticut (CNG)	279,143	–	279,143	273,647	–	273,647
Gas distribution in Connecticut (SCG)	547,989	–	547,989	537,200	–	537,200
Gas distribution in Massachusetts (BGC)	37,374	–	37,374	36,638	–	36,638
Other	–	395,771	395,771	–	387,560	387,560
Total	6,085,324	437,509	6,522,833	5,901,081	519,224	6,420,305

The undefined useful life assets mostly correspond to the acquisition cost of licences to operate in different businesses that make up the main activity of the activities performed by the IBERDROLA Group.

9. INVESTMENT PROPERTY

The changes in 2019 and 2018 in the IBERDROLA Group's investment property were as follows:

Thousands of Euros	Balance at 01.01.2019	Additions and (charges)/ reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2019
Investment property	513,072	2,673	1,469	(95,320)	421,894
Impairment allowance	(25,845)	1,071	(118)	4,479	(20,413)
Accumulated depreciation	(58,635)	(7,781)	–	7,221	(59,195)
Total net cost	428,592	(4,037)	1,351	(83,620)	342,286

Thousands of Euros	Balance at 01.01.2018	Additions/and (charges)/ reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2018
Investment property	501,959	11,878	(23)	(742)	513,072
Impairment allowance	(26,805)	960	–	–	(25,845)
Accumulated depreciation	(51,125)	(7,533)	(49)	72	(58,635)
Total net cost	424,029	5,305	(72)	(670)	428,592

The investment property owned by the IBERDROLA Group relates primarily to properties destined for leasing. The income accrued during fiscal years 2019 and 2018 for this operation are Euros 28,411 and 26,764 thousand, respectively, and were registered under the heading "Revenue" of the Consolidated income statement. The operating expenses directly related to investment properties during fiscal years 2019 and 2018 were not significant.


The fair value of the investment property in use at 31 December 2019 and 2018 amounted to Euros 394,916 and Euros 479,864 thousand, respectively. This fair value (classified in Level 3) is determined via expert independent appraisals made annually in accordance with the Assessment Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, in their January 2014 edition. The assessments on 31 December 2019 and 2018 have been made 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, contrasted, as far as possible, with comparable transactions to reflect the reality of the market and the prices to which they are currently closing the asset operations of similar characteristics to the reference operations.

The discount of cash flows is based on a prediction of the probable net income that real estate investment 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 property for hire that does not include many variables as extensive and involves leased property for a period of time greater than 10 years and up and one renter, 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 2019 and 2018, 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.

10. PROPERTY, PLANT AND EQUIPMENT

The changes in 2019 and 2018 in Property, plant and equipment and the appropriate accumulated amortisations and procurement has been as follows:

Thousands of Euros	Balance at 01.01.2018	Translation differences	Modification of the consolidation perimeter (Note 6)	Additions and charges/(reversals)	Transfers	Disposals/ Derecognitions	Write-off	Balance at 31.12.2018	First application of IFRS 16 (Note 2.a.)	Translation differences	Additions	Charges/Reversals	Transfers	Disposals/ Derecognitions	Balance at 31.12.2019
Cost:															
Land and buildings	2,186,770	42,770	(59,955)	61,919	121,624	(28,845)	(2,289)	2,321,994	(117,882)	29,273	102,075	-	254,661	(50,503)	2,539,618
Electric energy technical facilities:															
Hydroelectric power plants	7,301,185	(45,882)	(314,643)	12,006	5,303	-	(1,478)	6,956,491	-	(2,818)	171	-	169,708	-	7,123,552
Thermal power plants	1,220,389	8	-	81	5,269	(73)	-	1,225,674	-	4	930	-	959	-	1,227,567
Combined cycle power plant	8,139,345	122,547	(1,218,052)	11,760	243,107	(75,290)	-	7,223,417	-	77,601	82,434	-	1,206,249	(17,701)	8,572,000
Nuclear power plants	7,622,997	(1)	-	15,977	106,638	(54,040)	-	7,691,571	-	-	35,424	-	135,268	(65,516)	7,796,747
Wind farms and other renewable	23,162,963	379,751	111,256	40,334	1,408,562	(253,536)	(20,713)	24,828,617	(96,687)	498,535	419,278	-	1,918,596	(226,292)	27,342,047
Facilities:															
Gas storage	101,205	2,369	-	11	41,242	(4,072)	(1,223)	139,532	-	5,581	44	-	32,783	-	177,940
Electricity transmission	7,891,912	139,539	-	2,521	411,060	(5,304)	(21,672)	8,418,056	-	318,085	28,885	-	459,464	(21,882)	9,202,608
Electricity distribution	28,788,742	183,229	16,121	88,936	1,181,079	(109,930)	(22,970)	30,125,207	-	582,541	111,474	-	1,320,379	(51,216)	32,088,385
Gas distribution	2,768,888	131,024	-	-	138,576	(6,097)	(3,358)	3,029,033	-	61,687	-	-	231,777	(13,951)	3,308,546
Meters and metering devices	2,050,701	24,581	-	102,068	68,453	(278,054)	(1,243)	1,966,506	-	47,185	102,027	-	49,997	(35,121)	2,130,594
Dispatching centres and other facilities	1,981,267	5,365	(32,358)	15,960	136,040	(17,601)	(2,621)	2,086,052	-	20,678	36,331	-	137,130	(145,552)	2,134,639
Total operating electric energy technical facilities	91,029,594	942,530	(1,437,676)	289,654	3,745,329	(803,997)	(75,278)	93,690,156	(96,687)	1,609,079	816,998	-	5,662,310	(577,231)	101,104,625
Others in use	1,712,004	33,482	(4,905)	203,381	4,017	(48,107)	(679)	1,899,193	(48,943)	20,815	212,963	-	166,482	(54,286)	2,196,224
On-going electric energy technical facilities	6,479,773	40,190	(23,006)	4,381,212	(3,778,551)	(4,233)	-	7,095,385	(137)	205,569	5,521,711	-	(5,565,413)	(20,027)	7,237,088
Prepayments and other PP&E under construction (*)	357,117	4,022	(4,185)	507,962	(76,927)	(229,842)	(2,803)	555,344	-	6,034	589,202	-	(311,255)	(197,282)	642,043
TOTAL COST	101,765,258	1,062,994	(1,529,727)	5,444,128	15,492	(1,115,024)	(81,049)	105,562,072	(263,649)	1,870,770	7,242,949	-	206,785	(899,329)	113,719,598

(*) Prepayment amounts at 31 December 2019 and 2018 amount to Euros 136,971 and 152,724 thousand respectively.

Thousands of Euros	Balance at 01.01.2018	Translation differences	Modification of the consolidation perimeter	Additions and charges/(reversals)	Transfers	Disposals/Derecognitions	Write-off	Balance at 31.12.2018	First application of IFRS 16 (Note 2.a.)	Translation differences	Additions	Charges/(Reversals)	Transfers	Disposals/Derecognitions	Balance at 31.12.2019
ACCUMULATED AMORTISATION AND DEPRECIATED															
Buildings	458,782	8,006	3,515	84,732	-	(5,185)	-	549,850	(18,560)	8,065	-	61,158	(209)	(5,348)	594,956
Electric energy technical facilities:															
Hydroelectric power plants	3,977,776	(12,340)	(172,034)	108,089	-	-	-	3,901,491	-	(10,506)	-	105,794	-	-	3,996,779
Thermal power plants	1,062,120	8	-	48,862	-	(73)	-	1,110,917	-	4	-	53,214	-	-	1,164,135
Combined cycle power plant	3,156,180	39,589	(674,419)	223,172	-	(60,160)	-	2,684,362	-	31,191	-	232,419	-	(11,109)	2,936,863
Nuclear power plants	5,725,982	-	-	284,433	-	(52,857)	-	5,957,558	-	-	-	183,245	-	(64,623)	6,076,180
Wind farms and other renewable	7,337,064	125,049	97,141	830,022	-	(101,314)	-	8,287,962	(22,701)	136,745	82,988	851,476	-	(79,177)	9,257,293
Facilities:															
Gas storage	44,441	426	-	3,743	-	(3,822)	-	44,788	-	2,179	-	5,572	13,965	-	66,504
Electricity transmission	1,709,449	37,877	-	141,697	-	(3,447)	-	1,885,576	-	70,028	-	183,556	-	(11,806)	2,127,354
Electricity distribution	9,990,459	75,883	9,867	766,929	-	(96,488)	-	10,746,650	-	174,175	-	774,473	-	(37,932)	11,657,366
Gas distribution	1,123,173	52,834	-	48,162	-	(3,977)	-	1,220,192	-	24,585	-	29,359	-	(9,338)	1,264,798
Meters and metering devices	1,006,790	7,553	-	112,020	-	(265,865)	-	860,498	-	23,049	-	116,728	-	(24,776)	975,499
Dispatching centres and other facilities	762,611	(650)	(32,856)	72,020	-	(13,253)	-	787,872	-	8,834	225	96,058	1,846	(65,251)	829,584
Total operating electric energy technical facilities	35,896,045	326,229	(772,301)	2,639,149	-	(601,256)	-	37,487,866	(22,701)	460,284	83,213	2,631,894	15,811	(304,012)	40,352,355
Others in use	1,049,602	12,304	(1,573)	118,549	(9,722)	(43,316)	-	1,125,844	(6,923)	20,531	35	122,696	(65)	(52,105)	1,210,013
Total accumulated depreciation	37,404,429	346,539	(770,359)	2,842,430	(9,722)	(649,757)	-	39,163,560	(48,184)	488,880	83,248	2,815,748	15,537	(361,465)	42,157,324
Impairment allowance (Note 40)	278,450	4,061	-	13,565	-	(6,884)	-	289,192	-	(275)	-	-	4,977	(20,829)	273,065
Total ACCUMULATED AMORTISATION AND DEPRECIATED	37,682,879	350,600	(770,359)	2,855,995	(9,722)	(656,641)	-	39,452,752	(48,184)	488,605	83,248	2,815,748	20,514	(382,294)	42,430,389
TOTAL NET COST	64,082,379	712,394	(759,368)	2,588,133	25,214	(458,383)	(81,049)	66,109,320	(215,465)	1,382,165	7,159,701	(2,815,748)	186,271	(517,035)	71,289,209

The breakdown by business of the main investments made in property, plant and equipment in 2019 and 2018, not including the capitalisation of personnel expenses (Note 38) and of financial costs (Note 42), is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Liberalised business		
Spain	172,932	127,177
United Kingdom	111,163	112,480
Mexico	324,970	620,012
Brazil	31,958	16,147
Iberdrola Energía Internacional	259	49
Renewable Business		
Spain	767,552	366,609
United Kingdom	947,931	364,493
United States	1,331,897	304,186
Mexico	110,688	340,641
Brazil	70,493	95,633
Iberdrola Energía Internacional	69,092	220,858
Networks business		
Spain	523,673	477,772
United Kingdom	589,304	558,695
United States	1,228,706	1,019,288
Brazil	13,787	17,708
Corporation and other	67,300	63,812
Total	6,361,705	4,705,560

The fully amortised tangible assets in use at 31 December 2019 and 2018 amounted to 2,502,064 and 2,211,844 thousand, respectively.

The IBERDROLA Group maintains at 31 December 2019 and 2018 commitments to acquire tangible assets for Euros 4,196,211 and 3,308,813 thousand, respectively.

11. RIGHT-OF-USE ASSET

Changes in 2019 in right-of-use assets resulting from contracts in which the IBERDROLA Group is the lessor have been as follows:

Thousands of Euros	Balance at 31.12.2018	Application of IFRS 16	Translation differences	Additions and charges/ (reversals)	Re-evaluation/changes of lease liabilities	Disposals	Balance at 31.12.2019
Cost:							
Land	–	957,378	22,836	229,045	78,840	(1,093)	1,287,006
Buildings	–	282,750	7,715	22,387	(9,248)	(387)	303,217
Equipment	–	68,499	957	2,732	5,429	(15)	77,602
Fleet	–	41,417	1,395	25,020	3,183	(314)	70,701
Other rights of use	–	118,415	1,938	108,060	11,911	(853)	239,471
Total cost	–	1,468,459	34,841	387,244	90,115	(2,662)	1,977,997
accumulated depreciation and procurement:							
Land	–	–	(521)	(58,115)	–	1	(58,635)
Buildings	–	(19,307)	(193)	(39,862)	–	–	(59,362)
Equipment	–	(4,745)	(203)	(9,623)	–	–	(14,571)
Fleet	–	(2,178)	(293)	(19,807)	–	101	(22,177)
Other rights of use	–	(22,701)	(858)	(16,998)	–	–	(40,557)
Total accumulated depreciation	–	(48,931)	(2,068)	(144,405)	–	102	(195,302)
Impairment allowance	–	–	(14)	(434)	–	–	(448)
Total accumulated depreciation and procurement	–	(48,931)	(2,082)	(144,839)	–	102	(195,750)
Total net cost	–	1,419,528	32,759	242,405	90,115	(2,560)	1,782,247

IBERDROLA Group is the holder of lease agreement 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 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 extend on certain office buildings.

Many of lease contracts for land and buildings are related to consumer price indexes or similar indexes.

12. 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	August-
Elektro Redes, S.A.	Estado do Mato Grosso do Sul	27/08/1998	26/08/2028	5	4 years	August-19
Companhia de Eletricidade do Estado do Bahia, S.A.	Estado da Bahia	08/08/1997	07/08/2027	415	5 years	April-18
Companhia Energética de Pernambuco, S.A.	Estado de Pernambuco	30/03/2000	29/03/2030	184	4 years	April-17
Companhia Energética de Pernambuco, S.A.	Distrito de Fernando de Noronha	30/03/2000	29/03/2030	1	4 years	April-17
Companhia Energética de Pernambuco, S.A.	Estado da Paraíba	30/03/2000	29/03/2030	1	4 years	April-17
Companhia Energetica do Rio Grande do Norte, S.A.	Estado do Rio Grande do Norte	31/12/1997	30/12/2027	167	5 years	April-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	2015
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

Transmission in constructions

Company	Location	Concession date	Maturity date
Neoenergia Guanabara Transmissão de Energia, S.A. (formerly, EKTT 3 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estado do Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Itabapoana Transmissão de Energia, S.A. (formerly, EKTT 4 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estado do Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Lagoa dos Patos Transmissão de Energia, S.A. (formerly, EKTT 5 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Rio Grande do Sul e Santa Catarina	22/03/2019	22/03/2049
Neoenergia Vale do Itajaí Transmissão de Energia, S.A. (formerly, EKTT 11 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Paraná e Santa Catarina	22/03/2019	22/03/2049
Neoenergia Jalapão Transmissão de Energia, S.A. (formerly, EKTT 1 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estados do Tocantins, Bahia e Piauí	08/03/2018	08/03/2048
Neoenergia Santa Luzia Transmissão de Energia, S.A. (formerly, EKTT 2 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estados da Paraíba e Ceará	08/03/2018	08/03/2048
Neoenergia Dourados Transmissão de Energia, S.A. (formerly, EKTT 12 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estados do Mato Grosso do Sul e São Paulo	31/07/2017	31/07/2047
Neoenergia Atibaia Transmissão de Energia, S.A. (formerly, EKTT 13 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estado de São Paulo	31/07/2017	31/07/2047
Neoenergia Biguaçu Transmissão de Energia, S.A. (formerly, EKTT 14 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estado de Santa Catarina	31/07/2017	31/07/2047
Neoenergia Sobral Transmissão de Energia, S.A. (formerly, EKTT 15 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Estado do Ceará	31/07/2017	31/07/2047

The duration of each concession 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 is automatically reversed to the concession grantor and the amount of indemnification due to the concession holder is assessed and determined. Appendix II shows in greater detail the Brazilian regulation applicable to the abovementioned concessions.

Income from previous concession agreements include the provision of construction services (Note 36) and operation and maintenance services for facilities built whose ownership falls upon the granting public administration. The provisions 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. Said date determines, in general, when the agreed annual payments are collected as part of the concession agreements. The collection of said annual payments is extended during the concession period (normally 30 years), a circumstance that determines the existence of a significant financial component.

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

Methodology of 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.

In addition, the IBERDROLA Group 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.

a) Assumptions used in liberalised business:

- Facilities' production: the hours of operation used are consistent with those in previous years, and in line with the expected evolution of the energy mix of the countries where the IBERDROLA Group operates.
- Selling prices of electricity and gas: the selling prices used are the ones 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 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 were based on the best available information about the plants that were expected to be put into operation in the next years.
- Operation and maintenance costs: maintenance agreements for the current facilities were used. Other operating costs were projected consistent with the expected growth of each cash-generating unit, assuming its headcount grows at the same pace.

b) Assumptions used in the Networks business:

- Regulated income: approved income was used for years in which it was available, while for subsequent periods regulation set actualization mechanisms of such income, and these were 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 income 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 income 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 that enabled wind farms to produce whenever meteorological and network conditions allowed it.
- Selling prices of electricity: the selling prices used are the ones agreed upon in the signed price purchase agreements. For unsold production, future prices in the market where the IBERDROLA Group operates are used. In any case, 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 be put into operation in the next years, taking into account the fixed prices stated in the contracts to buy wind turbines from various suppliers among which is SIEMENS GAMESA (Note 50) 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 growth nominal rate:

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

	2019		2018	
	No. of years	g	No. of years	g
Electricity and gas generation and supply in the UK	10	2.0%	10	2.0%
Electricity transmission and distribution in the UK	10	2.0%	10	2.5%
Renewables in the UK	Useful life	-	Useful life	-
Electricity and gas transmission and distribution in the US	10	1.0%	10	1.0%
Renewable in the USA	Useful life	-	Useful life	-
Electricity generation and retail in Brazil	Useful life / 10	- 4.0%	Useful life / 15	- 4.5%
Electricity transmission and distribution in Brazil	Concession life	-	Concession life	-
Renewable Energies in Brazil	Useful life	-	Useful life	-

Although IAS 36 "Impairment of assets" recommends the use of 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 prices curves are frequently used in the operating activity of the IBERDROLA Group (contracts, hedges, etc.).
- Energy is a basic first-need good. Therefore, the business of electricity and gas retail is influenced by long-term governmental policies and is based on stable relationship with customers, using in certain cases infrastructures such as smart meters with large recoverability periods.

- The 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 consisted of adding to the temporary value of money or risk-free rate of each market the specific asset risks or risk premium of the asset or business.

The risk-free rate corresponded 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 was estimated so that the aggregate of all such components were considered to be the finance cost without the risk spread of the asset.

The asset's risk premium corresponded to the specific risks of the asset, the calculation of which took into account the unlevered betas estimated on the basis of comparable companies performing the same main activity.

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

	Rates 2019	Rates 2018
Electricity and gas generation and supply in the UK	6.75%	7.01%
Electricity transmission and distribution in the UK	4.10%	4.57%
Renewable energies in the UK onshore/offshore	5.35%/5.97%	5.72% / 6.29%
Electricity and gas transmission and distribution in the US	4.86%	5.49%
Renewable Energies in the US onshore/offshore	5.69% / 7.04%	6.29% / 7.49%
Electricity generation and retail in Brazil	12.09%	13.90%
Electricity transmission and distribution in Brazil	10.32%	12.34%
Renewable Energies in Brazil	11.64%	13.61%

Impairments and write-offs recognised in 2019 and 2018

As a consequence of the impairment test carried out in 2019 and 2018 on the renewable facilities in the USA (Note 3.b), the IBERDROLA Group has proceeded to revert part of the provision accounted for in relation their intangible assets from past years. In 2019 and 2018 this reversal has amounted to Euros 20,024 thousand and to Euros 52,668 thousand, respectively (Notes 8 and 40).


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 cash generating unit groups):

- Electricity and gas generation and retail in the United Kingdom and Brazil:
 - Decrease of 10% in energy produced.
 - Decrease of 10% in margin per kWh.
 - Decrease of 10% in electricity and gas customer growth.
 - Decrease of 10% in electricity and gas retail per kWh.
 - 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 is no long-term sales agreement.
 - Increase of 10% in operating and maintenance costs.
 - Increase of 10% in investment costs.

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

These sensitivity analyses were carried out for each basic assumption separately would not state out any depreciation whatsoever, except for the following cases:

- 
- Electricity and gas generation and retail in the United Kingdom, whose value is close to its carrying amount, so practically any negative adjustment would imply that the value in use is lower than carrying amount. In the United Kingdom the electricity and gas retail market is currently undergoing difficult times, affected by the entrance of new agents who compete aggressively in prices and margins, sometimes even under negative conditions. This is leading certain agents to bankruptcy. This market situation is believed to be unsustainable and it would be reasonable to wait till margins closer to historical ones can be achieved. Under these premises, assumptions have been prepared in the business plan (and the impairment test). This risk is to be monitored. In this regard, the potential impairment (before taxes) linked to the impact a change in key assumptions is detailed below:
 - No customer growth in electricity and gas (instead of the expected increase): Euros 271 million.
 - Decrease of margin per electricity and gas customer of 10% compared to expectations in the business plan: Euros 284 million.
 - Increase in discount rate of 50 basis points: Euros 480 million.
 - Renewable energies in the United, whose value in use is Euros 678 million more than its carrying amount, in which a decrease of 2.2% in energy production, a lower market price of 4.7% or an increase in 30 basic points on the discount rate would imply that the value in use is lower than carrying amount.

14. FINANCIAL INVESTMENTS

14.a) Equity-accounted investees

Movement for the years 2019 and 2018 in the carrying amounts recognised through global integration of IBERDROLA Group's associates and combines business (Appendix I) is as follows:

Thousands of Euros	Associated companies	Joint ventures			Other	Total
		Subgroup NEONERGIA	Flat Rock Subgroup	Vineyard Wind, LLC		
Balance at 01.01.2018	652,204	710,242	124,938	8,407	295,105	1,790,896
Investment/Addition	3,879	48,997	982	37,067	380	91,305
Change of the consolidation perimeter	4,821	–	–	–	(46,197)	(41,376)
Transfers	19,569	–	22,492	–	(19,569)	22,492
Profit for the year from continuing activities	11,370	11,301	(3,353)	(1,824)	7,482	24,976
Profit for the year from discontinued activities	697	–	–	–	–	697
Other comprehensive income	(2,743)	–	–	–	(9,150)	(11,893)
Dividends	(6,135)	(13,363)	(6,437)	–	(27,120)	(53,055)
Translation differences	(36,034)	(95,785)	6,214	1,920	12,899	(110,786)
Disposal/derecognition	–	–	–	–	(4,460)	(4,460)
Other	1,128	161	(2)	–	(565)	722
Balance at 31.12.2018	648,756	661,553	144,834	45,570	208,805	1,709,518
Investment/Addition	17,516	12,988	269	156,781	120,538	308,092
Profit for the year from continuing activities	(6,660)	6,741	(4,202)	(6,620)	24,739	13,998
Profit for the year from discontinued activities	(6,653)	–	–	–	–	(6,653)
Other comprehensive income	(3,338)	–	–	–	11	(3,327)
Dividends	(7,145)	(9,549)	(8,056)	–	(22,311)	(47,061)
Translation differences	3,558	(6,886)	2,862	1,471	2,940	3,945
Disposal/derecognition	(6,044)	–	–	–	(15,916)	(21,960)
Other	671	903	–	–	(1,299)	275
Balance at 31.12.2019	640,661	665,750	135,707	197,202	317,507	1,956,827

The balance corresponding to the NEOENERGIA Subgroup at 31 December 2019 and 2018 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 IBERDROLA Group through NEOENERGIA.

Moreover, the IBERDROLA Group, through the company Vineyard Wind, LLC, continues the development of a large scale offshore wind farm in the coasts of Massachusetts, in the United States.



On the other hand, the balance of associate companies at 31 December 2019 includes an amount of Euros 566,351 thousand (Euros 571,414 thousand at 31 December 2018) corresponding to the interest of IBERDROLA Group in SIEMENS GAMESA whose trading price at reporting date amounts to Euros 859,570 thousand (Euros 584,958 thousand at 31 December 2018). As described in Note 51, the interest has been sold at the beginning of 2020.

Main Transactions

In 2019 no significant transactions related to accounted for investments by equity method have taken place. In 2018 the main transactions were:

- In December 2018, the IBERDROLA Group sold its 80% interest in its subsidiary Coyote Ridge Wind, LLC, keeping the remaining 20%, over which exercises significant influence and which is now held as equity-accounted investee (Notes 6 and 41).
- In June 2018, the IBERDROLA Group sold 20% stake in Tirme, S.A., for an amount of Euros 35,100 thousand, which implied a gross capital gain of Euros 30,928 thousand recorded under the heading "Gains on sale of non-current assets" of the Consolidated financial statement for 2018.

Summary of Financial Information

The summarised financial information at 31 December 2019 and 2018 (at 100% and before intercompany eliminations) for the major subgroups accounted for using the equity method is as follows:

Thousands of Euros	NORTE ENERGIA		TELES PIRES		EAPSA		Flat Rock Subgroup		Vineyard Wind, LLC	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Segment	Liberalised-Brazil				Renewables – USA					
Percentage ownership	10.00%		50.56%		51.00%		50%		50%	
Current assets	252,391	195,966	35,304	37,327	24,634	16,290	2,496	10,126	28,768	13,859
Non-current assets	9,713,497	9,611,303	1,539,157	1,150,246	303,582	318,000	266,681	318,384	314,499	77,942
Total assets	9,965,888	9,807,269	1,574,461	1,187,573	328,216	334,290	269,177	328,510	343,267	91,801
Current liabilities	975,704	832,300	71,553	83,786	21,028	19,786	8,821	8,041	179,576	15,493
Non-current Liabilities	5,880,515	6,003,096	738,742	768,145	87,583	98,018	34,815	30,799	2,083	–
Total liabilities	6,856,219	6,835,396	810,295	851,931	108,611	117,804	43,636	38,840	181,659	15,493
Income from ordinary activities	996,818	1,020,144	201,943	192,146	60,394	62,214	12,423	17,994	–	–
amortisation and depreciation	(254,036)	(165,519)	(40,830)	(41,260)	(6,654)	(6,638)	(15,549)	(17,758)	(472)	–
Income from interests	10,274	16,272	(871)	–	935	1,157	63	79	47	–
Expenses from interests	(381,742)	(274,788)	(64,715)	(73,569)	(5,195)	(6,496)	(1,342)	(329)	(34)	–
Tax (expense)/income	37,059	(109,587)	4,890	2,666	(3,169)	(2,669)	–	–	–	–
Profit for the year from continuing operations	84,765	209,159	(24,367)	(93,418)	22,658	19,572	(5,703)	(6,963)	(19,402)	–
Total global profit	84,765	209,159	(24,367)	(93,418)	22,658	19,572	(5,703)	(6,963)	(19,402)	–
Other information										
Cash and cash equivalents	42,941	20,601	9,516	6,226	14,155	5,933	1,237	7,613	27,617	13,270
Current financial liabilities (*)	633,174	576,430	47,221	53,779	7,853	15,653	–	–	–	–
Non-current financial liabilities (*)	5,576,987	5,934,007	623,862	708,671	46,690	57,848	–	–	–	–

(*) Excluding trade and other payables

14.b) Other financial assets


The detail of the headings “Other non-current financial assets” and “Other current financial assets” of the IBERDROLA Group’s Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Non-current (Note 4)		
Collection rights in Brazil (Notes 3.b and 12)	2,596,789	2,196,551
Long-term deposits and guarantees	311,008	281,942
Fixed-income securities	4,073	4,061
Concessional guarantee of the sufficiency tariff in Brazil (Note 12)	–	1,922
Long-term deposits	53,914	52,429
Loans to third parties	9,265	7,241
Assets for pension plans (Note 25)	7,190	7,007
Other investments in equity-accounted investees	19,953	9,195
Other	21,018	144,171
Bad debt provisions	(3,988)	(19,132)
Total	3,019,222	2,685,387
Current (Note 4)		
Collection rights in Brazil (Notes 3.b and 12)	–	11,606
Short-term deposits and guarantees	794	716
Concessional guarantee of the sufficiency tariff in Brazil (Note 12)	87,284	227,698
Accounts receivable for financing imbalance in revenues in 2019	212,599	–
Accounts receivable for financing imbalance in revenues in 2018	–	25,727
Other investments in equity-accounted investees	6,227	7,542
Debt guarantee deposits (Notes 4 and 20)	112,550	77,840
Other short-term deposits and guarantees	209,344	163,465
Other	87,906	66,603
Bad debt provisions	(24,143)	(9,629)
Total	692,561	571,568

Collection rights in Brazil

The heading “Collection rights in Brazil” relates to receivables by the Brazilian companies upon termination of their service concession arrangements. The Law N°12.783/13 provides that such indemnification must be determined by the replacement value (*Valor Novo de Reposição, VNR*) of the concession assets which have not been depreciated/amortised 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 doing reasonable estimations of receivables following the termination of the concession in so far the Public Administration blocks the value of the Asset Regulatory Base after each ordinary rate revision. 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 the Brazilian Large Consumers Prices General Index (*Índice Nacional de Preços ao Consumidor Amplo* (IPCAM) is changed. 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 and currency translation differences or, as the case may be, any changes in the method of calculation of the net realizable value and the IGPM.

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 of recruitment as security of electricity supply (which are recorded under the heading "Non-Current Liabilities - Other non-current payables" of the Consolidated statement of financial position - Note 31) and have been deposited with the competent Public Authorities in accordance with the current legislation in Spain.

Collection right due to imbalanced financing

Act 24/2013 of the Electricity Sector establishes that, in the case that in a period an imbalance occurs due to an income deficit in the settlements of the electricity sector, its quantity may not exceed 2% of the estimated incomes for the system for this period. Furthermore, the accumulated debt due to imbalances in preceding periods may not exceed 5% of the income estimated for the system. If these limits are exceeded, the entrance tolls will be reviewed at least in a total equivalent to the excess of these limits. This law establishes, furthermore, that the part of the imbalance due to an income deficit that, without exceeding these limits, is not compensated via the increase of tolls and charges, will be financed by those subject to the settlement system proportionally to the remuneration that corresponds to them for the activity they carry out.

The final settlement of the Spanish electricity system for 2018 presented a surplus and it was estimated as such by IBERDROLA Group in said year. In 2019, IBERDROLA Group estimated that the final settlement off the Spanish electricity system for 2018 presented a deficit to be offset by unused gains from the previous years. In any case, the provisional settlements made up to 31 December 2019 and 2018 show income deficit. The IBERDROLA Group's financed deficit at 31 December 2019 and 2018 amounted to Euros 368,746 and 222,841 thousand respectively.

In 2019 and 2018 the amounts of Euros 156,147 and 197,114 thousand respectively correspond to financed deficit and have been subject to a non-recourse factoring contract with credit assignment. Therefore, said amounts have been derecognised in the Consolidated financial statements at 31 December 2019 and 2018.

The IBERDROLA Group's financed deficit at 31 December 2018 has been collected in 2019.

15. TRADE AND OTHER RECEIVABLES

Details of the headings “Non-current trade and other receivables” of the Consolidated statement of financial position are as follows:

Thousands of Euros	31.12.2019	31.12.2018
Non-current		
Receivables in equity-accounted investees	2,077	–
PIS/COFINS Brazil (Note 31)	536,616	–
Other receivables	738,342	515,545
Contract assets:		
Concessions under IFRIC Note 12 (Note 3.u 12)	1,225,695	–
CFE (Note 36)	344,726	303,407
Other	11,163	–
Valuation changes for impairment	(7,649)	(4,375)
Total	2,850,970	814,577

Thousands of Euros	31.12.2019	31.12.2018
Current		
Customers (Note 5)	6,560,011	5,949,227
PIS/COFINS Brazil (Note 31)	189,283	–
Other receivables	425,077	543,840
Receivables in equity-accounted investees	12,788	6,587
Contract assets:		
Construction contracts	61,424	104,479
CFE (Note 36)	110,967	116,998
Valuation changes for impairment	(685,263)	(622,749)
Total	6,674,287	6,098,382

In September 2019, the Brazilian federal government issued a favourable decision for COSERN and COELBA regarding the recognition of the credit right related to unduly paid amounts for including the *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)*.

As a result, the IBERDROLA Group has recognised receivables for the exclusion of the ICMS from the tax base credited to payables under the heading “Other non-current financial liabilities” of the Consolidated statement of financial situation (Note 31) based on the understanding that the tax credit would be transferred unto end customers following legal and regulatory rules in the Brazilian electricity sector, although its payment would not take place in the short-term. Therefore, the decision from the Brazilian federal government has had no impact on IBERDROLA Group’s statement of profit for 2019.

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

Thousands of Euros	2019	2018
Initial balance	627,124	646,403
First application of IFRS 9 (Note 2.a.)	–	31,389
Charges	410,594	345,723
Bad debt provision	(240,418)	(274,313)
Excess	(113,279)	(92,067)
Translation differences	7,319	(29,991)
Other	1,572	(20)
Final balance	692,912	627,124

Practically the entire provision corresponds to gas and electricity consumers.

16. MEASUREMENT AND OFFSETTING OF FINANCIAL INSTRUMENTS

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

Fair value in “Loans and borrowings and obligations or other securities” in current and non-current liabilities in IBERDROLA Group’s Consolidated balance statement at 31 December 2019 and 2018 amounts to Euros 41,285,124 and Euros 38,422,381 thousand, respectively. The carrying amount is Euros 38,926,290 thousand and Euros 37,326,472 thousand 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 book value thereof.

The sensitivity of the fair value of the heading “Loans and borrowings and obligations or other securities” of the IBERDROLA Group, after the effect of hedge accounting, changes in the euro-dollar and euro-sterling pound and the euro-Brazilian real exchange rates is as follows:

Thousands of Euros	2019		2018	
	Depreciation 5%	Appreciation 5%	Depreciation 5%	Appreciation 5%
Debt's fair value variation:				
US dollars	(408,373)	451,360	(326,675)	361,062
Sterling Pounds	(175,513)	193,988	(151,563)	167,517
Brazilian reals	(238,662)	263,785	(224,082)	247,670

The estimated fair value of “Loans and borrowings and obligations or other securities” bearing fixed interest rates, after the effect of hedge accounting at 31 December 2019 and 2018, calculated by discounting future cash flows at market interest rates, amounted to Euros 24,892,771 thousand and Euros 22,752,999 thousand, respectively. The interest rate curve used to make this calculation takes into account the risks associated with the electricity industry and the credit rating of the IBERDROLA Group. The sensitivity of that fair value to interest rate fluctuations is as follows:

Thousands of Euros	31.12.2019		31.12.2018	
Interest rate variation	+0.25%	+(0.25)%	+0.25%	+(0.25)%
Debt's fair value variation	(391,515)	346,120	(272,305)	300,099

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

Thousands of Euros	Value at 31.12.2019	Level 1	Level 2	Level 3
Derivatives financial instruments (financial assets)	1,161,789	12	1,016,106	145,671
Derivative financial instruments (financial Liabilities)	(948,766)	(94)	(830,197)	(118,475)
Total (Note 28)	213,023	(82)	185,909	27,196

Thousands of Euros	Value at 31.12.2018	Level 1	Level 2	Level 3
Derivatives financial instruments (financial assets)	1,333,649	4,721	1,221,240	107,688
Derivative financial instruments (financial Liabilities)	(835,534)	(208)	(699,489)	(135,837)
Total (Note 28)	498,115	4,513	521,751	(28,149)

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

Thousands of Euros	Derivative financial instruments	
	2019	2018
Initial balance	(28,149)	81,870
Income and expense recognised in the Consolidated income statement	5,307	6,655
Income and expense recognised in equity	62,898	(17,298)
Purchases	(19,474)	(9,402)
Sales and settlements	4,186	(7,422)
Translation differences	(400)	(597)
Technology	2,828	(81,955)
Final balance	27,196	(28,149)

The fair value of Level 3-classified financial instruments has been determined by 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 indicated assumptions 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 compensated and presented net on 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 2019 and 2018 is as follows:

Thousands of Euros	31.12.2019					
	Gross amount	Offset amount (Note 28)	Net amount	Uncompensated amounts under compensation agreements		Net amount
				Financial instruments	Financial guarantee	
ASSET DERIVATIVES						
Current						
Commodities	346,909	(242,355)	104,554	(47,107)	(10,356)	47,091
Other	1,505	(33)	1,472	–	(1,157)	315
Non-current						
Commodities	152,887	(14,659)	138,228	(24,238)	(32,908)	81,082
Other	56,258	(2,432)	53,826	–	(51,479)	2,347
Total	557,559	(259,479)	298,080	(71,345)	(95,900)	130,835
OTHER FINANCIAL ASSETS:						
Receivables	216,119	(169,892)	46,227	(11,852)	(9,324)	25,051
LIABILITIES DERIVATIVES						
Current						
Commodities	591,426	(266,264)	325,162	(47,107)	(6,180)	271,875
Other	6,256	(33)	6,223	–	–	6,223
Non-current						
Commodities	70,655	(18,125)	52,530	(24,238)	(5,073)	23,219
Other	1,353	(261)	1,092	–	–	1,092
Total	669,690	(284,683)	385,007	(71,345)	(11,253)	302,409
OTHER FINANCIAL LIABILITIES						
Payables	372,280	(169,892)	202,388	(11,852)	(103,514)	87,022

31.12.2018						
Thousands of Euros	Gross amount	Offset amount (Note 28)	Net amount	Uncompensated amounts under compensation agreements		
				Financial instruments	Financial guarantee	Net amount
ASSET DERIVATIVES						
Current						
Commodities	544,729	(356,914)	187,815	(59,254)	(6,745)	121,816
Other	5,705	(636)	5,069	(1)	–	5,068
Non-current						
Commodities	143,668	(16,126)	127,542	(11,123)	(29,770)	86,649
Other	58,284	–	58,284	–	(53,490)	4,794
Total	752,386	(373,676)	378,710	(70,378)	(90,005)	218,327
OTHER FINANCIAL ASSETS:						
Receivables	510,806	(380,637)	130,169	(38,454)	(7,841)	83,874
LIABILITIES DERIVATIVES						
Current						
Commodities	495,500	(356,913)	138,587	(59,254)	(9,852)	69,481
Other	2,122	(637)	1,485	(1)	(1)	1,483
Non-current						
Commodities	68,401	(16,126)	52,275	(11,123)	(14,864)	26,288
Other	2	–	2	–	–	2
Total	566,025	(373,676)	192,349	(70,378)	(24,717)	97,254
OTHER FINANCIAL LIABILITIES						
Payables	694,988	(380,637)	314,351	(38,454)	(33,179)	242,718

17. NUCLEAR FUEL

The changes in the heading “Nuclear Fuel” of the Consolidated statement of financial position in 2019 and 2018, as well as the detail thereof at 31 December 2019 and 2018 are as follows:

Thousands of Euros	Fuel loaded into the reactor core	Nuclear fuel in progress	Total
Balance at 01.01.2018	263,385	68,498	331,883
Additions	–	63,198	63,198
Capitalised financing expenses (Notes 3.g and 42)	–	633	633
Transfers	82,082	(82,082)	–
Fuel consumed (Note 3.g)	(123,040)	–	(123,040)
Balance at 31.12.2018	222,427	50,247	272,674
Additions	–	149,801	149,801
Capitalised financing expenses (Notes 3.g and 42)	–	1,252	1,252
Transfers	150,019	(150,019)	–
Fuel consumed (Note 3.g)	(118,226)	–	(118,226)
Balance at 31.12.2019	254,220	51,281	305,501

The IBERDROLA Group’s nuclear fuel purchase commitments at 31 December 2019 and 2018 amount to Euros 514,047 thousand and Euros 485,015 thousand, respectively.

18. INVENTORIES

The details of the heading “Inventories” (Note 3.h) of the Consolidated statements of financial position at 31 December 2019 and 2018 are as follows:

Thousands of Euros	31.12.2019	31.12.2018
Energy sources	178,931	215,277
Emission allowances and renewable certificates	455,189	351,575
Real estate inventories	1,214,756	1,177,230
Land and plot	966,066	962,665
Developments in construction	240,606	200,763
Developments completed	8,084	13,802
Other inventories	847,370	581,230
Real estate inventories impairment allowance	(154,653)	(151,481)
Total	2,541,593	2,173,831

The variations in the impairment allowance in 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Initial balance	151,481	131,624
Charges	7,727	2,284
Reversals	(2,061)	(2,622)
Applications and others	(2,494)	20,195
Final balance	154,653	151,481

The heading “Revenue” in the 2019 and 2018 Consolidated income statements includes Euros 131,499 thousand and Euros 81,274 thousand, respectively, in respect of real estate inventories.

19. CASH AND CASH EQUIVALENTS

The breakdown of this heading in the Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Cash	500,235	143,868
Short-term deposits	1,613,044	2,657,289
Total	2,113,279	2,801,157

Short-term deposits mature within a period of less than three months and bear market interest rates. There are no restrictions on cash withdrawals for significant amounts.

20. EQUITY

Subscribed capital

Changes in 2019 and 2018 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 01.01.2018			6,317,515,000	0.75	4,738,136,250
Capital increase	31 January 2018	1.913	120,859,000	0.75	90,644,250
Capital reduction	28 June 2018	3.081	(198,374,000)	0.75	(148,780,500)
Capital increase	30 July 2018	2.526	157,629,000	0.75	118,221,750
Balance at 31.12.2018			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

The capital increases taken place in 2019 and 2018 correspond to the different execution approved by the General Shareholders' Meeting through which the Iberdrola Flexible Remuneration (Iberdrola Flexible Dividend before) system is implemented.

In 2017 IBERDROLA changed the framework of the second Iberdrola flexible remuneration programme, adding a fourth additional option to the traditional three options. As a result, shareholders could choose among:

- receiving their remuneration in free allocation right shares;
- transfer in part or in whole the free allocation rights to the market;
- transferring in part or in whole the free allocation rights to the Company at a fixed guaranteed price by virtue of a purchase undertaking by the Company, or
- receiving their remuneration in cash, collecting an amount for the dividends corresponding to 2017.

In 2018, with the implementation of the first settlement of the Iberdrola flexible remuneration, the option to transfer the free allocation rights to the Company at a fixed price was eliminated. The other three options remained. In 2018, IBERDROLA acquired 699,283,602 free allocation rights for a gross total amount of Euros 97,899 thousand corresponding to the scrip issue of 29 January 2018.

Additionally, on 21 June 2018 and 21 June April 2019, capital reductions through the amortisation of treasury stock were agreed, as approved at the General Shareholders Meeting held on 13 April 2018 and 29 March 2019, 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.

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

Major 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 2019 and 2018, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with the 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 National Securities Market Commission (hereinafter, Comisión Nacional del Mercado de Valores - CNMV) or the company's annual accounts or press releases, and it is presented in the 2019 IBERDROLA Group's Annual Corporate Governance Report (Directors' 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) attend the Board of Directors or a similar committee or ii) they have the possibility of exercising the proportional representation system. Therefore, the company treats Qatar Investment Authority as significant shareholder, being the only shareholder who satisfied that condition at 31 December 2019 and 2018.

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

Holder	% of voting rights 2018			Financial instruments 2018	Directors in IBERDROLA 2018
	Direct	Indirect	Total		
Qatar Investment Authority (1)	–	8.646	8.646	–	–

(1) Parent company of Qatar Holding LLC, direct holder of the investment (formerly, the direct holder of the investment was Qatar Holding Luxembourg II, S.A.R.L.).

In addition, the breakdown of other companies having at 31 December 2019 and 2018 direct or indirect voting rights higher than 3% of the share capital are as follows:

Holder	% of voting rights 2019			% of voting rights 2018		
	Direct	Indirect	Total	Direct	Indirect	Total
Norges Bank	3.430	–	3.430	3.332	–	3.332
Blackrock, Inc.	–	5.160	5.160	–	5.131	5.131

Financial management

The IBERDROLA Group's main financial management objectives are to ensure short and long-term financial stability, robust financial liquidity ratios, the optimization of the liquidity position, the financial risk management, and at the same time maintaining a sustainable remuneration policy for its shareholders.

At 31 December 2019, Moody's, Standard & Poor's and Fitch's ratings were Baa1, BBB+ and BBB+, respectively.

Leverage ratios at 31 December 2019 and 2018 stand at:

Thousands of Euros	31.12.2019	31.12.2018
Loans and borrowings and obligations or other securities (Note 27)	38,926,290	37,326,472
Equity instruments having the substance of a financial liability (Note 22)	215,533	177,229
Derivative financial liabilities	425,313	486,453
Current (Note 30)	1,767,117	–
Non-current financial lease (Note 31)	16,857	–
Gross debt	41,351,110	37,990,154
Derivative financial assets	753,895	911,966
CSA Derivatives value guarantee deposits (Notes 4 and 14.b)	112,550	77,840
Cash and cash equivalents (Note 19)	2,113,279	2,801,157
<i>Total treasury assets</i>	<i>2,979,724</i>	<i>3,790,963</i>
Net debt	38,371,386	34,199,191
Equity		
Parent company	37,678,307	36,582,199
Non-controlling interests	9,516,358	7,394,355
	47,194,665	43,976,554
Leverage	44.84%	43.75%

For comparison purposes, if in 2019 IFRS 16 Leases had not been applied, leverage in 2019 would have been 43.76%.

Derivative financial instruments detailed in the table above only include the ones relating to financing operations which breakdown is as follows (Note 28):

Thousands of Euros	2019					
	Derivative assets			Derivative liabilities		
	Short term	Non-current	Total	Current	Non-current	Total
Interest rate hedges	31,556	106,630	138,186	12,310	(111,077)	(98,767)
Exchange rate hedges	211,682	338,060	549,742	(106,875)	(146,955)	(253,830)
Total hedging derivatives	243,238	444,690	687,928	(94,565)	(258,032)	(352,597)
Interest rate derivatives	6,399	–	6,399	(11,527)	–	(11,527)
Exchange rate derivatives	–	300	300	(1,652)	(269)	(1,921)
Treasury shares derivatives	–	59,268	59,268	–	(59,268)	(59,268)
Total non-hedging derivatives	6,399	59,568	65,967	(13,179)	(59,537)	(72,716)
Total	249,637	504,258	753,895	(107,744)	(317,569)	(425,313)

Thousands of Euros	2018					
	Derivative assets			Derivative liabilities		
	Short term	Non-current	Total	Current	Non-current	Total
Interest rate hedges	29,462	110,135	139,597	3,905	(109,077)	(105,172)
Exchange rate hedges	346,919	404,239	751,158	(242,663)	(121,484)	(364,147)
Total hedging derivatives	376,381	514,374	890,755	(238,758)	(230,561)	(469,319)
Interest rate derivatives	4,980	–	4,980	(100)	(34)	(134)
Exchange rate derivatives	–	183	183	(377)	(575)	(952)
Treasury shares derivatives	–	16,048	16,048	–	(16,048)	(16,048)
Total non-hedging derivatives	4,980	16,231	21,211	(477)	(16,657)	(17,134)
Total	381,361	530,605	911,966	(239,235)	(247,218)	(486,453)

Powers delegated by the General Shareholders' Meeting

The General Shareholders' Meeting on 8 April 2016 resolved, in respect of items seven and eight 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 swappable for and/or convertible into shares in the Company or other companies, and warrants on new or existing shares in the Company or other companies, to a maximum amount of Euros 5,000 million. This authorisation includes the delegation of powers to, where applicable: (i) determine the basis and procedures for conversion, swap 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.

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 the 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.

At 31 December 2018 the amount in this reserve was Euros 28,000 thousand. In 2019 this reserve has been fully destined to increase share capital on 31 December 2019. As a result, on 31 December 2019 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 heading "Equity" 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 "prior years' profit and loss" of the same heading.

Non-controlling interests

The variations in this headings in 2019 and 2018 are as follows:

Thousands of Euros	Subgroup AVANGRID	Subgroup NEONERGIA	East Anglia	Other	Perpetual subordinated bonds	Total
Balance at 01.01.2018	3,060,962	2,538,003	–	72,415	1,552,546	7,223,926
Capital increase	9,727	128,954	–	10,571	700,000	849,252
Disposals	–	–	–	–	(525,000)	(525,000)
Profit for the year from non-controlling interests	99,796	165,979	–	19,972	37,569	323,316
Other comprehensive income	(12,627)	4,440	–	255	–	(7,932)
Dividends	(82,295)	(106,713)	–	(8,947)	–	(197,955)
Translation differences	131,673	(325,715)	–	622	–	(193,420)
Other	(19,787)	(3,241)	–	(15,241)	(39,563)	(77,832)
Balance at 31.12.2018	3,187,449	2,401,707	–	79,647	1,725,552	7,394,355
Capital increase	4,565	–	196,320	4,805	800,000	1,005,690
Profit for the year from non-controlling interests	99,839	228,346	3,343	16,623	60,095	408,246
Other comprehensive income	6,225	6,464	(7,726)	563	–	5,526
Dividends	(89,836)	(77,038)	–	(11,904)	–	(178,778)
Translation differences	62,316	(31,687)	58,119	398	–	89,146
Transactions with non-controlling interests (Note 6)	–	72,384	765,293	–	–	837,677
Other	(9,876)	(6,693)	–	8,190	(37,125)	(45,504)
Balance at 31.12.2019	3,260,682	2,593,483	1,015,349	98,322	2,548,522	9,516,358

In March 2018 NEONERGIA resolved to increase share capital in BRL 999,999,963, taking into consideration the percentage of ownership of its shareholders, resulting in a payment of Euros 115,795 thousand under the heading “Equity in non-controlling shares” of the Consolidated financial statement at 31 December 2019.

Moreover, from August 2019 several share capital increases have been executed to complete the construction of the East Anglia project in the amount of Euros 490,800, subscribed by the shareholders in proportion to their interest, resulting in a payment of Euros 196,320 thousand in the heading “Equity in non-controlling shares” of the Consolidated financial statement at 31 December 2019.

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

Thousands of Euros	Subgroup AVANGRID		Subgroup NEONERGIA		East Anglia
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Current assets	1,399,919	1,271,334	2,859,598	2,595,495	865,203
Non-current assets	35,705,645	32,254,086	10,438,462	9,256,051	2,223,749
Total assets	37,105,564	33,525,420	13,298,060	11,851,546	3,088,952
Current liabilities	3,291,721	2,754,223	2,112,283	1,794,650	379,155
Non-current liabilities	16,328,719	13,706,546	6,002,417	5,129,099	170,335
Total liabilities	19,620,440	16,460,769	8,114,700	6,923,749	549,490
Gross operating profit (EBITDA)	1,943,215	1,925,397	1,372,577	1,143,272	6,807
Trade receivables and other assets' valuation adjustments,	(83,757)	(72,393)	(75,156)	(63,731)	(19)
Amortisation, depreciation and provisions	(1,009,654)	(906,613)	(447,527)	(425,225)	(4,375)
Result of equity-accounted investees - net of taxes	1,966	7,519	6,741	11,301	-
Financial result	(245,546)	(201,618)	(303,817)	(268,214)	95
Gains /(losses) from non-current assets	63,868	(34,794)	2,270	893	-
Corporate tax	(130,841)	(186,914)	(99,454)	(60,640)	(1,168)
Non-controlling interests	(1,068)	(2,010)	(228,343)	(165,978)	-
Net profit for the year	538,183	528,574	227,291	171,678	1,340

Perpetual subordinated bonds

The IBERDROLA Group has carried out the following perpetual subordinated bonds emissions:

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

Emission date	Thousands of Euros	Coupon	Early amortisation and depreciation option
12/02/2019	800,000	<p>Fixed annual rate of 3.25% from the issuance date until 12 February 2025.</p> <p>From the date of the first revision, swap rate to 5 years plus an annual margin of 2.973% during the following five years.</p> <p>Swap rate to 5 years plus a margin of 3.223% per year during each of the five-year revision periods starting on 12 February 2030, 2035 and 2040 and swap rate to five years plus a margin of 3.973% per year during the subsequent five-year revision periods.</p>	<p>During the three previous months until (including) 12 February 2025 and from that date each year.</p>

On 27 February 2013, the IBERDROLA Group's perpetual subordinated bonds issuance was completed and disbursed, in the amount of Euros 525 million. The issue price was set at 99.472% of the face value and obligations will accrue a fix annual interest of 5.75% from the issue date. On 27 February 2018 the IBERDROLA Group exercised its early redemption option on a series of subordinated bonds. Redemption was made at par, as set out in the terms and conditions attaching to the bonds.

These bonds do not have a contractual maturity date. After analysing the issue conditions, the IBERDROLA Group recognised the cash received with a credit to the heading "Perpetual subordinated obligations" 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 - 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. The amount in interests accrued at 31 December 2019 and 2018 whose payment will take place when IBERDROLA distributes dividends amounts to Euros 60,095 and 37,569 thousand, respectively.

Valuation adjustments

The change in this reserve arising from valuation adjustments to derivatives designated as cash flow hedges at 31 December 2019 and 2018 is as follows:

Thousands of Euros	01.01.2018	First application of IFRS 9 (Note 2.a.)	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the income statement	31.12.2018	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the income statement	31.12.2019
Valuation adjustments of equity-accounted investees (net of tax):	13,417	-	(11,045)	-	14	2,386	(3,341)	-	14	(941)
Available-for-sale assets	615	(615)	-	-	-	-	-	-	-	-
	615	(615)	-	-	-	-	-	-	-	-
Cash flow hedges:										
Interest rate swaps	(358,894)	-	(64,580)	-	63,389	(360,085)	(237,026)	-	75,091	(522,020)
Collars	(4,252)	-	(1,499)	-	-	(5,751)	-	-	-	(5,751)
Commodities derivatives	236,718	-	199,105	-	(207,039)	228,784	(635,352)	-	243,230	(163,338)
Currency forwards	48,193	-	39,424	(1,138)	5,125	91,604	(41,454)	(18,766)	(29,131)	2,253
	(78,235)	-	172,450	(1,138)	(138,525)	(45,448)	(913,832)	(18,766)	289,190	(688,856)
Hedging costs	-	2,069	(86,950)	-	87,991	3,110	(36,308)	-	31,017	(2,181)
Tax effect on available-for-sale assets and cash flow hedges	21,949	(346)	(17,756)	170	3,739	7,756	195,116	3,643	(58,646)	147,869
Total	(42,254)	1,108	56,699	(968)	(46,781)	(32,196)	(758,365)	(15,123)	261,575	(544,109)

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 2019 y 2018 the balances of the different instruments are as follows:

	31.12.2019		31.12.2018	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Treasury shares held by IBERDROLA	24,376,375	217,865	135,985,344	873,065
Treasury shares held by SCOTTISH POWER	913,719	7,939	1,050,639	8,076
Total return swaps	11,949,623	77,599	11,810,088	77,599
Accumulators (exercised shares)	63,395,734	530,343	209,361	1,378
Accumulators (potential shares)	70,058,270	602,459	7,613,376	50,230
Total	170,693,721	1,436,205	156,668,808	1,010,348

(a) Treasury shares

Changes in 2019 and 2018 in the treasury shares of IBERDROLA and SCOTTISHPOWER (Note 3.m) are as follows:

	IBERDROLA		SCOTTISH POWER	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Balance at 01.01.2018	75,710,149	507,175	1,156,863	8,417
Additions	266,442,793	1,672,087	362,108	2,393
Capital reduction	(198,374,000)	(1,245,420)	–	–
Iberdrola flexible remuneration ⁽¹⁾	5,117	–	144,747	–
Iberdrola flexible remuneration ⁽²⁾	–	(11,044)	–	–
Disposals ⁽³⁾	(7,798,715)	(49,733)	(613,079)	(2,734)
Balance at 31.12.2018	135,985,344	873,065	1,050,639	8,076
Additions	172,369,618	1,402,123	256,592	2,193
Capital reduction	(280,457,000)	(2,015,182)	–	–
Iberdrola flexible remuneration ⁽¹⁾	3,039,564	–	110,714	–
Disposals ⁽³⁾	(6,561,151)	(42,141)	(504,226)	(2,330)
Balance at 31.12.2019	24,376,375	217,865	913,719	7,939

- (1) Shares received
- (2) Free of charges allocation rights disposed.
- (3) 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 21).

During 2019 and 2018, treasury shares held by the IBERDROLA Group were below the legal limit.

(b) Derivatives settled by physical delivery

The IBERDROLA Group recognises the transaction directly in equity under the heading “Treasury shares” and records the obligation to purchase said shares under the heading “Loans and borrowings and obligations or other securities” in current and non-current liabilities of the Consolidated statement of financial position.

- Total return swaps

The IBERDROLA Group has swaps on treasury shares with the following features: during the life of the contract IBERDROLA will pay 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 2019 and 2018 are as follows:

	No. of shares at 31.12.2019	Strike price	Maturity date	Interest rate	2019 thousands of Euros
Total return swap	5,810,088	6.188	24/07/2020	3-month Euribor + 0.30%	35,953
Total return swap	6,139,535	6.783	25/07/2020	3-month Euribor + 0.30%	41,646
Total	11,949,623				77,599

	No. of shares at 31.12.2018	Strike price	Maturity date	Interest rate	2018 thousands of Euros
Total return swap	5,810,088	6.188	24/07/2019	3-month Euribor + 0.38%	35,953
Total return swap	6,000,000	6.941	25/07/2019	3-month Euribor + 0.30%	41,646
Total	11,810,088				77,599

- 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 2019 and 2018 are as follows:

2019	No. of shares	Average Price of the period	Maturity date	Thousands of Euros
Exercised shares	63,395,734	8.3656	07/02/2020 - 11/06/2020	530,343
Potential maximum ⁽¹⁾	70,058,270	8.5994	07/02/2020 - 11/06/2020	602,459

2018	No. of shares	Average Price of the period	Maturity date	Thousands of Euros
Exercised shares	209,361	6.5819	14/02/2019	1,378
Potential maximum ⁽¹⁾	7,613,376	6.5976	14/02/2019	50,230

⁽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 during the remaining life of the structure is always below the strike price).

Distribution of dividends with charge to 2019 results

IBERDROLA's Board of Directors has agreed to propose at the General Shareholders' Meeting, the distribution of a dividend, chargeable to the results of 2019 and the retained earnings from previous years. The gross amount of this dividend will be the same as the following amounts:

- (a) Euros 238,559 thousand that were paid out in an interim dividend on 5 February 2020 to the holders of 1,419,991,945 IBERDROLA shares that chose to receive their remuneration in cash within the scope of the second settlement of the Iberdrola flexible remuneration system for 2019 through the collection of an amount of gross Euros 0.168 per share; and
- (b) the amount to be determined by multiplying:
 - (i) the gross amount per share that, as additional dividend payment for 2019, will be distributed by the Company within the scope of the first settlement of the Iberdrola flexible remuneration system for 2020 (the Supplementary dividend; by
 - (ii) the total number of shares upon which the holders have opted for receiving the Supplementary dividend within the scope of the first settlement execution of the Iberdrola flexible remuneration system.

On the date of authorisation of these Consolidated annual accounts, it is not possible to determine the amount of the Supplementary dividend or, consequently, the amount of the Dividend.

The payment of the Supplementary dividend shall be made together with the execution of the increase in share capital that will be proposed at the General Shareholders' Meeting, to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the supplementary dividend) or in the free shares of the new issuance of the Company (through the aforementioned increase in share capital).

The payment of the Supplementary dividend is configured as 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 2020. As a consequence of the aforementioned, it will be understood that these shareholders who choose to receive their remuneration in cash by means of the supplementary dividend with respect to all or part of their shares, expressly, automatically and irrevocably waive the free allocation rights corresponding to these shares and, therefore, the possibility of putting them on the market or receiving fully issued new shares.

21. LONG-TERM COMPENSATION PLANS

21.1. Share-based long-term compensation plans

2014-2016 Strategic Bonus Programme

On 25 April 2017 the board of directors, on the recommendation of the Appointments and Remuneration Committee, decided to pay the 2014-2016 Strategic Bonus on determining that 93.20% of the targets had been met. Accordingly, and as the bases supporting the handover of shares in the first tranche of the payment were confirmed, in the first half of 2019 the third and last payment was carried out through the handover of 2,393,909 shares. These shares included those delivered to executive directors (Note 47) and to senior management (Note 49).

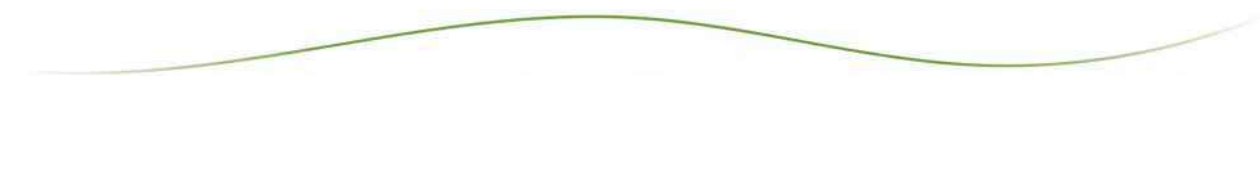
Additionally, following the corporate restructuring in Brazil, the third and last payment of the 2014-2016 Strategic Bonus Programme corresponding to the 14 beneficiaries from the ELEKTRO Group companies was settled in cash in the first half of 2019 in the amount of Euros 1,413 thousand.

2017-2019 Strategic Bonus Programme

The shareholders at their 2017 General Meeting approved the establishment of a Strategic Bonus for executive directors, senior managers and other IBERDROLA employees who, due to their position or responsibility are deemed to have made a decisive contribution to the creation of value (up to a maximum of 300 beneficiaries), tied to the IBERDROLA Group's performance in relation to certain metrics throughout the assessment period, from 2017 to 2019.

The payment period for the scheme will run from 2020 to 2022, and payments will be made in the form of shares on a deferred basis in those three years.

The maximum number of shares to be delivered to the beneficiaries of the 2017-2019 Strategic Bonus will be 14,000,000 shares, equal to 0.22% of the share capital at the time this resolution is adopted. A maximum of 2,500,000 shares will be delivered to the executive directors in compliance with the terms and conditions of the scheme. At 31 December 2019 the number of shares granted is 11,509,809 shares, and the transaction was as follows:



	No. of shares
Balance at 31.12.2016	–
Additions	12,535,000
Balance at 31.12.2017	12,535,000
Additions	400,000
Cancelled ⁽¹⁾	(1,249,584)
Balance at 31.12.2018	11,685,416
Additions	80,000
Cancellations	(255,607)
Balance at 31.12.2019	11,509,809

- (1) Following the corporate restructuring in Brazil, IBERDROLA's board of directors, in the meeting held on 19 December 2017 approved to offer those 17 beneficiaries of the 2017-2019 Strategic Bonus from Elektro Group the possibility of receiving an amount in cash for the early partial settlement thereof. The beneficiaries of the Strategic bonus 2017-2019 from Elektro Group received, in the first half of 2018 the amount proportional to the time elapsed between the commencement of the retribution plan and its early termination in 31 December 2017. The Board of Directors had previously assessed the degree of performance tied to objectives at the time of the early termination. The early termination settlement amounted to Euros 1,527 thousand.

Long-term incentives for AVANGRID shares (2016–2019)

The shareholders of AVANGRID at their 2016 General Meeting approved the establishment of a Strategic Bonus for executive directors and other executive personnel (approximately 80 beneficiaries), tied to the AVANGRID Group's performance in relation to certain metrics throughout the assessment period from 2016 to 2019.

The maximum number of gross shares to be delivered to the group of the Bonus beneficiaries will be 2,500,000 shares, of which 1,202,751 shares were delivered at 31 December 2019.

The payment period for the scheme will run from 2020 to 2022, and payments will be made in the form of shares on a deferred basis in those three years.

Restrictive shares programme AVANGRID

As part of the Avangrid Omnibus Plan, a general plan establishing the governance framework for executive remuneration in cash and in shares, 68,000 restricted shares were assigned to certain executives in 2018. In order for said share assignment to be effective, the eligible executives must remain in the company for two years following the assignment.

In relation to bonuses described above, settlement of which is made in shares, movement in the heading "Other reserves" of the Consolidated statement of financial position is as follows:

Thousands of Euros	2014-2016 IBERDROLA Strategic Bonus Programme	2017-2019 IBERDROLA Strategic Bonus Programme	2016- 2019 AVANGRID Strategic bonus (*)	AVANGRID Restricted shares (*)	Total
Balance at 01.01.2018	38,390	11,818	6,721	–	56,929
Charges	8,347	26,718	(3,191)	765	32,639
Effect price charged to equity	748	–	–	–	748
Payments in shares	(21,699)	–	–	–	(21,699)
Payments in cash due to leaving the company	(3,709)	–	–	–	(3,709)
Transfer	(1,247)	(1,581)	2	–	(2,826)
Balance at 31.12.2018	20,830	36,955	3,532	765	62,082
Charges	790	23,943	1,422	1,534	27,689
Effect price charged to equity	3,708	–	–	–	3,708
Payments in shares	(25,016)	–	–	–	(25,016)
Payments in cash due to leaving the company	(224)	–	–	–	(224)
Transfer	(88)	(66)	(22)	(6)	(182)
Balance at 31.12.2019	–	60,832	4,932	2,293	68,057

(*) Submitted for 100%. Non-controlling interests represent 18.5%.

SCOTTISH POWER share-based incentive plan

SCOTTISH POWER has two share-based plans for its employees.

- *Sharesave Schemes*: savings plans in which employees decide the amount they want to contribute to the plan (between GBP 5 and GBP 250 on a monthly basis) and this is deducted monthly from their salary. At the end of a three or five-year saving period, as applicable to each plan, employees may use the money saved to buy IBERDROLA shares at a discounted option price set at the beginning of the plan or to receive the amount saved in cash.

The fair value of the employee's share purchase options is determined at the start of the plan, and is recognised in the Income statement over the plan's vesting period (three or five years) with a credit to equity.

The heading "Personnel expenses" of the Consolidated income statements for 2019 and 2018 includes Euros 551 thousand and Euros 700 thousand, respectively, which have been credited under the heading "Other reserves" of the Consolidated statement of financial position.

Additionally, in 2019 and 2018 payments for options have been made in the amount of Euros 1,395 thousand and Euros 3,118 thousand, respectively.

Changes in the number of share options are as follows:

	No. of shares	Number of shares
Balance at 01.01.2017	2,616	5,531,681
Exercised	(90)	(125,025)
Cancelled	(117)	(279,308)
Balance at 31.12.2017	2,409	5,127,348
Exercised	(1,090)	(1,414,705)
Cancelled	(59)	(138,761)
Balance at 31.12.2018	1,260	3,573,882
Exercised	(140)	(378,572)
Cancelled	(18)	(129,250)
Balance at 31.12.2019	1,102	3,066,060

- *Share Incentive Plan*: this plan has an option for purchasing shares with tax incentives plus a contribution from the company. The employees decide on the amount they wish to contribute, which is deducted from their monthly salary subject to the maximum contribution allowed by the law in the United Kingdom. The shares purchased with this contribution are called partnership shares. Additionally, SCOTTISH POWER complements the employee's contribution to a maximum of GBP 50 monthly. The shares purchased with the company's contribution are called matching shares.

The contributions, from both the company and the employees, are put into a trust which buys the shares, and they are held in this trust until withdrawn by the employees. All shares are purchased in the market at the monthly market price.

Partnership shares are owned by the employees who purchased them with their own money, however, shares acquired with company contributions (matching shares) do not vest until three years after the date of purchase. The matching shares acquired by the trust in 2019 and 2018 amount to 2,576,876 and 3,133,397 shares, respectively.

Company contributions are made in cash on a monthly basis and are charged to the income statement during the three years the employee must remain in the company in order to be entitled to these shares.

The heading "Personnel expenses" of the Consolidated income statement for 2019 and 2018 amount to Euros 2,302 and 2,223 thousand respectively, which have been credited under the heading "Other reserves" of the Consolidated statement of financial position.

Additionally, in 2019 and 2018 there have been transfers to shareholders for exercised options in the amount of Euros 2,330 and 2,734 thousand, respectively.

21.2. Cash-based long-term compensation plans

Below is a description of long-term compensation plans to be settled in the form of shares:

2018-2019 Long-term incentive plan NEOENERGIA

The Board of Directors of NEOENERGIA, at the meeting held on 27 September 2017, approved the establishment of a long-term incentive plan for executive directors and senior executives who due to their position or responsibility in the NEOENERGIA Group are deemed to have made a decisive contribution to the creation of value (up to a maximum of 100 beneficiaries), in the maximum amount of BRL 50 million.

This long-term incentive plan is tied to NEOENERGIA Group's performance in relation to certain metrics throughout the assessment period from 2018 to 2019.

The payment period for the scheme will run from 2020 to 2022, and payments will be made in the form of shares on a deferred basis in those three years.

The heading "Personnel expenses" of the Consolidated income statement for 2019 includes Euros 3,946 thousand.

22. 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 cash and other financial assets primarily.

The main characteristics of these contracts are as follows:

- Regardless of the interest acquired by the non-controlling interests, the IBERDROLA Group retains the control and management of the wind farms; accordingly, they are fully consolidated in these Consolidated annual accounts.
- 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 headings “Non-current equity instruments having the substance of a financial liability” and “Current equity instruments having the substance of a financial liability” of the Consolidated statement of financial position. Subsequently, this consideration is measured at amortised cost.

At 31 December 2019 and 2018 the amount in this heading accrues an average interest in US Dollar of 7.85% and 7.05% respectively.

Changes in this heading of the Consolidated statements of financial position for 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Initial balance	177,229	47,281
Finance cost accrued in the year	20,010	12,026
Payments	(99,786)	(65,658)
Translation differences	3,696	6,876
Additions	114,384	176,704
Final balance	215,533	177,229

In June 2019 and May 2018, the IBERDROLA Group executed new agreements through its subsidiary companies in the United States Patriot Wind Holdings LLC and El Cabo Wind LLC, respectively.

23. CAPITAL GRANTS

The change in this heading of the Consolidated statements of financial position in 2019 and 2018 is as follows (Note 3.n):

Thousands of Euros	Capital grants	Investment tax credits	Total
Balance at 01.01.2018	282,173	1,198,938	1,481,111
Additions	6,184	7,856	14,040
Derecognition	(147)	–	(147)
Transfers	2,252	–	2,252
Translation differences	2,864	52,683	55,547
Allocation to income statement (Note 3.o)	(17,121)	(57,516)	(74,637)
Modification of the consolidation perimeter (Note 6)	(238)	–	(238)
Balance at 31.12.2018	275,967	1,201,961	1,477,928
Additions	12,403	–	12,403
Derecognition	(3,079)	(37,004)	(40,083)
Translation differences	1,314	23,759	25,073
Allocation to income statement (Note 3.o)	(16,206)	(60,592)	(76,798)
Balance at 31.12.2019	270,399	1,128,124	1,398,523

24. FACILITIES TRANSFERRED OR FINANCED BY THIRD PARTIES

The change in this heading of the Consolidated statements of financial position in 2019 and 2018 is as follows (Note 3.o):

Thousands of Euros	Transfer of assets from third parties	Assets financed from third parties	Total
Balance at 01.01.2018	2,601,786	2,161,362	4,763,148
Additions	88,873	170,419	259,292
Derecognition	(9)	(769)	(778)
Transfers	(1,018)	(1,234)	(2,252)
Translation differences	(266)	1,172	906
Allocation to income statement (Note 3.o)	(118,321)	(78,599)	(196,920)
Balance at 31.12.2018	2,571,045	2,252,351	4,823,396
Additions	110,436	184,755	295,191
Derecognition	(99)	(3,114)	(3,213)
Translation differences	4,068	65,028	69,096
Allocation to income statement (Note 3.o)	(121,122)	(75,885)	(197,007)
Balance at 31.12.2019	2,564,328	2,423,135	4,987,463

25. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

The breakdown of this heading of the Consolidated statements of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Defined benefit plans (Spain)	408,678	372,553
Long-service bonuses and other long-term benefits (Spain)	43,729	40,796
Defined benefit plans (United Kingdom)	765,535	569,204
Defined benefit plans (United States)	1,031,518	1,006,606
Defined benefit plans (Brazil)	189,739	210,432
Defined benefit plans and other long term benefits (Spain and other countries)	74,551	55,542
Restructuring plans	172,202	187,773
Total	2,685,952	2,442,906

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.

25.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 2019 and 2018.

IBERDROLA Group has no liability of any kind for this group and has no claim on any potential excess generated in the assets of this plan over the defined benefits.

- Also, in relation to serving employees and employees who have retired after 1996 and are subjected to IBERDROLA Group's Collective Labour Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanage) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a pluriannual 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 2019 and 2018 are recognised under the heading "Personnel expenses" of the Consolidated income statements and for an amount of Euros 14,318 thousand and Euros 10,621 thousand, respectively.
- In addition, IBERDROLA maintains a provision of coverage of certain commitments with its employees other than those indicated above, which are covered by internal funds linked to social security benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long term benefits, primarily consisting of long-service bonus for active employees at 10, 20 and 30 years of service.

United Kingdom (SCOTTISH POWER)

SCOTTISH POWER employees residing in the United Kingdom, hired before 1 April 2006, are covered by the defined benefit retirement plans *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 SCOTTISH POWER that now form part of the workforce of the IBERDROLA Group in the United States, most of them belonging to the workforce of the Iberdrola Renewables Holding Inc. (hereinafter, ARHI), are members of various post-employment plans (Supplemental Executive Retirement Plan, Iberdrola Renewables Retiree Benefits Plan and Iberdrola Renewables Retirement Plan).

Effective from 30 April 2011, a change affecting all plan participants occurred in the Iberdrola Renewables Retiree Benefits Plan, whereby 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.

On the other hand, the employees of the AVANGRID NETWORKS Group are affiliated to various defined benefit retirement pension plans (Qualified Pension Plans, Non-Qualified Pension Plans), disability benefit plans (Long Term Disability Plans) and health insurance plans (Postretirement Welfare Plans).

UIL Group's employees were covered by several defined benefit retirement plans (Qualified Pension Plans, Non-Qualified Pension Plans) and health plans (Postretirement Welfare Plans).

Defined benefit retirement pension plans are not available for new incorporations and when possible those who remain are only recognised for past services.

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 plans. COELBA employees are covered by a post-employment health plan too.

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 related to plans is as follows:

Thousands of Euros	Spain		United Kingdom		United States				Brazil				Other		Total			
					ARHI		UIL		AVANGRID NETWORKS		ELEKTRO ⁽¹⁾		NEOENERGIA ⁽²⁾					
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018		
Present value of the obligation	(452,407)	(413,349)	(6,081,053)	(5,463,614)	(63,591)	(61,192)	(1,129,169)	(1,004,348)	(2,531,231)	(2,307,689)	(361,226)	(299,674)	(504,576)	(481,917)	(74,551)	(55,542)	(11,197,804)	(10,087,325)
Fair value of plan assets	-	-	5,315,518	4,894,410	34,610	30,514	714,862	609,765	1,943,001	1,726,344	363,240	330,695	378,856	331,671	-	-	8,750,087	7,923,399
Net asset / (Net provision)	(452,407)	(413,349)	(765,535)	(569,204)	(28,981)	(30,678)	(414,307)	(394,583)	(588,230)	(581,345)	2,014	31,021	(125,720)	(150,246)	(74,551)	(55,542)	(2,447,717)	(2,163,926)
Amounts recognised in the Consolidated statement of financial position:																		
Provision for pensions and similar commitments and similar obligations	(452,407)	(413,349)	(765,535)	(569,204)	(28,981)	(30,678)	(414,307)	(394,583)	(588,230)	(581,345)	-	-	(189,739)	(210,432)	(74,551)	(55,542)	(2,513,750)	(2,255,133)
Assets for pensions and similar commitments and similar obligations (Note 14.b)	-	-	-	-	-	-	-	-	-	-	-	-	7,190	7,007	-	-	7,190	7,007
Net asset / (Net provision)	(452,407)	(413,349)	(765,535)	(569,204)	(28,981)	(30,678)	(414,307)	(394,583)	(588,230)	(581,345)	-	-	(182,549)	(203,425)	(74,551)	(55,542)	(2,506,560)	(2,248,126)

(1) These amounts have not been recognised in the Consolidated statement of financial position at 31 December 2019 and 2018, respectively, since the requirements set forth in the current legislation for their accounting treatment are not met.

(2) At 31 December 2019 and 2018 a surplus of Euros 56,829 thousand and 53,179 thousand, respectively, was not recognised, applying the 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 2019 and 2018 is as follows:

Thousands of Euros	Spain		United Kingdom	United States			Brazil ⁽¹⁾		Other	Total
	Electricity tariff	Long-service bonus		ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA		
Balance at 01.01.2018	402,883	42,539	6,189,753	63,425	1,015,714	2,389,049	303,237	542,248	58,376	11,007,224
Modification of the consolidation perimeter (Note 6)	–	–	(64,774)	–	–	–	–	–	–	(64,774)
Normal cost (Note 38)	5,741	3,627	69,226	581	13,909	30,204	1,434	626	6,247	131,595
Cost for past services (Note 38)	–	–	(7,662)	(153)	190	(2,656)	–	(2,531)	(6,047)	(18,859)
Finance cost (Note 43).	6,518	330	154,304	2,433	37,648	84,065	27,128	47,702	2,033	362,161
Actuarial gains and losses										
To profit (Note 38)	537	366	–	–	–	–	–	–	–	903
To reserves	(26,706)	–	(289,375)	(5,197)	(45,482)	(126,314)	21,197	8,045	450	(463,382)
Members contributions	–	–	7,574	–	–	–	925	534	–	9,033
Payments	(16,420)	(6,066)	(505,101)	(5,268)	(61,657)	(168,407)	(15,966)	(50,718)	(5,553)	(835,156)
Translation differences	–	–	(90,331)	5,371	44,026	101,748	(38,281)	(63,989)	36	(41,420)
Balance at 31.12.2018	372,553	40,796	5,463,614	61,192	1,004,348	2,307,689	299,674	481,917	55,542	10,087,325
Normal cost (Note 38)	4,515	3,831	57,677	756	13,276	28,206	1,499	(10)	3,386	113,136
Cost for past services (Note 38)	–	–	(12,564)	(1,348)	484	(26)	–	–	539	(12,915)
Finance cost (Note 43).	5,861	378	152,138	2,428	40,446	88,893	27,928	44,086	1,752	363,910
Actuarial gains and losses										
To profit (Note 38)	1,372	2,506	–	–	–	–	–	–	–	3,878
To reserves	40,000	–	431,747	3,647	111,960	223,080	53,939	29,356	19,087	912,816
Members contributions	–	–	6,718	–	–	–	928	306	–	7,952
Payments	(15,623)	(3,782)	(344,705)	(4,319)	(63,141)	(163,650)	(18,017)	(45,348)	(6,822)	(665,407)
Translation differences	–	–	326,428	1,235	21,796	47,039	(4,725)	(5,731)	1,067	387,109
Balance at 31.12.2019	408,678	43,729	6,081,053	63,591	1,129,169	2,531,231	361,226	504,576	74,551	11,197,804

- (1) As the surplus was not recognised, the actuarial differences recognised in reserves were adjusted upwards in 2019 and 2018 by Euros 33,030 thousand and 4,120 thousand respectively in the application of the current legislation IFRIC 14: "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction". Moreover, in 2019 and 2018, and for the same concept, the finance costs recognised were adjusted upwards by Euros 7,957 and 8,334 thousand, respectively.

The average length at the end of the year of the liability for the employee benefits described previously is:

Years	Spain		United Kingdom	United States			Brazil	
	Electricity tariff	Long-service bonus		ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA
Average length	21	9	19	13	14	11	15	11

The movement in the fair value of the plan assets in 2019 and 2018 is as follows:

Thousands of Euros	United Kingdom	United States			Brazil		Total
		ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA	
Fair Value at 01.01.2018	5,552,232	34,622	661,511	1,853,869	343,432	348,118	8,793,784
Modification of the consolidation perimeter (Note 6)	(59,348)	–	–	–	–	–	(59,348)
Revaluation (Note 43)	140,690	1,254	24,325	65,498	30,922	30,698	293,387
Actuarial gains and losses to reserves	(343,877)	(3,070)	(61,367)	(146,210)	13,659	24,529	(516,336)
Company contributions	183,149	1,609	19,860	45,018	738	21,972	272,346
Members contributions	7,574	–	–	–	925	534	9,033
Payments	(505,101)	(5,268)	(61,657)	(168,406)	(15,966)	(50,718)	(807,116)
Translation differences	(80,909)	1,367	27,093	76,575	(43,015)	(43,462)	(62,351)
Fair Value at 31.12.2018	4,894,410	30,514	609,765	1,726,344	330,695	331,671	7,923,399
Revaluation (Note 43)	139,044	1,207	24,870	66,859	30,982	30,595	293,557
Actuarial gains and losses to reserves	143,940	3,936	98,386	233,564	22,236	46,140	548,202
Company contributions	187,726	2,645	32,373	44,503	763	20,208	288,218
Members contributions	6,718	–	–	–	928	306	7,952
Payments	(344,705)	(4,319)	(63,141)	(163,650)	(18,017)	(45,348)	(639,180)
Translation differences	288,385	627	12,609	35,381	(4,347)	(4,716)	327,939
Fair Value at 31.12.2019	5,315,518	34,610	714,862	1,943,001	363,240	378,856	8,750,087

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the abovementioned commitments at 31 December 2019 and 2018 are as follows:

2019	Discount rate	Wage increase	Price kWh (euros)	Inflation	Survivorship table	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	–
Long-service bonus ⁽¹⁾	0.47%	1.00%	–	–	PERMF 2000P	–
United Kingdom	2.10%	3.07%	–	3.07%	Pre-retirement/Post-retirement Male: 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	Based on RX year: 6.75%(pre-65)/7.50% (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	Based on 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%	Based on the age and Union/ Non Union	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2019	Based on RX year: 6.75%(pre-65)/7.50% (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%	–	–	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%	–	–	4.00%	AT - 2000 (40% male; 60% female) - 10%	–

2018	Discount rate	Wage increase	CPI increase	Inflation	Survivorship table	Health insurance cost Pre-Medicare/medicare
Spain						
Electricity tariff ⁽¹⁾	1.60%	–	2019 0.12722; 2020 0.13072; 2021 0.12215; 2022 0.12185; [...]	–	PERMF 2000P	–
Long-service bonus ⁽¹⁾	0.93%	1.00%	–	–	PERMF 2000P	–
United Kingdom	2.80%	3.76%	–	3.26%	Pre-retirement/Post-retirement Male: 85% AMC00 / 90%S2PMA CMI2017 M (1.25% improvement rate) Female: 85%AFC00 / 100%S2PFA CMI2017 F (1.25% improvement rate)	-
United States						
ARHI	4.09%	n.a.	–	2.00%	RP-2006 fully generational table using Scale MP-2018	Based on RX year: 7%(pre-65)/7.75% (post-65) (2019); 6.75%/7.50%(2020); [...]: 4.50%/4.50% (2029 onwards)
UIL	4.09%	3.50% - 3.80%	–	2.00%	RP-2006 fully generational table using Scale MP-2018	Based on RX year: 7%(pre-65)/7.75% (post-65) (2019); 6.75%/7.50%(2020); [...]: 4.50%/4.50% (2029 onwards)
AVANGRID NETWORKS	3.93%	Based on the age and Union/ Non Union	–	2.00%	RP-2006 fully generational table using Scale MP-2018	Based on RX year: 7%(pre-65)/7.75% (post-65) (2019); 6.75%/7.50%(2020); [...]: 4.50%/4.50% (2029 onwards)
Brazil						
ELEKTRO	9.46%	6.33%	–	4.25%	AT - 2000 male - 10%	-
NEOENERGIA						
Celpe BD	9.36%	5.29%	–	4.25%	AT-2000 male	-
Celpe Mixto	8.94%	5.29%	–	4.25%	AT-2000	-
Coelba BD	9.25%	5.29%	–	4.25%	BR-EMS-sb 2015 Male -15%	-
Coelba mixto	9.10%	5.29%	–	4.25%	AT-2000 Basic	-
Coelba Plan As. Médica	9.46%	n.a.	–	n.a.	AT-2000 Basic	-
Cosern BD	9.20%	5.29%	–	4.25%	AT - 2000 (40% male; 60% female) - 10%	-
Cosern Mixto	9.10%	5.29%	–	4.25%	AT-2000 - 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:

Thousands of Euros	2019	2018	2017	2016	2015
Spain					
Present value of the obligation	(452,407)	(413,349)	(445,422)	(553,361)	(501,032)
Net asset / (Net provision)	(452,407)	(413,349)	(445,422)	(553,361)	(501,032)
Experience adjustments arising on plan liabilities	(9,245)	4,914	7,799	4,664	25,355
United Kingdom					
Present value of the obligation	(6,081,053)	(5,463,614)	(6,189,753)	(6,261,592)	(6,272,818)
Fair value of plan assets	5,315,518	4,894,410	5,552,232	5,741,838	5,915,545
Net asset / (Net provision)	(765,535)	(569,204)	(637,521)	(519,754)	(357,273)
Experience adjustments arising on plan liabilities	13,437	81,052	46,097	(17,836)	27,541
Experience adjustments arising on plan assets	143,940	(343,877)	97,442	552,312	(77,098)
ARHI					
Present value of the obligation	(63,591)	(61,192)	(63,425)	(72,785)	(73,133)
Fair value of plan assets	34,610	30,514	34,622	37,722	38,284
Net asset / (Net provision)	(28,981)	(30,678)	(28,803)	(35,063)	(34,849)
Experience adjustments arising on plan liabilities	(1,836)	(507)	(975)	1,626	7,834
Experience adjustments arising on plan assets	(3,936)	(3,070)	3,810	864	(2,695)
UIL					
Present value of the obligation	(1,129,169)	(1,004,348)	(1,015,714)	(1,126,064)	(1,055,586)
Fair value of plan assets	714,862	609,765	661,510	695,330	647,357
Net asset / (Net provision)	(414,307)	(394,583)	(354,204)	(430,734)	(408,229)
Experience adjustments arising on plan liabilities	(7,057)	2,995	27,026	(30,075)	182
Experience adjustments arising on plan assets	(98,386)	(61,367)	67,787	20,218	(10,620)
AVANGRID NETWORKS					
Present value of the obligation	(2,531,231)	(2,307,689)	(2,389,049)	(2,629,032)	(2,595,775)
Fair value of plan assets	1,943,001	1,726,344	1,853,869	1,991,669	1,893,611
Net asset / (Net provision)	(588,230)	(581,345)	(535,180)	(637,363)	(702,164)
Experience adjustments arising on plan liabilities	(21,214)	20,183	(25,591)	37,797	(11,669)
Experience adjustments arising on plan assets	(233,563)	(146,210)	179,082	38,298	(95,019)
ELEKTRO					
Present value of the obligation	(361,226)	(299,674)	(303,237)	(336,323)	(206,387)
Fair value of plan assets	363,240	330,695	343,432	376,175	270,711
Net asset / (Net provision)	2,014	31,021	40,195	39,852	64,324
Experience adjustments arising on plan liabilities	(8,459)	(1,667)	17,615	(15,966)	(5,980)
Experience adjustments arising on plan assets	22,236	13,659	(2,734)	16,502	(10,632)
NEOENERGIA					
Present value of the obligation	(504,576)	(481,917)	(542,248)	–	–
Fair value of plan assets	378,856	331,671	348,118	–	–
Net asset / (Net provision)	(125,720)	(150,246)	(194,130)	–	–
Experience adjustments arising on plan liabilities	(12,630)	13,637	(7,298)	–	–
Experience adjustments arising on plan assets	46,140	(24,529)	(8,293)	–	–

The sensitivity at 31 December 2019 of the present value of the obligation of these commitments to changes in the discount rate:

Increase/decrease	Spain		United Kingdom	United States			Brazil	
	Electricity tariff	Long-service bonus		ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA
Increase/decrease (basic points)								
10	(6,953)	(337)	(107,036)	(636)	(14,775)	(27,668)	(4,759)	(4,677)
(10)	7,144	418	114,930	648	15,073	28,194	5,345	5,103
Inflation (basic points)								
10	–	–	102,784	–	–	–	–	–
(10)	–	–	(100,200)	–	–	–	–	–
Wage increase (basic points)								
10	–	417	–	–	1,942	2,619	–	–
(10)	–	(375)	–	–	(1,926)	(2,591)	–	–
Survivorship table (years)								
1	–	–	234,582	–	–	–	–	–
Health insurance cost (basic points)								
25	–	–	–	10	1,336	1,275	–	–
(25)	–	–	–	(9)	(1,277)	(1,227)	–	–
Price increase kWh (basic points)								
10	8,308	–	–	–	–	–	–	–
(10)	(7,776)	–	–	–	–	–	–	–

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:

2019	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	16%	32%	7%	45%
AVANGRID NETWORKS				
<i>Retirement plan</i>	22%	63%	2%	13%
<i>Retiree Benefits Plan</i>	52%	37%	2%	9%
UIL				
<i>Qualified Pension Plans</i>	33%	52%	1%	14%
<i>Postretirement Welfare Plans</i>	10%	4%	65%	21%
ARHI				
<i>Qualified Pension Plans</i>	42%	42%	1%	15%
<i>Postretirement Welfare Plans</i>	46%	48%	6%	–
ELEKTRO	–	96%	–	4%
NEOENERGÍA	1%	97%	0%	2%
2018	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	17%	40%	5%	38%
AVANGRID NETWORKS				
<i>Retirement plan</i>	33%	42%	1%	24%
<i>Retiree Benefits Plan</i>	48%	48%	4%	–
UIL				
<i>Qualified Pension Plans</i>	51%	43%	–	6%
<i>Postretirement Welfare Plans</i>	61%	24%	14%	1%
ARHI				
<i>Qualified Pension Plans</i>	36%	41%	3%	20%
<i>Postretirement Welfare Plans</i>	49%	44%	3%	4%
ELEKTRO	12%	84%	–	4%
NEOENERGÍA	2%	95%	–	3%

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

Moreover, the breakdown of assets of the plans measured at fair value by level is as follows:

Thousands of Euros	Value at 31.12.2019	Level 1	Level 2	Level 3
United Kingdom	5,315,518	549,852	3,414,092	1,351,574
AVANGRID	2,692,473	393,217	1,859,269	439,987
ELEKTRO	363,240	197,018	133,398	32,824
NEOENERGIA	378,856	5	359,461	19,390
Total	8,750,087	1,140,092	5,766,220	1,843,775
Thousands of Euros	Value at 31.12.2018	Level 1	Level 2	Level 3
United Kingdom	4,894,410	711,123	3,027,800	1,155,487
AVANGRID	2,366,623	245,852	1,554,323	566,448
ELEKTRO	330,695	195,700	108,487	26,508
NEOENERGIA	331,671	3	311,015	20,653
Total	7,923,399	1,152,678	5,001,625	1,769,096

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 with 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 return rates of assets and discount of obligations. On the other hand, it is guaranteed that the financing of plans is adequate while recovering regulated cash flows. Moreover, there are prudential investment rules applicable to pensions within the scope of the Group.

Regarding the management of assets at global level, they 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, the longevity risk has been covered with swaps and work is underway to partially cover inflation risk.

25.b) Defined contribution plans

The active employees of IBERDROLA and employees who have retired after 9 October 1996, are members of the IBERDROLA pension plan with joint promoters, 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 joining the Company after 9 October 1996, who are subject from 1 January 2019 to a contributory system where the Company pays 62,5% and the employee 37,5% (before this date, the Company paid 60% and the employee 40%). 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). At this moment the same criteria will be applied to those employees as the ones who were hired since 9 October 1996. The respective subsidiaries finance these contributions for all their active employees under 65.

IBERDROLA's contributions in 2019 and 2018 were Euros 18,820 thousand and Euros 19,006 thousand, respectively, and are recognised under the heading "Personnel expenses" of the Consolidated income statement.

Additionally, the contribution made on behalf of employees not covered by the Collective Bargaining Agreement in 2019 and 2018, recognised under the heading "Personnel expenses" of the Consolidated income statement is shown below.

Defined contribution plans	2019	2018
SCOTTISH POWER	14,067	12,825
AVANGRID	35,389	31,258
NEOENERGIA	5,892	5,883
Other	876	646
Total	56,224	50,612

25.c) Restructuring plans

Given the interest shown by some of the employees in requesting early retirement, IBERDROLA Group has offered these employees the mutually agreed termination of the employment relationship. To do so, IBERDROLA has carried out a process of individual termination contracts in Spain. At 31 December 2019, the existing provisions in this regard correspond to the following restructuring plans:

Thousands of Euros	31.12.2019		31.12.2018	
	Provisions	No. of contracts	Provisions	No. of contracts
2012 restructuring plan	288	4	981	19
2014 restructuring plan	21,258	159	35,738	238
2015 restructuring plan	6,790	51	10,649	69
2016 restructuring plan	4,774	43	8,238	61
2017 restructuring plan	85,020	386	112,824	409
2019 restructuring plan	38,045	141	–	–
Total	156,175	784	168,430	796

In addition, the following provisions at 31 December 2019 and 2018 are kept to face these commitments abroad and for the subsidiary company Iberdrola Ingeniería y Construcción, S.A.U.(IIC):

Thousands of Euros	31.12.2019	31.12.2018
SCOTTISH POWER	6,151	5,265
IIC	9,876	14,078
Total	16,027	19,343

The discount to present value of the provisions is charged under the heading “Finance cost” heading of the Consolidated income statement.

The movement in provisions for the commitments detailed in the previous section in 2019 and 2018 is as follows:

Thousands of Euros	2019	2018
Initial balance	187,773	266,027
Charge	48,061	8,200
Financial Cost	798	505
Actuarial gain and losses and other	(2,308)	(5,799)
Payments and translation differences(*)	(62,122)	(81,160)
Final balance	172,202	187,773

(*) Payments made during 2019 and 2018 amount to Euros 62,335 thousand and Euros 79,771 thousand, respectively.

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the abovementioned commitments relating to the restructuring plans at 31 December 2019 and 2018 are as follows:

	2019		2018	
	Discount rate	Inflation	Discount rate	Inflation
Restructuring plans	0.24% / 0.26%	1.00% / 0.70%	0.33% / 0.42%	1.00% / 0.70%

26. OTHER PROVISIONS

The movement and breakdown of the heading “Other provisions” in the liabilities of the Consolidated statement of financial position in 2019 and 2018 is as follows:

Thousands of Euros	Provisions for litigation, indemnity payments and similar costs Restated (Note 2.d)	Provision for CO2 emissions	Provision for facility closure costs (Notes 3.r and 5)	Other provisions	Total
Balance at 01.01.2018	805,805	415,906	1,715,698	449,941	3,387,350
Charge or reversals for the year with a debit/credit to “Property, Plant and Equipment” (Note 3.d)	14,359	–	72,334	–	86,693
Charge for discount to present value (Note 43)	39,695	–	28,381	(19)	68,057
Charge for the year to the income statement	105,794	593,574	416	12,487	712,271
Reversal due to excess	(81,654)	(2)	(15,400)	(11,151)	(108,207)
Modification of the consolidation perimeter (Note 6)	(532)	(30,489)	(5,565)	–	(36,586)
Translation differences	(33,667)	(5,922)	13,027	15,969	(10,593)
Transfers	(88)	–	(5,027)	(21,745)	(26,860)
Payments made and other	(87,440)	–	(6,090)	(30,069)	(123,599)
Emission allowances and Green certificates	–	(543,530)	–	–	(543,530)
Balance at 31.12.2018	762,272	429,537	1,797,774	415,413	3,404,996
First application of IFRS 16 (Note 2.a.)	(5,843)	–	15,929	–	10,086
Charge or reversals for the year with a debit/credit to “Property, Plant and Equipment” (Note 3.d)	22,259	–	391,255	9,587	423,101
Charge for discount to present value (Note 43)	48,829	–	35,256	542	84,627
Charge for the year to the income statement	185,814	617,846	8,644	29,190	841,494
Reversal due to excess	(68,764)	–	(9,667)	(6,334)	(84,765)
Translation differences	(103)	20,482	25,867	7,368	53,614
Transfers	22,745	–	6	(7,527)	15,224
Payments made and other	(176,707)	–	(2,415)	(43,007)	(222,129)
Emission allowances and Green certificates	–	(562,038)	–	–	(562,038)
Balance at 31.12.2019	790,502	505,827	2,262,649	405,232	3,964,210

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. These last ones have been determined on the basis of a case-by-case analysis of the polluted assets status 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 dismantling work at its nuclear and thermal power plants, its wind farms, and at other facilities.

The cost arising from dismantling obligations is recalculated on a regular basis to incorporate to the estimate of future costs the experience of the reasonableness of provisions of dismantling events, or to include new statutory or regulatory requirements.

The detail of provision for plants closure costs is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Thermal power plants	57,031	60,848
Nuclear power plants	657,010	612,174
Wind-powered farms and other alternative stations	1,255,964	945,344
Combined cycle power plant	206,884	146,194
Other facilities	64,047	33,214
Right-of-use asset	21,713	–
Total	2,262,649	1,797,774

The amount related to nuclear plants covers the costs in 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 present value of the operating provisions are as follows:

Country	Currency	Discount rate 2019		Discount rate 2018	
		5 years	30 years	5 years	30 years
Spain	Euro	(0.05)%	1.46%	0.33%	2.61%
United Kingdom	Sterling Pounds	0.61%	1.33%	0.90%	1.82%
United States	US dollar	1.71%	2.36%	2.51%	3.01%

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 2019 are as follows:

Thousands of Euros	
2020	635,387
2021	144,617
2022	93,681
2023 onwards	3,090,525
Total	3,964,210

27. LOANS AND BORROWINGS AND OBLIGATIONS OR OTHER SECURITIES

The detail of bank borrowings outstanding at 31 December 2019 and 2018, once considered foreign exchange hedges, and the repayment schedule are as follows:

Thousands of Euros	Loans and borrowings and obligations or other securities at 31 December 2019 maturing in							
	Balance at 31.12.2019 (*)	Current			Non-current			Total non-current
		2020	2021	2022	2023	2024	2025 and following	
Euros								
Obligations and bonds	13,125,691	1,962,070	1,077,786	2,011,141	1,234,800	1,924,436	4,915,458	11,163,621
Promissory notes	2,215,726	2,215,726	–	–	–	–	–	–
Loans	2,813,548	319,437	696,475	595,356	344,208	6,582	851,490	2,494,111
Other financing transactions	3,246,422	1,855,416	36,770	42,397	40,892	238,826	1,032,121	1,391,006
Unpaid accrued interest	207,849	207,745	–	–	–	–	104	104
	21,609,236	6,560,394	1,811,031	2,648,894	1,619,900	2,169,844	6,799,173	15,048,842
Foreign currency								
US dollars	8,496,555	1,191,250	724,966	330,608	757,386	808,101	4,684,244	7,305,305
Sterling Pounds	3,638,927	98,150	399,063	46,435	505,400	401,034	2,188,845	3,540,777
Brazilian reals	4,948,405	770,269	572,829	843,266	776,929	791,968	1,193,144	4,178,136
Other	41,936	3,422	3,785	4,058	4,351	4,551	21,769	38,514
Unpaid accrued interest	191,231	176,902	7,355	6,974	–	–	–	14,329
	17,317,054	2,239,993	1,707,998	1,231,341	2,044,066	2,005,654	8,088,002	15,077,061
Total	38,926,290	8,800,387	3,519,029	3,880,235	3,663,966	4,175,498	14,887,175	30,125,903

Loans and borrowings and obligations or other securities at 31 December 2018 maturing in								
Thousands of Euros	Balance at 31.12.2018 (*)	Current			Non-current			Total non-current
		2019	2020	2021	2022	2023	2024 and following	
Euros								
Financial leases under IAS 17 (Note 2.a)	60,760	2,111	2,106	2,107	2,108	2,109	50,219	58,649
Obligations and bonds	14,335,659	1,507,876	1,839,117	1,107,522	1,994,717	1,128,814	6,757,613	12,827,783
Promissory notes	1,942,316	1,942,316	–	–	–	–	–	–
Loans	4,526,554	958,900	285,700	1,670,966	945,533	343,964	321,491	3,567,654
Other financing transactions	1,434,316	219,061	566,433	32,471	28,097	30,678	557,576	1,215,255
Unpaid accrued interest	232,599	232,546	–	–	–	–	53	53
	22,532,204	4,862,810	2,693,356	2,813,066	2,970,455	1,505,565	7,686,952	17,669,394
Foreign currency								
US dollars	6,794,968	868,763	501,323	286,952	317,097	611,221	4,209,612	5,926,205
Sterling Pounds	3,139,385	96,589	44,813	376,158	43,474	485,860	2,092,491	3,042,796
Brazilian reals	4,640,747	575,203	1,009,109	738,281	800,592	729,450	788,112	4,065,544
Other	43,932	4,239	3,316	3,553	3,809	4,083	24,932	39,693
Unpaid accrued interest	175,236	167,158	1,928	1,787	1,712	1,594	1,057	8,078
	14,794,268	1,711,952	1,560,489	1,406,731	1,166,684	1,832,208	7,116,204	13,082,316
Total	37,326,472	6,574,762	4,253,845	4,219,797	4,137,139	3,337,773	14,803,156	30,751,710

(*) At 31 December 2019, the balance includes Euros 537,971 thousand from draw downs on credit lines and credit facilities, and Euros 2,719,562 thousand from issues of domestic promissory notes (USCP) and the Euro Commercial Paper (ECP).

(*) At 31 December 2018, the balance includes Euros 527,380 thousand from draw downs on credit lines and credit facilities, and Euros 2,460,110 thousand from issues of domestic promissory notes (USCP) and the Euro Commercial Paper (ECP).

The average balance under the Euro Commercial Paper (ECP) programme amounts to Euros 2,257,987 and 1,900,889 thousand, respectively, in 2019 and 2018.

The breakdown of maturities applicable to future commitments of unaccrued interest payments at 31 December 2019 after considering the effect of exchange rate hedges and interest rate hedges, considering interest rates in force will kept till they mature is as follows:

Thousands of Euros	2020	2021	2022	2023	2024	2025 and	Total
Euros	269,917	233,577	203,658	170,399	126,028	197,320	1,200,899
US dollars	347,282	308,072	302,504	280,484	265,550	2,116,533	3,620,425
Sterling Pounds	178,404	171,311	168,414	156,747	126,316	364,121	1,165,313
Brazilian reals	251,296	221,022	199,088	144,674	102,300	208,226	1,126,606
Other	4,051	3,675	3,348	2,986	2,592	5,571	22,223
Total	1,050,950	937,657	877,012	755,290	622,786	2,891,771	7,135,466

Significant transactions carried out by IBERDROLA during 2019 are as follows:

2019						
Lessor	Transaction	Amount (millions)	Currency	Interest rate	Extension	Maturity
Main new financing transactions						
Iberdrola Financiación, S.A.U.	Bilateral loan	200	EUR	-	-	Mar-26
	Bilateral loan	125	EUR	-	-	Oct-26
	Bilateral loan	75	EUR	-	-	Mar-26
	Sustainable syndicated loan	1,500	EUR	-	option 1+1	Mar-24
	EIB loan	150	EUR	-	-	Dec-34
	Bilateral green loan ⁽¹⁾	145	EUR	-	-	Upon drawing
	EIB loan ⁽¹⁾	440	EUR	-	-	Upon drawing
	Green ICO loan	400	EUR	-	-	May-31
Iberdrola Finanzas, S.A.U.	Green ICO loan	140	EUR	-	-	Jul-28
	Private bond	50	EUR	1.782%	-	Oct-30
Avangrid Inc.	Private bond	100	EUR	Euribor3m +0.65%	-	Dec-23
	Bilateral loan	500	USD	-	-	June-21
New York State Electric & Gas Corp.	Public green bond	750	USD	3.80%	-	June-29
	Green bond	300	USD	3.30%	-	Sept-49
Rochester Gas & Electric Corp.	Mortgage-backed bond	150	USD	3.10%	-	June-27
SP Transmission	Public bond	350	GBP	2.00%	-	Nov-31
Iberdrola Generación Mexico	Bilateral loan ⁽¹⁾	500	USD	-	option 1+1	Dec-24
CELPE	Bonds	300	BRL	109.50% CDI	-	Apr-24
	Bonds	200	BRL	111.00% CDI	-	Apr-26
COELBA	Loan 4131 ⁽⁴⁾	34	EUR	-	-	May-24
	Loan 4131 ⁽⁴⁾	89	USD	-	-	June-24
	Loan 4131 ⁽⁴⁾	84	USD	-	-	Jul-22
	Bonds	309	BRL	108.00% CDI	-	Apr-24
	Bonds	391	BRL	110.25% CDI	-	Apr-26
COSERN	Bonds	282	BRL	107.25% CDI	-	Apr-24
	Infrastructures bond	180	BRL	IPCA+4.254%	-	Apr-26
Elektro Redes, S.A.	Infrastructures bond	38	BRL	IPCA+4.499%	-	Apr-29
	Loan 4131 ⁽⁴⁾	45	EUR	-	-	May-24
Neoenergia, S.A.	Infrastructures green bond	803	BRL	IPCA+4.07%	-	June-29
	Infrastructures green bond	492	BRL	IPCA+4.22%	-	June-33
	EIB loan ⁽¹⁾	250	EUR	-	-	Upon drawing
Termopernambuco, S.A.	Bonds	500	BRL	111.50% CDI	-	Apr-24
Itapebi	Loan 4131 ⁽⁴⁾	25	USD	-	-	May-24
Chafariz 3 Energia Renovavel	BNB loan ⁽¹⁾	93	BRL	-	-	June-43
Chafariz 6 Energia Renovavel	BNB loan ⁽¹⁾	80	BRL	-	-	June-43
Chafariz 7 Energia Renovavel	BNB loan ⁽¹⁾	93	BRL	-	-	June-43
Força Eolica do Brasil, S.A.	BEI loan ⁽¹⁾	1,324	BRL	-	-	Dec-45
Neoenergia Dourados Transmissão de Energia, S.A.	Loan 4131	200	BRL	-	-	Sep-20

2019						
Lessor	Transaction	Amount (millions)	Currency	Interest rate	Extension	Maturity
	BNDES Loan ⁽¹⁾	375	BRL	-	-	Dec-43
Main transactions for extending existing financing						
Iberdrola S.A.	Sustainable syndicated loan ⁽³⁾	2,979	EUR	-		Feb-24
	Sustainable syndicated loan ⁽³⁾	2,321	EUR	-		Feb-24
Avangrid Inc.	Sustainable syndicated loan ⁽³⁾	2,500	USD	-	Option+1 year	June-24

⁽¹⁾ Financing executed in 2019 that is expected to be drawn in the period 2020/2021.

⁽²⁾ The lenders are subsidiary companies of Forza Eólica: Chafariz 1 Energía Renovavel S.A., Chafariz 2 Energía Renovavel S.A., Canoas 2 Energía Renovavel S.A., Canoas 4 Energía Renovavel S.A., Lagoa 3 Energía Renovavel S.A. and Lagoa 4 Energía Renovavel S.A.

⁽³⁾ Transactions whose maturity has been extended for an additional year.

⁽⁴⁾ Currency swap contracts to the company's operating currency (BRL)

The most significant financial transactions performed by the IBERDROLA Group during the year 2018 have been the following:

2018						
Lessor	Transaction	Million	Currency	Interest rate	Extension	Maturity
Main new financing transactions						
Iberdrola, S.A. ⁽²⁾	Sustainable syndicated loan	2,979	EUR	-	option 1+1	Feb-23
	Sustainable syndicated loan	2,321	EUR	-	option 1+1	Feb-23
Iberdrola Financiación, S.A.U.	Bilateral loan	100	EUR	-	-	Nov-25
	Bilateral loan	200	EUR	-	-	Dec-25
	EIB loan	500	EUR	-	-	Upon drawing
Iberdrola Finanzas, S.A.U.	Increase private issuance	200	EUR	1.621%	-	Nov-29
	Private bond	200	EUR	Euribor3m +0.35%	-	Feb-20
	Private bond	800	NOK ⁽¹⁾	3.010%	-	May-28
	Private bond	30	EUR	1.128%	-	June-25
	Green bonds	750	EUR	1.250%	-	Oct-26
	Green bonds	50	USD ⁽¹⁾	3.724%	-	dec-25
	Private bond	75	EUR	1.621%	-	Nov-29
Avangrid Inc ⁽³⁾	Sustainable syndicated loan	2,500	USD	-	option 1+1	June-23
Berkshire Gas ⁽⁵⁾	Private bond	20	USD	4.07%	-	Jan-29
Connecticut Natural Gas ⁽⁵⁾	Private bond	50	USD	4.52%	-	Jan-49
Southern Connecticut Gas ⁽⁵⁾	Mortgage-backed bond	75	USD	4.42%	-	Jan-49
Central Maine Power	Mortgage-backed bond	60	USD	3.95%	-	Dec-28
	Mortgage-backed bond	80	USD ⁽⁵⁾	3.87%	-	June-26
	Mortgage-backed bond	80	USD ⁽⁵⁾	4.05%	-	Jan-30
	Mortgage-backed bond	80	USD ⁽⁵⁾	4.20%	-	June-34
New York State Electric & Gas Corp.	Tax exemption bond	174	USD	3.00%	-	jun-23/Oct-29

2018						
Lessor	Transaction	Million	Currency	Interest rate	Extension	Maturity
Rochester Gas & Electric Corp.	Tax exemption bond	152	USD	3.00%	-	June-25
	Tax exemption bond	64.5	USD	2.80%	-	Oct-23
United Illuminating	Private bond	100	USD	4.07%	-	Oct-28
	Private bond	50	USD ⁽⁵⁾	4.52%	-	Jan-49
	Private bond	50	USD	3.96%	-	Dec-25
	Loan 4131	46	USD ⁽¹⁾	Libor3m +1.50%	-	Jan-21
	Bonds	500	BRL	119.6% CDI	-	Feb-23
CELPE	Loan 4131	80	EUR ⁽¹⁾	1.679%	-	Jul-22
	Infrastructures bond	600	BRL	IPCA+6.0352%	-	Jul-25
	BEI loan	643	BRL	TLP+1.86%	-	Dec-28
	BEI loan	574	BRL	IPCA+3.30%	-	Nov-30
	Bonds	900	BRL	117% CDI ⁽⁴⁾	-	Oct-22
COELBA	Infrastructures bond	300	BRL	IPCA+6.22%	-	Apr-23
	Infrastructures bond	800	BRL	IPCA+6.22%	-	Jul-25
	BEI loan	1,043	BRL	TLP+1.69%	-	Dec-25
	BEI loan	800	BRL	IPCA+3.30%	-	Nov-30
COSERN	Infrastructures bond	130	BRL	IPCA+5.970%	-	Jul-23
	Loan 4131	95	USD ⁽¹⁾	3.689%	-	Nov-23
	Bonds	1,000	BRL	113.0% CDI ⁽⁴⁾	-	May-21/May-23/May-25
ELEKTRO	Infrastructures bond	300	BRL	IPCA+5.9%	-	May-25
	Loan 4131	100	USD ⁽¹⁾	3.6937%	-	May-22
	BEI loan	785	BRL	TLP+1.76%	-	Dec-26
Iberdrola México S.A. de CV	Bilateral green loan	400	USD	-	option 1+1	May-23
Termopernambuco, S.A.	Bonds	300	BRL	117.4% CDI	-	Aug-23
	Loan 4131	57	USD ⁽¹⁾	4.145%	-	Oct-22
Pier ⁽⁵⁾	Project financing	177	USD	-	-	Aug-33
Ceu Azul	BEI loan	600	BRL	TJLP+1.78%	-	June-35
Sobral III	BEI loan	50	BRL	IPCA+2.57%	-	Dec-38
Main transactions for extending existing financing						
Iberdrola S.A.	Sustainable syndicated loan	500	EUR	-	+1 year	June-23
	Bilateral loan	350	EUR	-	+1 year	Jul-22
Iberdrola Financiación, S.A.U.	Bilateral green loan	500	EUR	-	+6 months	Aug-19
	Syndicated loan	900	EUR	-	+1 year	Mar-21
	Bilateral loan	75	EUR	-	+1 year	Mar-21
	Bilateral loan	600	EUR	-	+1 year	July-21

⁽¹⁾ Currency swap contracts to the company's operating currency

⁽¹⁾ Reconfiguration of Euros 4.4 billion, already existing, and new Euros 900 million, totalling Euros 5.3 billion, with the option of extension for 1+1 years.

⁽³⁾ Reconfiguration of \$1.5 billion, already existing, and new \$1 Billion, totalling \$2.5 billion, with the option of extension for 1+1 years.

⁽⁴⁾ Average cost of different obligations stated in reference to the CDI at the date of the issuance.

⁽⁵⁾ Financing signed in 2018 and drawn in 2019.

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 46). The fair value of real property investments in operation fully amortised intangible assets at 31 December 2019 and 2018 amounted to Euros 561 and 483 million, respectively. Moreover, the establishment of a reserved deposit for the fulfilment of the obligations under the loan agreements is required, being the default ratios and/or the security deposit not reaching the agreed amount, the reason to preclude the dividends in the year in which they had not been fulfilled.

Regarding clauses in relation to credit ratings covenants, the IBERDROLA Group has arranged funding with the EIB and the ICO at 31 December 2019 and 2018 amounting to Euros 2,647 million and Euros 1,265 million, respectively, which may have to be renegotiated in the event of a rating downgrade, probably equalling the price to that of other IEB transactions and with the ICO that does not include said clauses.

Also, at 31 December 2019 and 2018, the IBERDROLA Group has arranged loans and credits amounting to Euros 1,038 and 2,002 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 2019 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 there be a control change to 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 Euros 12,897,516 thousand in the European market and USD 150,000 thousand (equivalent to Euros 134,943 thousand) in the US market.
- EIB and ICO loans jointly total Euros 2,647,379 thousand.
- Borrowings amounting to Euros 1,157,075 thousand and USD 400,000 thousand (equivalent to Euros 358,648 thousand).
- Lastly, BRL 9,447,425 (equivalent to Euros 2,089,223 thousand) from issuances and BRL 11,265,735 thousand (equivalent to Euros 2,491,328 thousand) from borrowings to the Brazilian subsidiary NEOENERGY and its subsidiaries.

At 31 December 2019 and 2018, the IBERDROLA Group was fully up to date on all its financial debt payments and there had been no circumstances affecting the change of control or adverse changes in the 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 2019 and 2018 was 2.92% and 2.97%, respectively.

28. DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of balances at 31 December 2019 and 2018 including valuation of derivative financial instruments at those dates is as follows:

Thousands of Euros	2019				2018			
	Assets		Liabilities		Assets		Liabilities	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
INTEREST RATE HEDGES	31,556	106,630	12,310	(111,077)	29,462	110,135	3,905	(109,077)
Cash flow hedges	45	16,689	(14,119)	(108,476)	(86)	689	(25,958)	(108,381)
Exchange rate swaps	45	16,689	(14,119)	(108,476)	(86)	689	(25,958)	(108,381)
Fair value hedges	31,511	89,941	26,429	(2,601)	29,548	109,446	29,863	(696)
Exchange rate swaps	31,411	89,941	27,292	(2,601)	29,002	103,959	30,211	–
Currency forwards	100	–	(863)	–	9	–	(1,041)	–
Other	–	–	–	–	537	5,487	693	(696)
EXCHANGE RATE HEDGES	211,682	338,060	(106,875)	(146,955)	346,919	404,239	(242,663)	(121,484)
Cash flow hedges	67,349	130,559	(100,229)	(113,435)	93,454	139,873	(81,072)	(49,215)
Exchange rate swaps	19,192	113,526	(23,690)	(110,518)	(3,487)	117,178	(13,100)	(45,398)
Currency forwards	47,792	17,033	(76,539)	(2,917)	96,704	22,352	(67,972)	(3,812)
Collar	365	–	–	–	237	343	–	(5)
Fair value hedges	108,072	207,501	4,345	(26,158)	162,739	263,062	(18,185)	(73,464)
Exchange rate swaps	108,072	207,501	4,345	(26,158)	162,739	263,062	(18,185)	(73,464)
Net investments hedges	36,261	–	(10,991)	(7,362)	90,726	1,304	(143,406)	1,195
Exchange rate swaps	–	–	(2,579)	(7,362)	(1,295)	1,304	(1,399)	1,195
Currency forwards	36,261	–	(8,412)	–	92,021	–	(142,007)	–
COMMODITIES HEDGES	118,182	144,435	(359,434)	(126,432)	173,244	123,957	(166,029)	(132,670)
Cash flow hedges	118,182	144,435	(359,434)	(126,432)	173,244	123,957	(166,029)	(132,670)
Futures	118,182	144,435	(359,434)	(126,432)	173,244	120,685	(166,029)	(132,670)
Other	–	–	–	–	–	3,272	–	–
NO HEDGE DERIVATIVES	286,327	184,396	(289,843)	(105,143)	414,178	105,191	(401,144)	(40,048)
Treasury shares derivatives	12	59,268	–	(59,268)	–	16,048	–	(16,048)
Treasury shares derivatives	12	59,268	–	(59,268)	–	16,048	–	(16,048)
Exchange rate derivatives	6,399	–	(11,527)	–	4,980	–	(100)	(34)
Currency forwards	6,399	–	(11,527)	–	4,980	–	(100)	(34)
Derivatives on commodities	279,916	124,828	(276,664)	(45,606)	409,198	88,960	(400,667)	(23,391)
Futures	278,970	90,775	(275,262)	(37,919)	409,188	88,960	(400,657)	(23,391)
Other	946	34,053	(1,402)	(7,687)	10	–	(10)	–
Interest rate derivatives	–	300	(1,652)	(269)	–	183	(377)	(575)
Exchange rate swaps	–	300	(1,652)	(269)	–	183	1,275	–
Other	–	–	–	–	–	–	(1,652)	(575)
NETTED OPERATIONS (Note 16)	(242,388)	(17,091)	266,297	18,386	(357,550)	(16,126)	357,550	16,126
Total	405,359	756,430	(477,545)	(471,221)	606,253	727,396	(448,381)	(387,153)

The maturity schedule of the notional underlying of derivative instruments contracted by the IBERDROLA Group and outstanding at 31 December 2019, is as follows:

Thousands of Euros	2020	2021	2022	2023	2024 and following	Total
INTEREST RATE HEDGES	1,908,635	719,025	941,950	269,658	5,688,549	9,527,817
Cash flow hedges	265,956	89,608	6,077	266,940	4,940,546	5,569,127
Exchange rate swaps	265,956	89,608	6,077	266,940	4,940,546	5,569,127
Fair value hedges	1,642,679	629,417	935,873	2,718	748,003	3,958,690
Exchange rate swaps	1,584,234	629,417	935,873	2,718	748,003	3,900,245
Currency forwards	58,445	-	-	-	-	58,445
EXCHANGE RATE HEDGES	6,122,212	1,340,220	888,095	342,226	1,750,368	10,443,121
Cash flow hedges	4,814,969	380,536	629,074	120,595	1,551,172	7,496,346
Exchange rate swaps	749,392	188,145	579,960	107,747	1,534,668	3,159,912
Currency forwards	4,063,460	192,391	49,114	12,848	16,504	4,334,317
Collar	2,117	-	-	-	-	2,117
Fair value hedges	763,728	959,684	259,021	54,872	199,196	2,236,501
Exchange rate swaps	763,728	959,684	259,021	54,872	199,196	2,236,501
Net investments hedges	543,515	-	-	166,759	-	710,274
Exchange rate swaps	-	-	-	166,759	-	166,759
Currency forwards	543,515	-	-	-	-	543,515
COMMODITIES HEDGES	2,043,612	621,859	204,083	155,972	552,778	3,578,304
Cash flow hedges	2,043,612	621,859	204,083	155,972	552,778	3,578,304
Futures	2,043,612	621,859	204,083	155,972	552,778	3,578,304
NO HEDGE DERIVATIVES	3,334,246	1,272,416	1,677,199	651,887	7,057,165	13,992,913
Treasury shares derivatives	35	-	1,000,000	-	-	1,000,035
Treasury shares derivatives	35	-	1,000,000	-	-	1,000,035
Interest rate derivatives	358,906	-	-	-	-	358,906
Currency forwards	358,906	-	-	-	-	358,906
Derivatives commodity price	2,975,305	1,197,416	677,199	651,887	7,057,165	12,558,972
Futures	2,293,102	470,041	66,303	37,958	2,434	2,869,838
Other	682,203	727,375	610,896	613,929	7,054,731	9,689,134
Interest rate derivatives	-	75,000	-	-	-	75,000
Exchange rate swaps	-	75,000	-	-	-	75,000
Total	13,408,705	3,953,520	3,711,327	1,419,743	15,048,860	37,542,155

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) and, therefore, do not constitute 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 heading "Finance expense" of the 2019 and 2018 Consolidated income statements includes Euros 198,568 thousand and Euros 161,174 thousand, 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 43 are partially ineffective. The heading "Finance income" of the Consolidated income statement for the same years also includes Euros 78,228 thousand and Euros 114,736 thousand, respectively, for the abovementioned items (Note 42).

The nominal value of the liabilities for which foreign exchange hedges (Note 4) have been arranged is as follows:

2019					
Hedge rate	Thousands of US dollars	Thousands of Japanese Yens	Thousands of Norwegian Kroner	Thousands of Sterling Pound	Thousands of Euros
Cash flow	1,360,896	–	2,250,000	–	158,487
Fair value	1,604,263	3,000,000	–	700,000	–

2018					
Hedge rate	Thousands of US dollars	Thousands of Japanese Yens	Thousands of Norwegian Kroner	Thousands of Sterling Pound	Thousands of Euros
Cash flow	1,227,533	–	2,250,000	–	79,250
Fair value	2,995,082	13,000,000	–	700,000	173

The nominal value of the most significant liabilities for which interest rate hedges (Note 4) have been arranged is as follows:

2019			
Hedge rate	Thousands of Euros	Thousands of Sterling Pound	Thousands of Brazilian reals
Cash flow	1,842,701	225,000	–
Fair value	3,641,000	–	1,136,127

2018			
Hedge rate	Thousands of Euros	Thousand Sterling Pound	Thousand Brazilian reals
Cash flow	2,610,258	225,000	–
Fair value	3,808,844	–	784,959

Additionally, at 31 December 2019, the IBERDROLA Group has arranged derivatives to cover the interest rate risk of the future financing for a nominal amount of Euros 4,551,000 thousand, which help to mitigate the interest rate risk (Euros 4,642,000 thousand at 31 December 2018).

29. STATEMENT OF CASH FLOWS

The 2019 and 2018 transactions of the liabilities classified as financing activities in the Cash flow statement excluded from the equity, equity qualifying as financial liabilities (Note 22) and leases (Note 30), is the following:

Thousands of Euros	Balance at 01.01.2019	First application of IFRS 16 (Note 2.a.)	Cash flow			Other non-cash changes					Balance at 31.12.2019
			Issues and disposals (1)	Redemptions/charge instalments paid	Interest paid	Accrual of interest	Foreign currency exchange (2)	Change in fair value and others	Accrual of transactions costs	Potential treasury shares accumulated	
Financial leases under IAS 17	142,308	(142,308)	–	–	–	–	–	–	–	–	–
Obligations, bonds and promissory notes	27,309,611	–	5,580,429	(5,023,856)	4,461	(6,051)	352,153	(22,686)	95,926	–	28,289,987
Loans and other financing transactions	9,337,511	–	9,726,392	(10,108,272)	–	–	81,685	(2,845)	(7,648)	–	9,026,823
Unpaid accrued interest	407,835	–	–	–	(1,111,797)	1,098,659	4,382	–	–	–	399,079
Derivatives on the company's own shares with a physical settlement (Note 20)	129,207	–	–	(106,917)	–	–	–	–	–	1,188,111	1,210,401
Total (Note 27)	37,326,472	(142,308)	15,306,821	(15,239,045)	(1,107,336)	1,092,608	438,220	(25,531)	88,278	1,188,111	38,926,290
Derivative financial instruments associated with financing	(436,941)	–	(5,317)	179,018	65,687	(79,260)	(59,381)	52,956	–	–	(283,238)
Total	36,889,531	(142,308)	15,301,504	(15,060,027)	(1,041,649)	1,013,348	378,839	27,425	88,278	1,188,111	38,643,052

Thousands of Euros	Balance at 01.01.2018	Cash flow				Other non-cash changes					Balance at 31.12.2018
		First application of IFRS 9 (Note 2.a.)	Issues and disposals (1)	Redemptions/charge instalments paid	Interest paid	Accrual of interest	Foreign currency exchange (2)	Change in fair value and others	Accrual of transactions costs	Potential treasury shares accumulated, transfers and other	
Financial leases under IAS 17	127,430	–	–	(4,924)	(5,536)	2,310	2,946	–	–	20,082	142,308
Obligations, bonds and promissory notes	26,252,859	(150,674)	4,998,038	(3,979,452)	–	–	101,856	(19,380)	95,353	11,011	27,309,611
Loans and other financing transactions	9,818,844	(5,760)	8,078,830	(8,593,582)	–	–	7,329	(27,015)	1,189	57,676	9,337,511
Unpaid accrued interest	409,160	–	–	–	(1,188,823)	1,189,802	(2,343)	–	–	39	407,835
Derivatives on the company's own shares with a physical settlement (Note 20)	82,205	–	–	(732,293)	–	–	–	–	–	779,295	129,207
Total Bank borrowings and other financial liabilities - Loans and others (Note 27)	36,690,498	(156,434)	13,076,868	(13,310,251)	(1,194,359)	1,192,112	109,788	(46,395)	96,542	868,103	37,326,472
Derivative financial instruments associated with financing	(557,688)	–	71,531	150,295	121,547	(111,255)	(294,749)	182,975	–	403	(436,941)
Total	36,132,810	(156,434)	13,148,399	(13,159,956)	(1,072,812)	1,080,857	(184,961)	136,580	96,542	868,506	36,889,531

(1) Net emissions of expenses.

(2) Includes translation differences

30. LEASES

Lessee

Changes in lease liabilities in 2019 are as follows:

Thousands of Euros	2019
Balance at 31.12.2018	–
First application of IFRS 16 (Note 2.a)	1,387,820
Translation differences	34,514
New lease contracts	387,011
Financial update (Note 43)	62,316
Payments made from principal	(155,890)
Interest paid	(33,101)
Re-evaluation/changes of lease liabilities	89,267
Disposals	(5,343)
Other	523
Balance at 31.12.2019	1,767,117

The breakdown of lease liabilities at 31 December 2019 is as follows:

Thousands of Euros	31.12.2019
2020	153,237
2021	160,087
2022	144,253
2023	177,344
2024	122,967
From 2025 onwards	1,884,493
Total	2,642,381
Financial Cost	875,264
Present value of the payments	1,767,117
Total	2,642,381

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 2019, the IBERDROLA Group accrued an amount of Euros 34,669 thousand for variable lease recognised under the heading “External Services” of the Consolidated income statement. Said amount corresponds mainly to lease rents depending on output and operating income from wind farms located in leased lands.

Expenses in 2019 related to short-term leases excluded from the scope of IFRS 16 amounts to Euros 14,210 thousand and have been recognised under the heading “External services” of the Consolidated income statement.

In addition, income from subleasing rights of use of assets in the year have rose to Euros 8,459 thousand and have been recognised in the Consolidated income statement.

On the other hand, the heading “External services” of the Consolidated income statement for 2018 includes Euros 148,607 thousand corresponding to operating leases in application of IFRS 17 (Note 3.f.). Moreover, the breakdown by maturities of undeducted minimum payments for financial and operating leases under IAS 17 at 31 December 2018 was as follows:

Thousands of Euros	Operating leases	Financial lease	Total
2019	126,656	31,061	157,717
2020	129,403	13,400	142,803
2021	124,231	10,480	134,711
2022	116,221	6,496	122,717
2023	104,473	48,048	152,521
From 2024 onwards	1,498,675	69,319	1,567,994
Total	2,099,659	178,804	2,278,463
Financial Cost	637,505	36,501	674,006
Present value of the payments	1,462,154	142,303	1,604,457
Total	2,099,659	178,804	2,278,463

The previous amount for the present value of minimum payments for operating leases under IAS 17 defers the effect of the first adjustments due to IFRS 16: "Leases" as indicated in Note 2.a.

Operating lessor

On the other hand, the IBERDROLA Group acts as lessor in certain operating leases consisting basically on the rental of investment property (Note 9) and the property, plant and equipment. The breakdown by type is as follows:

Thousands of Euros	31.12.2019
Buildings	220,196
Land	112,916
Other	16,769
Total	349,881

The headings "Net turnover" and "Other operating income" of the Consolidated income statement for 2019 include Euros 30,207 and 23,103 thousand, respectively.

The estimate of non-deducted future minimum payments for contracts in force at 31 December 2019 is as follows:

Thousands of Euros	31.12.2019
2020	32,004
2021	28,026
2022	24,287
2023	22,550
2024	20,527
From 2025 onwards	76,189
Total	203,583

31. OTHER FINANCIAL LIABILITIES

The detail of the headings “Other non-current financial assets” and “Other current financial assets” of the Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Non-current		
Long term deposits and guarantees (Note 14.b.)	156,604	166,772
Concessional guarantee of the sufficiency tariff in Brazil (Note 12)	69,315	41,394
Financial lease suppliers	16,857	19,335
PIS/COFINS Brazil (Note 15)	724,516	–
Other	267,627	271,817
Total	1,234,919	499,318
Current		
Short-term deposits and guarantees	189,214	147,927
Loans with equity-accounted investees	357,554	93,681
Financial lease suppliers	874,255	573,820
Staff pending remuneration	253,956	232,291
Other	308,107	272,674
Total	1,983,086	1,320,393

32. OTHER LIABILITIES

The detail of the headings “Other non-current financial liabilities” and “Other current financial liabilities” of the Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Non-current		
Contract liabilities		
CFE (Note 36)	92,365	95,279
All others	314,982	279,409
Total	407,347	374,688
Current		
Contract liabilities	187,100	169,519
Other liabilities	486,527	338,016
Total	673,627	507,535

33. DEFERRED TAXES AND CORPORATE 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 Biscay tax system territory, although Iberdrola, S.A., is currently integrated in the former.

The 2/86 group is formed by 77 companies, whereas the 02415BSC group is formed by 20 companies.

The other entities that are fiscal residents in Spain and which are not incorporated into these two groups pay corporate income tax on an individual basis.

Companies taxed under the common tax system are subject to a 25% rate in 2019, while in the fiscally autonomous foral regions of Biscay, Gipuzkoa, Álava and Navarra it is 24%.

Taxations in other countries

Other Group companies whose fiscal residence is outside Spain are taxed based on their resident jurisdiction. In the United States, company taxation is based on a consolidated fiscal system, with the existence of a federal tax group, with a tax group also operating in other countries, as well as a tax group in some States. In the United Kingdom the group relief mechanism is used. In other tax jurisdiction, 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 (OCDE figures, including central and federal Governments):

Country	2019	2018
Australia	30.0	30.0
Brazil	34.0	34.0
Bulgaria	10.0	10.0
Canada	26.6	26.7
Cyprus	12.5	12.5
France	32.0	34.4
Germany	29.8	29.8
Greece	24.0	29.0
Hungary	9.0	9.0
Ireland	12.5	12.5
Italy	27.9	27.9
Luxembourg	24.9	26.0
Mexico	30.0	30.0
Netherlands	25.0	25.0
Portugal	31.5	31.5
Qatar	10.0	10.0
Romania	16.0	16.0
South Africa	28.0	28.0
Spain	25-24	25-26
United Kingdom	19.0	19.0
United States	26.1	26.1

Income tax expense

Income tax expense for 2019 y 2018 is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Profit for the year from continuing activities before tax	4,793,927	4,348,034
Profit for the year from discontinued operations before tax	(56,428)	(64,660)
Consolidated profit before tax	4,737,499	4,283,374
Non-deductible expenses and non-computable income:		
- from individual companies	(11,247)	(40,425)
- from consolidation adjustments	(240,920)	(140,079)
Profit of equity-accounted investees	(7,345)	(55,904)
Adjusted accounting profit	4,477,987	4,046,966
Gross tax calculated at the tax rate in force in each country	1,090,000	987,888
Tax credits deductions due to reinvestment of extraordinary profits and other tax credits	(97,947)	(84,118)
Adjustment of prior years' income tax expense	117	(22,865)
Net movement in provisions for litigation, compensation payments, similar costs and other provisions	(7,873)	12,400
Adjustment of deferred tax assets and liabilities	42,574	38,022
Taxes related to non-distributed earnings and other withholdings paid abroad (a)	(108,066)	15,519
Other	4,137	(841)
Accrued income tax in the Consolidated statement of profit (Income) / Expense	914,016	959,499
Accrued income tax from discontinued operations (Income) / Expense	8,926	(13,494)
Accrued income tax (Income) / Expense	922,942	946,005

- a) Includes the amount resulting from the reversal of deferred tax liabilities from previous years in the amount of Euros 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:

Thousands of Euros	31.12.2019	31.12.2018
Current taxes	710,315	663,372
Deferred taxes	212,627	282,633
Expense/(income) from continuing and discontinued activities	922,942	946,005

Deferred taxes

The detail of the headings "Deferred tax assets" and "Deferred tax liabilities" of the Consolidated statement of financial position is as follows:

Thousands of Euros	Balance at 01.01.2018	First application of IFRS 9 and IFRS 15 (Note 2.a.)	Modification of the consolidation perimeter	Translation differences	Credit (charge) to the income statement	Credit (charge) to Unrealised gains/(losses) reserve	Credit (charge) to "Other reserves"	Other changes	Balance at 31.12.2018	Translation differences	Credit (charge) to the income statement	Credit (charge) to Unrealised gains/(losses) reserve	Credit (charge) to "Other reserves"	Other changes	Balance at 31.12.2019
Deferred tax assets:															
Measurement of financial instruments derivatives	303,612	121	(1,356)	1,308	(49)	(30,468)	–	–	273,168	29,712	–	70,151	–	–	373,031
Balance sheet revaluation 16/2012	1,440,023	–	–	–	(106,560)	–	–	–	1,333,463	–	(79,775)	–	–	–	1,253,688
Pensions and similar commitments	514,944	–	–	(2,453)	68,974	–	8,605	–	590,070	11,889	(1,598)	–	51,551	–	651,912
Allocation of non-deductible negative goodwill arising on consolidation	65,025	–	–	–	(1,143)	–	–	–	63,882	–	(1,575)	–	–	–	62,307
Provision for facility closure costs	74,437	–	–	1,269	7,926	–	–	–	83,632	761	21,787	–	–	–	106,180
Tax credits for losses and deductions	1,669,001	–	926	41,971	181,752	–	–	58,449	1,952,099	30,703	(17,460)	–	–	51,143	2,016,485
Other deferred tax assets	1,315,331	82,267	(756)	15,625	(120,977)	–	–	(101,805)	1,189,685	(66,732)	(315)	–	–	108,287	1,230,925
Total	5,382,373	82,388	(1,186)	57,720	29,923	(30,468)	8,605	(43,356)	5,485,999	6,333	(78,936)	70,151	51,551	159,430	5,694,528

Thousands of Euros	Balance at 01.01.2018	First application of IFRS 9 and IFRS 15 (Note 2.a.)	Modification of the consolidation perimeter	Translation differences	Credit (charge) to the income statement	Credit (charge) to Unrealised gains/(losses) reserve	Balance at 31.12.2018	Translation differences	Credit (charge) to the income statement	Credit (charge) to Unrealised gains/(losses) reserve	Other changes	Balance at 31.12.2019
Deferred tax liabilities:												
Available-for-sale assets	306	–	–	–	(154)	–	152	–	25	–	–	177
Measurement of financial instruments Derivatives	344,248	–	(1,357)	1,449	(38,424)	(19,207)	286,709	9,679	4,876	(68,434)	–	232,830
Accelerated depreciation	4,388,915	10,468	(49,772)	139,698	29,608	–	4,518,917	115,906	291,286	–	39,953	4,966,062
Overprice in business combinations	3,265,743	–	(163)	21,119	3,708	–	3,290,407	64,190	120,059	–	–	3,474,656
Other deferred tax liabilities	559,207	52,623	(956)	17,690	317,818	–	946,382	12,407	(282,555)	–	8,927	685,161
Total	8,558,419	63,091	(52,248)	179,956	312,556	(19,207)	9,042,567	202,182	133,691	(68,434)	48,880	9,358,886

Administrative actions

Undergoing tax inspections at reporting date in 2019 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, there are no general tax inspections in place. However, during this period several partial assessments have been completed which have resulted in agreed tax investigation reports and contested tax investigation reports. In the case of agreed tax investigation report, the Group has had to settle no material amounts, whereas in the case of contested tax investigation reports, the balance was zero.

In those countries where the Group has significant presence, the main ongoing inspections are as follows:

- In the United States the most relevant ongoing inspection is related to Income Tax in the State of New York. Additionally, giving its nature of large contributor, both at federal level and state level, AVANGRID Group has around 28 ongoing tax inspection over other tax figures.
- In the United Kingdom, ScottishPower has been assigned by the HRMC the condition of low risk. The only relevant matter under discussion affects the deductibility of certain payments made as required by the electric regulator (OFGEM).
- Last, Brazil is known for being a jurisdiction with a high risk of litigation and there are multiple ongoing investigation actions, which follows the tax and administrative structure of the country and the usual procedure of tax authorities. However, NEONERGIA's directors do not expect any relevant impacts arising from them and, overall, these procedures are rarely settled in favour of tax administrations.

Tax litigation

Among its principles, IBERDROLA includes the promotion of relationships with the tax authorities, based on the respect for the law, loyalty, trust, professionalism, collaboration, reciprocation and good faith, notwithstanding legitimate controversies that may arise due to the interpretation of tax rules. Therefore, when those controversies arise, IBERDROLA carries out its actions before the authorities based on a cooperative relationship, in accordance with the principles of transparency and mutual trust.

All IBERDROLA actions have been analysed by its internal and external advisors, both for this year and for preceding years, and they 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 occurrence of contingent liabilities has also been subject to analysis. IBERDROLA's overall criteria applied has been to recognise provisions for tax litigation when there is a risk of potential unfavourable decision for Iberdrola is probable whereas 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 additional liabilities of significance for the IBERDROLA Group to those already recognised at 31 December 2019.

Tax litigation in Spain

In Spain, at present, the Group is awaiting the decision by the Central Administrative Economic Court for the complaints lodged as a result of disagreement signed as part of the general verification process for 2008-2011.

The main controversies arise from the settlement agreements resulting from contested tax investigation reports related to the quantification of goodwill, subject to tax amortisation and depreciation, for the acquisition of SCOTTISH POWER, the elimination of the exemption applicable to SCOTTISH POWER's dividends received for 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 Law in a debtor-swap operation in a number of bond issues.

At present, IBERDROLA is awaiting the decision by the Central Administrative Economic Court for the complaints lodged as a result of disagreement signed as part of the general verification process for 2012-2014. The discrepancy with the Administration focuses on the applicability, not the criteria of temporary imputation established in many Supreme Court's orders, regarding income received from the Group, resulting from payments made based on rules contrary to the Law.

Tax litigation in other countries

As a general rule, no significant tax litigation is currently undergoing in the other jurisdictions where the Group operates but in Brazil, where there is a large number of litigation and administrative and judicial proceedings in place. The Group considers it is probable the final rulings will be favourable.

Update of the financial goodwill (section 12.5 of the revised Corporate income tax Act).

No significant changes have taken place during this period. From the perspective of the Spanish authorities, an aid retrieval procedure was initiated by virtue of the General Tax Act, recovering from the IBERDROLA Group the amount Euros of 665 million (Euros 576 million as tax base and Euros 89 million as late-payment interests) by virtue of Section 12.5. IBERDROLA paid the required amount by (i) using Euros 363 million of the 2016 income tax rebate, and (ii) paying Euros 302 million in February 2018. For this, the Administration, in this case, understood that IBERDROLA was affected by the Third Decision of the European Commission.

The amount paid has been recognised under the heading "Current tax assets" of the Consolidated statements of financial position at 31 December 2019 and 2018. The assets show the amount recoverable from the Administration for corporate income tax insofar as in the view of IBERDROLA the payments made are higher than the current tax whose recoverability is considered to be probable, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided in section 12.5 of the TRLIS resulted in a taxable temporary difference and subsequently deferred tax liabilities were recognised. Therefore, in the event the outcome is contrary to the Company's interests (a circumstance which is not considered to be probable in accordance with the information currently available), the impact on equity would be substantially mitigated.

34. TAX RECEIVABLES AND PAYABLES

The breakdown of the headings “Income tax receivables/payables” and “Other tax receivables/payables” on the asset and liability sides, respectively, of the Consolidated statement of financial position is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Public Administrations Receivables		
Public Treasury, Corporate income tax receivables	318,082	252,907
Public Treasury, VAT refundable	192,506	229,975
Tax withholdings and prepayments	3,192	158,319
Public Treasury, other receivables	311,333	115,150
Total	825,113	756,351
Public Administrations Payables		
Public Treasury, Corporate income tax payables	242,626	349,314
Public Treasury, VAT payable	141,063	105,942
Public Treasury, withholdings payable	52,641	69,980
Public Treasury, other payables	797,465	837,010
Social Security Agencies, payables	29,476	26,517
Total	1,263,271	1,388,763

35. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "REPORTING REQUIREMENT" OF LAW 15/2010, OF 5 JULY

The breakdown of the required information for 2019 and 2018 is the following:

	Number of days	
	2019	2018
Average payment period to suppliers	13	15
Ratio of transactions settled	13	14
Outstanding payment transactions ratio	31	26

Thousands of Euros	2019	2018
Total payments made	12,881,683	13,413,355
Total payments due	241,190	301,766

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, from the Instituto de Contabilidad y Auditoría de Cuentas, on the information to be included in the notes to the annual accounts in relation to deferred payments to suppliers in commercial transactions operations. The specifications with which such information has been prepared are the following:

- Ratio of paid operations: amount in days of the ratio between the sum of the amount of each of the operations paid and the number of pay 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.
- Property, plant and equipment and other finance lease suppliers are not considered in the information scope.
- Taxes, levies, indemnifications and some other headings are not considered in the information scope since they are not commercial transactions.
- The table below shows information corresponding to Spanish companies included in the consolidated group once the credits and debits between the subsidiary companies are eliminated.

36. REVENUE

The breakdown of this heading of the Consolidated income statement is as follows:

Year 2019 Thousands of Euros	Liberalised							Renewables							Networks					Other business, Corporation and adjustments	Total
	Spain	United Kingdo m	Mexico	Brazil	IEI	Eliminati ons	Total	Spain	United Kingdo m	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdo m	United States	Brazil	Total		
In regulated markets																					
Electricity	1,355,178	-	1,425,334	-	-	-	2,780,512	684,085	-	-	-	-	-	684,085	2,030,138	1,372,634	2,943,212	5,185,519	11,531,503	(682,853)	14,313,247
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,305,953	-	1,305,953	-	1,305,953
In liberalised markets																					
Electricity	8,983,907	3,200,400	936,696	558,764	1,098,073	(588,988)	14,188,852	643,671	403,166	896,300	86,932	208,388	346,059	2,584,516	-	-	20,753	-	20,753	(1,475,971)	15,318,150
Gas	1,783,734	1,282,446	-	-	36,640	(64,187)	3,038,633	-	-	-	-	-	-	-	-	-	-	-	-	4,654	3,043,287
Other	548,565	36,205	-	-	15,628	(1,233)	599,165	-	323,720	151,895	328	-	-	475,943	76,398	-	1,871	-	78,269	(212,199)	941,178
Income from lease contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,836	-	-	954,023	967,859	-	967,859
Income for lease contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,796	-	-	-	1,796	28,411	30,207
Commodities derivatives	129,458	7,427	(35,032)	33,329	8	(16,159)	119,031	-	-	15,448	29,083	6,801	38,409	89,741	-	-	-	303,789	303,789	5,466	518,027
Total	12,800,842	4,526,478	2,326,998	592,093	1,150,349	(670,567)	20,726,193	1,327,756	726,886	1,063,643	116,343	215,189	384,468	3,834,285	2,122,168	1,372,634	4,271,789	6,443,331	14,209,922	(2,332,492)	36,437,908

Year 2018 Restated (Note 2.d)	Liberalised							Renewables							Networks					Other business, Corporation and adjustments	Total	
	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	1,458,487	-	1,491,876	-	-	-	2,950,363	691,452	-	-	-	-	-	691,452	2,021,992	1,275,548	3,022,356	4,982,531	11,302,427	(291,607)	14,652,635	
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,234,545	-	1,234,545	-	1,234,545	
In liberalised markets																						
Electricity	8,918,178	3,490,913	778,324	740,754	1,015,487	(556,478)	14,387,178	1,004,662	366,590	878,313	92,976	221,520	258,692	2,822,753	-	-	15,978	-	15,978	(2,340,670)	14,885,239	
Gas	1,646,648	1,510,850	-	-	7,888	(135,952)	3,029,434	-	-	-	-	-	-	-	-	-	-	-	-	30,723	3,060,157	
Other	548,551	20,288	-	-	4,774	90	573,703	-	330,883	177,313	415	-	-	508,611	36,320	-	1,898	-	38,218	(241,994)	878,538	
Income from lease contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,732	-	-	34,634	101,366	-	101,366	
Income for lease contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	490	-	-	-	490	26,764	27,254	
Commodities derivatives	17,583	624	(23,951)	52,135	(457)	5,565	51,499	-	-	(28,701)	(2,396)	22,281	30,993	22,177	-	-	-	168,214	168,214	(5,751)	236,139	
Total	12,589,447	5,022,675	2,246,249	792,889	1,027,692	(686,775)	20,992,177	1,696,114	697,473	1,026,925	90,995	243,801	289,685	4,044,993	2,125,534	1,275,548	4,274,777	5,185,379	12,861,238	(2,822,535)	35,075,873	

Below are described the main activities for which IBERDROLA generates ordinary income 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 consumer simultaneously the benefits from IBERDROLA Group's performance insofar the transmission or distribution network is available.

In the countries where IBERDROLA Group operates, the retribution for transmission and distribution activities is basically determined by the regulated margin recognised by the corresponding regulator. In the case of some 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 proceed or payment is certain, regardless of future sales (Note 14.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 include an estimated 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 in 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 in the liberalised market.
- Moreover, in Mexico electricity energy is supplied at liberalized conditions for consumers with a demand of 1 MW or upper.

IBERDROLA Group's retail companies act as principal. Moreover, purchase and sale of energy between the Group's generation and retail companies are left out of the consolidation process.

- Assignment of electricity generation capacity

The electricity generation capacity assignment is an obligation independent from electricity supply whose income is recognised through 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. Among others, IBERDROLA Group keeps electricity generation capacity assignment agreements in Mexico for its combined cycle power plant 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 for connecting to the receiving electricity and gas 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 fulfillment obligation. On the other hand, income for the right of use of meters is recognised as income throughout the period of use.

- Sale of renewables obligation certificates

In the sale of renewables obligation certificates from the Renewables business associated to supplied energy (joint sale of energy and green certificates), income for 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 transmission and distribution concession agreements for electric energy IBERDROLA Group has executed in Brazil include two compliance obligations: (1) construction services and (2) following operation and maintenance of built facilities. The assignment of the consideration for each compliance obligation is done from the estimate of the independent sale price at the beginning of the contract, using IBERDROLA Group's experience in the provision of similar services, of bidding terms and conditions, as well as any other internal or external information available.

Income from construction projects whose income is recognised through the length of the construction, since the control of the asset is transferred to the customer on an on-going basis.

The income related to construction contracts are registered 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 to the extent that costs are incurred, provided that such costs are recoverable. Profit on the contract is only recognized 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 are legally demanded.

- Real property sales

As to real property sales, the IBERDROLA Group follows the principle of recognising income at the time when legal title is transferred to the purchaser, which usually matches the date of public execution of the respective contracts.

37. SUPPLIES

The breakdown of this heading of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Liberalised business	16,038,570	16,824,304
Spain	9,870,023	10,193,985
United Kingdom	3,842,035	4,159,851
Mexico	1,392,096	1,489,687
Brazil	499,929	658,960
IEI	1,105,036	1,008,463
Eliminations	(670,549)	(686,642)
Renewables business	388,659	434,058
Spain	76,828	116,342
United Kingdom	49,327	53,753
United States	211,593	191,828
Mexico	3,254	3,108
Brazil	41,469	65,606
IEI	6,188	3,421
Networks business	6,079,332	5,219,469
Spain	5,287	15,991
United Kingdom	61,967	53,101
United States	1,396,394	1,494,913
IEI	4,615,684	3,655,464
Other business, Corporation and adjustments	(2,332,032)	(2,837,095)
Total	20,174,529	19,640,736

38. PERSONNEL EXPENSES

The breakdown of this heading of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Wages and salaries	2,065,632	1,973,562
Company social security costs	313,022	292,731
Additional provisions for pensions and similar obligations and defined contributions to the external pension plan (Notes 3.p and 25)	239,267	195,706
Remuneration stipulated in by-law 48.1 (Note 47)	17,000	17,000
Token payments Art. 48.4	9,381	5,588
Other social expenses	196,869	194,138
	2,841,171	2,678,725
Capitalised personnel expenses		
Intangible assets (Note 8)	(13,892)	(73,899)
Property, plant and equipment (Note 3.d)	(611,474)	(581,672)
Nuclear fuel and inventories	(69,748)	(3,148)
	(695,114)	(658,719)
Total	2,146,057	2,020,006

The average number of the IBERDROLA Group employees in 2019 and 2018 has increased to 34,306 and 33,415 employees, of which 7,932 and 7,729 are women, respectively.

The average number of employees in the consolidated group corresponds to all the employees in those consolidated companies that have been integrated using the global integration method, as well as the employees of the joint ventures determined based on the participation share in those ones.

39. TAXES

The breakdown of this heading of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Liberalised business	807,692	802,050
Spain	687,233	693,187
United Kingdom	116,772	106,971
Brazil	32	44
Mexico	3,036	1,526
IEI	619	322
Renewable Business	341,414	468,006
Spain	269,159	396,418
United Kingdom	23,144	23,624
United States	42,396	43,650
Mexico	734	357
Brazil	855	539
IEI	5,126	3,418
Networks business	684,387	647,683
Spain	89,877	90,106
United Kingdom	108,895	105,368
United States	482,017	448,421
Brazil	3,598	3,788
Other business, Corporation and adjustments	(4,520)	13,264
Total	1,828,973	1,931,003

Law 15/2012 was published on 28 December 2012, regarding tax measures to ensure sustainability of the energy sector. Not only did it introduce the green cent measures, recognised under the heading “Taxes” of the Consolidated income statement, but also introduced the following tax figures registered under the heading “Taxes” of the Consolidated income statement of 2019 and 2018:

- 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 incorporation thereof in the Spanish electricity system, measured at power station busbars, during the tax period. This tax gave rise to an expense of Euros 160,667 thousand and Euros 194,038 thousand in 2019 and 2018 respectively.
- A tax on spent nuclear fuel, whose cost has amounted to Euros 127,492 thousand and Euros 131,509 thousand in 2019 and 2018, respectively.
- A royalty on the use of inland water affecting production of electricity that is levied on the economic value of hydroelectric power produced, with a rate of 22%. The corresponding expense in 2019 and 2018, amounting to Euros 84,516 thousand and Euros 165,135 thousand, respectively.

- A green cent tax levied against energy products used in electricity production, entailing a cost for the IBERDROLA Group of Euros 1,892 thousand and Euros 35,575 thousand in 2019 and 2018, respectively. This payment was recognised under the heading "Supplies" of the Consolidated income statement.

Additionally, the heading "Taxes" of the 2019 and 2018 Consolidated income statement includes Euros 169,436 thousand and Euros 168,310 thousands, respectively, as the best estimate available of the accrued expenses originated by Royal Decree-Law 6/2009 (Note 3.x).

40. AMORTISATION, DEPRECIATION AND PROVISIONS

The breakdown of this heading of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Depreciation allowances		
Intangible assets (Note 8)	912,443	737,136
Investment in real property (Note 9)	7,781	7,533
Property, plant and equipment (Note 10)	2,815,091	2,842,430
Assets for pension plans (Note 11)	139,098	-
Allowances for impairments and write-offs of non-financial assets:		
Reversal of impairment of intangible assets in Renewables in USA (Notes 8 and 13)	(20,024)	(52,688)
Charge Reversal of impairment in PPE (Note 10)	-	13,565
Other write-off property, plant and equipment (Note 10)	-	81,049
Changes in provisions	75,044	26,849
Total	3,929,433	3,655,874

41. GAINS AND LOSSES ON DISPOSAL OF NON-CURRENT ASSETS

The breakdown of this heading "Gains on disposal of non-current assets" of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Gain on the disposal of intangible assets and PPE	152,561	10,419
Gain on the disposal of equity investments	53,654	38,049
Total	206,215	48,468

The breakdown of this heading "Losses due to disposal of non-current assets" of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Loss on the disposal of intangible assets and PPE	3,416	2,331
Loss on the disposal of equity investments	-	37,286
Total	3,416	39,617

Year 2019

- Surplus recognised under the heading “Gains on disposal of non-current assets” of the Consolidated income statement for 2019 mainly corresponds to the long-term assignment to Lyntia Networks of the right to use the exceeding capacity of the optic fibre network resulting in a credit of Euros 113,816 thousand (Note 6) and the sale of 50% of the interest in the companies Dry Lake II, LLC. and Cooper Crossing, LLC (subsidiary of Avangrid Arizona Renewables, LLC), whose sale price amounted to approximately Euros 100 million, resulting in a gross surplus of Euros 53,654 thousand.

Year 2018

- Gross losses recognised under the heading “Losses on disposal of non-current assets” of the Consolidated income statement for 2018 correspond mainly to the sale of the gas business in the United States in the amount of Euros 13,881 thousand and the 80% stake in Coyote Ridge Wind LLC to WEC Infrastructure, for an amount of Euros 23,116 thousand (Notes 6 and 14.a).
- The Gross surplus recognised under the heading “Gains on disposal of non-current assets” of the Consolidated income statement for 2018 corresponds to the sale of Iberdrola Energía Solar de Puertollano, S.A. for Euros 12,470 thousand and of Scottish Power Generation Limited for Euros 25,579 thousand (Note 6).

42. FINANCE INCOME

The breakdown of this heading “Financial Income” of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
Income from equity investments	804	2,284
Financial income related to assets at amortised cost:		
Other financial interests and income	131,373	194,261
Other interest and finance income due to credits to associated companies	185	58
Non-hedge derivatives and inefficiencies (Note 28)	78,228	114,736
Exchange losses in foreign currency for financing activities	327,293	191,789
Other Exchange losses in foreign currency	102,737	143,360
Capitalised finance costs	222,990	193,423
Total	863,610	839,911

The average capitalisation rates used in 2019 and 2018 for external financing of property, plant and equipment was 4.64% and 3.68%, respectively (Note 3.d).

43. FINANCIAL COSTS

The breakdown of this heading “Financial expense” of the Consolidated income statement is as follows:

Thousands of Euros	31.12.2019	31.12.2018
finance cost related to liabilities at amortised cost:		
finance cost and financing expenses	1,210,511	1,234,475
Other finance cost and similar expenses	86,968	94,503
Capitalised financing expenses (Notes 2.a and 30)	57,023	–
Equity instruments having the substance of a financial liability (Note 22)	20,010	12,026
Non-hedge derivatives and inefficiencies (Note 28)	198,568	161,174
Valuation adjustments of financial assets	1,771	2,798
Exchange losses in foreign currency for financing activities	330,197	198,604
Other Exchange losses in foreign currency	94,974	146,415
Financial update of other provisions (Note 26)	84,627	68,057
Financial update of provisions for pensions and similar commitments (Note 25)	79,052	77,953
Total	2,163,701	1,996,005

44. CONTINGENT ASSETS AND LIABILITIES

The IBERDROLA Group companies are involved in 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 advisors believe that outcome of these disputes will not have a material impact on its equity-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 established criteria in accounting regulations is not met, are as follows:

Contingent liabilities

- On 16 June 2014, the CNMC initiated penalty proceedings against IBERDROLA GENERACIÓN ESPAÑA for purported fraudulent manipulation aimed at altering energy prices at the hydroelectric generation plants of the Duero, Tagus and Sil in December 2013. On 30 November 2015 the Company was notified of the Euros 25 million penalty. IBERDROLA GENERACIÓN ESPAÑA lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court, was given leave to proceed, and enforcement of the penalty was stayed. The procedure is currently on hold pending separate rulings.
- Complaints lodged in 2016 by the Group before the Central Economic-Administrative Court for contested tax investigation reports correspond to the years 2008-2011. The main controversies arise from the elimination of the exemption applicable to dividends received for 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 Law in a debtor-swap operation in a number of bond issues.

- IBERDROLA INGENIERÍA's subsidiary company in the United States (Iberdrola Energy Projects - IEP) maintains an arbitration against one of its clients before the *International Centre for Dispute Resolution (ICDR)* de la *American Arbitration Association (AAA)* due to the undue termination of a contract and other claims. In turn, said client is claiming certain amounts resulting from delay penalties and other damages to IEP. Currently the proceeding is at the stages of documentation presentation and drafting of testimonies. The hearing will take place in August/September 2020.

In February 2019 the client executed 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 2019 because it is considerable probable to recover the amount from the counterparty in case the outcome is favourable or to offset it with the amount to be paid, in the event of an unfavourable outcome.

- In 2018, two arbitrations were initiated by two contractors (one in charge of the electrical part of the project and the other of the assembling of equipment) of the Salem Harbor project before the ICDR of the American Arbitration Association (AAA) against IEP claiming damages resulting from unpaid works, interferences and delays. For both IEP arbitrations counter-claims have been filed and hearings have been held in 2019. In one of the them, the conclusions writ was filed on 7 February 2020 and in the other the award is expected for March 2020.
- 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, for extension costs and direct costs incurred in due to delays and interferences attributable to IBERDROLA INGENIERÍA. Said claim has been rejected by IBERDROLA INGENIERÍA due to lack of grounds by virtue of the joint venture agreement and of evidence.
- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil as a result of daily operations. 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 the 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.

Labour complaints were filed by former NEOENERGIA Group companies or by former subcontractor as regards additional working hours, equitable salaries and other employment rights. Civil cases refer to commercial and damages actions initiated to claim material or moral damages, arbitrations related to engineering contracts and environmental actions.

Among the tax claims are infraction notices due to the following:

- not deducting amortised and depreciated goodwill expense (agio) in the calculation basis of income tax (both in corporate income tax- IRPJ and social contribution tax -CSL) applicable to the subsidiary companies Celpe, Coelba, Cosern, Itapebi and Termopernambuco.
- failure to make income tax withholdings on interest payment on treasury capital between Group companies, and
- questioning tax credits related to consumption tax (ICMS) in Celpe and Elektro.
- the tax authorities considering that payments for subsidiary company revenue, social benefits, health insurance and life insurance should be recognised as social security expenses, and

- offsetting by Neoenergia of balances in its favour due to wrongly applying PIS/COFINS to finance income, under a favourable resolution, which has been contested.

Furthermore, it should be noted that there is favourable and final administrative ruling regarding the infraction notice against Elektro initiated by the Receita Federal do Brasil regarding income tax for capital gains resulting from the acquisition of Elektro Redes. There is also a favourable ruling by a first instance court on tax deductibility of goodwill applicable to Celpe (2007 and 2008).

As regards regulatory actions, the distribution companies Coelba, Celpe, Cosern and Elektro are involved in similar proceedings, among which the following should be highlighted: (i) procedure to calculate individual and collective technical service continuity indicators; (ii) trade matters; (iii) financial compensations and recovery of global indicators; (iv) matters related to collections and legality of rate items or guides, and (v) matters related to the legality of administrative actions imposed by ANEEL. Among said actions, the following stand out:

- Elektro's Energy Social Tariff (low rent), which the Consumers Association intends on increasing in number of eligible customers from 2002 to 2010, imposing on ANEEL and Elektro the obligation to restore tariff differences, which should be born, eventually, by the sector fund, the CDE;
 - The free or onerous use of rights of war areas in roads for the electricity grid, whose appropriateness is being discussed in a leading case in the Supreme Court (STF).
 - Several matters regarding over or under subscription of energy, under administrative discussion; and
 - The possibility of ANEEL including for the rate tax income resulting from favourable outcome from court disputes regarding the exclusion of the ICMS tax from the federal contributions calculation base PIS and COFINS. Matter under discussion from the administrative perspective.
- Complaint of 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, including Avangrid Renewables, LLC (subsidiary of Avangrid, Inc.) 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 price of the energy purchase contracts imposed an excessive burden on customers in the amount of USD 259 million. FERC recommended filing the case without sanction. Following these proceedings, FERC is expected to issue a final ruling in 2020 and its decision may be appealed in the courts. The IBERDROLA Group expects that the case will eventually be shelved without any penalty.

- PNE Energy Supply LLC vs. Eversource Energy and Avangrid, Inc.: Class Action Regarding LDC Gas Transportation Service on Algonquin Gas Transmission (AGT), presented on 10 August 2018. Plaintiff filed a civil antitrust action, on behalf of itself and those similarly situated, against the Company and Eversource alleging that their respective gas subsidiaries illegally manipulated the supply of pipeline

capacity in the “secondary capacity market” in order to artificially inflate New England natural gas and electricity prices. On 7 June 2019, the Court dismissed the complaint. Said decision has been appealed by the claimants before the Court of Appeal of the First Circuit in the USA and is pending of settlement. The Company cannot predict the outcome of this matter.

- On 1 May 2018, ARHI closed the transaction for the sale of the gas storage business to Amphora Gas Storage USA, LLC. On 30 October 2019, ARHI received a compensation complaint from Amphora Gas Storage USA, LLC in for the amount of approximately USD 20 million for, among others, certain infractions related to land occupation, health and safety requirements, and the situation and sufficiency of assets, and a complaint from a third party due to intellectual property rights infringement. In accordance with the terms and conditions of the purchase agreement, the total aggregate amount for which AHRI could be liable to compensation (due to matters different to the fundamental statements, tax matters and fraud complaint) could not exceed 15% of purchase price. This represents approximately USD 10 million. The company cannot foresee the outcome of this matter.

Additionally, as part of the ordinary business of the IBERDROLA Group, the following contingent liabilities have arisen:

- US gas companies own, or have owned, the land where they operated the gas manufacturing plants. Said land was polluted as a result of these activities. In some cases, the soil has been cleaned. In some other cases, the soil has been assessed and identified, but has not been cleaned yet. Last, in some cases, the extent of the pollution has not been determined yet. For the last group, at 31 December 2019 no provisions had been recognised because the reasonable cost of the regulators intervention and approval cannot be estimated. In the past, gas companies have received approval to recover expenses associated to cleaning from customers through rates and expects to recover cleaning 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.

The IBERDROLA Group's appeals on regulatory issues were submitted in opposition to general dispositions of an indefinite amount, affecting the regulatory and remuneration framework of the companies. Therefore, they concern regulatory dispositions that were in force at the time of appeal.

IBERDROLA Group's assets are not at risk with respect to the appeals submitted against general energy stipulations because the economic effects of the stipulations challenged apply when they come into force. An estimate of the appeals submitted by third parties has a limited economic scope, as this would force amendments to the regulatory framework and possible refunds.

As regards legal proceedings instigated by third parties that may affect the remuneration and equity of the IBERDROLA Group, no significant appeals have been lodged.

The contingent assets and liabilities at 31 December 2018 are described in the IBERDROLA Group's 2018 Consolidated annual accounts.

45. INTERESTS IN JOINT VENTURES

The detail (at 100%) of the most significant economic aggregates in 2019 and 2018 relating to the main joint ventures involving the IBERDROLA Group is as follows:

Thousands of Euros	Joint property of nuclear and thermal plants					A.I.E. Almaraz-Trillo	A.I.E. Ascó-Valdellós	West of Duddon Sands	Wikingier OSS	Torre Iberdrola
	Year 2019	Almaraz	Trillo	Vandellós	Ascó					
Segment	Liberalised							Renewables		Other businesses
Intangible assets.	-	-	-	-	-	5,044	-	1,546,755	-	14
Property, plant and equipment										
Technical installations	650,795	925,580	942,015	587,575	-	-	-	-	141,593	-
Other fixed assets	330	3,911	13,087	-	1,811	2,138	-	-	-	165,844
Non-current financial assets	22,533	11,291	43,090	9,864	2,430	2,056	180,060	7,594	-	13,625
Current assets	586,220	367,510	354,639	325,279	64	56,910	136,286	-	-	1,314
Total assets	1,259,878	1,308,292	1,352,831	922,718	4,305	66,148	316,346	1,554,349	141,593	180,797
Non-Current liabilities	388,406	483,984	556,240	267,297	-	45,766	197,521	-	-	1,646
Current liabilities	1,252,784	908,801	846,103	775,921	4,775	20,382	99,592	30,904	-	1,377
Income	789,523	379,132	360,649	359,442	-	174,535	306,219	1,487	-	14,970
Expenses	773,418	373,539	356,670	296,830	470	174,535	255,255	30,469	-	10,928

Thousands of Euros	Joint property of nuclear and thermal plants					A.I.E. Almaraz-Trillo	A.I.E. Ascó-Valdellós	West of Duddon Sands	Wikingier OSS	Torre Iberdrola
	Year 2018	Almaraz	Trillo	Vandellós	Ascó					
Segment	Liberalised							Renewables		Other businesses
Intangible assets.	-	-	-	-	-	5,290	-	-	-	21
Property, plant and equipment										
Technical installations	692,494	952,610	948,438	594,792	-	-	-	1,456,429	147,727	-
Other fixed assets	340	4,133	14,271	-	1,811	2,029	-	-	-	184,896
Non-current financial assets	22,533	11,291	43,090	9,864	2,430	1,919	144,532	-	-	-
Current assets	707,494	382,790	369,356	376,302	739	50,923	139,181	9,946	-	2,184
Total assets	1,422,861	1,350,824	1,375,155	980,958	4,980	60,161	283,713	1,466,375	147,727	187,101
Non-Current liabilities	365,529	463,666	515,544	245,947	-	39,799	156,007	-	-	1,515
Current liabilities	893,204	856,820	960,220	613,141	5,746	20,362	108,473	39,096	-	1,699
Income	908,702	444,292	304,278	484,922	7	163,076	323,508	1,372	-	13,602
Expenses	744,267	413,950	402,382	363,052	772	163,076	302,518	30,132	-	11,032

46. 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 this regard, the IBERDROLA Group guarantees the obligations undertaken in energy purchase agreements and grid access transactions in different energy markets and against the operators of different electricity systems (MEFF, OMEL, OMI Clear, National Grid, CFE, REE and EDP Distribución).

With regard to generation from renewable sources, the IBERDROLA Group has provided guarantees to third parties to cover the construction, bringing into service and dismantling of facilities, in addition to its responsibilities in long-term energy sales.

In 2016, the signing of nonconformity has taken place regarding the corporate Income Tax for the years 2008 to 2011 and regarding the Value Added Tax, for years 2010 and 2011. IBERDROLA has filed the corresponding claims to the Economic Administrative Court against the liquidation agreements, which confirm the acts of nonconformity, requesting the automatic suspension of the execution of the settlements by means of the necessary bank guarantees (Note 33).

In addition, at 31 December 2019 and 2018, there were outstanding obligations resulting from bond issues in the United States amounting to Euros 1,962,701 and 1,787,818 thousand that were secured by the items in the property, plant and equipment of the subgroup AVANGRID.

IBERDROLA considers that any additional liability at 31 December 2019 and 2018, arising from the guarantees provided at that date, if any, would not be significant.

Moreover, the IBERDROLA Group in compliance with the contractual obligations associated with loans received from banks, had fully or partially pledged some of its subsidiaries shares at 31 December 2019 and 2018. The detail, by company, of the shares pledged is as follows:

Thousands of Euros	2019			2018		
	Carrying amount	Percentage of ownership of IBERDROLA Group	Carrying amount by percentage of ownership of IBERDROLA Group's ownership (thousands of euros)	Carrying amount	Percentage of ownership IBERDROLA Group	Carrying amount by percentage of ownership of IBERDROLA Group's ownership (thousands of euros)
Renewables business - Spain						
Eólica 2000, S.L.	6,150	51.00%	3,137	5,764	51.00%	2,940
Eólica de Campollano, S.A. (1)	27,485	25.00%	6,871	27,031	25.00%	6,758
Molinos de La Rioja, S.A. (1)	–	–	–	14,887	42.37%	6,308
Molinos del Cidacos, S.A.	–	–	–	37,336	31.78%	11,865
Renewables business - Brazil						
Arizona 1 Energia Renovável, S.A.	9,881	51.04%	5,043	10,993	52.45%	5,766
Caetité 1 Energia Renovável, S.A.	16,208	51.04%	8,273	16,499	52.45%	8,654
Caetité 2 Energia Renovável, S.A.	19,221	51.04%	9,811	18,895	52.45%	9,910
Caetité 3 Energia Renovável, S.A.	15,776	51.04%	8,052	16,083	52.45%	8,436
Calango 1 Energia Renovável, S.A.	11,964	51.04%	6,106	13,166	52.45%	6,906
Calango 2 Energia Renovável, S.A.	10,490	51.04%	5,354	11,192	52.45%	5,870
Calango 3 Energia Renovável, S.A.	10,685	51.04%	5,454	11,884	52.45%	6,233
Calango 4 Energia Renovável, S.A.	9,517	51.04%	4,858	10,891	52.45%	5,712
Calango 5 Energia Renovável, S.A.	10,293	51.04%	5,253	11,419	52.45%	5,989
Calango 6 Energia Renovável, S.A.	51,416	51.04%	26,243	51,491	52.45%	27,007
Canoas Energia Renovável, S.A.	43,291	51.04%	22,096	43,767	52.45%	22,956
Canoas 2 Energia Renovável, S.A.	2,242	51.04%	1,144	–	–	–
Canoas 3 Energia Renovável, S.A.	1,019	51.04%	520	–	–	–
Canoas 4 Energia Renovável, S.A.	2,109	51.04%	1,076	–	–	–
Chafariz 1 Energia Renovável, S.A.	2,660	51.04%	1,358	–	–	–
Chafariz 2 Energia Renovável, S.A.	2,241	51.04%	1,144	–	–	–
Chafariz 4 Energia Renovável, S.A.	2,086	51.04%	1,065	–	–	–
Chafariz 5 Energia Renovável, S.A.	2,197	51.04%	1,121	–	–	–
Ventos de Arapuá 1 Energia Renovável, S.A.	1,906	51.04%	973	–	–	–
Ventos de Arapuá 2 Energia Renovável, S.A.	2,352	51.04%	1,200	–	–	–
Ventos de Arapuá 3 Energia Renovável, S.A.	975	51.04%	498	–	–	–
Força Eolica Participações, S.A.	54,728	51.04%	27,933	58,563	52.45%	30,716
Lagoa I, S.A.	52,921	51.04%	27,011	52,827	52.45%	27,708
Lagoa II, S.A.	43,130	51.04%	22,013	42,521	52.45%	22,302
Lagoa 3 Energia Renovável, S.A.	1,816	51.04%	927	–	–	–
Lagoa 4 Energia Renovável, S.A.	1,537	51.04%	785	–	–	–
Mel 2 Energia Renovável, S.A.	7,563	51.04%	3,860	7,310	52.45%	3,834
Santana 1, Energia Renovável, S.A.	37,703	51.04%	19,244	40,791	52.45%	21,395
Santana 2, Energia Renovável, S.A.	29,675	51.04%	15,146	32,365	52.45%	16,975
Liberalised - Brazil						
Baguari Geração de Energia Elétrica, S.A.	33,915	50.99%	17,293	37,571	52.45%	19,706
Belo Monte Participações, S.A.	310,905	51.04%	158,684	306,082	52.45%	160,540
Companhia Hidrelétrica Teles Pires, S.A. (1)	425,008	26.03%	110,642	424,280	26.75%	113,504
Energética Aguas da Pedra, S.A. (1)	105,014	26.03%	27,336	97,405	26.75%	26,055
Energética Corumba III (1)	38,283	12.76%	4,885	37,391	13.11%	4,903
Geração CIII, S.A.	57,568	51.03%	29,380	57,589	52.45%	30,205
Norte Energia, S.A. (1)	3,101,854	5.10%	158,319	2,971,872	5.25%	155,875
Teles Pires Participações, S.A. (1)	337,189	25.81%	87,014	326,387	26.52%	86,554
Geração Ceu Azul, S.A.	271,054	51.04%	138,346	255,988	52.45%	134,266
Liberalised - Mexico						
Parque Industrial de Energías Renovables II Quecholac Felipe Angeles, S.A. de C.V.	17,210	51.00%	8,777	15,556	51.00%	7,934
Parque Industrial de Energia Renovable SA de CV	66,526	51.00%	33,929	62,647	51.00%	31,950
Parque Industrial de Energías Renovables IV, S.A. de C.V.	427	51.00%	218	403	51.00%	206
Networks - Brazil						
Potiguar Sul Transmissão de Energia, S.A.	58,944	51.04%	30,085	55,282	52.45%	28,995
Neoenergia Jalapão Transmissão de Energia, S.A.	30,702	51.04%	15,670	–	–	–
Neoenergia Dourados Transmissão de Energia, S.A.	47,332	51.04%	24,158	–	–	–
Total	5,393,168	–	1,088,305	5,184,128	–	1,064,933

(1) Companies recognised as equity-accounted investee.

47. REMUNERATION OF THE BOARD OF DIRECTORS

47.1 2019 by-law stipulated remuneration

Section 48 of IBERDROLA's by-laws provides that the Company shall 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 proposal of the Appointments and Remuneration Committee, the Board of Directors has decided to propose to shareholders at their General Meeting to assign by-law stipulated remuneration of Euros 17,000 thousand in 2019 and the same amount as in the previous four years, this is in 2015, 2016, 2017 and 2018.

These amounts have been registered under the heading "Personnel expenses" of the Consolidated income statement (Note 38).

a) Fixed remuneration and attendance premium

The fixed annual remuneration and attendance premium received by board and committee members depends on the duties assigned to them in the Board of Directors and its commissions in 2019 and 2018. The details are as follows:

Thousands of Euros	Fixed remuneration		Attendance fees	
	2019	2018	2019	2018
Chairman of the board	567	567	4	4
Vice-chair of the board and committee chairs	440	440	4	4
Committee members	253	253	2	2
Board members	165	165	2	2

b) Remuneration of the executive directors for their executive duties

The Board of Directors has resolved to maintain the fixed remuneration for the chairman and chief executive officer in 2019 at Euros 2,250 thousand. It also decided to maintain the limit of variable annual remuneration, which may not exceed Euros 3,250 thousand and which will be paid as far as been agreed in 2020.

The board of directors decided on a fix remuneration in 2019 of Euros 1,000 thousand for the member of the board and Business CEO and set a limit of variable annual remuneration of Euros 1,000 thousand, to be paid, as may be agreed, in 2020.

c) Board member remunerations paid and accrued

The detailed fixed remuneration accrued by the members of the Board of Directors, individually, during 2019 and 2018, respectively, is detailed as follows:

Thousands of Euros	Salaries	Fixed remuneration ⁽¹⁾	Remuneration for sitting on Committees ⁽¹⁾	Attendance fees	Short-term variable remuneration ⁽¹⁰⁾	Remuneration in kind	Total 2019	Total 2018
Chairman of the board								
José Ignacio Sánchez Galán	2,250	567	–	92	3,250	72	6,231	6,062
Vice-chair of the board and committee chairs								
Inés Macho Stadler ⁽²⁾	–	165	275	76	–	3	519	511
Samantha Barber	–	165	275	82	–	2	524	516
María Helena Antolín Raybaud	–	165	275	52	–	7	499	486
Xabier Sagredo Ormazá ⁽³⁾	–	165	249	58	–	2	474	295
Juan Manuel González Serna ⁽⁴⁾	–	165	275	44	–	2	486	387
Committee members								
Iñigo Víctor de Oriol Ibarra	–	165	88	52	–	5	310	296
Georgina Kessel Martínez ⁽⁵⁾	–	165	114	46	–	1	326	505
Denise Mary Holt	–	165	88	40	–	1	294	294
José Walfredo Fernández	–	165	88	40	–	1	294	294
Manuel Moreu Munaiz	–	165	88	60	–	2	315	317
Francisco Martínez Córcoles	1,000	165	–	16	1,000	34	2,215	1,918
Anthony Luzzatto Gardner ⁽⁶⁾	–	165	88	30	–	1	284	198
Sara de la Rica Goiricelaya ⁽⁷⁾	–	126	67	24	–	1	218	–
Ceased members								
Braulio Medel Cámara ⁽⁸⁾	–	–	–	–	–	–	–	89
Ángel Jesús Acebes Paniagua ⁽⁹⁾	–	39	21	12	–	1	73	314
Total	3,250	2,712	1,991	724	4,250	135	13,062	12,482

(1) Remuneration accrued in 2019. These amounts are not satisfied until the approval of 2019 by-law stipulated remuneration by the General Shareholders Meeting 2020.

(2) Appointed Vice-chairperson of the Board of Directors on 21 June 2018.

(3) On 19 February 2019 the Board of Directors approved his appointment as a chairman of the Audit and Risk Supervision Committee.

(4) On 21 June 2018 the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee.

(5) On 19 February 2019, the appointment as chairwoman of the Audit and Risk Supervision Committee expired.

(6) Appointed member on 13 April 2018. On that same date, the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee. On 24 April 2019 the appointment was approved as a member of the Audit and Risk Supervision Committee replacing Sara de la Rica Goiricelaya.

(7) Appointed member on 29 March 2019. On that same date, the Board of Directors approved the appointment as a member of the Audit and Risk Supervision Committee. On 24 April 2019 the appointment was approved as a member of the Audit and Risk Supervision Committee replacing Anthony Luzzatto Gardner.

(8) Ceased as vice-chairman of Boards of Directors at their meeting on 13 April 2018.

(9) Ceased as member of the board on 28 March 2019.

(10) Amount relates to variable remuneration received in the year 2019, based on attainment of targets and personal performance in 2018.

Currently, all members of the Board of Directors of IBERDROLA, except for Francisco Martínez Córcoles, assume responsibility for any of the five committees of the board.

d) Civil Liability Insurance

The premium paid to cover directors' Civil Liability Insurance amounts to Euros 94 thousand and Euros 72 thousand in 2019 and 2018, respectively.

e) Others

The expenses of the Board of Directors related to external services and other items during 2019 and 2018 amounted to Euros 1,932 thousand and Euros 2,131 thousand, respectively.

In 2019 and 2018 rebates were received amounting to Euros 88 thousand and Euros 106 thousand, respectively, with respect to the adjustment of the pension insurance policies relating to former Members of the Board of Directors.

The undistributed by-law stipulated remuneration for 2019 amounting to Euros 2,000 thousand can be externalized to cover the obligations incurred by the Company to ensure them, in the event they should be materialized.

47.2 Remuneration through the delivery of Company shares

At their General Meeting held on 28 March 2014 the shareholders approved the *2014-2016 Strategic Bonus* as a long-term incentive tied to the performance of the Company in accordance to certain parameters (Note 21).

In the first half of 2019 the third and last annual settlement was made. The Chairman and CEO received 510,596 IBERDROLA shares. The member-Business CEO was granted 120,932 shares corresponding to his performance prior to his appointment as board member.

47.3 Remuneration for sitting on other committees

In 2019 senior executives who have held the position of directors in companies that are not wholly owned, directly or indirectly, by IBERDROLA have received Euros 302 thousand.

47.4 Law 11/2018: Non-financial information and diversity

Below the average remuneration received by members per type and genre in 2019 and 2018 is detailed as follows:

Thousands of Euros	2019		2018	
	Men	Women	Men	Women
Executive	4,374	–	4,121	–
Independent and other external	358	413	313	462

Additionally, executive members received 631,528 and 631,527 company shares in 2019 and 2018, respectively (Note 47.2).

47.5 Compensation clauses

Compensation clauses for Senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Directors' Report.

48. INFORMATION REGARDING COMPLIANCE WITH ARTICLE 229 OF THE SPANISH COMPANIES ACT

As established in section 229 of the Spanish Companies Act (Ley de Sociedades de Capital) introduced by the Royal Decree-Law 1/2010 of 2 July 2010 and in the Law 31/2014, of 3 December 2014, modifying the Spanish Companies Act for the improvement of corporate governance, the conflicts-of-interest situations incurred by the directors are noted below.

The president and CEO and the member-Business CEO were absent during the deliberation of all the agreements related to his system of remuneration and assurance.

Finally, Mr. Sagredo Ormaza was absent during the deliberation of that agreements involving Kutxabank, S.A.

49. REMUNERATION TO SENIOR MANAGEMENT

Senior executives are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in all cases, the Internal audit director, apart from any other director recognised as senior manager.

At 31 December 2019, the Company had 9 senior managers.

The personnel costs relating to senior executives amounting to Euros 12,851 thousand and Euros 12,006 thousand in 2019 and 2018, respectively, are recognised under the heading "Personnel expenses" of the Consolidated income statements of the mentioned years.

The remuneration and other compensation received by senior executives in 2019 and 2018 are detailed below:

Thousands of Euros	2019	2018 ⁽¹⁾
Remuneration in cash	4,893	5,125
Variable remuneration	5,233	4,436
Remuneration in kind and payments on account not charged	348	228
Social Security	138	124
Promoter contribution pension plan	1,094	1,079
Risk policy (death and permanent disability)	1,145	1,014
Total	12,851	12,006

Number of shares	2019	2018 ⁽¹⁾
Share-based payment plan, strategic bonus	418,340	418,340
Taxes charged and settlements (thousands of Euros)	2,386	1,872

(1) To facilitate comparison, the information regarding members who are considered senior managers from 1 January 2019 (4 additional members) has been included.

In the first half of 2019 the third of three annual payments corresponding to the 2014-2016 Strategic Bonus has been made (Note 21), once it has been confirmed the remuneration grounds have been met. Senior management members have received 418,340 shares in the third payment.

A maximum of 1,600,000 net shares to be settled in three years, Euros 6,005 thousand, are to be delivered to senior executives under the 2017-2019 Strategic Bonus (Note 21), tied to their success in achievement of objectives.

In 2019 and 2018 senior managers who have held the position of directors in companies that are not wholly owned, directly or indirectly, by IBERDROLA have received Euros 1,089 and 970 thousand, respectively.

Compensation clauses for Senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Directors' Report.

On the other hand, during 2019 and 2018 there were no other transactions with executives outside the normal course of the business.

The amount of the fixed and variable remuneration of executives not included in the senior management of IBERDROLA (147 people) rose to Euros 48,537 thousand in 2019. This amount reached Euros 43,624 thousand in 2018 (146 people) ⁽²⁾. These amounts do not include shares delivered as part of the 2014-2016 Strategic bonus.

(2) To facilitate comparison, the information regarding members who are considered senior executives from 1 January 2019 (4 additional members) has been excluded.

50. RELATED PARTY TRANSACTIONS AND BALANCES

The transactions detailed below are specific to the ordinary business activity and have been carried out on an arm's-length basis:

Transactions carried out by IBERDROLA with significant shareholders (Note 20)

The most noteworthy transactions in 2019 and 2018 are as follows:

Thousands of Euros	Major shareholders	
	2019	2018
	Qatar Investment Authority	Qatar Investment Authority
Other transactions		
Dividends and other distributed profit ⁽¹⁾	2,766	2,766

(1) Amounts recognised as dividends and other benefits distributed in the first half of 2019 and 2018 correspond to the Iberdrola flexible remuneration system and the the General Shareholders' Meeting attendance fee received if applicable.

Transactions carried out with significant shareholders (Note 20)

The most noteworthy transactions in 2019 and 2018 are as follows:

Thousands of Euros	Major shareholders	
	2019	2018
	Qatar Investment Authority	Qatar Investment Authority
(Expenses)/ income		
Finance income ⁽¹⁾	248	344
Total income	248	344

- (1) Corresponds to income from cash placed in Qatar National Bank by Scottish Power, Ltd. At 31 December there were no pending amounts.


Other investments in equity-accounted investees

The breakdown of transactions with equity-accounted investees which are related parties that were not eliminated in consolidation (Note 2.b) is as follows:

Thousands of Euros	2019						2018					
	Asset acquisition	Trade payables	Trade receivables	Sales and services provided	Supplies	Received services	Asset acquisition	Trade payables	Trade receivables	Sales and services provided	Supplies	Received services
SIEMENS-GAMESA (Note 51) ⁽¹⁾	698,463	324,100	2,388	1,201	1,995	42,978	218,602	83,510	765	1,376	1,702	37,602
Norte Energia, S.A. ⁽²⁾	–	38,013	48	483	179,977	–	–	21,854	–	–	188,769	–
Companhia Hidrelétrica Teles Pires, S.A. ⁽²⁾	–	7,666	13	1,944	81,768	–	–	7,300	1,189	14,575	84,571	–
Energetica Aguas da Pedra, S.A. ⁽²⁾	–	1,732	3,074	1,948	14,699	–	–	1,683	2,683	1,906	14,474	–
Morecambe Wind, Ltd.	–	825	688	518	14,291	–	–	1,207	–	2,022	13,469	–
NGET/SPT Upgrades Ltd. ⁽³⁾	36,686	–	502	587	–	29	85,033	874	2,839	1,731	–	741
Vineyard Wind, LLC	–	–	83	11,714	–	–	–	–	–	2,608	–	–
Cogeneración Gequisa, S.A. ⁽⁴⁾	–	–	1	10,703	–	–	–	1,709	1	6,607	–	–
Fudepor, S.L. ⁽⁴⁾	–	–	2	3,154	–	–	–	–	38	4,233	–	–
Internalta Energía, S.A. ⁽⁴⁾	–	–	297	1,271	–	–	–	–	3	7,143	–	–
East Anglia Offshore Wind, Ltd.	–	67	3,001	89	–	–	4,418	3,905	706	–	–	–
Other companies	211	78,633	31,039	6,127	4,756	1,610	1,762	76,902	15,100	6,128	4,195	2,121
Total	735,360	451,036	41,136	39,739	297,486	44,617	309,815	198,944	23,324	48,329	307,180	40,464

- (1) In 2019 the asset acquisitions correspond mainly to the purchase from SIEMENS-GAMESA of repair equipment, wind turbines and towers for the wind farms Roaring Brook (USA), Pradillo, Cavar, Chimiche II (Spain). Additional to the purchases detailed in the table above, in the year the following companies have been acquired: Sistemas Energéticos Loma del Viento, S.A., Sistemas Energéticos Serra de Lourenza, S.A. and Sistemas Energéticos Jaralón, S.A., in the amount of Euros 44,920 thousand, owners of the wind farms Puylobo, Casetonas and Ballestas (Spain).

On 21 December 2011, IBERDROLA and Gamesa Eólica, S.L.U (Company belonging to GAMESA Group) entered into a framework agreement to supply and maintain wind farms, whereby IBERDROLA undertakes to acquire from GAMESA a minimum amount of megawatts equal to 50% of the total fleet of onshore wind turbines acquired by the Group for its renewables business unit during the term of the framework agreement. This commitment will remain in effect from 1 January 2013 until 31 December 2022 or until the number of megawatts acquired by IBERDROLA from GAMESA under the framework agreement reaches 3,800 MW, whichever occurs first.



Additionally, on 22 May 2019, IBERDROLA and Siemens Gamesa Renewable Energy Eólica, S.L. (formerly, Gamesa Eólica S.L.U.) entered into a framework agreement to supply and maintain wind farms, whereby IBERDROLA undertakes to acquire from SGRE 200 MW of the total fleet of onshore wind turbines to be purchased by Iberdrola in Spain during the term of the framework agreement. This commitment will remain in effect from the execution date until 31 December 2022 or until the number of those 200 MW are acquired, whichever occurs first.

- (2) Supplies correspond mainly to purchases of electric energy.
- (3) The acquisition of assets corresponds mainly to investments made by Scottish Power Transmission Limited for the construction of a submarine interconnection in the Irish Sea to increase the power transmission capacity between England and Scotland. For such purpose, Scottish Power Transmission Limited is working with the British operator National Grid in relation to the joint venture NGET/SPT Upgrades, Ltd.
- (4) Sales and services provided correspond mainly to sale of has to cogeneration companies.

Transactions with directors and senior executives

Thousands of Euros	Major shareholders			
	2019		2018	
	Directors	Executives	Directors	Executives
Other transactions				
Dividends and other distributed profit ⁽¹⁾	298	158	482	11

(1) Amounts recognised as dividends and other benefits distributed in the first half of 2019 and 2018 correspond to the Iberdrola flexible remuneration system and the General Shareholders' Meeting attendance fee received if applicable.

51. SUBSEQUENT EVENTS TO 31 DECEMBER 2019

The main events following the closing of the year have been:

Iberdrola flexible remuneration

On 7 January 2020, the facts in relation to the implementation of the second paid-up capital increase (Iberdrola flexible remuneration) approved by the shareholders at their General Meeting held on 29 March 2019, under item 9 of the agenda, were as follows:

- The maximum number of shares to be issued under the capital increase is 117,816,148.
- The number of free allocation rights required to receive one new share is 54.
- The maximum par value of the capital increase amounts to Euros 88,362,111
- Gross dividend amount per share was Euros 0.168.

At the end of the trading period for free allocation rights:

- During the period established for this purpose, the holders of 1,419,991,945 shares of the Company decided to receive interim dividends. Thus, the gross total of distributed interim dividends was Euros 238,559 thousand. As a result, these shareholders have expressly forgone 1,419,991,945 free allocation rights and therefore 26,296,147 new shares.
- Furthermore, the final number of new ordinary shares with a par value of Euros 0.75 to be issued will be 91,520,000, giving a nominal capital increase from this implementation of Euros 68,640 thousand. This will add 1.440% to IBERDROLA's pre-issue share capital.
- As a result of this share capital increase, IBERDROLA's share capital amounts to Euros 4,840,194,000, represented by 6,453,592,000 ordinary shares of Euros 0.75 par value each, fully subscribed and paid.
- Subject to compliance with on legal requirements (and verification of compliance by the Spanish National Security Market Commission), the new shares have been admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia stock exchanges on 6 February 2020. The ordinary trading of new shares started on 7 February 2020.

Banking market and bond issue in the Euromarket

Significant financing transactions carried out by IBERDROLA Group after 31 December 2019 are as follows:

Lessor	Transaction	Amount (millions)	Currency	Maturity
Main new financing transactions				
CELPE	Loan 4131 ⁽¹⁾	62	USD	Jan-25
COELBA	Loan 4131 ⁽¹⁾	62	USD	Feb-25
Neoenergia Jalapão Transmissão de Energia, S.A.	BNDES loan ⁽²⁾	778	BRL	Dec-43
Main transactions for extending existing financing				
Iberdrola, S.A. ⁽³⁾	Sustainable syndicated loan	2,979	EUR	Feb-25
Iberdrola, S.A. ⁽³⁾	Sustainable syndicated loan	2,321	EUR	Feb-25

(1) Currency swap contracts to the company's operating currency (BRL).

(2) Financing executed in 2020 undrawn

(3) 2nd option to extend novated syndicated loans for 1 additional year in January 2018 in the amount of Euros 5,300 million.

Other significant transactions

On 4 February 2020, Iberdrola Participaciones, S.A. (IBERDROLA PARTICIPACIONES), company wholly-owned by Iberdrola, S.A., e IBERDROLA have executed with Siemens Aktiengesellschaft (SIEMENS) an agreement for the sale of IBERDROLA PARTICIPACIONES full investment in Siemens Gamesa Renewable Energy, S.A. (SIEMENS GAMESA), representing 8.07% of its share capital.

The transaction price arose to Euros 1,100 million, equivalent to Euros 20 per share in SIEMENS GAMESA and is not subject to future adjustments. The purchase was finalised on 5 February 2020. The impact of this disinvestment in IBERDROLA Group's Consolidated annual accounts for 2020 implies a gross surplus of Euros 485 million.

52. FEES FOR SERVICES PROVIDED BY AUDITORS

The fees resulted from the services provided in 2019 and 2018 by the statutory auditor are detailed in the chart below:

Year 2019	TO IBERDROLA	To the rest of the Group companies	Total
Auditing services	3,028	20,026	23,054
Other provided services related to auditing	1,359	1,835	3,194
Limited revision interim information services	1,199	80	1,279
Comfort letters debt issue services	145	816	961
Agreed procedure reports services (*)	15	939	954
Total	4,387	21,861	26,248

Year 2018	TO IBERDROLA	To the rest of the Group companies	Total
Auditing services	3,223	22,116	25,339
Other provided services related to auditing	1,459	1,592	3,051
Limited revision interim information services	1,194	144	1,338
Comfort letters debt issue services	205	474	679
Agreed procedure reports services (*)	60	974	1,034
Total	4,682	23,708	28,390

(*) Mainly agreed procedure 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 2019 professional fees for the services provided by KPMG Auditores, S.L. for auditing services and other services provided related to auditing rose to Euros 5,689 thousand and Euros 1,834 thousand, respectively (Euros 5,949 and 2,007 thousand in 2018, respectively). Other services related to auditing correspond mainly to the release of limited review reports, comfort letters and agreed procedures.

53. EARNINGS PER SHARE

The weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share at 31 December 2019 and 2018 (Note 3.y) is as follows:

	2019		2018 Restated (Note 2.d)	
	Basic	Diluted	Basic	Diluted
Average number of shares during the year	6,584,215,809	6,601,773,703	6,827,529,351	6,831,648,079
Average number of treasury shares held	(88,205,548)	(88,205,548)	(87,682,468)	(87,682,468)
Number of shares outstanding	6,496,010,261	6,513,568,155	6,739,846,883	6,743,965,611

Basic and diluted earnings corresponding to 2019 and 2018 is as follows:

	2019		2018 Restated (Note 2.d)	
	Basic	Diluted	Basic	Diluted
Net profit from continuing operations (*) (thousands of Euros)	3,471,665	3,471,608	3,065,220	3,064,927
Net profit from discontinuing operations (thousands of Euros)	(65,354)	(65,354)	(51,167)	(51,167)
Number of shares outstanding	6,496,010,261	6,513,568,155	6,739,846,883	6,743,965,611
Earnings per share (euros) from continued operations	0.534	0.533	0.455	0.454
Earnings per share (euros) from discontinued operations	(0.010)	(0.010)	(0.008)	(0.008)

(*) Profit for the year from discontinued activities net of tax from non-controlling interests.

54. AUTHORISATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The Consolidated annual accounts for the year ended on 31 December 2019 have been formally prepared by the directors of IBERDROLA on 24 February 2020.

55. 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

YEAR 2019 ADDITIONAL INFORMATION RELATED TO GROUP COMPANIES, JOINTLY-CONTROLLED COMPANIES AND ASSOCIATES OF THE IBERDROLA GROUP

Below is the detail of the proportion of direct or indirect ownership that Iberdrola, S.A. holds in its subsidiaries in its different businesses. The percentage of votes in the decision-making bodies of these subsidiaries, which are controlled by IBERDROLA, essentially corresponds to the percentage of ownership.

(*) The consolidation method by company is detailed as follows:

G Full consolidation

E: Integration by equity method

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Liberalised Business					
Spain					
Cogeneración Gequisa, S.A.	Spain	Energy	50.00	50.00	E
Enercrisa, S.A.	Spain	Energy	50.00	50.00	E
Energía Portátil Cogeneración, S.A.	Spain	Energy	50.00	50.00	E
Energyworks Aranda, S.L.	Spain	Energy	99.00	99.00	G
Energyworks Carballo, S.L.	Spain	Energy	99.00	99.00	G
Energyworks Cartagena, S.L.	Spain	Energy	99.00	99.00	G
Energyworks Fonz, S.L.	Spain	Energy	100.00	100.00	G
Energyworks Milagros, S.L.	Spain	Energy	100.00	100.00	G
Energyworks Monzón, S.L.	Spain	Energy	100.00	100.00	G
Energyworks San Millán, S.L.	Spain	Energy	100.00	100.00	G
Energyworks Villarrobledo, S.L.	Spain	Energy	99.00	99.00	G
Energyworks Vit-Vall, S.L.	Spain	Energy	99.00	99.00	G
Fudepor, S.L.	Spain	Energy	50.00	50.00	E
Iberdrola Clientes, S.A.U.	Spain	Retailer	100.00	100.00	G
Iberdrola Clientes Internacional, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Cogeneración, S.L.U.	Spain	Holding	100.00	100.00	G
Curenergía Comercializador de Último Recurso, S.A.U. (Formely Iberdrola Comercialización de Último Recurso, S.A.U.)	Spain	Retailer	100.00	100.00	G
Iberdrola Generación España, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Generación Nuclear, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Generación Térmica, S.L.U.	Spain	Energy	100.00	100.00	G
Iberdrola Operación y Mantenimiento, S.A.U.	Spain	Services	100.00	100.00	G
Iberdrola Servicios Energéticos, S.A.U.	Spain	Services	100.00	100.00	G
Iberduero, S.L.U.	Spain	Energy	100.00	100.00	G
Intermalta Energía, S.A.	Spain	Energy	50.00	50.00	E
Nuclenor, S.A.	Spain	Energy	50.00	50.00	E
Peninsular Cogeneración, S.A.	Spain	Energy	50.00	50.00	E
Productos y Servicios de Confort, S.A.	Spain	Services	100.00	100.00	G
Tarragona Power, S.L.U.	Spain	Energy	100.00	100.00	G
Tecnatom, S.A. ⁽⁵⁾	Spain	Other	30.00	30.00	-
Iberdrola Clientes Portugal, Unipessoal Ltda.	Portugal	Retailer	100.00	100.00	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
United Kingdom					
Scottish Power Retail Holdings Ltd. (Formerly, Scottish Power Generation Holdings Ltd.)	United Kingdom	Holding	100.00	100.00	G
ScottishPower (DCL), Ltd.	United	Energy	100.00	100.00	G
ScottishPower (SCPL), Ltd.	United	Energy	100.00	100.00	G
ScottishPower Energy Management (Agency), Ltd.	United Kingdom	Services	100.00	100.00	G
ScottishPower Energy Management, Ltd.	United	Energy	100.00	100.00	G
ScottishPower Energy Retail, Ltd.	United	Retailer	100.00	100.00	G
ScottishPower Generation (Assets), Ltd	United	Energy	100.00	100.00	G
SP Dataserve, Ltd.	United	Debt management	100.00	100.00	G
SP Gas Transportation Cockenzie, Ltd.	United	Inactive	100.00	100.00	G
SP Gas Transportation Hatfield, Ltd.	United	Inactive	100.00	100.00	G
SP Smart Meter Assets, Ltd.	United	Other	100.00	100.00	G
Mexico					
Hidro I, S.L.U.	Spain	Holding	100.00	100.00	G
Cinergy, S.R.L. de C.V.	Mexico	Services	100.00	100.00	G
Iberdrola Soporte a Proyectos Liberalizados, S.A. de C.V. (Before, Electricidad de Veracruz, S.A. de C.V.)	Mexico	Services	100.00	100.00	G
Enertek, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Iberdrola Clientes, S.A. de C.V.	Mexico	Retailer	100.00	100.00	G
Iberdrola Cogeneración Altamira, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Cogeneración Bajío, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Cogeneración Ramos, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía Altamira de Servicios, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Iberdrola Energía Altamira, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía Baja California, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía del Golfo, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía Escobedo, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía La Laguna, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Iberdrola Energía Monterrey, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Iberdrola Energía Noroeste, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Energía Tamazunchale, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Iberdrola Energía Topolobampo, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Generación, S.A. de C.V.	Mexico	Holding	100.00	100.00	G
Iberdrola Generación México, S.A. de C.V.	Mexico	Holding	100.00	100.00	G
Iberdrola México, S.A. de C.V.	Mexico	Holding	100.00	100.00	G
Iberdrola Servicios Corporativos, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Servicios Administrativos Tamazunchale, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Servicios de Operación La Laguna, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Servicios Industriales y Administrativos del Noreste, S.R.L. de C.V.	Mexico	Services	51.12	51.12	G
Tamazunchale Energía, S.A.P.I. de C.V.	Mexico	Energy	100.00	-	G
Brazil					
Baguari Geração de Energia Elétrica, S.A.	Brazil	Energy	51.04	52.45	G
Bahia PCH II, S.A. Bahía Pequeña C. Hidroeléctrica	Brazil	Energy	51.04	52.45	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Bahia PCH III, S.A. Bahía Geração de Energia	Brazil	Energy	51.04	52.45	-
Belo Monte Participações, S.A.	Brazil	Holding	51.04	52.45	G
Companhia Hidrelétrica Teles Pires, S.A.	Brazil	Energy	26.03	26.75	E
Elektro Comercializadora de Energia Ltda.	Brazil	Retailer	51.04	52.45	G
Energética Aguas da Pedra, S.A.	Brazil	Energy	26.03	26.75	E
Energética Corumbá III, S.A. ⁽⁴⁾	Brazil	Energy	12.76	13.11	E
Geração Ceu Azul, S.A.	Brazil	Energy	51.04	52.45	G
Geração CIII, S.A.	Brazil	Holding	51.04	52.45	G
Itapebí Geração de Energia, S.A.	Brazil	Energy	51.04	52.45	G
NC Energia, S.A.	Brazil	Retailer	51.04	52.45	G
Neoenergia Operação e Manutenção, S.A.	Brazil	Services	51.04	52.45	G
Norte Energia, S.A. ⁽⁴⁾	Brazil	Energy	5.10	5.25	E
Teles Pires Participações, S.A.	Brazil	Holding	25.81	26.52	E
Termopernambuco, S.A.	Brazil	Energy	51.04	52.45	G
ROW					
Iberdrola Energy Deutschland, GmbH.	Germany	Services	100.00	100.00	G
Iberdrola Canadá Energy Services, Ltd.	Canada	Gas	100.00	100.00	G
Iberdrola Solutions, LLC	USA	Services	100.00	-	G
Iberdrola Energie France, S.A.S.	France	Services	100.00	100.00	G
Iberdrola Clienti Italia, S.R.L.	Italy	Services	100.00	100.00	G
Iberdrola Ireland, Ltd	Ireland	Services	100.00	100.00	G
Renewables Business					
Spain					
Aixeindar, S.A.	Spain	Energy	60.00	-	E
Anselmo León Hidráulica, S.L. ⁽¹⁾	Spain	Energy	100.00	100.00	E
Biocantaber, S.L.	Spain	Energy	50.00	50.00	E
Bionor Eólica, S.A.	Spain	Energy	57.00	57.00	G
Biovent Energía, S.A.	Spain	Energy	95.00	95.00	G
Cantaber Generación Eólica, S.L.	Spain	Energy	69.01	69.01	G
Ciener, S.A.U.	Spain	Energy	100.00	100.00	G
Desarrollo de Energías Renovables de La Rioja, S.A. ⁽²⁾	Spain	Energy	63.55	40.51	E
Ecobarcial, S.A. ⁽²⁾	Spain	Energy	43.78	43.78	E
Electra de Malvana, S.A. ⁽²⁾	Spain	Energy	48.00	48.00	E
Electra Sierra de los Castillos, S.L.	Spain	Energy	97.00	97.00	G
Electra Sierra de San Pedro, S.A.	Spain	Energy	80.00	80.00	G
Eléctricas de la Alcarria, S.L.	Spain	Energy	90.00	90.00	G
Eme Hueneja Cuatro, S.L.	Spain	Energy	100.00	100.00	G
Energía de Castilla y León, S.A.	Spain	Energy	85.50	85.50	G
Energías Ecológicas de Tenerife, S.A. ⁽³⁾	Spain	Energy	50.00	50.00	G
Energías Eólicas de Cuenca, S.A.U.	Spain	Energy	100.00	100.00	G
Energías Fotovoltaicas de Puertollano, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de Belona, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de Circe, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de Febe, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de Hermes, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de Tione, S.L.	Spain	Energy	100.00	-	G
Energías Renovables de la Región de Murcia, S.A.U.	Spain	Energy	100.00	100.00	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Eólica Campollano, S.A. ⁽²⁾	Spain	Energy	25.00	25.00	E
Eólica 2000, S.L.	Spain	Energy	51.00	51.00	G
Eólicas de Euskadi, S.A.U.	Spain	Energy	100.00	100.00	G
Gestión de Evacuación de la Serna, S.L.	Spain	Energy	16.52	-	E
Iberdrola Eólica Marina, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Generación, S.A.U.	Spain	Energy	100.00	100.00	G
Fincalia Agropecuaria, S.L. (formerly, Iberdrola Renewables Solutions, S.A.)	Spain	Energy	100.00	100.00	G
Fincalia Agropecuaria siglo XXI, S.A.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Galicia, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Andalucía, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Aragón, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Canarias, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Spain	Energy	100.00	100.00	G
Iberdrola Renovables Castilla y León, S.A.	Spain	Energy	95.00	95.00	G
Iberdrola Renovables Energía, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Renovables Internacional, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Renovables La Rioja, S.A. ⁽²⁾	Spain	Energy	63.55	63.55	E
Iberdrola Renovables La Rioja 2, S.A. ⁽²⁾	Spain	Energy	63.55	-	G
Ibernova Promociones, S.A.U.	Spain	Energy	100.00	100.00	G
Iberjalón, S.A.	Spain	Energy	80.00	80.00	G
ICARO Renovables, S.A.	Spain	Energy	100.00	-	G
Minicentrales del Tajo, S.A.	Spain	Energy	80.00	66.58	G
Molinos de La Rioja, S.A. ⁽²⁾	Spain	Energy	63.55	42.37	E
Molinos del Cidacos, S.A.	Spain	Energy	63.55	31.78	G
Parque Eólico Cruz del Carrutero, S.L.	Spain	Energy	76.00	76.00	G
Parque Eólico Encinillas, S.L.	Spain	Energy	49.00	-	E
Parque Eólico Panondres, S.L.	Spain	Energy	100.00	-	G
Peache Energías Renovables, S.A.	Spain	Energy	95.00	95.00	G
Producciones Energéticas Asturianas, S.L.	Spain	Energy	80.00	80.00	G
Producciones Energéticas de Castilla y León, S.A. ⁽²⁾	Spain	Energy	85.50	85.50	E
Proyecto Nuñez de Balboa, S.L.	Spain	Energy	100.00	100.00	G
Renovables de Buniel, S.L.	Spain	Energy	75.00	-	G
Renovables de la Ribera, S.L.	Spain	Energy	50.00	50.00	E
Sistemas Energéticos Altamira, S.A.U.	Spain	Energy	100.00	100.00	G
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	G
Sistemas Energéticos del Moncayo, S.A.	Spain	Energy	75.00	75.00	G
Sistemas Energéticos La Gomera, S.A.U.	Spain	Energy	100.00	100.00	G
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	55.00	55.00	G
Sistemas Energéticos Jaralón, S.A.	Spain	Energy	100.00	-	G
Sistemas Energéticos de la Linera, S.A.U.	Spain	Energy	100.00	100.00	G
Sistemas Energéticos Loma del Viento, S.A.	Spain	Energy	100.00	-	G
Sistemas Energéticos La Muela, S.A.	Spain	Energy	80.00	80.00	G
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	78.00	78.00	G
Sistemas Energéticos Nacimiento, S.A.U.	Spain	Energy	100.00	100.00	G
Sistemas Energéticos Serra de Lourenza, S.A.	Spain	Energy	100.00	-	G
Sistemas Energéticos Tacica de Plata, S.A.U.	Spain	Energy	100.00	100.00	G
Sistemas Energéticos Torralba, S.A.	Spain	Energy	60.00	60.00	G
Sistemas Energéticos Savalla del Comtat, S.A.U.	Spain	Energy	100.00	100.00	G
Sistema Fotovoltaico de Levante, S.A.	Spain	Energy	100.00	-	G
Sociedad Gestora de Parques Eólicos de Andalucía, S.A.	Spain	Energy	63.91	63.91	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Sotavento Galicia, S.A. ⁽⁴⁾	Spain	Energy	8.00	8.00	E
Ibertâmega – Sistema Electroprodutor Do Tâmega, S.A.	Portugal	Energy	100.00	100.00	G
Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.	Portugal	Energy	100.00	100.00	G
United Kingdom					
Celtpower, Ltd.	United Kingdom	Energy	50.00	50.00	E
Coldham Windfarm, Ltd.	United Kingdom	Energy	80.00	80.00	G
Douglas West Extension, Ltd.	United Kingdom	Energy	72.00	-	G
East Anglia Offshore Wind, Ltd.	United Kingdom	Energy	50.00	50.00	E
East Anglia One, Ltd.	United Kingdom	Energy	60.00	100.00	G
East Anglia Three, Ltd.	United Kingdom	Energy	100.00	100.00	G
East Anglia One North Ltd.	United Kingdom	Energy	100.00	100.00	G
East Anglia Two Ltd.	United Kingdom	Energy	100.00	100.00	G
Morecambe Wind, Ltd.	United Kingdom	Energy	50.00	50.00	E
ScottishPower Renewable Energy, Ltd.	United Kingdom	Holding	100.00	100.00	G
ScottishPower Renewables (WODS), Ltd.	United Kingdom	Energy	100.00	100.00	G
ScottishPower Renewables UK, Ltd.	United Kingdom	Energy	100.00	100.00	G
ScottishPower Renewables (UK Assets), Ltd	United Kingdom	Energy	100.00	100.00	G
United States					
Aeolus Wind Power III, LLC	USA	Holding	81.50	81.50	G
Aeolus Wind Power III, LLC	USA	Holding	81.50	81.50	G
Aeolus Wind Power IV, LLC	USA	Holding	81.50	81.50	G
Aeolus Wind Power VII, LLC	USA	Energy	81.50	-	G
Atlantic Renewable Energy Corporation	USA	Holding	81.50	81.50	G
Atlantic Renewable Projects II, LLC	USA	Holding	81.50	81.50	G
Atlantic Renewable Projects, LLC	USA	Energy	81.50	81.50	G
Atlantic Wind, LLC	USA	Holding	81.50	81.50	G
Aurora Solar, LLC	USA	Holding	81.50	81.50	G
Avangrid Arizona Renewables, LLC	USA	Energy	81.50	81.50	G
Avangrid Logistic Services, LLC	USA	Energy	81.50	81.50	G
Avangrid Renewables Holdings, Inc.	USA	Holding	81.50	81.50	G
Avangrid Renewables, LLC	USA	Holding	81.50	81.50	G
Avangrid Texas Renewables, LLC	USA	Energy	81.50	81.50	G
Avangrid Vineyard Wind, LLC	USA	Holding	81.50	81.50	G
Bakeoven Solar, LLC	USA	Energy	81.50	81.50	G
Barton Windpower, LLC	USA	Energy	81.50	81.50	G
Big Horn II Wind Project, LLC	USA	Energy	81.50	81.50	G
Big Horn Wind Project, LLC	USA	Energy	81.50	81.50	G
Blue Creek Wind Farm, LLC	USA	Energy	81.50	81.50	G
Buffalo Ridge I, LLC	USA	Energy	81.50	81.50	G
Buffalo Ridge II, LLC	USA	Energy	81.50	81.50	G
Camino Solar, LLC	USA	Energy	81.50	-	G
Casselman Wind Power, LLC	USA	Energy	81.50	81.50	G
Colorado Green Holdings, LLC	USA	Holding	81.50	81.50	G
Colorado Wind Ventures, LLC	USA	Holding	81.50	81.50	G
Coyote Ridge Wind, LLC	USA	Energy	16.30	16.30	E

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Deerfield Wind, LLC	USA	Energy	81.50	81.50	G
Desert Wind Farm, LLC	USA	Energy	81.50	81.50	G
Dillon Wind, LLC	USA	Energy	81.50	81.50	G
El Cabo Wind, LLC	USA	Energy	81.50	81.50	G
El Cabo Wind Holdings	USA	Holding	81.50	81.50	G
El Cabo Partners, LLC	USA	Energy	81.50	81.50	G
El Corazon Wind, LLC	USA	Energy	81.50	-	G
Elk River Wind Farm, LLC	USA	Energy	81.50	81.50	G
Elm Creek Wind II, LLC	USA	Energy	81.50	81.50	G
Elm Creek Wind, LLC	USA	Energy	81.50	81.50	G
Farmers City Wind, LLC	USA	Energy	81.50	81.50	G
Flat Rock Windpower II, LLC	USA	Energy	40.75	40.75	E
Flat Rock Windpower, LLC	USA	Energy	40.75	40.75	E
Flying Cloud Power Partners, LLC	USA	Energy	81.50	81.50	G
Flying Cow Wind, LLC	USA	Energy	81.50	-	G
Fountain Wind, LLC	USA	Energy	81.50	-	G
Golden Hills Wind Farm, LLC	USA	Energy	81.50	81.50	G
Goodland Wind, LLC	USA	Energy	81.50	81.50	G
Groton Wind, LLC	USA	Energy	81.50	81.50	G
Hardscrabble Wind Power, LLC	USA	Energy	81.50	81.50	G
Hay Canyon Wind, LLC	USA	Energy	81.50	81.50	G
Heartland Wind, LLC	USA	Energy	81.50	81.50	G
Helix Wind Power Facility, LLC	USA	Energy	81.50	81.50	G
Imperial Wind, LLC (Formely Bakeoven Wind, LLC)	USA	Energy	81.50	81.50	G
Juniper Canyon Wind Power II, LLC	USA	Energy	81.50	81.50	G
Juniper Canyon Wind Power, LLC	USA	Energy	81.50	81.50	G
Karankawa Wind, LLC	USA	Energy	81.50	81.50	G
Kitty Hawk Wind, LLC	USA	Energy	81.50	81.50	G
Klamath Energy, LLC	USA	Energy	81.50	81.50	G
Klamath Generation, LLC	USA	Energy	81.50	81.50	G
Klondike Wind Power II, LLC	USA	Energy	81.50	81.50	G
Klondike Wind Power III, LLC	USA	Energy	81.50	81.50	G
Klondike Wind Power, LLC	USA	Energy	81.50	81.50	G
La Joya Wind, LLC	USA	Energy	81.50	81.50	G
Lakeview Cogeneration, LLC	USA	Energy	81.50	81.50	G
Leaning Juniper Wind Power II, LLC	USA	Energy	81.50	81.50	G
Leipsic Wind, LLC	USA	Energy	81.50	81.50	G
Lempster Wind, LLC	USA	Energy	81.50	81.50	G
Locust Ridge II, LLC	USA	Energy	81.50	81.50	G
Locust Ridge Wind Farms, LLC ⁽³⁾	USA	Energy	37.74	37.74	G
Loma Vista, LLC	USA	Energy	81.50	81.50	G
Loowit Battery Storage, LLC	USA	Energy	81.50	-	G
Lund Hill Solar, LLC	USA	Energy	81.50	81.50	G
Manzana Power Services, Inc.	USA	Services	81.50	81.50	G
Manzana Wind, LLC	USA	Energy	81.50	81.50	G
Midland Wind, LLC	USA	Energy	81.50	81.50	G
Minndakota Wind, LLC	USA	Energy	81.50	81.50	G
Mohawk Solar, LLC	USA	Energy	81.50	81.50	G
Montague Solar, LLC	USA	Energy	81.50	-	G
Montague Wind Power Facility, LLC	USA	Energy	81.50	81.50	G
Moraine Wind II, LLC	USA	Energy	81.50	81.50	G
Moraine Wind, LLC	USA	Energy	81.50	81.50	G
Mount Pleasant Wind, LLC	USA	Energy	81.50	81.50	G
Mountain View Power Partners III, LLC	USA	Energy	81.50	81.50	G
New England Wind, LLC	USA	Energy	81.50	81.50	G
New Harvest Wind Project, LLC	USA	Energy	81.50	81.50	G
Northern Iowa WindPower II, LLC	USA	Energy	81.50	81.50	G
Otter Creek Wind Farm, LLC	USA	Energy	81.50	81.50	G
Pacific Harbor Capital, Inc.	USA	Other	81.50	81.50	G
Pacific Wind Development, LLC	USA	Holding	81.50	81.50	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Patriot Wind Farm, LLC	USA	Energy	81.50	-	G
Patriot Wind Holdings, LLC	USA	Holding	81.50	-	G
Patriot Wind TE Holdco, LLC	USA	Holding	81.50	-	G
Pebble Springs Wind, LLC	USA	Energy	81.50	81.50	G
Phoenix Wind Power, LLC	USA	Energy	81.50	81.50	G
Poseidon Solar, LLC	USA	Energy	40.75	-	E
Poseidon Wind, LLC	USA	Energy	40.75	-	E
PPM Colorado Wind Ventures, Inc.	USA	Holding	81.50	81.50	G
PPM Roaring Brook, LLC	USA	Energy	81.50	81.50	G
PPM Technical Services, Inc.	USA	Services	81.50	81.50	G
PPM Wind Energy, LLC	USA	Holding	81.50	81.50	G
Providence Heights Wind, LLC	USA	Energy	81.50	81.50	G
Rugby Wind, LLC	USA	Energy	81.50	81.50	G
San Luis Solar, LLC	USA	Energy	81.50	81.50	G
ScottishPower Financial Services, Inc.	USA	Other	81.50	81.50	G
ScottishPower Group Holdings Company	USA	Holding	81.50	81.50	G
Shiloh I Wind Project, LLC	USA	Energy	81.50	81.50	G
Solar Star Oregon II, LLC	USA	Energy	81.50	81.50	G
South Chestnut, LLC	USA	Energy	81.50	81.50	G
Start Point Wind Project, LLC	USA	Energy	81.50	81.50	G
Streator Cayuga Ridge Wind Power, LLC	USA	Energy	81.50	81.50	G
Tatanka Ridge Wind. LLC (Formely Buffalo Ridge III, LLC)	USA	Energy	81.50	81.50	G
Trimont Wind I, LLC	USA	Energy	81.50	81.50	G
Tule Wind, LLC	USA	Energy	81.50	81.50	G
Twin Buttes Wind, LLC	USA	Energy	81.50	81.50	G
Twin Buttes Wind II, LLC	USA	Energy	81.50	81.50	G
Vineyard Wind, LLC	USA	Energy	40.75	40.75	E
West Valley Leasing Company, LLC ⁽⁵⁾	USA	Gas	81.50	81.50	-
Winnebago Windpower II, LLC	USA	Energy	81.50	81.50	G
Winnebago Windpower, LLC	USA	Energy	81.50	81.50	G
Wyeast Solar, LLC	USA	Energy	81.50	81.50	G
Mexico					
BII NEE Stipa Energía Eólica, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Corporativo Iberdrola Renovables México, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Energías Renovables Venta III, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Eólica Dos Arbolitos S.A.P.I. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Soporte a Proyectos Renovables, S.A. DE C.V. (Before, Iberdrola Energía Norte, S.A. de C.V.)	Mexico	Services	100.00	100.00	G
Iberdrola Renovables Centro, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Renovables del Bajío, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Iberdrola Renovables México, S.A. de C.V.	Mexico	Holding	100.00	100.00	G
Iberdrola Renovables Noroeste, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Parque de Generación Renovable, S.A. de C.V.	Mexico	Energy	100.00	100.00	G
Parque Industrial de Energía Renovables, S.A. de C.V.	Mexico	Energy	51.00	51.00	G
Parques Ecológicos de México, S.A. de C.V.	Mexico	Energy	99.99	99.99	G
Pier II Quecholac Felipe Ángeles, S.A. de C.V.	Mexico	Energy	51.00	51.00	G
Servicios de Operación Eoloeléctrica de México, S.A. de C.V.	Mexico	Services	100.00	100.00	G
Brazil					
Arizona 1 Energia Renovável, S.A.	Brazil	Energy	51.04	52.45	G
Bonito 1 Energia Renovável, S.A. ⁽⁵⁾	Brazil	Energy	51.04	-	-
Bonito 2 Energia Renovável, S.A. ⁽⁵⁾	Brazil	Energy	51.04	-	-
Bonito 3 Energia Renovável, S.A. (formerly PCH Alto do Rio Grande, S.A.)	Brazil	Energy	51.04	51.04	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Caetit� 1 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Caetit� 2 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Caetit� 3 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 1 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 2 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 3 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 4 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 5 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango 6 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Calango Solar 1 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Calango Solar 2 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Canoas Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Canoas 2 Energia renovavel, S.A. (formerly, Tacca RJ Participacoes S.A.)	Brazil	Energy	51.04	52.45	G
Canoas 3 Energia renovavel, S.A. (formerly, Sever RJ Participacoes S.A.)	Brazil	Energy	51.04	52.45	G
Canoas 4 Energia renovavel, S.A. (formerly, Titanum RJ Participacoes S.A.)	Brazil	Energy	51.04	52.45	G
Chafariz 1 Energia renovavel, S.A. (formerly, Meridiano 1 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Chafariz 2 Energia renovavel, S.A. (formerly, Meridiano 2 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Chafariz 3 Energia renovavel, S.A. (formerly, Meridiano 3 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Lagoa 4 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
Lagoa 5 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
Chafariz 6 Energia renovavel, S.A. (formerly, Meridiano 4 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Chafariz 7 Energia renovavel, S.A. (formerly, Meridiano 5 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Elektro Renov�veis do Brasil, S.A.	Brazil	Energy	51.04	52.45	G
Energias Renov�veis do Brasil, S.A.	Brazil	Energy	51.04	52.45	G
FE Participa�es, S.A.	Brazil	Energy	51.04	52.45	G
For�a Eolica do Brasil 1, S.A.	Brazil	Energy	51.04	52.45	G
For�a Eolica do Brasil 2, S.A.	Brazil	Energy	51.04	52.45	G
For�a Eolica do Brasil, S.A.	Brazil	Energy	51.04	52.45	G
Lagoa 1 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
Lagoa 2 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
Lagoa 3 Energia renovavel, S.A. (formerly, Meridiano 6 Energia renovavel, S.A.)	Brazil	Energy	51.04	52.45	G
Lagoa 4 Energia renovavel, S.A. (formerly, Soumaya RJ Participacoes S.A.)	Brazil	Energy	51.04	52.45	G
Luzia 1 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Luzia 2 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Mel 2 Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Oitis 1 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 2 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 3 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 4 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 5 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 6 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 7 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 8 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 9 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 10 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 21 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 22 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 27 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 28 Energia Renov�vel, S.A. (5)	Brazil	Energy	51.04	-	-
Santana 1, Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Santana 2, Energia Renov�vel, S.A.	Brazil	Energy	51.04	52.45	G
Ventos de Arapu� 1 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Ventos de Arapuá 2 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
Ventos de Arapuá 3 Energia renovavel, S.A.	Brazil	Energy	51.04	52.45	G
ROW					
Baltic Eagle, GmbH.	Germany	Energy	100.00	100.00	G
Iberdrola Renovables Offshore Deutschland, GmbH.	Germany	Energy	100.00	100.00	G
Iberdrola Renovables Deutschland, GmbH.	Germany	Energy	100.00	100.00	G
Iberdrola Renovables Australia PTY, Ltd.	Australia	Energy	100.00	100.00	G
Iberdrola Renovables Bulgaria, EOOD.	Bulgaria	Energy	100.00	100.00	G
Iberdrola Renovables Canadá, Ltd.	Canada	Holding	100.00	100.00	G
Rokas Aeoliki Cyprus, Ltd.	Cyprus	Energy	74.82	74.82	G
Ailes Marine, S.A.S.	France	Energy	70.00	70.00	G
Iberdrola Renovables France, S.A.S.	France	Energy	100.00	100.00	G
C. Rokas Industrial Commercial Company, S.A.	Greece	Holding	99.76	99.76	G
PPC Renewables Rokas, S.A.	Greece	Energy	50.88	50.88	G
Rokas Aeoliki Thraki III, S.A.	Greece	Energy	99.61	99.61	G
Rokas Construction, S.A.	Greece	Energy	99.76	99.76	G
Rokas Hydroelectric, S.A.	Greece	Energy	99.76	99.76	G
Iberdrola Renovables Magyarorszag, KFT.	Hungary	Energy	100.00	100.00	G
Iberdrola Renovables Italia, S.p.A.	Italy	Holding	100.00	100.00	G
Società Energie Rinnovabili 2, S.p.A. (2)	Italy	Energy	50.00	50.00	E
Eoenergi Energia Eolica, S.A.	Portugal	Energy	100.00	100.00	G
Iberdrola Renovables Portugal, S.A.	Portugal	Holding	100.00	100.00	G
Parque Eólico da Serra do Alvao, S.A.	Portugal	Energy	100.00	100.00	G
Eolica Dobrogea One, S.R.L.	Romania	Energy	100.00	100.00	G
Iberdrola Renovables Romania, S.R.L.	Romania	Holding	100.00	100.00	G
Iberdrola Renovables South Africa (PTY), Ltd.	South Africa	Energy	100.00	100.00	G
Networks Business					
Spain					
Anselmo León Distribución, S.L. (1)	Spain	Energy	100.00	100.00	E
Anselmo León, S.A.U. (1)	Spain	Holding	100.00	100.00	E
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L. (1)	Spain	Energy	100.00	100.00	E
Distribuidora Eléctrica Navasfrías, S.L. (1)	Spain	Energy	100.00	100.00	E
Eléctrica Conquense Distribución, S.A.	Spain	Energy	53.59	53.59	G
Eléctrica Conquense, S.A.	Spain	Holding	53.59	53.59	G
Electro-Distribuidora Castellano-Leonesa, S.A. (1)	Spain	Energy	100.00	100.00	E
Empresa Eléctrica del Cabriel, S.L. (1)	Spain	Energy	100.00	100.00	E
Herederos María Alonso Calzada – Venta de Baños, S.L. (1)	Spain	Energy	100.00	100.00	E
San Cipriano de Rueda Distribución, S.L. (1)	Spain	Energy	100.00	100.00	E
I-DE Redes Eléctricas Inteligentes, S.A.U. (Formely Iberdrola Distribución Eléctrica, S.A.U.)	Spain	Energy	100.00	100.00	G
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Spain	Services	100.00	100.00	G
Iberdrola Redes España, S.A.U.	Spain	Holding	100.00	100.00	G
Sociedad Distribuidora de Electricidad de Elorrio, S.A. (1)	Spain	Energy	97.95	97.95	E
United Kingdom					
Manweb Services, Ltd.	United Kingdom	Energy	100.00	100.00	G
NGET/SPT Upgrades, Ltd.	United Kingdom	Energy	50.00	50.00	E
Scottish Power Energy Networks Holdings, Ltd.	United Kingdom	Holding	100.00	100.00	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
SP Distribution, Plc.	United Kingdom	Energy	100.00	100.00	G
SP Gas, Ltd.	United Kingdom	Inactive	100.00	100.00	G
SP Manweb, Plc.	United Kingdom	Energy	100.00	100.00	G
SP Network Connections, Ltd.	United Kingdom	General use connections	100.00	100.00	G
SP Power Systems, Ltd.	United Kingdom	Asset Management Services	100.00	100.00	G
SP Manweb, Plc.	United Kingdom	Energy	100.00	100.00	G
United States					
Avangrid, Inc.	USA	Holding	81.50	81.50	G
Avangrid Enterprises, Inc.	USA	Holding	81.50	81.50	G
Avangrid Management Company, LLC	USA	Holding	81.50	81.50	G
Avangrid Service Company	USA	Services	81.50	81.50	G
Avangrid New York TransCo, LLC	USA	Holding	81.50	81.50	G
Avangrid Networks, Inc.	USA	Holding	81.50	81.50	G
Avangrid Solutions, Inc.	USA	Other	81.50	81.50	G
Berkshire Energy Resources	USA	Holding	81.50	81.50	G
Cayuga Energy, Inc.	USA	Holding	81.50	81.50	G
Central Maine Power Company	USA	Energy	81.50	81.50	G
Chester SVC Partnership ⁽³⁾	USA	Energy	40.75	40.75	G
CMP Group, Inc.	USA	Holding	81.50	81.50	G
CNE Energy Services Group, LLC	USA	Services	81.50	81.50	G
CNE Peaking, LLC	USA	Services	81.50	81.50	G
Connecticut Energy Corporation	USA	Holding	81.50	81.50	G
Connecticut Natural Gas Corporation	USA	Gas	81.50	81.50	G
CTG Resources, Inc.	USA	Holding	81.50	81.50	G
GCE Holding, LLC	USA	Holding	40.75	40.75	-
GenConn Devon, LLC	USA	Generation	40.75	40.75	-
GenConn Energy, LLC	USA	Generation	40.75	40.75	-
GenConn Middletown, LLC	USA	Generation	40.75	40.75	-
Maine Electric Power Company, Inc.	USA	Energy	63.80	63.80	G
Maine Natural Gas Corporation	USA	Gas	81.50	81.50	G
Maine Yankee Atomic Power Company ⁽⁵⁾	USA	Other	30.97	30.97	-
MaineCom Services	USA	Telecommunications	81.50	81.50	G
NECEC Transmission, LLC	USA	Holding	81.50	-	G
New York State Electric & Gas Corporation	USA	Electricity and Gas	81.50	81.50	G
NORVARCO	USA	Holding	81.50	81.50	G
Nth Power Technologies Fund I, LP. ⁽⁵⁾	USA	Other	21.92	21.92	-
RGS Energy Group, Inc.	USA	Holding	81.50	81.50	G
Rochester Gas and Electric Corporation	USA	Electricity and Gas	81.50	81.50	G
South Glens Falls Energy, LLC ⁽⁵⁾	USA	Energy	69.28	69.28	-
TEN Transmission Company	USA	Gas	81.50	81.50	G
The Berkshire Gas Company	USA	Gas	81.50	81.50	G
The Southern Connecticut Gas Company (SCG)	USA	Gas	81.50	81.50	G
The Union Water Power Company	USA	Services	81.50	81.50	G
The United Illuminating Company	USA	Energy	81.50	81.50	G
Thermal Energies, Inc. ⁽⁵⁾	USA	Inactive	81.50	81.50	-
Total Peaking Services, LLC	USA	Services	81.50	81.50	G
UIL Distributed Resources	USA	Services	81.50	81.50	G
UIL Group, LLC	USA	Holding	81.50	81.50	G
UIL Holdings Corporation	USA	Holding	81.50	81.50	G
United Capital Investments	USA	Inactive	81.50	81.50	G
United Resources, Inc.	USA	Holding	81.50	81.50	G
WGP Acquisition, LLC ⁽⁵⁾	USA	Inactive	81.50	81.50	-
Xcelcom Inc.	USA	Inactive	81.50	81.50	G
Xcel Services, Inc. ⁽⁵⁾	USA	Inactive	81.50	81.50	-

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Brazil					
Afluente Geração de Energia Elétrica, S.A.	Brazil	Energy	53.33	54.57	G
Companhia de Eletricidade do Estado do Bahia, S.A.	Brazil	Energy	49.33	50.69	G
Companhia Energética de Pernambuco, S.A.	Brazil	Energy	45.76	47.02	G
Companhia Energetica do Rio Grande do Norte, S.A.	Brazil	Energy	46.70	47.98	G
Neoenergia Jalapão Transmissão de Energia, S.A. (formerly, EKTT 1 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Neoenergia Santa Luzia Transmissão de Energia, S.A. (formerly, EKTT 2 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Neoenergia Guanabara Transmissão de Energia, S.A. (formerly, EKTT 3 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	-	G
Neoenergia Itabapoana Transmissão de Energia, S.A. (formerly, EKTT 4 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	-	G
Neoenergia Lagoa dos Patos Transmissão de Energia, S.A. (formerly, EKTT 5 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	-	G
EKTT 6 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	-	G
EKTT 7 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	-	G
EKTT 8 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	-	G
EKTT 9 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	-	G
EKTT 10 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	-	G
Neoenergia Vale do Itajaí Transmissão de Energia, S.A. (formerly, EKTT 11 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	-	G
Neoenergia Dourados Transmissão de Energia, S.A. (formerly, EKTT 12 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Neoenergia Atibaia Transmissão de Energia, S.A. (formerly, EKTT 13 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Neoenergia Biguaçu Transmissão de Energia, S.A. (formerly, EKTT 14 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Neoenergia Sobral Transmissão de Energia, S.A. (formerly, EKTT 15 Serviços de Transmissão de Energia Elétrica SPE, S.A.)	Brazil	Energy	51.04	52.45	G
Elektro Operação e Manutenção, Ltda.	Brazil	Services	51.04	52.45	G
Elektro Redes, S.A.	Brazil	Energy	50.88	52.28	G
Lanmóvil Amara Celular da Bahia Ltd. (Lanmara) ⁽¹⁾	Brazil	Other	65.00	65.00	-
Neoenergia Investimentos, S.A.	Brazil	Holding	51.04	52.45	G
Neoenergia Servicios, Ltd.	Brazil	Services	51.04	52.45	G
Neoenergia, S.A.	Brazil	Holding	51.04	52.45	G
Potiguar Sul Transmissao de Energia, S.A.	Brazil	Energy	51.04	52.45	G
S.E. Narendiba, S.A.	Brazil	Energy	51.04	52.45	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Other businesses					
Engineering					
Adicora Servicios de Intermediación de Ingeniería, S.L.U. (Before, Adicora Servicios de Ingeniería, S.L.U.)	Spain	Engineering	100.00	100.00	G
EA Servicios Explotación Nuclear GNIT, S.L.	Spain	Engineering	25.46	-	E
Empresarios Agrupados Internacional, S.A. (2)	Spain	Engineering	25.46	25.46	E
Ghesa Ingeniería y Tecnología, S.A. (2)	Spain	Engineering	42.15	42.15	E
Iberdrola Ingeniería de Explotación, S.A.U.	Spain	Engineering	100.00	100.00	G
Iberdrola Ingeniería y Construcción, S.A.U.	Spain	Engineering	100.00	100.00	G
Ingeniería, Estudios y Construcciones, S.A.	Spain	Engineering	100.00	100.00	G
Iberdrola Construção e Serviços, Ltd.	Brazil	Engineering	100.00	100.00	G
Iberdrola Energy Projects Canada Corporation	Canada	Engineering	100.00	100.00	G
Iberdrola Ingeniería y Construcción Costa Rica, S.A.	Costa Rica	Engineering	100.00	100.00	G
Iberdrola Energy Project, Inc.	USA	Engineering	100.00	100.00	G
Enermón S.A. de C.V.	Mexico	Engineering	100.00	100.00	G
Iberdrola Ingeniería y Construcción México, S.A. de C.V.	Mexico	Engineering	100.00	100.00	G
Iberservicios, S.A. de C.V.	Mexico	Engineering	100.00	100.00	G
Iberdrola Engineering and Construction Networks, Ltd.	United Kingdom	Engineering	100.00	100.00	G
Iberdrola Engineering and Construction UK, Ltd.	United Kingdom	Engineering	100.00	100.00	G
Iberdrola Engineering and Construction Ro, SRL.	Romania	Engineering	100.00	100.00	G
Iberdrola Engineering and Construction South Africa	South Africa	Engineering	100.00	100.00	G
Real Property					
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Spain	Real Property	100.00	100.00	G
Camarate Golf, S.A. (2)	Spain	Real Property	26.00	26.00	E
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Spain	Real Property	100.00	100.00	G
Iberdrola Inmobiliaria, S.A.	Spain	Real Property	100.00	100.00	G
Iberdrola Inmobiliaria Real State Investment, EOOD	Bulgaria	Real Property	100.00	100.00	G
Desarrollos Inmobiliarias Laguna del Mar, S.A. de C.V.	Mexico	Real Property	100.00	100.00	G
Promociones La Malinche, S.A. de C.V.	Mexico	Real Property	50.00	50.00	E
Innovation					
Algaenergy, S.A. (5)	Spain	Services	14.84	14.84	-
Arborea Intellbird, S.L. (2) (4)	Spain	Other	18.89	18.89	E
Atten2 Advanced Monitoring Technologies, S.L. (2)	Spain	Other	23.27	23.27	E
Balantia Consultores, S.L. (2)	Spain	Services	20.64	-	E
GDES Technology for services, S.L. (2)	Spain	Other	40.00	40.00	E
Iberdrola Servicios de Innovación, S.L.	Spain	Other	100.00	100.00	G
Inversiones Financieras Perseo, S.L.	Spain	Holding	100.00	100.00	G
Iberdrola QSTP, LLC	Qatar	Services	100.00	100.00	G
Other businesses					
Subgrupo Corporación IBV Participaciones Empresariales	Spain	Holding	50.00	50.00	E
Siemens Gamesa Renewable Energy, S.A. (4)	Spain	Holding	8.07	8.07	E
Iberdrola Inversiones 2010, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Participaciones, S.A.U.	Spain	Holding	100.00	100.00	G

Company	Address	Activity	Percentage of direct or indirect stake		Method (*)
			31.12.2019	31.12.2018	
Corporation					
CarteraPark, S.A.U. ⁽⁵⁾	Spain	Inactive	100.00	100.00	-
Iberdrola Corporación, S.A. ⁽⁵⁾	Spain	Inactive	100.00	100.00	-
Iberdrola España, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Energía, S.A.U.	Spain	Holding	100.00	100.00	G
Iberdrola Financiación, S.A.U.	Spain	Financial	100.00	100.00	G
Iberdrola Finanzas, S.A.U.	Spain	Financial	100.00	100.00	G
Iberdrola International, B.V.	Holland	Financial	100.00	100.00	G
Iberdrola Finance Ireland, DAC	Ireland	Financial	100.00	100.00	G
Iberdrola Re, S.A.	Luxembourg	Insurance	100.00	100.00	G
Iberdrola Energía Internacional, S.A.U. (formerly, Iberdrola Energía Internacional, S.L.)	Spain	Holding	100.00	100.00	G
Scottish Power UK, Plc	United Kingdom	Holding	100.00	100.00	G
Scottish Power, Ltd.	United Kingdom	Holding	100.00	100.00	G
ScottishPower Investments, Ltd.	United Kingdom	Holding	100.00	100.00	G
ScottishPower Overseas Holdings, Ltd.	United Kingdom	Holding	100.00	100.00	G
SPW Investments Ltd.	United Kingdom	Holding	100.00	100.00	G

JOINT OPERATIONS OF THE IBERDROLA GROUP STRUCTURED THROUGH AN INDEPENDENT VEHICLE FOR THE YEARS 2019 AND 2018

Company	Address	Activity	Percentage of direct or indirect stake	
			31.12.2019	31.12.2018
<u>Liberalised Business</u>				
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
<u>Renewables Business</u>				
Infraestructuras de Medinaceli, S.L.	Spain	Energy	39.69	39.69
Sistema Eléctrico de Conexión Hueneja, S.L.	Spain	Energy	47.36	47.36
<u>Other businesses</u>				
Torre Iberdrola, A.I.E.	Spain	Real Property	68.10	68.10

Additionally, the IBERDROLA Group takes part in joint operations through joint ownership and other joint agreements described in Note 45.

GROUP COMPANIES AT 31 DECEMBER 2018 WHICH HAVE LEFT THE PERIMETER IN 2019 AS A RESULT OF DISPOSAL, MERGER OR LIQUIDATION

Company	Address	Activity	Percentage of direct or indirect stake	
			31.12.2019	31.12.2018
<u>Liberalised Business</u>				
Sever RJ Participacoes S.A.	Brazil	Energy	-	51.04
<u>Renewable Business</u>				
Impulsora de Generación Fotovoltaica de México, S.A. de C.V.	Mexico	Energy	-	100.00
Infraestructuras de Generación Eléctrica, S.A. de C.V.	Mexico	Energy	-	100.00
Parque energías Renovables de México, S.A. de C.V.	Mexico	Energy	-	100.00
Pier IV, S.A. de C.V.	Mexico	Energy	-	51.00
Proyecto Alternativa Energética de México, S.A. de C.V.	Mexico	Energy	-	100.00
<u>Other businesses</u>				
Empresarios Agrupados, A.I.E.	Spain	Engineering	-	25.46
Iberdrola Engineering and Construction Poland, SP. Z.O.O W LIKWIDACJI (formerly, Iberdrola Engineering and Construction Poland, SP. Z.O.O.)	Poland	Engineering	-	100.00
Investigación y Desarrollo de Equipos Avanzados, S.A.U.	Spain	Other	-	100.00

- (1) Companies that are controlled by the Group but due to their immateriality have been integrated using the equity method. At 31 December 2019, the total aggregate assets value and the profit for the year corresponding to these companies amounts to Euros 27,307 thousand and Euros 4,133 thousand, respectively. At 31 December 2018, the total aggregate assets value and the profit for the year corresponding to these companies amounts to Euros 40,537 thousand and Euros 5,301 thousand, respectively.
- (2) Companies considered joint ventures, accounted for the equity method, where shareholders' agreements just grant the right to the net assets of the business.
- (3) Companies, where despite holding a percentage of voting rights less than 51%, the Group holds the control through shareholders' agreements.
- (4) Companies where the Group has significant influence despite holding a percentage of voting rights less than 20%, since it is represented these companies' Board of Directors.
- (5) Companies where the Group holds the control, joint control or significant influence, but given its limited relevance, they have not been included in the consolidation scope.



APPENDIX II

INDUSTRY REGULATION AND FUNCTIONING OF THE ELECTRICITY AND GAS SYSTEM

Both IBERDROLA and some of the fully or proportionately consolidated subsidiaries engage in electricity business activities in Spain and abroad (see the Appendix to these Consolidated annual accounts) that are heavily affected by the respective regulatory frameworks. The fundamental regulation affecting the IBERDROLA Group, as well as the most significant developments of 2019, are outlined below.

1. European Union

The aim of the European legislation, applicable to all States that are in the EU where IBERDROLA Group operates, is the implementations of the single gas and electricity markets in order to facilitate the exchange of energy flows and allow any consumer in the European Union to deal freely with any supplier in the EU. In this respect, there are two types of legislation: the directives, which set out common criteria to be observed in internal markets and which the member states should transpose into national legislation; and the Regulations, which establish norms for the supranational issues, especially those related to the transit of gas and electricity, and are applicable directly.

Another set of regulations that indirectly affects the energy sector are those arising from the energy and climate policy. In 2007 the triple objective of reducing emissions of greenhouse gases (GHGs) by 20% was approved, setting a quota of renewable energy of 20% and a target for energy efficiency (reducing consumption by this percentage based on the trend), all by 2020. In 2014, the European Council supported going even further towards decarbonisation by setting an emission reduction target of 40% by 2030. During negotiations for the reform of the Renewable Energy and Energy Efficiency Directives, more ambitious targets were also agreed upon than those initially expected, with 32% and 32.5% being set respectively for 2030.

The Paris Agreement, adopted under the United Nations Framework Convention on Climate Change and signed by the European Union, came into force on 4 November 2016, having been signed by 195 countries. In order to implement this, the European Union is addressing reforms in its energy and climate policy with a view towards 2050.

As early as 2015, the European Commission (EC) implemented a strategic framework to achieve an Energy Union in order to integrate climate action established by the 2030 targets into a reform of the electricity market, while at the same time preserving a safe and competitively priced electricity supply for the industry and affordable prices for consumers.

This was mainly achieved with the submission of several proposals (beginning in 2015), all of which have already been approved: the reform of the European Union Emissions Trading System (EU ETS) to step up emissions reductions from 2021 on (approved in 2018), the Clean Energy legislative package for all Europeans (published in full in 2019) and the Clean Mobility package (approved in 2019). Finally, in December 2019, days after the inauguration of the new College of Commissioners, the Communication on the European Green Deal was published, aimed at achieving neutral emissions in the EU by 2050, strengthening the objectives previously set for 2030 and committing to transition plans in all sectors in order to improve competitiveness.

On 30 November 2016 the EC published the package Clean Energy for all Europeans, setting the framework to complete the implementation of the energy internal market and to achieve the environmental 2030 targets. At 31 December 2019, the DOUE has published all the rules and it is expected that the practical implementation in the market will take place before the end of 2020, with the transposition of the Directives in the Member States. The following are to be highlighted:

- Directive 2018/844 on the Buildings' Energy Efficiency: The directive requires member states to establish long-term renovation strategies for buildings focusing investment on the renovation of buildings that are highly energy-efficient and decarbonised before 2050. Moreover, it establishes minimum requirements for implementing recharge points for electric vehicles in buildings with more than 10 parking spaces.
- Directive (EU) 2018/2001 on Renewable Energy: It sets a general European renewable target of 32% by 2030, as well as a target of 14% in transport (per country) and an annual increase of 1.3% in heating and cooling. It establishes stable (non-retroactive) support schemes for renewables over a period of 5 years. It allows individual and collective self-consumption, ensuring contribution to the costs of using the network. In general, it prohibits charges for self-consumed energy, but allows them for larger installations (>30kW) and puts the sustainability of the system first.
- Directive (EU) 2018/2002/EU on Energy Efficiency: It sets a European energy saving target of 32.5% for 2030 (above the trend horizon), setting annual savings obligations per country for the 2021-2030 period equivalent to 0.8% of the average energy consumption at the end of the 2016-2018 period. It encourages the electrification of heating and cooling systems and transport, and expressly states that Member States may use contributions to the National Efficiency Funds as an alternative to the obligation schemes.
- Regulation (EU) 2018/1999 on Governance of the Energy Union and Climate Action: It sets the rules and timetable for the preparation and reporting to the EC of the Member States' National Plans on Energy Union and Climate Action, in accordance with the 2030 European targets, which should define the national strategy to ensure the achievement of the objectives and the security of supply. Each Member State shall draw up and communicate its long-term strategies to the Commission (a perspective of at least 30 years). Mechanisms for monitoring compliance with the 2030 targets will be established, which allows the EC to impose measures when collective targets are at risk.
- Directive 2019/944/EU and Regulation 2019/943/EU on the internal market for electricity: The following elements have been highlighted:
 - Capacity mechanisms: The emission limit of 550 g CO₂/kWh for new plants was agreed upon. For existing plants, the limit of 550 g CO₂/kWh and 350 kg CO₂ on average per year shall apply from 1 July 2025. At July 2025, no high-emission power plant may receive State aid in the form of a capacity mechanism (except those who have committed to existing capacity contracts before 31 December 2019).
 - Cross-border trade in electricity: 70% of the interconnection capacity for electricity trade should be made available. At January 2026, carriers will be able to use up to 30% of the interconnection capacity for safety margins, loop flows and internal flows.
 - Energy poverty and regulated prices: Member States may temporarily regulate prices to protect vulnerable households, but social protection systems should be given preference as a means of addressing energy poverty. Member States that maintain regulated prices for domestic consumers may continue to do so, but they must notify the European Commission

in advance and justify the need for their implementation. States should also submit market assessment reports between 2022 and 2025. The Commission will carry out its own evaluation of the prices regulated during 2025 and may propose that these prices be eliminated definitively.

In November 2017, the EC published its Clean Mobility package, which outlines measures to reduce emissions from the transport sector during the 2020-2030 period and to adapt the European industry to compliance with the Paris Agreement without losing a share in the global market. The most significant regulations are:

- Regulation (EU) 2019/631 on CO emission standards for new light vehicles: cars and vans registered in 2025 must emit 15% less than those sold in 2021 (revision in 2023). For 2030 the emission reduction goal compared to 2021 is 37.5% for new vehicles and 31% for new vans. Annual emissions targets shall be set by each manufacturer, with fines imposed if these targets are exceeded and incentives given to those who exceed a percentage of zero- and low-emission vehicle sales (<50gCO₂/km, mainly electric, fuel cell and plug-in hybrids).
- Regulation (EU) 2019/1242 on CO₂emission standards for new heavy-duty vehicles: buses and lorries registered in 2025 must emit 15% less than in 2019. For 2030, the reduction target will be 30% compared to 2019 (revision in 2022). Annual emission limits are set by each manufacturer, with fines for manufacturers who exceed them and incentives for those who exceed a percentage of low-emission (those with less than 50% of each category's emissions in 2019) and zero-emission (without an internal combustion engine or that emits <1gCO₂/km) heavy-duty vehicle sales.
- Directive (EU) 2019/1161 on Clean Transport Vehicles for administrations: promotes the acquisition and rental of clean vehicles for public administration, setting minimum targets per country for the 2021-2025 and 2026-2030 periods. For Spain, it will be 36.3% of light vehicles, 10% of trucks and 45% of buses (half of the buses with zero emissions) in the first period.

Within days of its inauguration, the new European Commission, chaired since December 2019 by the German Ursula von der Leyen, published *Communication COM (2019) 640* on the European Green Deal. It consists of a package of measures for the next 5 years of office that will transform the European Union into a competitive and efficient economy through the use of resources as well as net zero emissions by 2050, thereby promoting a fair and inclusive transition process. The Plan is based on 10 general pillars to promote decarbonisation, financing, and sustainable European energy consumption, ensuring an effective CO₂ price across the economy.

The legislative development will take place between 2020 and 2021, starting in March 2020 with the proposal for a European Climate Law, which will secure the goal of carbon neutrality by 2050. Subsequently, in summer 2020, an Impact Analysis will be presented on the 2030 target increase for emissions reductions by 50% or 55% compared to 1990 (currently 40%). This will require a review of all existing regulations (Renewable and Energy Efficiency Directives, EU ETS Reform, the Air Quality and Mobility Directive, the Energy Taxation Directive, European Infrastructure Standards, State Aid Guidelines, etc.), as well as the development of new legislation.

2. Industry regulation in Spain

The National Commission for Market and Competition (CNMC) is a public body attached to the Ministry of Energy, Tourism and Digital Agenda and is subject to parliamentary scrutiny. This body acts as a market regulator and supervisor and under Royal Decree-Law 1/2019 of 11 January, it also has the power to establish the methodology of remuneration, tolls and conditions of access to the transport and electricity and gas distribution networks at the next regulatory period (2020).

• Industry regulation and functioning of the electric system in Spain

The current electricity sector regulation is based on Law 24/2013, of 26 December, of the Electricity Sector (LSE) and its principles are summarised in:

1. Activity separation

It establishes the legal and accounting separation of regulated activities (economic and technical management of the system, transmission and distribution) and liberalised activities (generation, wholesale and retail or other activities unrelated to electricity or activities abroad). However, both types of activities may be carried out in a group of companies, provided they are carried out by different companies.

2. Power generation activity

Generation activity is carried out in free market competition, subject to a schedule of approvals, with its remuneration established in the market:

- The daily hour price for energy is established in the wholesale market by marginalist criteria.
- Additional remuneration for capacity payments, regulated by ITC Order 3127/2011: The investment in new capacity (20 years) or in air quality improvement (10 years) has been paid back. The availability was also paid back during the first half of 2018, although the latter incentive was abolished in 2019.

Renewable generation

Royal Decree 413/2014 on electricity generation by means of renewable, cogeneration and waste facilities establishes the remuneration scheme for existing and new facilities. The remuneration will be on the basis of six-year periods and some of them may be revised every three years. For facilities before July 2013, the remuneration consists of the sum of:

- o Investment remuneration (EUR/MW) to cover, where applicable, the investment costs that cannot be recovered from the sale of electricity in market, based on reasonable profitability (that is, 7.398% before taxes), to be reviewed every six years.
- o Operation remuneration (EUR/MWh) to cover the difference between the operating costs and income obtained in the electricity market. Depends on fuel prices and may be reviewed at least once a year.

On the other hand, the Order IET/1045/2014 established a classification of standard installations in terms of the technology, installed capacity or any another characteristic already in place for the application of this remunerative scheme. These have been revised by Order ETU/130/2017 for the period 2017-2019.

The remuneration for new facilities will be set by a competitive tendering process.

In 2019, the first wind energy auction in the Canary Islands was launched for projects co-financed by the European Regional Development Fund with 184 MW awarded, with the market price plus investment aid being received.

3. Agents that guarantee the proper functioning of the market

- (6) System Operator (SO): Red Eléctrica de España, S.A. carries on the transmission management and system operation activities. The SO is responsible for managing adjustment markets which ensure a continuous balance between demand and power generation.
- (7) Market Operator (MO): Iberian Market Operator (OMI) is responsible for the operation of MIBEL manages Portuguese and Spanish daily, intra-day and forward markets in Spain and Portugal.

4. Transmission and Distribution

The Electric Industry Law [LSE] establishes that distribution and transmission are regulated activities that are classified as low-risk, whose remuneration is determined by six-year regulatory periods.

- The investment with fees corresponding to the State's ten-year obligations with a differential suitable for low-risk activity (200 basis points) has been remunerated.
- The collection of the remuneration generated by new facilities starts in the year $n+2$.

Orders IET/2659/2015 and IET/2660/2015 determine the type of facilities and unit values to consider when calculating the remuneration between 2016 and 2019.

Remuneration to transmission and distribution for 2016 was published on Order IET/980/2016. However, in September 2017, a case was opened against this Order, declaring it detrimental to the public interest, which has not yet been resolved due to the treatment of amortised assets that are still in use. In turn, the parameters used in the calculation of the 2016 remuneration have been used to ensure that the final amount recognised takes into account the valuation of assets built by third parties, which are subsequently transferred to distribution companies.

Therefore, the final remuneration for the years 2016 to 2019 has not yet been published and an amount equivalent to that of 2016 is being provisionally settled, according to Orders ETU/1976/2016, ETU/1282/2017 and TEC/1258/2019, which maintain the published values for 2016 for distribution remuneration (EUR 5,175 million for the sector and Euros 1,655.5 million for IBERDROLA) and for transport (EUR 1,709 million for the sector).

5. Access tolls

Access tolls are defined as the consideration consumers will pay for use of the networks and other unrelated supply costs included in the invoice, designated as charges. Access tariffs are uniform across the country and are collected by the distributors, which act as the collector agents of the electric system.

Order TEC/1366/2018, of 20 December, establishes the electric power access tolls for 2019, including charges, with values similar to those applied in 2018. This order also:

- Provisionally maintains the transmission and distribution remuneration, until the orders with definitive values for 2019 are published.
- Establishes the use of accumulated surplus funds for the amount that is strictly necessary to balance income and costs. With regard to General State Budget revenues, it includes Euros 750 million for CO₂ auctions, although the Royal Decree-Law on Mining announced credit increases of up to Euros 1,000 million for this concept on the same day.
- It consolidates the repeal of availability payments, while maintaining the current capacity prices paid by customers.
- It establishes the provisional remuneration of the SO and MO,

In turn, Royal Decree-Law 14/2010 of 23 December and Royal Decree 1544/2011 of 31 October 2011 extended the application of access tolls to electricity producers by applying a provisional toll of Euros 0.5 per MWh to the grid.

6. Supply activity

From 1 July 2009 all consumers may freely contract their supply of electricity with a supplier of their choice. The government, however, maintains a Voluntary Price for the Small Consumer (VPSC), a regulated tariff for consumers that have a contracted power rating of less than 10 kW, and for those that do not meet the requirements to sign up for it but who temporarily do not have a valid contract with a free market operator.

Royal Decree 216/2014 establishes the legal regimen for contracting the VPSC and methodology for calculating it, such as sum of energy cost, access tolls and charges, and commercial margin. In addition, as established by Law 3/2014, it provides the option for consumers to contracting an electricity price fixed for a year with the reference trader.

Royal Decree 469/2016 amended the Voluntary Price for the Small Consumer (PVPC) commercial margin by laying out the method for calculating the costs of the three most efficient reference retailers (COR) (excluding the face-to-face channel), plus remuneration for the year of activity (1.05% of the energy price).

Order ETU/1948/2016 set the specific values for the period from April 2014 to 2018, which have been extended for the 2019-2021 period by Order TEC/1366/2018 on access tolls for 2019.

On the other hand, Royal Decree-Law 15/2018 on urgent measures approved a series of measures that affect marketing:

- The prohibition of door-to-door sales of electricity and gas at the customer's home, unless a prior appointment has been requested.
- The COR's must include a calculation of the application of time discrimination rates in the invoice.
- Enables fraudulent retailers to be banned.
- Enables power procurement in multiples of 0.1 kW for supplies below 15 kW.
- Supplies of less than 15 kW are exempted from reactive billing.

7. Social tariff

The Social tariff offers a discount on the regulated rate for certain vulnerable groups and is financed by the parent companies of all Groups with marketing activity according to the distribution calculation method and the settlement procedure outlined in the current regulations. IBERDROLA is responsible for financing 34.62% in 2019.

In 2016, the Royal Decree-law 7/2016, which regulates the mechanism for financing the cost of Social tariff and other measures to protect vulnerable electricity consumers, was published. It was subsequently developed by Royal Decree 897/2017, by Order ETU/943/2017, amended by Royal Decree-Law 15/2018, including urgent measures for energy transition and protections measures for consumers.

Three categories of vulnerable consumers were defined based on criteria entailing income, number of minors in the household and other conditions, and a VPSC discount between 25% and 100% is applied to their bill up to an annual consumption limit.

This regulation also reviews the processes for suspending the supply in the event of non-payment and adds an additional level of protection for households who benefit from the social tariff with minors under 16 years of age or with members who have a disability or are dependant, in which case the supply is considered essential, ruling out a cut in supply in the event of non-payment.

8. Electric mobility

The Royal Decree-law 15/2018 eliminates the figure of the load manager as another agent in the electrical system, which was introduced by Royal Decree-Law 6/2010. In this way, any consumer can provide recharging services, free or for payment on their own account or via third parties.

On the other hand, it enables distributors to develop recharging points when there is no private interest. Later on, if beneficial economic conditions come about, the installations will be transferred to other owners, with adequate compensation, with the process pending regulatory development.

9. Self-consumption

Royal Decree-Law 15/2018 introduces modifications to the LSE in relation to self-consumption. Thus, it eliminates the requirement to install a meter for generation and the limitation of installing less generation power than consumption power. It also eliminates charges and tolls for renewable self-consumed energy, cogeneration or waste and allows for shared self-consumption with the ability to fix quantities through use of the grid. Finally, it allows for surpluses to be remunerated as well as production remainders, and simplified compensation between deficits and surpluses of associated power installations equal to or less than 100 kW.

The above is outlined in Royal Decree 244/2019, which removes all limits to representation (to dominant operators) for any renewable self-consumption facility, develops the definition of nearby installations for the purposes of self-consumption and collective self-consumption, it enables surpluses to be remunerated and allows production and consumption facilities to have different owners.

10. Interruptibility and help for electro-intensive consumers

The interruptibility service for a consumer consists of reducing their power, considering the needs that may arise in the operation of the electrical system, according to technical and economic criteria.

The allocation of the interruptibility service will be carried out through an auction procedure managed by the system operator, as established in the Order IET/2013/2013 and resolution of 12 August 2016. In 2019, two six-monthly interruptibility auctions were held (Resolution of 6 November 2018 and Resolution of 24 May 2019).

11. Cogeneration

Royal Decree 413/2014 establishes the specific pay regime for cogeneration facilities.

For its part, Royal Decree-Law 20/2018 introduced an extension of its economic regime; high-efficiency cogeneration facilities that use renewable fuels or natural gas and that exceed their regulatory life after 1 January 2018 may receive operation remuneration for two years from the entry into force of this Royal Decree-Law, unless a new regulatory regime is developed.

Finally, Order TEC/1303/2018 granted some purine plants the right to an efficiency supplement during the 2007-2010 period, amounting to Euros 11 million, which was taken from the historical surplus. Euros 1 million corresponds to IBERDROLA plants.

12. Economic sustainability of the sector

The difference between collection of tariffs and access tolls and real costs related to the same, produced a revenue shortfall between 2000 and 2013, which was financed by the electric companies. Recovery of this shortfall is deferred through annuities incorporated in the annual tariff.

In order to eliminate the sector's structural deficit, Law 15/2012 established new taxes to finance the electricity sector and Royal Decree-Law 9/2013 amended the methodology for calculating the remuneration of transport, distribution, special arrangements and capacity payments.

In order to consolidate the tariff balance, the LSE of 2014 incorporates the principle of economic and financial sustainability of the electricity system, meaning that any regulatory measure which causes an increase in costs or a reduction in income for the electricity system should incorporate an equivalent reduction of other cost items or an equivalent increase in income that ensures the equilibrium of the system. The possibility of a new accumulation of deficits is ruled out.

The LSE limits the review of charges by stating that while the electrical system cost items reflect payments that correspond to outstanding debts from previous years, the charges cannot be revised downwards. It also sets out the obligation to automatically review tolls and charges if the annual or cumulative adjustment exceeds 2% or 5% respectively of the estimated income for the financial year.

The part of the imbalance that, without exceeding such limits, is not compensated by increases in tolls and fees will be financed by the parties to the settlement system in proportion to the remuneration that corresponds to them for their activities. The amounts thus contributed will be returned in the corresponding settlements during the following five years together with an interest rate equivalent to the market rate.

The excess income that could arise will be used to compensate imbalances from previous years and, additionally, by virtue of the Central State Budgets 2018 and 2019, to compensate companies for the litigation resulting from the electricity regulation. For its part, Royal Decree Law 15/2018 enables the Ministry to also use the accumulated surplus to cover possible deficits from 2018 and 2019 and increases the budgetary credit to transfer revenue from CO₂ auctions.

The Royal Decree 680/2014 regulates the procedure of budgeting, recognition, settlement and control of the surcharges on the production of electric power in the isolated electricity systems of the non-peninsular territories charged to the Central State Budgets, thus developing the provisions of the LSE, which established that from 1 January 2014, 50% of these surcharges would be financed against the Central State Budgets.

Final settlements for 2014, 2015, 2016, 2017 and 2018 were closed with an excess of Euros 550, 469, 421, 150 and 96 million, respectively. Once the return of the social tariff (2014, 2015 and 2016), the purine efficiency supplement and the transfers to the Institute for Diversification and Energy Savings (idea) are subtracted in order to finance investment projects in renewables, the accumulated surplus of Euros 1,039 million will be deposited in a CNMC account.

13. Energy efficiency

The European Union has set itself the target of achieving a 20% improvement in energy efficiency by 2020 and at least of 32.5% in 2030.

Law 18/2014 contains a set of mechanisms designed to achieve the energy saving targets established in the Energy Efficiency Directive. To this end, it created the National Energy Efficiency Fund, managed by the Institute for the Diversification and Saving of Energy (Instituto para la Diversificación y Ahorro de la Energía) and financed by energy traders (gas and electricity, wholesalers of oil products and of liquid petroleum gases), according to their sales.

Order TEC/332/2019, of 20 March, has established contributions to the Fund for 2019.

• Industry regulation and functioning of the gas system in Spain

The natural gas sector has undergone significant changes in its structure and operation in the last ten years, from a monopoly to a fully open market, driven mainly by the deregulation measures about natural gas market in European directives (2009/73/EC Directive is currently in force) aimed at opening up markets and creating a single European gas market.

1. Activity separation

The Hydrocarbon Industry Law of 1998 laid the foundations for the new gas system, particularly with regard to the separation of activities (regulated and liberalised), the introduction of third-party access to the regulated network, the abolition of the former concessions for piped gas supply and their conversion into regulated administrative permits.

Law 34/1998 provided for the legal separation of liberalised and regulated activities and the segregation for accounting purposes of the various regulated activities. Law 12/2007, the functional separation between network activities and liberalised activities and between network activities and technical system management was implemented. In 2012, the Royal Decree-law 13/2012 was approved, establishing further measures of separation in management of the transmission network.

The gas system has been structured around two types of activities: regulated activities (regasification, basic storage, transmission and distribution) and liberalised activities (trading and supply).

2. Liberalisation of the gas sector

The liberalisation of the gas sector was initiated following the Royal Decree 6/2000, establishing firstly the role of the System's Technical Manager, and Royal Decree 949/2001 the specific terms and conditions for third-party network access and, a remuneration system for regulated activities and a cost-based system of tariffs, tolls and fees structured according to pressure levels and consumption bands. The remuneration is updated annually by ministerial orders and resolutions.

The economic system also established a settlement procedure that would allow for redistribution of revenues collected between the various regulated activities.

Other issues related to the regulation of the transmission, distribution and supply businesses, the administrative authorisation procedures for natural gas facilities and the regulation of certain aspects of the supply business are dealt with in the Royal Decree 1434/2002.

The liberalisation process in Spain was completed by Law 12/2007, which transposed Directive 2003/55/EC, eliminating tariff supply and establishing a functional separation between activities.

In the electricity system, the market deregulation process was completed on 1 July 2008 with the elimination of regulated supply for customers and the creation of last-resort supply. Currently, low-pressure customers with annual consumption of less than 50,000 kWh who do not choose another supply option shall be supplied by a last-resort supplier at a price calculated automatically. The price is automatically calculated in an additional way.

3. Technical operation of the system

Order ITC 3126/2005 develops the rules for the gas system technical management rules. Inter alia, these regulations established that each operator is individually responsible for maintaining its liquidity and enacts specific protocols for the conduct of the technical system manager in exceptional operating circumstances.

Despite the sector's progressive deregulation, prevailing regulation upholds the state's obligation to ensure the safety and continuity of supply. The Royal Decree 1766/2007 stipulates that direct market suppliers and consumers must maintain minimum security stocks equivalent to 20 days' consumption.

Additionally, by virtue of the Winter Gas Plan in force published in 2017, retailers are required to maintain an "internal reserve" (November-March) as required in LNG, equal to 3.5 days of the contracted input capacity to the transmission and distribution network.

The state also maintains responsibility for obligatory planning work for certain infrastructures (for example, gas pipelines forming the core transmission network, the secondary transmission network, determining the total liquid natural gas regasification capacity necessary to supply the system and core natural gas storage facilities). For all other infrastructures, the state's planning work is indicative only. The Royal Decree-law 13/2012 enacted a series of measures to halt the construction of new infrastructure in a context of falling demand for gas.

Royal Decree 335/2018 amended several royal decrees concerning the administrative processing of certain facilities, the procedure to be followed in the case of a ban on a retailer and the fixing of tolls and fees. The latter has been pending implementation as powers are being transferred to the CNMC.

4. Remuneration

Law 18/2014, on measures for growth, competitiveness and efficiency, previously the Royal Decree-law 8/2014 established the principle of economic and financial sustainability for the gas system. This principle is reinforced with the obligation to automatically review tolls and fees if the annual imbalance between revenues and costs of the gas system exceeds the following limits 10% of the year's receivables or 15% of the sum of the annual imbalance plus annual payments recognised and pending amortisation.

The part of the imbalance that, without exceeding the above limits, is not compensated by the increase in tolls and fees, will be financed by the parties to the settlement system in proportion to their remuneration. The amounts contributed will be returned in the following five years and will earn an interest rate equivalent to the market rate.

The deficit accumulated as at 31 December 2014 will be financed by the owners of the installations during a period of 15 years.

On the other hand, the remuneration of the regulated activities will be based on the costs necessary for an efficient and well-managed company to carry out the relevant activity, following the principle of performing the relevant activity at the lowest cost for the gas system. In addition, the remuneration of regulated activities will be on the basis of six-year regulatory periods. The first regulatory period ends on 31 December 2020. Every three years' adjustments may be made to the remuneration parameters within the gas system in the event that there are significant changes in revenues or costs.

The remuneration system for distribution is based on the system of the previous year, adjusted to market growth. The remuneration system for transmission, storage facilities and regasification is based on the net value of the assets, plus a complement associated to demand performance. Also, operating and maintenance costs are taken into consideration.

5. Organised gas market

The Hydrocarbon Industry Law has been modified by Law 8/2015, of 21 May. The main aspects introduced by Law 8/2015 regarding the gas system are:

- The creation of an organised wholesale gas market.
- The designation of the operator of the regulated gas market.
- Measures relating to minimum security stock levels
- CORES (*Corporación de Reservas Estratégicas de Productos Petrolíferos*) is enabled to constitute, maintain or manage natural gas and liquefied natural gas strategic stocks.
- Inspections may be carried out by any natural gas installation company (not only distribution companies).

Finally, the Royal Decree 984/2015, of 30 October, regulated the organised wholesale gas market and the third party access to the facilities of the natural gas system. Sets the bases for the development of an organised gas market, including the negotiation of short-term standardised products by an electronic platform managed by the Market Operator (MIBGAS - OMEL), together with a centralised guarantee management system. In addition, this market will centralise the hiring capacity through a technical system manager (ENAGAS), with standardised products and auction procedures.

At the end of 2017, the Resolution was published establishing the conditions for the provision of the mandatory market maker service by the controlling operators of the natural gas market (Endesa and GNF). They are obligated to maintain a minimum volume of purchase and sale offers up to a maximum annual volume of 5.68% of its volume from supplying gas to Spain.

The separation of prices between the purchase and sales offers must be equal to or less than Euros 0.50 per MWh. This measure is complementary to the regular call for voluntary market makers.

3. Industry regulation in the UK

The principal laws that govern Scottish Power Ltd.'s (hereinafter, SCOTTISH POWER) activities are the Electricity Act 1989 (Electricity Act) and the Gas Act 1986 (Gas Act), as substantially amended and supplemented by numerous subsequent enactments, including the Gas Act 1995, the Utilities Act 2000, the Energy Act 2004, the Energy Act 2008, the Energy Act 2010, the Energy Act 2011, the Energy Act 2013, the Energy Act 2016, the Domestic Gas and Electricity (Tariff Cap) Act 2018 and various EU Directives (subject to any changes arising from the UK's forthcoming exit from the EU).

1. The Regulatory Authorities

The principal regulatory authority for utilities is the Gas and Electricity Markets Authority (*GEMA*), comprising a chairman and other members appointed by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). GEMA is backed by the *Office of Gas and Electricity Markets* (OFGEM). The main regulatory instrument used by GEMA is the licensing regime, which encompasses the different activities of the energy industry under one license, to which standard conditions are applied as well as a series of statutory obligations, known as relevant requirements, which are taxed by GEMA as if they were conditions of the license.

GEMA's principal objective is to promote the interests of consumers and promote effective competition. Under the Energy Act 2010, the interests of such consumers must be taken as a whole, including their interests in the reduction of greenhouse gases and in the security of the supply of gas and electricity to them.

In furthering this objective GEMA must ensure that all reasonable demands for electricity and gas are met, ensure that licence holders are able to finance the activities they are obliged to undertake, and contribute to the achievement of sustainable development. Vulnerable customers should be considered, as well as certain guidelines on social and environmental issues.

GEMA's functions include the granting of licences (and their revocation in certain limited circumstances), the making of changes to licence conditions (including the operation of price controls for the monopoly network functions), the review of industry code modifications, operating schemes for promoting renewable electricity and energy efficiency, and the enforcement of the industry's obligations.

GEMA regulatory activities should be transparent, accountable, proportionate, consistent and focused only on cases where action is needed, as well as being in line with what are considered best regulatory practices.

GEMA has the power to impose monetary penalties for past and ongoing breaches of licence conditions and relevant requirements and it can order that redress is provided to consumers. Fines and redress orders for a particular breach can in aggregate be up to 10% of the licensee's applicable turnover.

The principal Regulatory Authority for competition matters is the Competition and Markets Authority (CMA). They can undertake general market investigations and, working concurrently with GEMA, can investigate potential breaches of competition law in the utility field. Consumer protection matters are enforced by the CMA, OFGEM and Local Authority Trading Standards departments.

2. Licences

Companies within the SCOTTISH POWER Group hold licences for various functions including:

- the supply, generation, transmission and distribution of electricity;

- the shipping of gas (that is, arranging for the insertion, the transmission, and the removal of it from the public network); and
- the transportation of gas to certain specific sites.

The conditions of licences regulate such matters as:

- for network licences: the quality of service and the charges that can be made.
- for supply to domestic consumers: consumer protection provisions including rules on standards of conduct, provision of information, debt and disconnection, cost reflective pricing, in relation to payment methods, information supply to customers and on treating customers fairly.
- for most types of licence: rules requiring adherence to industry codes that set down the detailed technical rules for operating the industry, and providing for OFGEM to determine whether proposed changes to the codes should go ahead.

The Gas Act 1995 and Utilities Act 2000 introduced standard licence conditions to ensure that all holders of a particular licence type are subject to the same conditions. Under the Electricity and Gas Regulations 2011 (Internal Markets), modifications of individual or standard licencing terms no longer require the holders' consent.

On 24 June 2016, the CMA issued a report as a result of an investigation into the supply and acquisition of energy in Great Britain (Energy Market investigation). The report concluded that competition in the wholesale gas and electricity markets works well and that the presence of vertically integrated firms does not have a detrimental impact on competition.

However, a number of adverse effects on competition were identified in the retail market, some due to ill-conceived regulation, but mainly focussed on the 'weak customer response' from the 70% of customers who are on standard variable tariffs (SVT) and who lose out through lack of engagement in the market. Most of the solutions proposed by the CMA (remedies) focused on increasing competition in the SVT segment, except in the particular case of customers with prepaid meters, where the CMA decided to impose a price ceiling, as a transitional safeguard, set above the *efficient* price level.

On 19 July 2018, the law on electricity and gas for domestic clients (the Tariff Cap), which requires OFGEM to temporarily establish a ceiling (cap) for all domestic customers with Standard Variable Rates (SVT) or any other default rate, in addition to ensuring that authorised activities remain bankable. The cap should be maintained until the end of 2020 and, thereafter, can be extended annually up to a maximum of 3 years. OFGEM implemented a default tariff cap from 1 January 2019.

The customers covered by the tariff limit of the prepaid meters proposed by the CMA were not affected by this default tariff cap. After a price ceiling analysis on customer rates with prepaid meters, the CMA decided in July 2019 to review the methodology for establishing this cap and to recommend OFGEM to consider protecting customers with prepaid meters once this cap expires on 31 December 2020.

3. Price controls

As discussed in the previous paragraph, following the energy market investigation (carried out between 2014 and 2016), the CMA introduced a safeguard rate for domestic consumers with prepaid meters, which it would apply from 1 April 2017 to 31 December 2020. Following the publication of the 2018 Tariff Cap Law, customers' electricity and gas rates at standard variable rates or other default rates have been subject to a price limit. The tariff cap is set by OFGEM.

The provisions in Competition Act 1998 and the Transmission Constraint Licence Condition (TCLC) may set a limit on prices charged to commercial customers or on other prices in the wholesale electricity and gas markets. TCLC prohibits electricity generators from making excessive profits resulting from actions in balance markets. OFGEM has published guidelines on the interpretation and application of the TCLC. The condition was renewed and made permanent on 16 July 2017; some elements were removed to address potential overlap with the European Union rules on the integrity of the energy market and transparency (REMIT).

In 2014, OFGEM implemented electricity market liquidity obligations for large integrated retail and generation businesses, including SCOTTISH POWER. These include obligations to facilitate trading with smaller companies and also an obligation to create market in a number of wholesale products during two windows (periods) in each business day. SCOTTISH POWER was exempted from complying with these obligations on 31 January 2019 following the sale of its thermal generation business. OFGEM fully suspended this obligation on 18 November 2019 in view of the drop in the number of companies subject to it.

Networks qualify as a natural monopoly and its income is governed by a defined framework such as RIIO (Income = Incentives + Innovation + Outputs). It sets a revenue profile for a specified period (8 years in the current RIIO-1 with the opportunity for OFGEM to propose a limited revision every four years) which would deliver a target return on investments based on the regulator's assessment of the costs of an efficient network operator and the likely capital programme (aided by a business plan submitted by the Company). The formula also includes various incentives and takes account of inflation. The formula uses a Market Indicator for setting the debt cost, and phases in (for electricity) an asset depreciation period of 45 years.

In the transmission business, the RIIO-T1 framework became effective from April 2013 and will be valid until March 2021. In distribution, RIIO-ED1 for the SCOTTISH POWER network in the South of Scotland and in the Manweb area came into force on 1 April 2015 and will be valid until March 2023.

OFGEM has initiated the process to establish the second part of the RIIO, to commence with RIIO-T2 in April 2021. It has been confirmed that the RIIO-T2 and RIIO-ED2 frameworks will be valid for 5 years. The RPI (Retail Price Index) will be replaced by the CPI (Consumer Price Index) or CPIH (CPI considering the cost of housing) and will introduce a new Return Adjustment Mechanism (RAM) for companies receiving higher returns than expected. The involvement of different stakeholders in the process is being improved through the creation of Stakeholder Challenge and User Groups.

OFGEM is committed to introducing more competition into electrical grids and has confirmed that there will continue to be three options in the RIIO-T2 that would apply to transport projects that are large, new and separable, subject to possible legislative changes. The options are: the CATO model (Competitively Appointed Transmission Owner); the Special Purpose Vehicle (SPV) model, in which projects would be delivered through an SPV that would competitively offer the financing, construction and operation of assets at a supervised OFGEM auction; and a Competitive Proxy Model (CPM) in which the owner of the transport license would develop the project and OFGEM would establish the permitted revenue using competitive benchmarks. OFGEM has also stated its intention to introduce new competitive models for electrical distribution in RIIO-ED2.

4. Other issues

Other key elements of the regulatory regime in the United Kingdom include:

Renewables Obligation (RO)

The United Kingdom Government has set the goal to reach at least 30% of its electricity from renewable sources by 2020. To this end, the RO Orders (which apply separately to different parts of the United Kingdom within a unified scheme) place obligations on suppliers of electricity to source an increasing proportion of their electricity from renewable sources (based on the expected level of renewable energy production in each year plus a 10% spread in order to prevent certificate prices from falling sharply).

Suppliers meet their obligations by presenting sufficient Renewables Obligation Certificates (ROCs) or by paying an equivalent amount into a fund. If suppliers fail to meet their obligations and the total deficit is above a limit amount, the deficit is recovered through the remaining suppliers through a socialisation process.

The proceeds of the fund are paid back to those suppliers that have presented ROCs in proportion to the number of ROCs presented. Since April 2009, the RO has been banded so that differing technologies receive different levels of support depending on the expected costs.

The RO is closed for new projects no later than 31 March 2017 and, to foster renewables, the Government has implemented the Contract for Difference (CFDs) mechanism that was part of Electricity Market Reform (EMR). The RO remains in effect for those facilities that accessed the programme prior to the closing date. SCOTTISH POWER's onshore wind project portfolio that received planning permits on time to enter the grace period have been approved for the RO. Payments will continue until 31 March 2027 for projects that started generating energy before 1 April 2009 and for 20 years after entry into the RO for later dated projects.

Electricity Market Reform (EMR)

The principal elements of the United Kingdom Government's EMR programme are:

- a new incentive scheme, based on CFDs to support low carbon generation; and
- a Capacity Market to support security of supply (market-wide auction mechanism).

The first Allocation Round took place on 4 February 2015 in two "pots"; one for established technologies (mainly onshore wind and solar) and a second one for less established technologies (mainly offshore wind). SCOTTISH POWER's 714 MW East Anglia ONE offshore Wind Farm achieved a contract in the auction at a price of GBP 119.89 per MWh. The second round concluded on 11 September 2017 and procured some 3.2 GW of offshore wind, mostly at a clearing price of GBP 57.50 per MWh. The Government held a third round of CFD allocation for less-established technologies in 2019 (Allocation Round 3) in which more than 5 GW of offshore wind was allocated at GBP 39.65 per MWh for wind farms that started to operate in 2023/2024 and GBP 41.61 per MWh for wind farms that started to operate in 2024/2025. This third round was held subject to a maximum allocation of 6 GW (which was approved under EU State Aid). A budget allocation of GBP 557 million (2011/12 prices) has been made in aggregate for allocation rounds between now and about 2025.

Annual Capacity Market auctions took place in December 2014, 2015, 2016 and 2018, for capacity delivery in winter 2018, 2019, 2020 and 2021, respectively.

On 15 November 2018, the European Court of Justice confirmed Tempus Energy's challenge to the European Commission, annulling its decision not to raise objections to State Aid to the UK'S CM. BEIS announced a waiting period until the Commission could reapprove the mechanism and, on 6 December 2018, it published its plan to hold a T-1 auction in the summer of 2019 for delivery of the capacity in winter 2019/2020, making any agreement conditional on the re-approval of State Aid. This auction was held on 11-12 June 2019 with the allocation of 3.6 GW of capacity at a price of GBP 0.77 per kWh per year. On 22 March 2019, the European Commission began an investigation into CM and on 24 October 2019, this investigation confirmed that the UK Capacity Market complies with State Aid rules. After this confirmation, BEIS ordered the EMR Delivery Body and the Electricity Settlers Company to take steps to restore the CM, including late payments to generators that had been paralysed since November 2018. These payments must be fully settled in January 2020. The EMR Delivery Body plans to hold a T-3 auction (with delivery of the capacity in 2022/2023), a T-1 auction (delivery in 2020/2021) and a T-4 auction (delivery in 2023/2024) during the first quarter of 2020. BEIS has implemented changes in the rules governing participation in these upcoming auctions so that unsubsidised renewables, such as onshore wind, can participate (subject to the appropriate correction or de-rating factors).

EU-ETS and United Kingdom Carbon Price Support

The Climate Change Act 2008 set out targets for the United Kingdom towards reducing greenhouse emissions (compared to 1990 levels) by at least 80% by 2050, with interim reduction targets. In June 2019, the United Kingdom Parliament amended the Climate Change Act to introduce a new legally binding target for net zero GHG emissions by 2050.

The United Kingdom continues to participate in the European emissions market (EU Emissions Trading Scheme - EU-ETS), but it is expected that it will leave this mechanism at the end of 2020 as a result of the departure from the EU on 31 January 2020 and the transition period associated with this exit ending on 31 December 2020.

The Carbon Price Support mechanism is a United Kingdom tax imposed on fossil fuels used for electricity generation at differential rates which simulate a charge on the CO₂ emissions. In recent years, this charge has been set at GBP 18 per tonne and the Government announced in its budgets that it will maintain this value in 2020/2021.

The United Kingdom government is expected to clarify its position on CO₂ pricing starting at the end of 2020, with the possibility of a new Carbon Emission Tax to be added to the existing Carbon Price Support mechanism (this possibility is addressed in parallel with the consideration of a new United Kingdom ETS scheme linked to the European one).

Energy Companies Obligation (ECO)

Energy suppliers who supply over a specific number of domestic customers are required to achieve energy efficiency improvements or heating cost reductions by domestic customers.

As with any other cost, the costs of making those improvements can be incorporated by suppliers into tariffs, subject to the need to remain competitive in the market. These costs will need to be taken into account in any price caps that may be set by OFGEM.

The current ECO Programme (ECO3), which began in October 2018 and will continue until 31 March 2022, is focused on vulnerable clients. Under ECO3, the established limit in the number of customers below which a small supplier is exempt from joining the programme is reduced in phases. In 2019/2020, suppliers with less than 200,000 customers are exempt, and in 2020/2021, those with less than 150,000 customers (instead of the original 250,000).

Coal plants closure

In November 2015, the British government announced plans to consult on requirements for all coal power stations without carbon capture and storage (CCS) to close by 2025 (subject to any security of supply issues). In January 2018 the Government confirmed its intention of eliminating coal generation from the system in 2025.

Pollution Control

European pollution control directives are: The Integrated Pollution Prevention and Control (IPPC), the Large Combustion Plant Directive (LCPD) and the Industrial Emissions Directive (IED) impose limits on various categories of emissions transposed into United Kingdom law through amendments to the Environmental Permitting (England and Wales) Regulations 2010 and the Pollution Prevention and Control (Scotland) Regulations 2012. These controls are enforced by the Environment Agency or, in Scotland, by the Scottish Environmental Protection Agency.

The Medium Combustion Plants Directive places emission limits on smaller generating and other combustion plants. As part of the implementation of this, DEFRA (*Department for Environment, Food & Rural Affairs*) is expected to impose NO_x limits on diesel generators, which could reduce the air quality implications of allowing such plants to participate in the capacity mechanism.

Moreover, following the entry into force of the EU Clean Energy Package, the United Kingdom government is implementing provisions on new CO₂ emission limits for new and existing generation plants that want to participate in the next Capacity Market auctions.

4. Industry regulation in USA

1. Electricity and natural gas distribution

Some of the most important specific regulatory processes that affect AVANGRID Networks, Inc. (hereinafter, AVANGRID NETWORKS) include the New York rate settlement for NYSEG and RG&E, the Connecticut United Illuminating distribution rate case decision, the Maine and Connecticut transmission Federal Energy Regulatory Commission (FERC) Return on Equity (ROE) case and the Reforming Energy Vision (REV) process of New York.

The revenues of AVANGRID NETWORKS are essentially regulated, being based on tariffs established in accordance with administrative procedures set by the various regulatory bodies. The tariffs applied to regulated activities in the United States are approved by the regulatory commissions of the different States and are based on the cost of providing service. Energy, financial and capital costs are included (capital costs show the Company's capital index and legitimate capital profitability).

Energy costs that are set on the New York and New England wholesale markets are passed on to consumers. The difference between energy costs that are budgeted for and those that are actually incurred by the utilities is offset by applying compensation procedures that result in either immediate or deferred tariff adjustments.

These procedures apply to other costs, which are in most cases exceptional (effects of extreme weather conditions, environmental factors, regulatory and accounting changes, treatment of vulnerable customers, etc.) that are offset in the tariff process.

Each of the eight supply companies in AVANGRID NETWORKS must comply with regulatory procedures that differ in form but in all cases conform to the basic framework outlined above.

As a general rule, tariff reviews cover various years (three in New York and Connecticut) and provide reasonable returns on equity, protection and automatic adjustments for exceptional costs incurred and efficiency incentives.

2. New York

- **NYSEG and RG&E rates**

On 20 May 2019, NYSEG and RG&E presented the new rates (rate cases) before the New York State Department of Public Service (NYDPS). The effective date of the new rates, assuming a suspension period of approximately 11 months, will be 17 April 2020. The proposed rates facilitate the transition of companies to a cleaner energy future while allowing important initiatives such as vegetation management, resilience and emergency preparedness. Companies are requesting delivery revenues to be based on an ROE of 9.50% and a capital index of 50%. The following table provides a summary of the proposed increases in the delivery rate, delivery income percentages, and total revenue percentages for the four companies:

Utility	Income increase (Millions USD)	Income increase (%)	Total income (%)
NYSEG Electric	156.7	20.4	10.4
NYSEG Gas	6.3	3.0	1.4
RG&E Electric	31.7	7.0	4.1
RGE Gas	5.8	3.3	1.4

NYPSC and other parties testified on 15 September 2019. The NYPSC recommended an 8.2% ROE and a 48% capital. NYPSC recommended the following rate increases/reductions: for NYSEG Electricity, a rate increase of USD 76.7 million; for NYSEG Gas, a rate decrease of USD 15.9 million; for RG&E Electricity, a rate increase of USD 0.68 million; and for RG&E Gas, a rate decrease of USD 22.5 million. NYPSC also recommends that NYSEG credit the environmental reserve with USD 30.7 million and USD 0.42 million due to the Company's legal decisions in 2017 and 2018 that denied insurance claims against OneBeacon and Century in an insurance lawsuit.

Talks between NYSEG, RG&E, NYPSC and approximately 20 other parties began in October 2019 and will continue during the first quarter of 2020. A decision on the rate cases is expected during the second quarter of 2020.

- **New York storm in March 2017**

On 11 March 2017 the New York State Department of Public Service (NYPSC) commenced an investigation of NYSEG's and RG&E's preparation for and response to the March 2017 wind storm, which affected more than 219,000 customers. On 16 November 2017, the NYPSC issued a staff report on the findings of the investigation with several recommendations for future responses to storms, and alleged that NYSEG and RG&E had breached their own emergency response plan in several respects.

Moreover, on 16 November 2017, the NYPSC issued an Institution Procedure and to Show Cause Order, consulting the companies on whether or not the NYPSC should take into account the recommendations of the staff report.

On 18 May 2018, the NYSEG and RG&E filed two Joint Settlement Proposals before the NYPSC. These Proposals reflect the Companies' agreement to make resilience and emergency response investments totalling USD 3.9 million, which will not be reflected in the Company's rate base or operating expenses. On 18 April 2019 NYPSC approved the proposals.

- **New York storms in March 2018**

In March 2018, following the two winter storms that impacted more than one million customers in New York, including 520,000 NYSEG and RG&E customers, NYPSC commenced an investigation of these utilities preparation for and response to these events. The investigation was expanded to include New York's spring storms in 2018.

On 18 April 2019, the NYPSC issued the 2018 Staff Report on the findings of its investigation, identifying 94 recommendations to be implemented in the Emergency Response Plans (ERPs) for utilities. The report also identified possible violations by several utilities, including NYSEG and RG&E.

Also on 18 April 2019, the NYPSC issued an Instituting Procedure and to Show Cause Order for the major utilities in New York, including NYSEG and RG&E. The order requires utilities to demonstrate why NYPSC should not pursue civil and/or administrative sanctions for the apparent non-compliance with their respective ERPs as approved and ordered by NYPSC. The NYPSC also orders the utilities to address, within 30 days, whether the NYPSC should order, reject, or partially modify the 94 recommendations contained in the 2018 staff report. NYSEG and RG&E responded to the Order by accepting, with minor modifications, most of the recommendations.

On 17 December 2019, an Agreement on the 2018 Storm Investigation was submitted to the NYPSC. The Agreement establishes a fine of USD 10.5 million (after taxes) for infractions; NYSEG will hire and maintain 20 additional employees to fulfil line or construction and maintenance (UCM) positions with storm restoration responsibilities; NYSEG will maintain 175 employees trained in damage assessment, excluding employees performing restoration work during an emergency; NYSEG agrees to hire an external consultant to audit and evaluate storm response training programmes. The Agreement document is pending approval by NYPSC and a decision is expected in the first quarter of 2020.

- **The NYPSC requires the Council to initiate proceedings against the NYSEG**

On 18 April 2019, the NYPSC issued an Order Directing Counsel to the Commission to initiate a special proceeding or lawsuit in the New York State Supreme Court to stop and prevent future violations by NYSEG of the NYPSC orders and regulations.

3. Maine

- **CMP Distribution Rate**

On 29 May 2018, the Maine Public Utilities Commission (MPUC) received a complaint from ten people requesting an investigation to determine whether CMP (Central Maine Power) and its parent companies are obtaining excessive profits. The lawsuit also requests that CMP be denied cost recovery due to the October 2017 storm. CMP responded on 8 June by arguing the lack of grounds for the claim and requesting its dismissal. On 24 July 2018, the MPUC issued a complaint dismissal order in relation to the CMP parent companies and October 2017 storm costs.

However, MPUC calculated CMP profits and found that the profits in 2016 and 2017 exceeded the reasonable permitted range and, therefore, opened an investigation and ordered CMP to present a rate case by 15 October 2018.

On 15 October 2018, CMP presented its rate case, where it proposes to maintain the same rates that are currently in effect and to use savings derived from changes in federal tax laws to keep its distribution prices stable and at the same time, make its electrical system more resilient. CMP plans to use the savings from the Tax Cut and Jobs Act, approved in December 2017, to pay for the costs of resilience programmes and other investments.

On 22 February 2019, the MPUC issued its Analysis and the Office of the Maine Public Advocate (OPA) presented testimony in response to CMP's rate case. The MPUC recommended a reduction in CMP's distribution rates of USD 2.0 million – USD 3.6 million, a base ROE of 9.35% and a capital ratio of 50%, prior to the management efficiency adjustment. The MPUC recommended a management efficiency adjustment to reduce the allowed ROE of 9.35% by 75-100 basis points due to the low performance of CMP customer service. The OPA recommended an ROE of 9.33% and a capital index of 55%.

On 9 January 2020, the MPUC issued its Examiner's Report recommending an increase in the distribution rate of 20.5 million or 8.1% starting 1 March 2020, based on a base ROE of 9.25% and an equity of 50%. The base ROE of 9.25% is reduced by 75 basis points to 8.50% for a management efficiency adjustment due to low customer service performance following the implementation of the Company's new billing system in October 2017. The Commissioners plan to decide whether to accept, reject or modify the report on 30 January 2020.

- **CMP SmartCare Investigation**

On 1 March 2018 MPUC initiated an investigation on metering and billing problems related to CMP's new billing system (SmartCare) and proceed to a forensic audit. In December 2018, the Audit concluded that the systems had worked as expected, but that there was an unnecessary large amount of errors and delays in bills during the initial stage of the operation.

Another subsequent audit carried out by the Office of the Main Public Advocate (BerryDunn) found no systematic use errors, although it did find billing errors that did not imply errors in the amounts billed.

In January 2020, the MPUC released its Examiners Report included the final investigation conclusions and insisted for the third time that CMP's billing and metering systems works well and that no systematic errors had been detected. CMP will implement: (i) an independent audit program to solve pending complaints, and (ii) a SmartCare supervision and testing programme carried out by an independent third-party.

It is expected that in 2020 MPUC commissioners will make a final decision.

4. Connecticut

- **UI Rate**

On 15 December 2016, the Connecticut Public Utilities Regulatory Authority (PURA) issued its final resolution, by which it authorised a rate of USD 57 million (compared to the USD 98.3 million requested by UI during the process) distributed over three years (2017, 2018 and 2019). The rate increase in 2017 was set at USD 43.0 million, with an additional USD 11.5 million and USD 2.9 million in 2018 and 2019, respectively. PURA established an ROE of 9.10% and an equity ratio of 50%.

The three-year rate plan retains the existing earnings sharing level whereby earnings above the allowed ROE are shared equally between customers and shareholders. The Company's revenue decoupling mechanism continues. The PURA did reduce the residential basic service charge to USD 9.65 per month.

- **SCG Rate**

On 30 June 2017, Southern Connecticut Gas Company (SCG) submitted a request to PURA to apply new rates at 1 January 2018.

On 13 December 2017, PURA approved the amended settlement agreement and the new rates are effective at 1 January 2018 the DIMP as proposed by SCG, the amortization of certain regulatory liabilities and rate increases based on an ROE of 9.25% and approximately 52% equity level.

The parties also agreed on a three-year rate plan with rate increases of USD 1.5 million, USD 4.7 million and USD 5 million in 2018, 2019, and 2020, respectively. The new rates are effective at 1 January 2018.

- **CNG Rate Agreement**

On 30 June 2018, Connecticut Natural Gas (CNG) submitted a request to PURA to apply new rates at 1 January 2019. CNG requested a three-year rate plan for 2019, 2020 and 2021 and a proposed ROE of 10.20%. On 30 August 2018, the parties submitted a three-year agreement, which includes rate increases based on an ROE of 9.30% and 54%, 54.5% and 55% equity during years 1, 2 and 3. The parties agreed to rate increases of USD 9.9, 4.6 and 5.2 million in 2019, 2020 and 2021, respectively.

On 19 December, PURA approved the new rates that entered into force on 1 January 2019.

5. Massachusetts

On 17 May 2018, Berkshire Gas Company (BGC) submitted a request to the Massachusetts Department of Public Utilities (MDPU) requesting approval for an increase in the distribution rate of approximately USD 3.3 million, an ROE of 10.35% and 61.5% equity, as well as a revenue dissociation mechanism.

On 4 December 2018, BGC and the Office of the Attorney General submitted a Resolution Agreement, which provides for an increase in the base distribution rate of USD 1.6 million from 1 January 2018 and an additional increase of USD 0.7 million from 1 November 2019, conditional upon certain investments being made. The rate increase is based on an ROE of 9.70% and 55% equity. The Agreement provides for the implementation of a Revenue Decoupling Mechanism and a pension expenditure tracker, and also establishes that BGC shall not request changes that take effect before 1 November 2021. The DPU approved the agreement on 18 January 2019.

6. FERC

FERC Rates: CMP and UI transport rates are regulated by FERC and managed by ISO New England (ISO-NE). The rates are calculated annually according to a formula authorised by FERC that allows for operating and maintenance cost recovery, as well as obtaining profit on the invested assets. Before 16 October 2014, FERC proposed a base ROE of 11.14% and additional incentives on ROE, applicable to assets, based on length of service, voltage and other factors.

On 30 September 2011, a complaint (Complaint I) was filed requesting FERC to reduce the ROE to 9.2% for the calculation of the ISO-New England transmission rate.

On 16 October 2014, FERC issued its final decision on Complaint I, in which it established a base ROE of 10.57% and a maximum total ROE (including incentives) of 11.74% for the period between October 2011 and December 2012 and, prospectively, from 16 October 2014.

In June 2015, the parties concerned filed an appeal with the Court of Appeals, which annulled the decision on Complaint I and referred it to FERC for a second review. The Court ruled that FERC should have determined the unjust and unreasonable nature of the base ROE of 11.14% before establishing a new base ROE of 10.57%.

On 26 December 2012, a second complaint regarding the ROE (Complaint II) was filed for a later rate period, in which a reduction of the ROE to 8.7% was requested. On 19 June 2014, FERC accepted Complaint II and established a 15-month refund effective date of 27 December 2012.

On 31 July 2014, a third complaint (Complaint III) was filed for a subsequent rate period in which a reduction was requested for the current ROE from 11.14% to 8.84%. On 29 April 2016, a fourth complaint (Complaint IV) was filed for a period after the previous complaints, in which a reduction of the existing base ROE from 10.57% to 8.61% and the establishment of a maximum ROE of 11.24% was requested.

CMP and UI prepared sufficient funds to handle refunds from Complaints I, II and III, in accordance with FERC's 2015 decision on Complaint I, and reimbursements were made to customers in relation to Complaint I. The provision of CMP and UI for Complaints I, II and III At 30 September 2017 was USD 22.2 million and USD 4.4 million, respectively.

On 5 October 2017, the New England Transmission Owner's (NETO) transportation companies submitted a request to dismiss all the ROE complaints, given that the complainants had failed to demonstrate the unjust and unreasonable nature of the existing ROE of 11.14% as required by the Court's decision. The NETO also stated that Complaints II, III and IV should also be dismissed due to an error in estimating the claims in relation to Article 206 of the Federal Energy Act. In the event that FERC did not underestimate the claims, the NETOs requested FERC to consolidate the claims and issue a final decision on the matter.

On 16 October 2018, FERC issued an Order Directing Briefs with respect to claims I - IV on the ROE. FERC sent to the United States Court of Appeals (D.C. Circuit) Opinion No. 531-A, issued on 16 October 2014, concerning the ROE of Complaint I. FERC proposes a methodology, including the New ROE Method, which results in a base ROE of 10.41% and a maximum ROE of 13.08% for Complaint I. The order is not final and requires the Paper Hearing on the proposed new ROE method.

The initial Briefs and responses were presented in January and March 2019. There is no decision due date. FERC order applies to Complaint I. If adopted, the new ROE method should apply to the periods of Complaints II, III and IV. At the same time, in March 2019, FERC initiated a separate general information collection procedure to consider new ROE methods, which is in progress. In addition, in December 2019, FERC issued an order establishing the ROE for transport owners in the MISO (Midcontinent Independent System Operator) region, using a methodology that differed somewhat from the method proposed in the Order Directing Briefs.

CMP and UI have made a provision for a base ROE of 10.57% and a cap of 11.74%, amounting to USD 26.4 million. If the new ROE proposed by FERC (base ROE of 10.41% / ROE cap of 13.08%) is adopted for all complaint periods, the preliminary impacts would be: single payment of USD 24 million (regularisation of the past) and an annual profit increase of USD 3.4 million.

FERC Rate Calculation Procedure: in February 2018, an agreement was reached providing the calculation of regional and local transport rates for periods consistent with most rate periods for transport throughout the country.

The new formula will enter into force on 1 January 2020.

7. Electricity generation from renewable energy resources

In addition to the federal government, many state governments have taken measures to promote the development of electricity production from renewable sources. Typically, state programmes tend to be: 1) An obligation for public services to generate or acquire a minimum amount of electricity generated from renewable sources, or Renewable Portfolio Standards (RPS) and 2) Tax incentives. So far, the federal government has mainly supported renewable development through tax credits for production and investment, as well as accelerated tax depreciation.

State Law

Nearly 30 states have implemented mandatory requirements according to RPS regulations that typically range from 15% to 33% of production by 2025, with several states, including New York and California, establishing even higher long-term requirements. Requirements are normally implemented through a system of negotiable renewable energy certificates that verify that a kWh has been generated from a renewable source.

Several state legislative assemblies have discussed the repeal or delay of their RPS requirements. In 2014, Ohio enacted a law to stop the programme until 2017, and in 2019, it set 2026 as the date to completely repeal the law. In 2015, Kansas replaced its mandatory RPS with a 20% voluntary standard as part of a compromise that retained existing property tax exemptions. By contrast, in 2018, California established a 60% RPS requirement for 2030, while in 2019, the states of New York, Nevada, New Mexico, Maryland and Maine have imposed 50-80% RPS for the next 10-25 years.

Several states have also established CO₂ emission reduction policies that should result in further development of renewable energy, according to California's 2006 state greenhouse gas emissions law. In 2019, Washington enacted a law to ban coal generation in any utility by 2025, with zero net CO₂ emissions standards for subsequent years. Also in 2019, New York, New Mexico and Nevada have established long-term CO₂ emission reduction requirements.

Several east coast states have also established mandates for offshore wind power acquisition, including Massachusetts, Connecticut, New York, New Jersey and Maryland.

Most states offer tax incentives to promote investment in renewable sources. For example, in Washington and Colorado, the sale and use of renewable energy equipment is tax-exempt. Several states have reduced capital gains taxes in renewable energy plants, while Minnesota has imposed a capital gains tax instead of a fixed production tax. Other states, such as Texas, encouraged the construction of electrical infrastructure (competitive renewable energy zones, CREZ) to facilitate the transport of electricity from renewable energy to charging points. The Texas CREZ is now complete.

Federal Law

In 1992, the United States Congress enacted a law that approved a Production Tax Credit (PTC) of USD 15 per MWh (revised with inflation) for the generation of electricity in wind farms during the first ten years of operation of the projects.

This programme has been renewed on numerous occasions and has been expanded to include electricity generation from other renewable sources, such as biomass, geothermal energy, urban solid waste and hydropower.

In 2005, Congress approved a 30% Investment Tax Credit (ITC) for solar energy projects.

On 18 December 2015, Congress extended and established the progressive withdrawal from the PTC, now USD 24 per MWh. Wind projects that were launched before 2017 could qualify for full credit, while those that started construction between 2017 and 2019 would opt for reduced credit. These qualifying facilities could also opt for a 30% ITC rather than the PTC.

It should be noted that in December 2019, Congress approved an extension of the PTC and ITC for wind power. Instead of the gradual elimination of the credit in 2019, Congress extended it to projects implemented in 2020 to a higher level of credit (60% for PTC; 18% for ITC).

In 2015, Congress also initiated the progressive withdrawal from the ITC for solar energy projects. Projects that were launched before 2020 will be eligible for a 30% ITC, but those whose construction begins after 2019 will opt for a lower ITC.

The 2019 tax law has not included an extension of the solar ITC or other clean tax credits, such as a 30% offshore wind ITC, 30% for storage or a tax credit for the purchase of electric vehicles.

FERC

In terms of generation, FERC has focused on two areas.

- The resilience of the system. Following FERC's decision not to adopt the proposal submitted by the Department of Energy, which would have directed payments to generation with its fuel supply stored at the plant, FERC initiated a new procedure to collect information on the matter. This matter remains open at FERC. The president of the Commission has stated that he would take resilience measures if all commissioners agree, but consensus seems unlikely in the short term.
- Eligibility requirements. FERC, together with some of the Regional Transport Organisations, has approved or is considering changes in the eligibility requirements of the capacity markets. In December 2019, FERC issued its last set of directives aimed at the PJM capacity market. FERC has ordered the PJM to establish several minimum capacity market offer price for resources receiving income in accordance with state laws (aid or subsidies), such as renewable or zero-emission credit programmes. FERC believes that the minimum offer price will exclude certain resources from participating in the capacity market, thereby increasing the offsetting price of the capacity market, which would benefit certain existing resources, such as natural gas generators. In 2020, FERC will continue to consider these issues.

5. Industry regulation in Mexico

Mexico's Energy Reform began in late 2013 with the modification of three articles of the Mexican Constitution, introducing a profound transformation of the electricity and hydrocarbons sector, with the creation of a new regulatory framework and the promotion of competition that was non-existent until then. As a result of this reform, 21 laws were enacted and/or amended during 2014 and 2015, and 25 regulations were created or amended.

Besides having an impact on the hydrocarbons sector, the Proposal also introduced new business opportunities in the generation, transmission, distribution and management of electricity infrastructure. This transformation opens the energy sector to private investment in activities previously reserved for the State.

One of the goals of the industry restructuring is to improve the power generation, promoting the use of renewable sources or low carbon emissions. Thus, the Government introduced Clean Energy Certificates (CECs) through the Electricity Industry Law (Ley de la Industria Eléctrica - LIE).

The previous regulatory framework respects and maintains the conditions and rights for existing businesses and facilities prior to the reform.

1. Post-Energy Reform Competencies

The State is exclusively responsible for the planning and control of the National Electrical System (SEN), as well as the public service for the transport and distribution (T&D) of electrical energy, the latter being the regulated activities. The legislation provides for the possibility of entering into service contracts with private companies, and creating opportunities to participate in the construction, operation and maintenance of T&D infrastructures.

Power generation, excluding nuclear, is open to private investment, as well as power sales to the end users.

The LIE regulates the activities of the electricity sector in Mexico and allows private companies to generate and sell electricity in the wholesale market, as well as to invest in transport and distribution networks through Public-Private Associations and other legal structures included in the legislation.

From the regulatory side, three agencies have primary responsibility for the sector. The Energy Secretariat ("SENER") has the policy function; the Energy Regulatory Commission ("CRE") has the regulatory function; and the National Energy Control Centre ("CENACE"), a new decentralised agency, manages the power grid and the wholesale electric market.

2. Public Policy on Energy

In June 2019, SENER published the annual update of the National Electrical Sector Development Programme (PRODESEN). It includes projections of energy generation, demand and infrastructure requirements for the next 15 years (2019-2033).

On 12 July 2019, the 2019-2024 National Development Plan was published in the Official Gazette of the Federation, containing the elements of public policy to be followed by the federal government during the six-year period ending in 2024. With regard to the energy sector, the federal government proposes the recovery of State Production Enterprises, the Federal Electricity Commission (CFE) and Petróleos Mexicanos. In addition, it highlights the need to install 30 GW by 2024. The proportion defined by the President of the Republic is maintained in terms of participation in private sector power generation (54% CFE and 46% private).

On 26 November 2019, the National Agreement on Investment in Private Sector Infrastructure was approved to reaffirm the confidence of domestic and foreign investors creating a scenario of macroeconomic stability, announcing an investment of MXN 859,022 million over the six-year period in 147 private investment projects. In February 2020, the energy sector projects will be announced, of which 6 are Electric Energy projects, with an investment equivalent to MXN 63,560 million.

3. Energy Secretariat

As part of the Energy Reform, the Energy Secretariat (Secretaría de Energía - SENER) has been empowered to plan and coordinate the energy policy, both for hydrocarbon and electric sectors.

In 2017, SENER published the requirements for Clean Energy Certificates for the years 2018 to 2022, setting them at 5% of total consumption for 2018, 5.8% for 2019, 7.4% for 2020, 10.9% for 2021 and 13.9% for 2022. In 2019, it published an agreement ratifying these requirements.

In relation to the promotion of clean energy, the mechanism for the sale of Clean Energy Certificates (CEL) to encourage new clean energy generation projects remains in force. However, in October 2019, SENER approved modifications to the guidelines for granting CEL, in order for the CFE clean generation plants existing prior to the Reform to be able to accredit CEL for their generation. This measure in practice eliminates the need for the CFE Basic Supply to buy CEL in long-term auctions, with the aim of not increasing the Basic Supply fees for domestic customers.

4. Regulatory Body

As a key part of the reform, in August 2014, the new Co-ordinated Energy Regulatory Bodies Act was issued, which sets out the operating guidelines and responsibilities of the National Hydrocarbons Commission (CNH) and the Energy Regulatory Commission (CRE). The CRE, as a Coordinated Energy Regulatory Body, has technical, operational and management autonomy. It is authorised to issue regulation and rates for the activities of the electricity and hydrocarbons industry, as well as to manage and supervise permits in this area.

5. National Agency for Energy Control

The National Agency for Energy Control (CENACE) is a decentralised public body with the authority to exercise operational control of the SEN and operate in the wholesale electricity market, as well as the other powers identified in the Electricity Industry Law and other applicable provisions. In addition, it guarantees open access to the National Transmission Network and the General Distribution Networks to all public and private market participants.

Like it does every year, in February 2019 it issued the results of the Power Balance Market for the year 2018, which sets the price to the capacity available during the 2018 year. This availability is recognised for the 100 critical hours of the system.

On 31 January 2019, the new government cancelled the fourth long-term energy auction, clean energy certificates (CEL) and power certificates.

6. Federal Electricity Commission Act

The Federal Electricity Commission (CFE) Act of August 2014 establishes that the CFE becomes a State Production Company (EPE) exclusively owned by the federal government, with budgetary and government autonomy, with the Board of Directors composed of members of the competent secretariats (SENER, Treasury, etc.) and independent directors. The CFE will operate through its affiliates and subsidiaries and will participate in the generation, transmission, distribution and marketing of electricity.

On 25 March 2019, SENER published the amendment of the Terms of the strict legal separation of the CFE. In addition to the above, on 25 November 2019, the reallocation of assets and contracts for generation to CFE affiliates and subsidiaries was published.

7. Transmission and Distribution

According to the LIE, the State will carry out the electric power transmission and distribution activities as a public service through State Production Companies (EPE) or its subsidiaries.

The Reform introduces the possibility for the State to conclude contracts with individuals for the implementation of activities related to this public service, such as financing, installation, maintenance, management, operation, expansion, modernisation, monitoring and maintenance of the infrastructure necessary for the provision of this service. However, the first two tenders called in order for private companies to participate jointly with SENER and the CFE for the construction and operation of high voltage direct current transmission lines were cancelled in January 2019.

8. Generation and Retail

The LIE sets forth that the generation and sale of electric power can be developed by public or private companies subject to compliance with permits and market rules. When the power of a generation plant is equal to or greater than 0.5 MW will require a CRE permit.

There are three types of permits to supply electrical power: 1) basic supply with a regulated rate (for consumers with a demand of less than 1 MW), 2) supply qualified under liberalised conditions for consumers with a demand of 1 MW or greater, and 3) last resort supply, for temporary use when qualified consumers have not chosen a supplier or they are no longer supplied by a particular supplier.

SENER can review the 1 MW threshold to choose the qualified supply. However, becoming a qualified consumer is optional, only mandatory for new costumers.

In this line, several Qualified Service Provider (QSP) permits have been issued, competing since 2016 with the CFE subsidiary dedicated to that service and which are key to market liberalisation.

9. Wholesale electricity market

The wholesale electric market (WEM) began operations in early 2016. This is a local marginal price market operated by CENACE, where generators, retail companies and qualified consumers can carry out transactions for energy, power, related services, CEL and Financial Rights of Transmission in the Daily Market, Hourly Market and Real-Time Market.

10. Respect for the generation permits granted under the Public Power Service Law (LSPEE)

The LIE established a transitional regime for permits under the repealed Public Power Service Law (LSPEE). In particular, the permits and contracts for self-sufficiency, co-generation, independent production, small production, import, export and continuous own use granted under this law will continue to be governed by it as long as it is not opposed under the LIE. The new government undertook, in principle, to respect the Contracts granted under said Law and to not modify the applicable legal framework for a period of three years.

11. Electricity tariffs

On 16 December 2019, the methodology was approved that determines the values of the electricity tariff without any changes. Thus, rate stability is expected in relation to the values of 2019. In this way, the Federal Government can fulfil its commitment to not increase electricity tariffs in real terms (considering inflation).

12. Natural Gas System

As part of the Energy Reform, Petróleos Mexicanos (PEMEX) became a Productive State Company with budgetary and government autonomy. It also has a Board of Directors, composed of members of the competent secretariats (SENER, Treasury, etc.) and independent directors. It currently operates through its subsidiaries and affiliates. Concurrently with this transformation, the natural gas transportation system was transferred from PEMEX to CENAGAS, the National Operator of the Natural Gas Pipeline Grid in order to promote an open market for its transportation, distribution and commercialisation.

CENAGAS has issued the 2015-2019 5-year programme for the Expansion of the National Natural Gas Transmission and Storage System governing its operation, of which two revisions have been issued. As part of this programme, CFE called for several bidding processes to contract natural gas transportation services from pipelines to be owned by private companies. The contractual terms of the pipelines in question were renegotiated in 2019 to facilitate the payment of CFE for their use. In the second half of 2019, the first, the South Texas Gas Pipeline – Tuxpan, began operations.

6. Industry regulation in Brazil

1. Generation

The Brazilian system

Although hydroelectric generation's share has decreased in recent years, Brazil's generation system is predominantly hydraulic. In terms of contribution to the generation mix, from 2000 to 2019, hydraulic capacity has been reduced from 83% to 60%. Wind participation, for its part, has increased to 9%. In the coming years, the government expects the system to expand mainly with wind, solar and natural gas.


The Brazilian system is interconnected, but split into four electrical regions: Southeast, South, Northeast and North. These regions have distinct hydrology and the synergies between them can be used. That is why the National System Operator (ONS) performs centralised electrical dispatch based on the optimisation of the audited costs of the generation plants. This is based on a number of software programmes to determine which generation assets (hydro and thermal power plants) will be dispatched, considering hydrological uncertainty, reserve storage capacity, thermal power plant costs (both fuel and operation and maintenance) and the estimated generation of unmanageable resources (wind and solar). In addition to defining the dispatch of plants, these programmes calculate the energy price from the marginal operating cost (MOC) of the system. The market price is known as the Dispatch Settlement Price (DSP), which corresponds to the MOC, limited by a set minimum and maximum price.

Guaranteed Energy (physical guarantee)

Since the system is predominantly hydraulic, the installed capacity is insufficient to measure the supply guarantee. Therefore, each plant has an associated guaranteed energy (physical guarantee), calculated by the Brazilian Government, which represents its contribution to the system in terms of reliability. The physical guarantee of thermal power plants and hydroelectric plants (dispatchable generation) is calculated by computer programmes at the time the plant participates in the auction. The physical guarantee for unmanageable resources is calculated by considering their long-term generation expectations.

The regulation states that the physical guarantee of hydroelectric plants must be reviewed every five years. However, the first revision was made in 2017 and only for power plants that had been in operation for a minimum of five years.

The following table shows the physical guarantee (in average MW) of the plants in which NEOENERGIA has a stake:



Utility	Avg MW	
	Physical Guarantee	NEOENERGIA interest
Baguari	84.7	51%
Corumbá III	49.3	70%
Itapebi	209.1	100%
Dardanelos	154.9	51%
Teles Pires	930.7	51%
Baixo Iguaçu	172.4	70%
Belo Monte	4,571	10%

Energy Reallocation Mechanism (MRE)

The financial mechanism that allows for centralised dispatching and mitigates the hydrological risk of power plants is called the energy reallocation mechanism (MRE), and all hydroelectric plants are obliged to participate in it. For the MRE, the important factor is total hydropower generation, not the individual generation of each plant. According to this mechanism, the total hydroelectric generation between each plant is allocated each month in proportion to its fraction of the total physical guarantee of the system. The total hydroelectric generation of the MRE generator set divided by the total physical guarantee of the generators is called the Generation Scaling Factor (GSF) and its monthly calculation is used for accounting operations. The energy allocated to each generator is the GSF applied to its physical guarantee.

Recent hydrology and litigation

The MRE worked well until 2012. Since then, hydrological conditions and the incorporation of the non-hydrological risks mechanism have reduced the GSF and caused a significant financial impact on hydroelectric plants. This led to a short-term market judicialisation process that forced regulatory improvements in order to prevent the allocation of non-hydrological risks to hydroelectric generators, such as, for example, compensation for thermal dispatch outside the merit order, as well as the possibility of renegotiating the hydrological risk for generators with contracts in the regulated market (ACR). This renegotiation transfers the risk of GSF below certain indices (89 to 100%) to regulated consumers in exchange for a risk premium paid periodically by generators. This premium may be reduced if the generator chooses to cede its secondary energy (GSF > 1) to consumers, known as SP products. If the generator also wants to be covered against the risk of reducing its physical guarantee, it has what is called the SPR product at its disposal.

NEOENERGIA plants were renegotiated according to the following table:

Utility	GSF product
Corumbá III	SP90
EAPSA	SP90
Itapebi ⁽²⁾	SP100
Baguari	SP91
Teles Pires	SP92
Belo Monte	SPR100
Baixo Iguaçu	SP89

(2) Since the terms of renegotiation were conditional on being energy contracts in the regulated market, which in the case of Itapebi ended in 2017, the renegotiation of that plant is no longer in force.

However, most litigation by generators that had contracts in the free market remains in effect. In October 2018, the courts overturned a precautionary measure that protected certain generators from GSF payment, but the amounts to be paid from 2015 to February 2018 remain under legal dispute.

The present value of the pending hydrological risk of the legal decision amounts to BRL 7,930 million and the final resolution depends on the publication of a specific law regulating the GSF. During 2020, it is expected that the parliamentary procedure of a bill (PL 3975/2019) will continue, which seeks to eliminate all factors not related to the hydrological situation from the GSF calculation.

Generation assets

In the generation business, NEOENERGIA manages about 4 GW of installed capacity between hydroelectric, wind and natural gas plants. Of these, a total of 1 GW is under construction.

The most relevant hydraulic projects are: Itapebi (100% of NEOENERGIA), Teles Pires (50.1% stake); Belo Monte (10% stake) and Baixo Iguaçu (70% stake).

NEOENERGIA has 100% of its wind power production contracted in the long-term PPA in the free and regulated markets. The expansion potential and recent wind awards of the group are summarised as follows:

- Nine wind farms in the Chafariz Complex (state of Paraíba) that sold their energy at the A-6 auction in 2017. According to the auction rules, these wind farms will begin commercial operations on 1 January 2023.
- Six wind farms also in the Chafariz Complex (state of Paraíba) that will sell their energy in the free market and whose construction authorisations were issued in January 2019. The works began in October 2019 and are scheduled to begin commercial operations by the end of 2022.
- Two wind farms (Oitis 1 and 8) that sold their energy at the A-4 auction in 2019 and whose authorisations were approved in November 2019. According to the auction rules, these wind farms will begin commercial operations on 1 January 2023, with 30% of their energy being sold on the regulated market (ACR).
- Ten wind farms (Oitis Complex) to be built in the states of Piauí and Bahia, whose construction authorisations were obtained in December 2019, are scheduled to start commercial operations by the end of 2022.

Regarding thermal generation, NEOENERGIA owns the Termopernambuco gas plant, which emerged from the Thermal Generation Priority Programme (PPT), established by the Ministry of Mines and Energy in 2000. This plant has energy sales contracts with Celpe and Coelba in force until 2024.

Generation auctions

On 1 March 2019, the Ministry of Mines and Energy (MME) published the indicative schedule of auctions for the purchase of Electricity from New Ventures and Existing Generation Ventures for the 2019-2021 three-year period:

Auction	Indicative date
A-4 Auction (New)	28 June 2019
A-6 Auction (New)	18 October 2019
A-4 Auction (New)	28 May 2020
A-4 and A-5 Auction (Thermal)	30 April 2020
A-6 Auction (New)	24 September 2020
A-1 and A-2 Auction (Existing)	4 December 2020
A-4 Auction (New)	29 April 2021
A-6 Auction (New)	30 September 2021
A-1 and A-2 Auction (Existing)	3 December 2021

In addition, on 16 October, the Ministry of Mines and Energy (MME) released the guidelines for the upcoming A-4 and A-5 auctions for the purchase of Electricity from Existing Generation Ventures with the possibility of the participation of New Generation Ventures. It will take place on 30 April 2020 and national coal or gas thermal power stations can participate exclusively. This is an unprecedented initiative in which, in addition to maintaining those plants whose energy and fuel sales contracts are close to expiry, the aim is to replace diesel thermal power stations with more efficient and cleaner gas plants.

At the new A-4 energy auction in 2019, held on 28 June, an average of 81.1 MW were contracted at an average price of BRL 151.15 per MWh. This involves the incorporation into the system of 401.6 MW of power and an average of 165 MW of physical guarantee from 15 projects: six solar, three wind farms, five mini-hydroelectric and one biomass. The NEOENERGIA Group was awarded two wind farms, Oitis 1 and Oitis 8 (an average of 11.9 MW), with a price of BRL 80 per MWh.

At the A-6 auction on 18 October, an average of 1,155.2 MW were contracted at a price of BRL 176.09 per MWh. NEOENERGIA was not awarded any project. By technology:

Technology	Installed capacity (MW)	Contracted capacity (average MW)	Number of Projects	Price (BRL per MWh)
Hydroelectric	445	172	27	206
Wind	1,040	181	44	99
Solar	530	60	11	84
Natural gas	734	673	3	189
Biomass	230	70	6	188
Total	2,979	1,156	91	-

In December, two auctions were held for electricity from existing plants to adjust the demand needs of distributors over the next two years.

- At the A-1 auction, an average of 29 MW was awarded at a price of BRL 158.37 per MWh. The resulting supply contracts will last from 1 January 2020 until 31 December 2021.
- At the A-2 auction, an average of 279 MW was awarded at a price of BRL 171.52 per MWh. The resulting supply contracts will last from 1 January 2021 until 31 December 2022.

Regulatory laws published in 2019

On 6 June, ANEEL published Order No. 1.635 modifying the Electricity Marketing Rules to correct the unavailability discount of thermal power plants used to calculate compensation to hydroelectric generators for drawing their generation from the merit order. The order also determined the recounting of operations since April 2017, when the payment of such compensation to hydroelectric generators began.

On 29 December, CNPE Resolution No. 29 of the *Conselho Nacional de Política Energética* was published defining the general supply guarantee criterion to be applied to generation expansion studies and operation planning, as well as the calculation of the physical guarantees of energy and power of the generation projects. The criterion for assessing the suitability of the energy supply will be based on (i) the conditional expected value of the energy not supplied and (ii) the conditional expected value of the marginal operating cost. With respect to power, it will be based on (i) the explicit risk of insufficient power supply and (ii) the conditional expected value of insufficient power supply. The parameters and limits must still be defined by the MME through an order.

2. Distribution

Distribution activities are regulated under a monopoly and are carried out within the framework of a 30-year concession which can be extended during the same period at the discretion of the granting authority (Union). At the end of the concession period, the assets will revert to the Union and the concessionaire must be compensated for the investments made that have not depreciated or amortised.

The Brazilian regulatory framework is based on a maximum price system that is revised every four to five years, depending on each concession contract, known as a rate revision, in which the main rate parameters are defined. COELBA and COSERN have a rate cycle of five years, while CELPE and ELEKTRO have a four-year cycle.

In addition, ANEEL annually updates the rates with the intention of ensuring that the cost of energy acquisition, the charges and the costs of transmission (known as parcel A) are transferred to the rate, as well as updating the costs of distribution (known as parcel B) with inflation, discounting a predetermined efficiency factor (factor X).

An annual tracking mechanism called the CVA (*Account to Offset the Variation of the Values of the Items of Parcel "A"*) is used to record the imbalances in Parcel A, which must be transferred to the rates in the next rate review process.

Rate revisions and adjustments

On 20 August 2019, ANEEL approved the fifth rate revision of ELEKTRO, reducing its rates by an average of 8.31%. It entered into force on 27 August with a Parcel A reduction of 7.3%, while Parcel B increased by 2.3%.

In addition, during 2019, the annual rate adjustments of CELPE, COSERN and COELBA took place:

- On 16 April, ANEEL approved COSERN's annual rate adjustment, increasing its rates on average by 4.73% and entering into force on 22 April 2019. The highlight was a 7.59% increase in Parcel B as a result of the update with IGP-M inflation minus factor X.

- On 16 April, ANEEL approved COELBA's annual rate adjustment, increasing its rates on average by 6.22% and entering into force on 22 April 2019. The highlight was an 8.28% increase in Parcel B as a result of the update with IGP-M inflation minus factor X.
- On 23 April, ANEEL approved CELPE's annual rate adjustment, increasing its rates by 5.04% on average, entering into force on 29 April 2019. The highlight was a 7.9% increase in Parcel B as a result of the update with IGP-M inflation minus factor X.

	COELBA	ELEKTRO	CELPE	COSERN
2019 Measurement System	Change	Change	Change	Change
Variation Parcel A	(2.68%)	(7.30%)	1.75%	(0.77%)
Variation Parcel B	8.28%	2.30%	7.90%	7.59%
Economic adjustment index	1.33%	(4.99%)	3.57%	1.84%
Parcel A Monitoring Account/Other Financial Components	5.31%	7.44%	6.51%	6.48%
Total	6.64%	2.45%	10.08%	8.32%
Removal of previous year's financial components	(0.42%)	(10.77%)	(5.05%)	(3.60%)
Consumer impact	6.22%	(8.32%)	5.03%	4.72%

Demand coverage

According to the current regulation, distributors must sign a PPA with the generators in order to guarantee the supply of their demand. The cost that distributors assume for the purchase of this energy is transferred to the final rate, provided that it covers between 100% and 105% of the estimated consumption. If the distributor buys energy below 100% of its estimated demand, it may be sanctioned. On the contrary, if it has contracts above 105% of its demand, the distributor is exposed to short-term price risk.

Among the reasons that can lead to surplus energy contracted by distributors, the following are the most notable: (i) the migration of consumers to the free market (without distributors being able to reduce the quantities contracted with generators); (ii) market retraction due to economic crisis; (iii) energy contracting above the need stated by the distributor in the auction, to allow the contracting of all the energy of the marginal power plant that wins the auctions, in order to make its construction viable.

In order to solve the problem of over-contracting, the Surplus Selling Mechanism (MVE) was created in 2019, which was previously regulated by Regulation Resolution No. 824/2018. It is an optional mechanism where the distributor can sell its contractual surplus to the free market. In principle, it is a risk mechanism, since distributors define a sales price and the financial result will depend on the Cash Settlement Price (CSP), as well as the average purchase price of the distributor and its contractual position. Moreover, it is an asymmetric mechanism, since the proceeds from the sale of the surplus will be shared with consumers, while the losses are assumed by the distributor. Only in the case of being above 105% and if over-contracting cannot be considered involuntary, both profits and losses will be entirely for the distributor.

Tariff Flags System

Since 2015, energy tariffs are complemented by the Tariff Flags System, which currently has the following modalities: green, yellow and red, levels 1 and 2, indicating whether the cost of the energy transferred to the rates will be maintained or increased, depending on the electricity generation conditions. The green flag is activated when the rate, defined in the rate adjustment or revision, is sufficient to cover the cost of purchasing energy from distributors. The yellow and red colours (levels 1 and 2) increasingly mean a higher energy cost expectation than what the rate covers.

Therefore, by the adding flag value to the consumer's final rate, Tariff Flags essentially seek: (i) to ensure coverage, in the period between tariff processes, for the additional costs of purchasing energy from distributors; and (ii) to inform the sector and consumers of the actual generation costs in the system.

In 2019, the flag values were defined according to the following table based on the resolutions in effect during each period:

Flag	Brazilian Reals/MW		
	From May 2018 REH No 2.392/2018	From June 2019 REH No 2.551/2019	From November 2019 REH No 2.628/2019
Green	-	-	-
Yellow	10	15	13.43
Red - level 1	30	40	41.69
Red - level 2	50	60	62.43

In 2019, the green flag was set for January, February, March, April and June, the yellow flag for May, July, October and December and the level 1 red flag for August, September and November.

Remuneration parameters

Some important parameters involved in the periodic tariff reviews of distributors, such as the weighted average cost of capital (WACC), regulatory operating costs and factor X, have been reviewed through public consultations in 2019. However, no final decision on any of these parameters has yet been published.

The weighted average cost of capital (WACC) is used to define the remuneration of investments made by power distributors. On 6 March, ANEEL decided to maintain the weighted average cost of regulatory capital (WACC) at 8.09% for distribution activities. Following this decision, the methodology used in 2015 will be maintained and the current percentage will be applied until December 2019. In October 2019, ANEEL published Public Consultation No. 026/2019 with the aim of obtaining proposals on the methodology for calculating and updating the rate of remuneration of regulatory capital.

Tariff benefit review

According to Regulatory Resolution No. 800/2017, the distributor must promote the periodic review of the consumer register with tariff aids. One third of consumers listed in the register should be reviewed in 2019, one third in 2020 and the remaining third in 2021. In accordance with the established timetable, distributors notified consumers of the need to submit the supporting documentation justifying their entitlement to the aid over the course of 2019. Once the minimum notification period of 6 months had elapsed, in cases where the notified consumer had not submitted the required information or had not complied with the established criteria, the tariff aid was cancelled and the consumer was reclassified. Therefore, At January 2020, these consumers will receive their energy bills without tariff benefits.

3. Transmission

In the electric transmission business, NEOENERGIA has five concession contracts between 2009 and 2013, which include transmission lines and substations, as well as reinforcements. They generate an annual allowed profit (RAP in Portuguese) of approximately BRL 83 million.

Company	Annual allowed profit (Millions of Brazilian Reals)
Afluente T	42.7
SE Narandiba	9.6
SE Extremoz II	3.2
SE Brumado II	2.0
Potiguar Sul	25.8
Total	83.3

These assets are subject to tariff reviews every five years, in addition to annual adjustments for currency corrections. In 2019, SE Narandiba and Potiguar Sul underwent a tariff review process and the tariff for Afluente T will be reviewed in 2020.

Also, as a result of the transmission auctions in 2017 and 2018, NEOENERGIA has the following concessions, whose projects are in the development phase and will come into operation in the coming years (RAP in accordance with REH No. 2.565/2019):

Concession	Receita Anual Permitida (RAP) (Millions of Brazilian Reals)
EKTT 1	135.6
EKTT 2	61.7
EKTT 3	120.9
EKTT 4	71.4
EKTT 5	125.0
EKTT 11	200.7
EKTT 12	72.0
EKTT 13	14.6
EKTT 14	14.3
EKTT15	13.3
Total	829.5

A transmission auction was held in 2019. The 30-year concession for 12 lots in 12 Brazilian states was auctioned, with a total of 2,380 km of lines and 18 substations with a transformation capacity of 7,900 MVA and an estimated total investment of BRL 4,200 million. With the highest discount levels on the starting price in history (60.30% on Total RAP), NEOENERGIA was awarded Lot 9, a project to construct 210 km of 230 kV transmission lines and the new 230/138 kV Rio Formoso II SE substation with 1,000 MVA of transformation capacity, as well as the expansion of the existing Rio das Éguas SE substation. The contracted RAP was BRL 18 million, which represents a 64.04% discount in relation to the initial RAP. The deadline for the project's construction has been set at 48 months and the estimated investment is BRL 300 million.

4. Other regulatory changes

Deregulation of the electricity market

In December 2018, the Ministerial Order announcing the deregulation of the electricity market was published, establishing that from July 2019, consumers with a capacity of over 2.5 MW may migrate to the free market and from January 2020, consumers with a capacity of over 2 MW may also do the same. In order to ensure continuity in this process, on 16 December 2019, the Ministry approved three additional stages of the deregulation time line: from 1 January 2021, consumers with a capacity of $\geq 1,500$ kW; from 1 January 2022, consumers with a capacity of $\geq 1,000$ kW and from 1 January 2023, consumers with a capacity of ≥ 500 kW.

Modernisation of the electricity sector

On 4 April 2019, the Ministry of Mines and Energy created the Working Group for the Modernisation of the Sector under Ordinance No. 187. Several working meetings and public consultations were held on various topics throughout 2019. On 29 October 2019, Ordinance No. 403 was published, establishing the Implementation Committee for the Modernisation of the Electricity Sector. Fifteen action fronts were identified, under the co-ordination of the Ministry, with the participation of the regulator ANEEL, the system operator ONS, the Chamber of Commerce for Electric Energy (CCEE), Empresa de Pesquisa Energética (Energy Research Company - EPE) and industry associations. The committee will be in place for two years, with the possibility of an extension for a further year.

Meanwhile, two proposals to reform the electricity sector are being considered in parliament, PL 1.917/2015 in the Chamber of Deputies and PLS 232/2016 in the Federal Senate. The texts are similar, containing proposals discussed at Public Consultation No. 33, initiated by MME in 2017, and which were also discussed in 2019 in the Working Group for the Modernisation of the Sector.

Hourly price in the short-term market

As established by Order No. 301 of 31 July 2019, the hourly price will be implemented in 2021. However, in 2020 the system operator will start using the *Modelo de Despacho Hidrotérmico de Curto Prazo* DESSEM computer model as a guideline for the dispatch of generation plants. This model will be used in the future to calculate the hourly price.

New CSP limits

On 1 October 2019, Regulatory Resolution No. 858 was published, with the new criteria for calculating the CSP limits. The minimum value will be the highest value between the regulatory variable costs (Energy Optimisation Tariff, EOT) of Itaipu and the EOT of all other power plants. With respect to the maximum value, two values are established: a structural maximum limit and an hourly maximum limit, the latter being valid only when the implementation of the hourly CSP is completed (2021). If the daily average of the CSP exceeds the structural value, an adjustment will be made throughout the daily curve so that it does not exceed that value. The values for 2020 were published on 17 December 2019: the minimum CSP will be BRL 39.68 per MWh and the maximum structural CSP will be BRL 559.75 per MWh. A maximum hourly CSP of BRL 1,148.36 per MWh was also published, but only for use in the shadow operation of the new DESSEM computer system.

Extension of the Electricity for Everyone programme until December 2022 (Decree No. 9.357/2018)

In October 2019, COELBA signed the contract for the tenth phase of the Electricity for Everyone programme, with an investment of BRL 1,052,914.19 for the execution of the works included in the Universalisation Plan. The *Electricity for Everyone* programme was created in 2003 and aims to provide electricity to rural, isolated and economically disadvantaged areas. The programme is coordinated by the Ministry of Energy and Mines, run by Eletrobrás and executed by concession-holders and rural electrification cooperatives. This programme is funded jointly with: 1) sectoral funds such as the *Conta de Desenvolvimento Energético* (CDE) and the *Reserva Global de Reversão* (RGR), 2) by State Governments and 3) by distribution companies (which subsequently recover investments in the corresponding tariff reviews).

New resolution on sanctions imposed on electricity sector agents

In June 2019, ANEEL published Regulatory Resolution No. 846/2019, in force since December 2019 and which approves the procedures, parameters and criteria for the imposition of sanctions on electricity sector agents and establishes general guidelines for inspection. Amendments have been made to the framework of offences by creating new types of sanctions. In addition, the limit for the payment of fines has been increased to 20 days, and the maximum percentage of fines within the penalty groups has also been amended. It also establishes the possibility of suspending the right to participate in tenders, to enter into contracts with ANEEL and to receive authorisations, when the technical/commercial indicators are not met, the deadline for the commissioning of the facilities is not respected and the obligations arising from the inspections are not fulfilled, among other things.



CONSOLIDATED DIRECTORS' REPORT 2019

This directors' report has been prepared taking into consideration the "Guide of recommendations for the development of directors' reports of listed companies", published by the CNMV in July 2013.

1. COMPANY'S POSITION

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, transportation, distribution and supply of electricity, which is essential for millions of users and customers. IBERDROLA relies on environmentally friendly and highly 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 influence as an institution. It therefore seeks to build a relationship framework 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 to create strong ties with them that foster trust and instil a sense of belonging to a great company. In particular, IBERDROLA has been a pioneer in enhancing the effective engagement and involvement 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 undertaking various reforms of 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 based on electricity, while observing human rights and championing initiatives that help achieve a more just, egalitarian and healthy society. In doing so, it focuses on accomplishing 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 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 large group of enterprises present in Spain, Portugal, the United Kingdom, the United States, Mexico and Brazil, among other countries. IBERDROLA 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 organising and coordinating the businesses of each country (entrusted to the sub-holding companies); and those involving the day-to-day administration and effective management of each of those businesses (the purview of the companies heading each business unit).

The corporate and governance structure of the IBERDROLA Group works in conjunction with the business model, which allows the businesses to be globally integrated, helps achieve the maximum operational efficiency of the various units and ensures the effective 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 sub-holding companies, such as the Brazilian company Neoenergia, S.A. or the North American company Avangrid, Inc., which is also listed on the stock market. Through a special framework to strengthen the autonomy and independence of its listed sub-holding companies, IBERDROLA ensures that the legitimate interests of the shareholders of such companies other than those of IBERDROLA are protected and harmoniously co-exist with the wider interests of the Group and of the shareholders of the main holding company.

The company 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, trustworthy smart business model.

Boasting a track record that spans over 170 years, today Iberdrola is a multinational group leading the energy sector. It is the top wind producer and one of the largest utilities in stock market capitalisation worldwide. The Group supplies electricity to some 100 million people in the countries in which it operates.

We lead energy transition towards a sustainable model through investments in renewables, smart networks, large-scale energy storage and digital transformation to offer advanced products and services to our customers.

As a result of our commitment towards the environment and our support to the decarbonisation of the economy, we stand out as a leading electricity company in renewables and we have reduced our emissions in Europe in 75% since 2000, reaching levels that are 70% below the average of European sector companies.

The IBERDROLA Group is today present in the following countries and geographical areas, where we hold a leading position and are a benchmarking reference due to our sustainable energy model.

- Spain: first energy company and first wind producer.
- International: present in Portugal, France, Italy, Germany, Greece, Hungary, Romania, Cyprus, etc.
- 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 wind producer.
- Brazil: one of the energy leaders.
- Mexico: first 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 value creation through five strategic pathways: profitable growth, operational excellence, a customer-focused approach, optimisation of capital, and finally digitisation and innovation.

To make its business model as competitive as possible, IBERDROLA has organised the management of its activities into three global businesses:

Renewable 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 power from the production centres to the end user.

Generation and Retail businesses: 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 reason for being, is none other than to continue working together to build a healthier and more accessible energy model increasingly based on electricity. In response to recent developments and best practices in the realm of corporate governance, this purpose —now part of the company— replaces the mission and vision that the IBERDROLA Group had until now been pursuing, while also identifying its ultimate objective; the one 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 communities in which it operates. This very purpose generates the social and the economic dividend embodied in the by-Laws, 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 engage with 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, embodied in the Purpose and Values of the IBERDROLA Group, are the general principles comprising the corporate governance system, and are also the basis for the Code of Ethics; a binding and mandatory set of commitments that all directors, managers, employees and suppliers of the Group have embraced as part of their pledge to implement and achieve these goals and values.

The Group's purpose

The Group's purpose and therefore our reason for being 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 and progress.
- b) An energy model that is more electric, 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 on collaboration with all of the agents involved and with society as a whole.

The Group's values

To achieve the Group's purpose, the Group 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 all of our stakeholders will ultimately benefit.

To achieve this, all Group employees work in accordance with the ethical principles enshrined in our Code of Ethics.

More precisely, they seek to ensure transparency, the safety of people, sustainable value creation for the Company and its surrounding 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 employees 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 and long-term vision.

In building this team, the Group drives the development of its professionals and helps train future generations in order to improve levels of enthusiasm, empathy, creativity and initiative at work, while making them better people and ensuring their respect for human relations. The Group also fosters and encourages genuine and constructive dialogue between its human team and its 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 instigate 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

The Corporate Governance System constantly updates its corporate governance system, consisting of 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 other internal committees, and compliance. The Company promotes the creation of working groups composed of authorised representatives of the stakeholder group(s) affected in each case, Company employees and top-level external experts in the field concerned.

IBERDROLA develops its strategy in accordance with the purpose and values to which all Group entities and people are committed. Its common element is the creation of sustainable value, seeking social dividend and leadership in the development of its activities.

The general corporate governance policy contains a summary of the basic principles regulating the corporate governance of the Company and of the Group and of its most important components. They are all available on www.iberdrola.com.

1.4 Corporate structure and Governance and Business model of the Group

Given the nature of the activities carried out by the IBERDROLA Group, its organization responds to the strategic business units, rather than product and service lines. These businesses are managed independently, as they respond to different technologies, regulations, and geographic markets (Note 7).

The IBERDROLA Group has a decentralised structure and management model to approximate the decision-making to places where they should have effect, through the subholding companies and parent companies of the businesses. In addition, the independence and listed subholding companies reinforced autonomy are guaranteed.

The corporate structure encompasses the Company (IBERDROLA, S.A.), subholding companies and business parent companies.

- IBERDROLA, S.A. (Parent company)

The Board of Directors of the Company defines and supervises the Group's policies, strategies and general guidelines for the management thereof and adopts strategic decisions.

The chairman of the Board of Directors and chief executive officer of the Operating Committee, with the technical support of the Operating Committee, the Group's Business CEO and the rest of the management team, assumes the duty of organisation and strategic coordination of the Group through the dissemination, implementation and monitoring of the overall strategy and of the basic management guidelines established by the Board of Directors.

- Subholding companies

The subholding companies, which group investments of the head of business companies that develop the 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 common services provided to those head of business companies, always in accordance with the provisions of the applicable law and, in particular, the regulations on the separation of activities.

The subholdings have boards with independent directors, and their own chief executive officer, Audit and Compliance Committees, Internal Audit departments and Compliance units or departments.

On the other hand, companies that are not wholly-owned by the Group keep their own corporate and governance structure in order to comply with all the contractual obligations undertaken with other external shareholders.

- Listed subholding companies

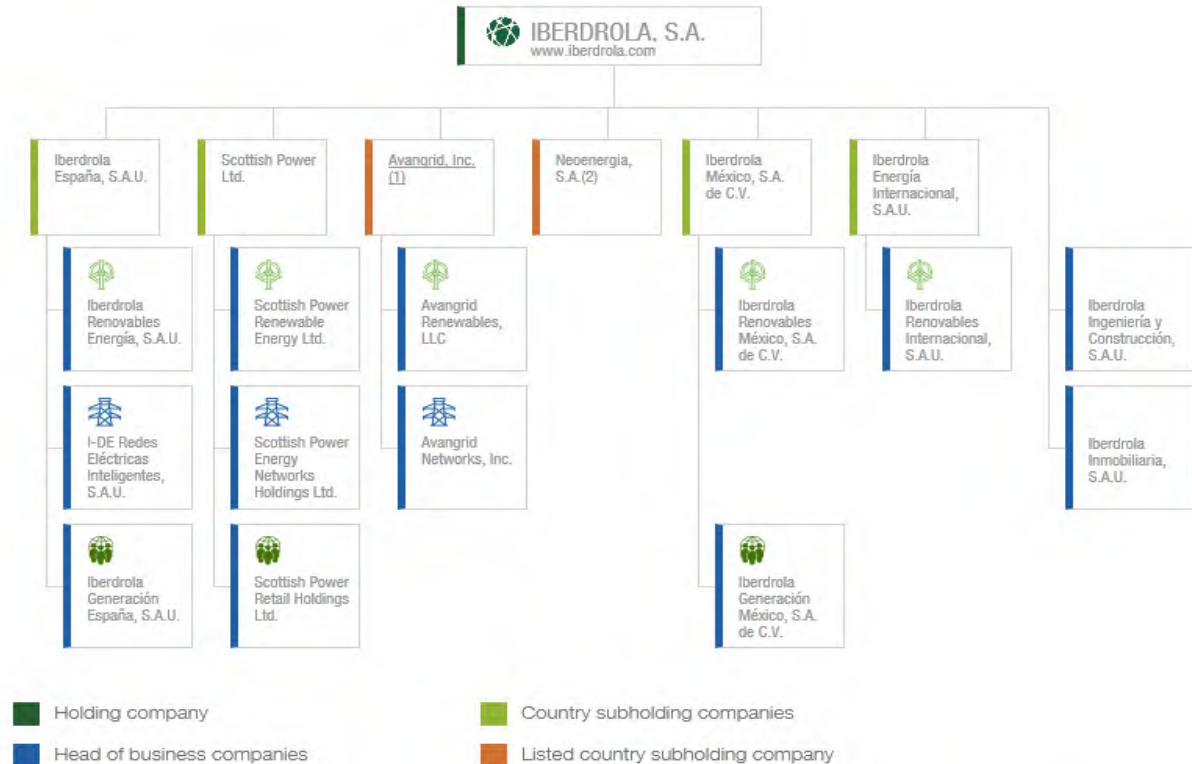
Listed subholding companies have a special framework of reinforced autonomy projected in the scope of regulations, related transactions and management.

- Head of business companies

The head of business companies assume decentralised executive responsibilities and they 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 governing bodies; they may also have their own audit committees, internal audit areas, and compliance departments.

Simplified scheme of the corporate structure of the Group



¹ Avangrid, Inc. is 81.50% owned by Iberdrola, S.A.

² Neoenergia, S.A. is 50% + 1 share indirectly owned by Iberdrola, S.A.



This corporate set-up seeks to ensure agile and rapid decision-making in the day-to-day management of the companies that head the various businesses, while at the same time ensuring proper levels of coordination at the Group level, as a result of the supervisory functions performed by the Company's sub-holding companies.

Based on this corporate structure, the Group's governance model is determined by the following principles, which duly distinguish between supervisory and control functions on the one hand, and the effective day-to-day management of the Group on the other:

- Vesting of powers in the Board of Directors to approve the Group's strategic objectives, define its organisational model and supervise and enforce its effective implementation and compliance.
- The organisation and strategic coordination of the Group is entrusted to the chairman of the Board of Directors and chief executive officer (with the technical support of the Operating Committee), the Managing Director of Business, who has overall responsibility for all of the Group's businesses, and the rest of the management team.
- The strategic organisation and coordination function is further strengthened through the sub-holding companies for those countries and businesses decided by the Board of Directors.

- d) The head of business companies of the Group assume decentralised executive responsibilities. They 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 core remit is to provide technical, information and management support to the chairman of the Board of Directors and 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 Regulations on the Composition and Duties of the Operating Committee.

1.5. Organisation of the Board, or bodies in which it delegates its decision, including control functions and the policy followed with minority interests.

A comprehensive description of the governance structure of the Company, functions and internal regulations of the committees can be seen in Appendix C of the Annual Corporate Governance Report, which forms part of this directors report.

1.6. Regulatory framework of the activities

A comprehensive description of sector regulation and operation of electric and gas system in the markets in which the Group operates can be seen in Appendix II "Sector regulation and functioning of the electricity and gas system" of these annual accounts.

1.7. Main products and services, production processes

The main products that IBERDROLA offers to its customers are power and natural gas, both in the wholesale and retail markets reaching the final consumer. Also offers a wide range of products, services and solutions in the fields of:

- Improving the quality of life, calm and safety of the consumer.
- Efficiency and energy services.
- Caring for the environment: renewable energy and sustainable mobility.
- Power quality and safety of the facilities.
- Installation of electrical infrastructure.
- Global management of facilities and energy supplies.

Through its subsidiaries it also provides engineering and construction services of power generation facilities, distribution and control; operation and maintenance of power generation facilities, management and promotion of the ground; and sale and rental of housing, offices and commercials. More detailed information can be found in www.iberdrola.com, in "customers" section.

As a general rule, companies directly manage the activities that belong to its core business, and outsource other estimated to be developed more efficiently by other specialized companies, which IBERDROLA requires certain quality standards and responsible behaviour in environmental, social and labour fields.

This information can be extended with corresponding indicators described in the Sustainability Report.

1.8. Strategic principles for the 2018-2022 period

Twenty years ago, IBERDROLA anticipated climate change would be one of the most significant challenges of our time and adapted its business model to this reality. Ever since, IBERDROLA has invested more than Euros 100,000 million in order to achieve a safe, efficient decarbonised energy model. The energy scenario on which Iberdrola will be operating in the years ahead is based in three pillars:

- The need to decarbonise the global economy.
- Technological advances, continuing the trend toward increased efficiency in terms of the sources of renewable energy and electricity grids.
- New demands from consumers, who will need new energy services possible thanks the possibilities offered by digitalisation.

All this will imply an increase in electricity demand, which is at the core of energy transition, substantially increasing its participation in the total consumption of end energy¹, highlighting the importance of electrifying other uses of energy, such as, for example, transport or cold and heat industry.

To satisfy this growing demand of electricity it will be essential to increase investment in renewable energies, which, in accordance with the International Energy Agency, could attain two thirds of total electricity generation in 2040 and also in efficient, smart and flexible transmission and distribution electricity infrastructures.

In face 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 visibility resulting from the Energy and Climate Integrated National Plan. Also, the company will also continue to develop its renewable energy portfolio through wind and solar power projects, to set the grounds for future growth.
- In the United States, through its subsidiary company AVANGRID, it has eight regulated transmission and distribution companies in New York, Connecticut, Maine and Massachusetts and is among the country's three largest wind energy producer, the Group will continue investing in energy infrastructures and renewables through the platform and will continue its growth strategy in offshore and onshore wind, as well as photovoltaic power.

¹ According to the International Energy Agency, the contribution of electricity to the final demand of energy could increase from 19% in 2018 to 31% in 2040 (World Energy Outlook 2019, Sustainable Development Scenario).

- In the United Kingdom, where IBERDROLA has become the first 100% renewable utility, its commitment to renewable energy will continue to be underlined, especially that of offshore wind power. The development of the “East Anglia One” offshore wind farms in the North Sea, of 714 MW, which will be in full operation in 2020, stands out. Moreover, the Group will continue to develop transmission and network infrastructures.
- In Mexico, where it will consolidate its position as the second largest producer in the country through the construction of several efficient renewable generation projects.
- In Brazil, through NEONERGIA, one of the country’s largest electricity. The company is present in 18 states and has growth opportunities in the fields of renewable energy and transmission and distribution networks.
- In other countries such as Germany, France, Portugal, Italy or Ireland.

Operating efficiency

IBERDROLA will continue to boost its operating efficiency on the strength of technical progress in digitalisation of all its synergies resulting from the homogenization of processes through the implementation of the best practices of the group in all its businesses.

This profitable growth strategy will lead to sustainable growth of profit, allowing the company to improve remuneration to shareholders in a growing sustainable manner in line with profit, as well as maintaining a strong financial position.

This caption of the directors’ report of IBERDROLA 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 performance or administrators 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 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 that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of IBERDROLA. You are cautioned not to place undue reliance on the forward-looking statements, which speak only at the date they were made. All subsequent oral or written 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 on the date hereof. Except for required by applicable law, IBERDROLA undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. BUSINESS EVOLUTION AND RESULTS

2.1 Global environment

In 2019, the average evolution of IBERDROLA's currencies against the euro was: the US dollar and sterling pound went up 5.5% and 0.7%, respectively, whereas the Brazilian reals went down 2.5%.

With regard to trends in terms of demand and electrical output during the period in the main activity areas of the company, it is worth mentioning that:

- The energy balance in the peninsular system in the first half of 2019 has been characterised by an increase in combined cycles (+93%), nuclear (+5%), solar (+19%) and wind (+8%) production, whereas there was a decrease in coal (-69%) and hydroelectric energy (-27%), compared to same period last year.

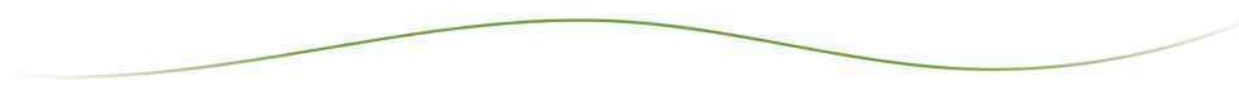
Moreover, in terms of demand, it increased by 2% with respect to 2018, while in terms adjusted for work and temperature, it grew by 0.3%.

- In the United Kingdom, electricity demand dropped by 9.7% compared to 2018, whereas gas demand dropped by 7%.
- In the area where Avangrid operates on the east coast of the United States, electricity and gas demand increased by 1.9% and 2.2%, respectively, compared to 2018.
- On the other hand, in the Iberdrola area in Brazil, electricity demand rose by 3.9% compared to 2018.

2.2 Basic indicators

At the end of 2019, the IBERDROLA Group had 48,922 MW installed, of which 66% produce emission-free energy while operating at a very low variable cost. In the table below distribution classified by countries and technologies is shown:

Power per countries (MW)	2019	2018	MW change
Spain	26,203	25,574	629
United Kingdom	2,506	2,086	420
United States	7,900	7,180	720
Mexico	9,463	6,592	2,871
Brazil	1,885	1,640	245
IEI	965	961	4
Total	48,922	44,033	4,889



Power per technology (MW)	2019	2018	MW change
Renewables	29,113	26,908	2,205
Onshore wind	16,417	15,251	1,166
Offshore wind	964	544	420
Hydroelectric	10,666	10,421	245
Mini hydroelectric	303	300	3
Solar and other	763	392	371
Nuclear	3,166	3,166	–
Gas combined cycles	15,124	12,440	2,684
Cogeneration	645	645	–
Coal	874	874	–
Total	48,922	44,033	4,889

The IBERDROLA Group's total production in this period rose by 4,6% to 143,004 GWh (136,737 GWh in 2018). The distribution by geographical areas and technologies is the following:

Net production per country (GWh)	2019	2018	% charge
Spain	57,492	56,636	1.5
United Kingdom	4,617	10,576	(56.3)
United States	20,506	19,462	5.4
Mexico	51,068	41,323	23.6
Brazil	6,656	6,560	1.5
IEI	2,665	2,180	22.2
Total	143,004	136,737	4.6

Net production per technology (GWh)	2019	2018	% charge
Renewables	50,770	53,684	(5.4)
Onshore wind	36,591	35,711	2.5
Offshore wind	2,211	1,642	34.7
Hydroelectric	10,615	15,711	(32.4)
Mini hydroelectric	340	279	21.9
Solar and other	1,013	341	197.1
Nuclear	23,630	23,419	0.9
Gas combined cycle	65,825	55,910	17.7
Cogeneration	2,453	2,108	16.4
Coal	326	1,616	(79.8)
Total	143,004	136,737	4.6

In the Renewables business, the greater contribution of offshore wind from Wikinger (it was commissioned progressively during the first half of 2018) and the beginning of operations of East Anglia 1, as well as the contribution of new photovoltaic capacity installed in Mexico, offset the lower hydroelectric output.

2.3 Business evolution

2.3.1 Analysis of the profit and loss account

The key figures for the financial year 2019 are as follows:

Millions of Euros	2019	2018	% change
Revenue	36,438	35,076	3.9
Gross margin ⁽¹⁾	16,263	15,435	5.4
EBITDA ⁽²⁾	10,104	9,349	8.1
EBIT ⁽³⁾	5,877	5,439	8.0
Net profit for the period attributable to the parent	3,406	3,014	13.0

(1) Gross Margin: Revenue – Procurements

(2) EBITDA: Operating profit+ Amortisation and provisions + Valuation adjustments, trade and contract assets

(3) EBIT: Operating profit

In 2019, the IBERDROLA Group attained a record-breaking EBITDA of Euros 10,104 million, exceeding for the first time the amount of Euros 10,000 million, representing a growth of 8.1%.

Profit for the year overpassed the goals initially set. All countries had a positive performance thanks to the growth of the Networks and Generation and Retail businesses, which has resulted in the parent company's profit for the year rising Euros 392 million, up 13% compared to 2018 to reach Euros 3,406 million.

The IBERDROLA Group adopted on 1 January 2019 IFRS 16 "Leases" (Note 2.a).

2.3.1.1 Gross Margin


The gross margin stood at Euros 16,263 million, increasing Euros 828 million, up 5.4% compared to 2018, supported by the contribution of all countries. The improvement of reference currencies improves Gross Margin in Euros 215 million.

Gross margin by business is as follows:

Millions of Euros	2019	2018	% change
Networks business	8,131	7,641	6.4
Liberalised business	4,688	4,168	12.5
Renewables business	3,446	3,611	(4.6)
Other businesses	44	58	(24.1)
Corporation and adjustments	(46)	(43)	(7.0)
Gross Margin	16,263	15,435	5.4

– Networks Business

The Networks business improves its contribution by Euros 490 million, 6.4%, and reached Euros 8,131 million (Euros 7,641 million in 2018). The contribution by geographies is as follows:



Millions of Euros	2019	2018	% charge
Spain	2,117	2,109	0.4
United Kingdom	1,311	1,222	7.3
United States	2,875	2,780	3.4
Brazil	1,828	1,530	19.5
Total	8,131	7,641	6.4

As notable events in the evolution of Networks' gross margin during the period we can highlight the following:

- Gross margin in Spain reached Euros 2,117 million, Euros 8 million higher than the previous year, mainly explained by the assignment of the optic fibre network in Euros 49 million. Said effects have been offset by recognising in 2018 a positive extraordinary impact of Euros 53 million. Other effects offset among each other rose gross margin in Euros 12 million.
- The United Kingdom contributes Euros 1,311 million, up by Euros 89 million compared to 2018 (7.3%). The revaluation of the Sterling Point implies Euros 10 million. The better income from transmission and distribution due to the larger asset portfolio explains this increase.
- The contribution of the United States in the period stands at Euros 2,875 million, Euros 95 million higher than in the previous year (3.4%), mainly due to a greater contribution of New York and Connecticut rate cases, the recovery of expenses from the previous years storms and the impact of exchange rates (Euros 150 million). On the negative side, rate adjustment stands out. It took place from the third quarter of 2018, when the impact of the tax reform (Euros 69 million) was transferred onto customers, which had no impact on net profit due to lower taxes as a result, as well as the adjustment of the Revenue Decoupling Mechanism, consisting in the return to customers of previous year's volumes exceeding those recognised by the rate regulator.
- In Brazil gross margin reaches Euros 1,828 million (19.5%), Euros 298 million more than in 2018, despite the negative impact of the devaluation of the Brazilian real (Euros 46 million), due to positive tariff reviews for COELBA and COSERN from April 2018 and for ELEKTRO from August 2019, the greater contribution of transmission assets and the increase in demand (3.9%).

- Renewables business

The Renewables business decreased its gross margin by 4.6% to Euros 3,446 million (Euros 3,611 million in 2018), Euros 165 million lower than 2018.

The contribution by geographies to gross margin by the Renewables Business is:

Millions of Euros	2019	2018	% charge
Spain	1,251	1,580	(20.8)
United Kingdom	678	644	5.3
United States	852	835	2.0
Brazil	174	178	(2.2)
Mexico	113	88	28.4
IEI	378	286	32.2
Total	3,446	3,611	(4.6)

Below, the evolution of the Renewables Business's gross margin is explained:

- In Spain, gross margin reached Euros 1,251 million, down by 20.8%, compared to the same period in 2018, due to lower wind and hydroelectrical power output in 7.2% and 34.8% and prices in wholesale markets.
- The United Kingdom's gross margin increased by Euros 34 million to Euros 678 million (5.3%). The revaluation of the Sterling Pound implies Euros 5 million, as well as better prices, which offset the sale of hydroelectric power assets at the end of 2018.
- The contribution of the United States for the period totalled Euros 852 million (2%), up by Euros 17 million more compared to the previous year. The revaluation of the US dollar has a positive impact of Euros 45 million since the local currency goes down due to the fact that the greater installed power has not been able to compensate low wind conditions and the maturity of PPA agreements.
- Mexico improved its contribution by Euros 25 million and reached Euros 13 million in 2019. The revaluation of the US dollar improves this margin on Euros 6 million and the increase in output up by 50.7% in Euros 19 million due to the increase of solar capacity, which compensates lower wind output.
- Brazil contributes Euros 4 million less compared to 2018 due to the depreciation of the Brazilian reals resulting from lower wind output (-6.0%), partially offset by an increase in hydroelectrical power commissioned in Baixo Iguazú.
- Iberdrola Energía Internacional (IEI), improves Euros 92 million, reaching Euros 378 million driven by the contribution of the Wikinger offshore wind farm, which was progressively commissioned in 2018 and whose output went up to 1,277 GWh (887 GWh in 2018) improving its contribution in Euros 75 million. Better output in rest of the world, better prices and exchange rates explain the Euros 7 million.

- Liberalised business

The Liberalised business (Generation and Supply) increased its contribution to gross margin in Euros 520 million reaching Euros 4,688 thousand (Euros 4,168 million in 2018), broken down by countries as follows:

Millions of Euros	2019	2018	% charge
Spain	2,932	2,396	22.4
United Kingdom	684	863	(20.7)
Mexico	935	756	23.7
Brazil	92	134	(31.3)
IEI	45	19	136.8
Total	4,688	4,168	12.5

- In Spain gross margin reaches Euros 2,932 million, up Euros 536 million (22.4%) compared to 2018, mainly due to higher output, better margins, active management of retail's portfolio (energy and smart solutions) and the impact of recognising the assignment of long-term LNG supply agreements at fair value, resulting in Euros 87 million.

- The UK's gross margin stood at Euros 684 million (-20.7%) due to the impact of lower margins as a result of price cap and the market environment recording less sales both in electricity (9.7%) and gas (7%).
- Mexico contributes Euros 935 million to gross margin (23.7%), Euros 179 million more than in 2018 due to an increase in capacity during 2018 which became fully operating in 2019 (combined cycle of Escobedo, cogeneration of Bajío and repowering of Monterrey IV) and the commissioning of the combined cycle of El Carmen in September 2019 and Topolobampo II in October 2019. The appreciation of the US dollar amounts to Euros 49 million.
- Brazil's gross margin went down Euros 42 million to Euros 92 million due to the non-recurring impact of the retail business and lower margins.
- Iberdrola Energía Internacional (IEI), formerly Rest of the World, grouping retail activity in Europe, contributes Euros 45 million to gross margin, up Euros 26 million compared to 2018.

- Other businesses

The contribution of other businesses amounted to Euros 44 million, a decrease of Euros 14 million compared to 2018 (Euros 58 million in 2018), due to the sale of the trading and gas storage business in the United States in 2018.

2.3.1.2 Gross Operating result – EBITDA

Consolidated EBITDA increased by Euros 755 million, 8.1%, to Euros 10,104 million (compared to Euros 9,349 million in 2018). The impact of variations in exchange rates imply Euros 123 million. Notwithstanding these effects, EBITDA would improve in 6.8% amounting to Euros 632 million.

Contributions are detailed in the following table:

Millions of Euros	2019	2018	% charge
Networks Business	5,262	4,915	7.1
Liberalised business	2,469	2,038	21.1
Renewables business	2,385	2,445	(2.5)
Other businesses	28	29	(3.4)
Corporation and adjustments	(40)	(78)	48.7
EBITDA	10,104	9,349	8.1

The EBITDA performance variables are explained as follows:

- Net operating expenses

Net operating expenses go up Euros 175 million (4.2%) to Euros 4,330 million (Euros 4,155 million in 2018). The impact of exchange rates increases net operating expenses in Euros 64 million. Without taking this into account, the increase would be of Euros 111 million, up 2.7%, including Euros 50 million for efficiency measures, recognised mainly in the fourth quarter. They will have a positive income in upcoming years.

Millions of Euros	2019	2018	% charge
Networks Business	2,184	2,079	5.1
Liberalised business	1,411	1,328	6.3
Renewables business	719	698	3.0
Other businesses	15	28	(46.4)
Corporation and adjustments	1	22	(95.5)
Net operating expenses	4,330	4,155	4.2

- Taxes

Taxes decrease in Euros 102 million, down 5.3% compared to 2018, to reach Euros 1,829 million due to lower taxes in Spain as a result of lower hydroelectrical power output and lower prices.

2.3.1.3. Net Operating result – EBIT

EBIT totalled Euros 5,877 million, 8.0% lower in comparison with 2018 (Euros 5,439 million), and the breakdown by businesses is:

Millions of Euros	2019	2018	% charge
Networks business	3,296	3,034	8.6
Liberalised business	1,492	1,139	31.0
Renewables business	1,222	1,397	(12.5)
Other businesses	17	20	(15.0)
Corporation and adjustments	(150)	(151)	0.7
EBIT	5,877	5,439	8.1

- Valuation adjustments, trade and contract assets

- Trade payable provisions totalled Euros 297 million increasing Euros 44 million compared to 2018.

- Amortisation, depreciation and provisions

- Amortisations and depreciation record a rise of 7.5% to Euros 3,929 million due to a greater asset portfolio and an increase in the Group's activity, as well as the impact of IFRS 16 (Euros 127 million). These were partially offset by a lower amortisation and depreciation resulting from the nuclear plants (Euros 111 million) and the sale of generation assets in the United Kingdom (Euros 70 million).
- Provisions represent Euros 55 million due to lower reversals of provisions of the Renewables business project portfolio in the US.

2.3.1.4. Financial Result

Negative financial result increases in Euros 144 million to Euros 1,300 million (Euros 1,156 million in 2018). Therefore, the average cost of debt stands at 2.92% (2.97% in 2018).

The breakdown of items in said variation is as follows:

Millions of Euros	2019	2018	Change
Debt	(1,239)	(1,175)	(64)
Capitalised finance costs	223	193	30
Derivative financial instruments	(120)	(46)	(74)
Update financial provisions	(164)	(146)	(18)
Other	–	18	(18)
Total	(1,300)	(1,156)	(144.0)

This variation is explained by:

- debt grows Euros 64 million due to an increase in average balance, as a result of investment efforts and the application of IFRS 16 despite interest costs going down 5 basis points;
- more assets in progress, improving the comparison in Euros 30 million, and
- Derivatives go down Euros 74 million mainly due to the effect of exchange rate hedges in Mexico, offset by other headings in profit.

2.3.1.5 Results of Companies Consolidated by the Equity Method

“Profit/loss of equity-accounted investees” amounted to Euros 14 million

2.3.1.6 Income from non-current assets

Gains on disposal of non-current assets amounted to Euros 203 million, up Euros 194 million compared to 2018 (Euros 9 million).

In 2019 the most significant transactions have been the assignment of long-term use of exceeding capacity of the optic fibre (Euros 114 million) and the sale of the 50% stake in the companies Dry Lake II, LLC., and Cooper Crossing, LLC (Euros 53 million). Additionally, there have been gains on the sale of La Joya North (Euros 9 million), due to the sale of real property (Euros 22 million) and the sale of other (Euros 5 million).

2.3.1.7 Net profit for the period attributable to the parent

Net income rose to Euros 3,406 million, Euros 392 million more than in the previous year, as a result of corporate income tax in the amount of Euros 914 million going down in Euros 45 million compared to 2018. Taxes are positively affected by the amendment of the Double Taxation Treaty between Spanish and the USA, eliminating US tax on dividends if the investment is higher than 80% (before they were subject to a tax rate of 10%). Since the amendment was approved several years following the execution of the agreement, IBERDROLA Group has removed deferred tax liabilities currently recognised under non-distributed earnings, resulting in an extraordinary impact of Euros 123 million.

Moreover, non-controlling interests rose 26.3% to Euros 408 million, mainly due to profit in Brazil.

2.4 Operative evolution of the period

2.4.1 Networks business

A. Spain

The IBERDROLA Group has approximately 11.1 million managed supply points and total distributed energy reaching 93,509 GWh, a decrease of 0.4% compared to the same period of the previous year (93,897 GWh in 2018).

The TIEPI (continuity of supply indicator) for 2019 was 45.1 minutes, an improvement of 1.12% on the previous year (44.6 minutes in 2018).

The table shows the values of the TIEPI (interruption time in minutes), and NIEPI (number of interruptions in number) in relation to the previous year:

	2019	2018
Accumulated TIEPI	45.1	44.6
Accumulated NIEPI	1.0	0.9

B. United Kingdom

The IBERDROLA Group has more than 3.5 million supply points in the United Kingdom. The volume of energy distributed during 2019 was 31,451 GWh (32,460 GWh in 2018), a decrease of 3% compared to 2018.

All quality of service indicators, the average Customer Minutes Lost (CML) and the number of consumers affected by interruptions per every 100 customers (Customer Interruptions, CI) have been as follows:

	2019		2018	
	CML	CI	CML	CI
Scottish Power Distribution (SPD)	32.4	43.4	35.9	49.4
Scottish Power Manweb (SPM)	34.8	34.2	34.7	35.4

Service quality indicators have been affected by the storms Erik in February, Gareth in March and Hannah in April. They affected Scottish Power Manweb (SPM) more particularly, resulting in average interruption time slightly going down compared to the previous year.

In August 2019, Scottish Power Energy Networks (SPEN) joined Low Carbon Strategic Partnership with the Scottish Government and Scottish Southern Energy Networks. This association is focused on the role of electrical networks in favouring energy transition towards a zero-emission economy in Scotland and dedicate its efforts to the roll-out of electric vehicles and the electrification of heating systems.

C. United States

- Distribution

In the United States IBERDROLA has 2.2 million electricity supply points. The volume of energy distributed in the year was 36,615 GWh, which represents a drop of 1.9% compared to 2018 (37,336 GWh).

The System Average Interruption Frequency Index (SAIFI) and the Customer Average Interruption Duration Index (CAIDI) are as follows:

	2019		2018	
	SAIFI	CAIDI	SAIFI	CAIDI
Central Maine Power (CMP)	1.53	2.07	1.24	2.14
NY State Electric & Gas (NYSEG)	1.35	1.93	0.84	2.07
Rochester Gas & Electric (RG&E)	0.72	1.84	0.54	1.85
United Illuminating Company (UI)	0.50	1.29	0.50	1.54

Avangrid's distribution area was impacted by the storm Quiana in February, which affected the State of New York more in particular. In the last quarter, in October, the storm Nor'Easter hit the State of Maine specifically and in November, new wind and snow storms affected service in the states of New York and Maine.

Despite these and other climate events, Avangrid increased its global customer average interruption duration index (CAIDI) and the average number of interruptions per customer (SAIFI) in 6.7 and 4.3% respectively.

- Gas

At the end of 2019 there are slightly more than million gas users in the United States who have been supplied with 60,581GWh, a 2.2% increase compared to the previous year (59,301 GWh).

D. Brazil

The evolution of demand for Brazil's distribution companies in 2019 rose by 3.9% reaching 58,991 GWh (56,760GWh in 2018), due to a better performance of economy, larger number of customers and temperatures higher than those in 2018.

Energy distributed (GWh) 100% of business	2019	2018	% Change
COELBA	21,272	20,133	5.7
COSERN	5,782	5,704	1.4
CELPE	14,263	13,777	3.5
ELEKTRO	17,674	17,146	3.1
Total	58,991	56,760	3.9

At the end of the year, the number of customers served by the distributors at the end of the year amounts to 14 million.

Number of customers (million) 100%	2019	2018
COELBA	6.1	5.9
COSERN	1.5	1.5
CELPE	3.7	3.7
ELEKTRO	2.7	2.7
Total	14.0	13.8

In 2019 the construction of the transmission projects awarded in the bids in 2017 and 2018 moved forward as expected and the commissioning of a static compensator of 500kV in São Paulo was completed.

Additionally, in December 2019, Neenergia was awarded a project in the bid organised by the Brazilian regulator ANEEL. The project consists in the construction of 210-km transmission line and of a substation of 1,000 MVA.

2.4.2 Liberalised business

A. Spain and Portugal

A.1. Generation

Installed capacity in Spain (not considering renewables) totals 10,032 MW, with no variations compared to 2018. The breakdown by technologies is:

Power per technology (MW)	2019	2018	Change
Nuclear	3,166	3,166	–
Gas combined cycles	5,694	5,694	–
Cogeneration	298	298	–
Coal	874	874	–
Total	10,032	10,032	–

In 2019 nuclear production stands at 36,031 GWh, up 15.7%. The evolution of the year by technologies is as follows:

Net Production (GWh)	2019	2018	% Change
Nuclear	23,630	23,419	0.9
Gas combined cycle	9,622	3,996	140.8
Cogeneration	2,453	2,108	16.4
Coal	326	1,616	(79.8)
Total	36,031	31,139	15.71

A.2 Retail

Supplied energy (electricity and gas) in Spain amounted to 66,825 GWh (66,836 GWh in 2018), 56,408 GWh of electricity and 10,417 GWh of gas.

Electricity sales on the free market in 2019 increased by 1.3% to 49,088 GWh compared to 48,448 GWh supplied in the same period of 2018. Electricity supplied at the voluntary price for small consumers ("PVPC") amounted to 7,320 GWh (7,435 GWh in 2018).

Gas supplied in the free market in 2019 decreased by 5.1% to 10,308 GWh compared to 10,867 GWh supplied in 2018.

International retail (Portugal, Italy, France and Germany, mainly) IBERDROLA supplied 9,702 GWh during 2019, compared to the 9,225 GWh supplied in 2018, and was the second-ranking seller in the medium voltage industrial clients segment.

B. United Kingdom

Retail

Regarding sales, during 2019 customers were supplied with 18,072 GWh of electricity and 25,835 GWh of gas (20,008 GWh of electricity and 27,773 GWh of gas supplied during 2018). SCOTTISH POWER had 3 million electricity customers and 2 million gas customers at 31 December 2019. Furthermore, the roll-out of smart meters continues and at the end of the year reached 1.5 million.

C. Mexico

IBERDROLA is the leading private electricity producer in Mexico. Installed capacity rose to 8,599 MW (5,914 MW in 2018). The commissioning of the combined cycles of El Carmen (866 MW), Escobedo (892 MW) and Topolobampo II (911 MW) stand out.

Currently, the combined cycle of Topolobampo III (779 MW) is under construction and it is expected to be commissioned in 2020.

The electricity supplied from combined cycle and cogeneration plants amounted to 49,417 GWh (40,227 GWh in 2018), representing a load factor of 79%, as generation with natural gas is the basis of electricity generation in Mexico. Cumulative availability of the plants in Mexico has been 93%.

D. Brazil


Brazil's generation power corresponding to the gas combined cycles Termopernamebuco is 533 MW, whose production peaked in 2019 to 3,309 GWh.

2.4.3. Renewables business

At the end of 2019, the Renewables business had an installed capacity of 28,998 MW (26,794 MW in 2018).

Renewable production decreased by 5.4% to 50,770 GWh (53,684 GWh in 2018).

In the last 12 months, IBERDROLA Group has increased its capacity in 2,204 MW, following this breakdown:



MW installed	2019	2018	MW change
Onshore wind	16,417	15,251	1,166
Spain	5,762	5,526	236
United Kingdom	1,891	1,891	–
United States	7,045	6,305	740
Mexico	594	408	186
Brazil	516	516	–
IEI	609	605	4
Offshore wind	964	544	420
United Kingdom	614	194	420
IEI	350	350	–
Hydroelectric (*)	10,854	10,607	247
Spain	10,018	10,016	2
Brazil	836	591	245
Other technologies	763	392	371
Total	28,998	26,794	2,204

(*) Additionally, the Networks business in the US has 115 MW of hydro power.

A. Onshore wind energy

In the last 12 months, IBERDROLA Group's installed capacity by country is as follows:

- In Spain, the following wind farms were added: Pradillo (22 MW), Ballestas (42 MW) and Casetonas (28 MW). Moreover, the Group has taken control over Molinos del Cidacos (144 MW);
- In the US, the following wind farms were added: Karankawa (307 MW), Patriot (226 MW), Montague (201 MW) and Otter Creek (78 MW). Moreover, the following wind farms have been derecognised, due to loss of control, as is the case with the 65 MW in Dry Lake II, and due to the removal of machines, 2 MW in three wind farms, which are Locust Ridge II, South Chestnut and Leaning Juniper II;
- In Mexico the 100 MW of PIER II were added and 86 MW of the Santiago wind farm were commissioned, and
- In Greece, 4 MW of the Sarakatsaneika I wind farm were added.

Regarding ongoing and approved projects:

- In Spain, the construction of the wind farm of Cavar (111 MW), in Navarra, is going on.
- In the US, the construction of other projects with an aggregate capacity of more than 250 MW continues and another more than 500 MW are at their early construction stages also.
- In Brazil, adding to the approval in 2018 of the 15 projects in the state of Paraíba, totalling 472 MW, a total of another 12 projects, totalling 566.5 MW of wind energy, will be built in the state of Piauí.

B. Offshore wind energy

IBERDROLA Group has three offshore wind farms in operation totalling 964 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, 350 MW, and East Anglia 1, 420 MW.

Currently, offshore wind projects mainly in the United Kingdom, the United States, Germany and France are being developed.

- In the United Kingdom, the East Anglia projects in the North Sea. The East Anglia 1 (714 MW) project is under construction and 420 MW have already been commissioned.
- In the United States, with the acquisition of 50% of the company Vineyard Wind, owner of the rights to a wind farm off the coast of Massachusetts, with a generation potential of 3 GW. The wind farm will start its construction phase in 2019 and it is expected that 400 MW will come into operation by the end of 2021 and the remaining 400 MW by the second half of 2022. This way Vineyard Wind will become the first large scale US offshore wind farm.
- Also in the United States, with the award of the rights to develop another project under the name Kitty Hawk, off the coast of North Carolina, with a potential generation capacity of 2.5 GW.
- In Germany, in April 2018, IBERDROLA Group took part in the offshore wind tender and submitted offers for its projects Baltic Eagle, Wikinger Süd and Windanker. IBERDROLA Group was awarded 476 MW in Baltic Eagle and 10 MW in Wikinger Süd, whose commissioning is expected in 2023.
- In France, the offshore wind farm Saint-Brieuc, of 496 MW of capacity. The project has stated its geotechnical studies which are currently under way as the first construction milestone.

C. Hydroelectrical power

IBERDROLA Group has 836 MW of wind power. In 2019, 245 MW of the Brazilian plant Baixo Iguaçu were commissioned.

In Portugal, the works in the Tâmega hydroelectric power complex go on and Daivões (118 MW) and Gouvães (880 MW) are expected to be commissioned in 2021. In Alto Tâmega (160 MW) the excavation works are being finishing in order to start the concrete works in the dam next year.

D. Other technologies

The Renewables business has facilities of other renewable technologies in various countries whose breakdown is presented in the following table:

MW installed	2019	2018	MW change
Mini-hydraulic special regime	130	130	-
Mini-hydraulic ordinary regime	173	171	2
Photovoltaic	763	392	371
Spain	391	-	391
United States	96	116	(20)
Mexico	270	270	0
Greece	6	6	0
Total	1,066	693	373

These variations are due to the commissioning in Spain of the photovoltaic plant of Núñez de Balboa of 391 MW in Badajoz and the derecognition of 20 MW in the solar plant of Copper Crossing in the United States.

Regarding on-going projects, in Spain more than 400 MW of solar photovoltaic power are under construction in projects located mainly in Castilla-La Mancha, Castilla León and Extremadura.

3. LIQUIDITY AND EQUITY RESOURCES

3.1. Leverage

Gross financial debt at 31 December 2019 increased by Euros 4,172 million to 38,371 million compared to Euros 34,199 million at 31 December 2018, mainly as a result of the implementation of IFRS 16 (Euros 1,767 million) and the strong investment process the Group is undergoing. As a result, financial leverage rose to 44.8% compared to 43.7% for the previous year (see Note 20). For comparison purposes, if in 2019 IFRS 16 Leases had not been applied, leverage in 2019 would have been 43.76%.

Net adjusted debt (net financial debt minus the value of the maximum number of treasury shares potentially cumulative in the amount of Euros 602 million (Note 20), at 31 December 2019 reached Euros 37,769 million, up Euros 3,602 million from the Euros 34,149 million compared to December 2018.

3.2 Credit rating of IBERDROLA's senior debt

Agency ratings are:

Agency	Long-term ⁽¹⁾	Outlook
Moody's	Baa1 (15/06/2012)	Stable (05/11/2012)
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 revised, suspended or withdrawn by the rating agency at any time.

3.3 Debt structure

At 31 December 2019 the Company's borrowings costs stood at 2.92% compared to 2.97% in the same period of the previous year (Note 27).

The debt structure by interest rate and currency is presented in Notes 4 and 27 of the Consolidated annual accounts.

In accordance with the policy of minimizing the financial risks of the Company, foreign currency risk has continued to be mitigated through the financing of international businesses in local currencies (Sterling Pound, Brazilian Real, US Dollar, etc.) or in their functional currencies (US dollar, in the case of Mexico).

IBERDROLA has a strong liquidity position at the end of 2019 exceeding Euros 14,300 million (Note 4).

IBERDROLA presents a comfortable profile of debt maturities, with more than six years of average debt life. IBERDROLA's debt maturity profile at the end of 2019 can be seen in Note 27 of the Consolidated annual accounts.

3.4. Working capital

Working capital increased in Euros 254 million from December 2018 mainly as a result of an increase in inventories (Euros 368 million) due to the construction of the evacuation line of East Anglia 1 OFTO (*Offshore Transmission Owner*).

	31.12.2019	31.12.2018	Ch
Assets held for sale	–	62	(62)
Nuclear fuel	306	273	33
Inventories	2,542	2,174	368
Commercial debtors and other accounts receivable	6,675	6,099	576
Other current financial investments	693	572	121
Asset derivative financial instruments ⁽¹⁾	156	225	(69)
Tax receivables and payables	825	756	69
CURRENT ASSETS ⁽¹⁾	11,197	10,161	1,036
Liabilities linked to assets held for sale	–	1	(1)
Provisions	660	580	80
Liability derivative financial instruments ⁽²⁾	370	209	161
Trade payables, other current financial liabilities and other current liabilities	7,755	7,087	668
Tax receivables and payables	1,263	1,389	(126)
Current Liabilities	10,048	9,266	782
NETWORKING CAPITAL	1,149	895	254

⁽¹⁾ Not including cash and cash equivalents or debt derivative assets related to financial transactions (Note 20).

⁽²⁾ Not including cash and cash equivalents or debt derivative liabilities related to financial transactions (Note 20).

4. MAIN RISKS AND UNCERTAINTIES

4.1 Risk management system

The IBERDROLA Group is exposed to various inherent risks in the different countries, industries and markets in which it operates and through the businesses it carries out, which could prevent it from achieving its objectives and executing its strategies successfully.

The Company's board of directors, aware of the importance of this matter, has undertaken to develop its capabilities to ensure that the risks relevant to all of the Group's activities and businesses are appropriately identified, measured, managed and controlled, and has established, through the Group's general risk control and management policy, the basic mechanisms and principles necessary for the appropriate management of risk-opportunity with a level of risk that enables it to:

- attain the strategic objectives formulated by the Group with controlled volatility,
- 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 customers, shareholders, other groups interested in the progress of the Company, and society in general, and
- ensure corporate stability and financial strength in a sustained fashion over time.


In the implementation of the aforementioned commitment, the Board of Directors and its Executive Committee have the cooperation of the Audit and Risk Supervision Committee, which, as a consultative body, monitors and reports upon the appropriateness of the system for assessment and internal control of significant risks, acting in coordination with the audit committees existing at other subholding companies of the Group.

Every action aimed at controlling and mitigating risks will consider the following basic action principles:

- a) Integrate the risk-opportunity vision into the Company'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 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 monitor such risks, maintaining suitable channels that favour communication.
- e) Ensure appropriate compliance with the corporate governance rules established by the Company through its Corporate Governance System and the update and continuous improvement of such system 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 law and the Company's corporate governance system and, specifically, with due observance of the values established in the *Code of Ethics* and under the principles of zero tolerance for the commitment of illicit acts and fraud situations included in the *Prevention of Fraud and Crimes Policy*.

The *General Risk Control and Management Policy* and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system, supported by a Corporate Risk Committee of the Group and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon suitable supporting procedures, methodologies, and tools, including the following stages:

- a) The establishment of a structure of policies, guidelines, and limits, as well as the corresponding mechanisms for the approval and implementation thereof, which effectively contribute to risk management being performed in accordance with the Company's risk appetite.

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- b) The ongoing identification of significant risks and threats based on 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 controlling 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 internal controlling 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 periodic monitoring and control of profit and loss account risks in order to control the volatility of the annual income of the Group.
 - h) 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.
 - i) The audit by the Internal Compliance Division of the comprehensive risk control and management system.

In addition, the General Risk Control and Management Policy is further developed and supplemented through 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 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.
 - Health and Safety Risks Policy.
 - Reputational Risk Framework Policy.
- b) Risk policies and limits of the various businesses of the Group:
- Risk policy for the liberalised business of the IBERDROLA Group.
 - Risk policy for the renewables business of the IBERDROLA Group.
 - Risk policy for the network business 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 at the 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 the Group's risk limits.

Subholding companies are responsible for adopting the group's risk policies and specifying their application, approving the guidelines regarding specific risk limits, addressing the characteristics and unique features businesses in each country. They shall also implement the control systems required for their compliance.

Listed subholding companies and those with significant minority interests, by virtue of their own special autonomy framework have their own risk policies approved by the competent bodies, aligned with those of 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 safeguard the interests of the Company and the strategy of 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, particularly those of the various stakeholders and communities and regions in which the Company and its employees act.
- b) Market risks: defined as the exposure of the Group's results and equity to changes in market prices and variables, such as exchange rates, interest rates, commodity prices (electricity, gas, CO2 emission rights, other fuel, etc.), prices of financial assets and others.
- 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 final 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 business, such as the characteristics of demand, weather conditions, the strategies of different players, and others.
- e) Political and Regulatory risks: defined as 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 environmental or tax regulations, including risks related to political changes that could affect the legal security and to the legal framework applicable to the Group's businesses in each jurisdiction, the nationalization or expropriation of assets, the operating licenses cancellation and the previous end of the contracts of the administration.
- f) Operational risks: defined as those related to direct or indirect economic losses resulting from inadequate internal procedures, technical failures, human error, or as a consequence of certain external events, including the economic, social, environmental, and reputational impact, as well as legal and fraud risks.
- g) Reputational risks: potential negative impact on the value of the Company resulting from the conduct of the Company that is below the expectations created among various stakeholders: shareholders, customers, media, analysts, Government, employees, and society in general.

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 risk quarterly reports, which include monitoring compliance with risk limits and indicators and updated key risk maps, submitted by the Group's director of corporate risks.
- It coordinates and reviews risk reports sent periodically, at least semi-annually, by the audit and compliance committees of the main subsidiaries of the Group, being included the subholding companies of the main countries where the Group operates that, along with the Risk Corporate Director's appearances are used to prepare a risk report for the Board of Directors at least semi-annually.

For further details, see the section E "Control systems and risk management" of the Corporate Governance Report 2019 and the risks section of the Integrated report February 2020.

4.2. Credit risk

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

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 a correct risk management, 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 trade in the liberalised area, the historical cost of defaults has remained moderate, below 1% of total turnover of this activity at global level.

4.3 Financial risks

4.3.1. Interest rate risk

The IBERDROLA Group is exposed to the risk of fluctuations in interest rates affecting cash flows and market value 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 basically pegged to market rates (mainly Euribor, Libor-pound sterling, Libor-dollar and the CDI in the case of the debt of Brazilian subsidiaries).

Additionally, at 31 December 2019, the IBERDROLA Group has arranged derivatives to cover the interest rate risk of the future financing for a nominal amount of Euros 4,551,000 thousand, which help to mitigate the interest rate risk.

The debt structure at 31 December 2019, once considered the hedge provided by the derivatives traded, is included in the Note 4 of the Consolidated annual accounts.

4.3.2. Foreign currency risk

The exchange rate risk resulting from oscillations in currency rates compared to the reporting currency may take place under the following scenarios:

- Collections and payments for supplies, services or equipment acquisition in currencies other than operating currencies.
- Income and expenses incurred by certain foreign subsidiaries indexed to currencies other than operating currencies.
- Debt and financial expense denominated in currencies other than operating currencies.
- Profit or loss in consolidation of the foreign subsidiaries (mainly US dollar, Sterling Pound and Brazilian reals), since the Group's reporting currency is the Euro.
- Consolidated carrying amount of investments in foreign subsidiaries.
- Expense for taxes in Mexico because the functional currency (United States dollar) differs from the currency for calculation purposes of corporate taxes (Mexican peso).

The IBERDROLA Group reduces this risk by:

- Ensuring that all its economic flows are carried out in the currency of each Group company, provided that this is possible and economically viable and efficient, through the use of derivatives if not.
- As far as possible, this covers the risk of transfer of earnings scheduled for the current year, thereby limiting the ultimate impact on Group earnings.

- As far as possible, this covers the expense of the exchange rate risk in the Mexican corporate taxes, limiting the overall impact on the earnings of Mexico and of the Group.
- Mitigating the impact on the consolidated net asset value of a hypothetical depreciation of currencies due to Group's investment in foreign subsidiaries by maintaining foreign currency debt, as well as through financial derivatives.

The sensitivity of the consolidated profit and equity to changes in the dollar/euro, sterling pound /euro and Brazilian real/euro exchange rate are described in Note 4. The figures relating to exchange rates are included in Note 27 of the Consolidated annual accounts.

4.3.3. 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 on its business activities.

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 sufficient amount, term and flexibility, diversification of the hedge of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

The balances for cash, liquid assets and available committed credit facilities are sufficient for meeting the liquidity needs for more than 18 months, not including the new financing facilities.

The figures relating to changes in the Company's debt are included in Notes 27 and 51 of the Consolidated annual accounts and additional information is presented in Note 4 of the Consolidated annual accounts.

4.3.4. Liquidity risk

IBERDROLA Group faces the risk of its financial situation getting worse and leading to a review downwards of the credit rating assigned by rating agencies, which may make financing more expensive or hinder it.

In order to mitigate this risk, IBERDROLA Group permanently follows up solvency and equity ratios most commonly followed by rating agencies as well as those risks that may have an impact on those ratios in order to anticipate or undertake actions aimed at correcting possible lack of compliance.

Moreover, communication is active with investors and rating agencies in order to explain the performance of financial magnitudes and their deviations, if any.

4.4. Country risk

The activities of the different businesses that the IBERDROLA Group developed are submitted, in greater or lesser extent depending on their characteristics, to various risks inherent to the country where they operate:

- Imposition of monetary limitations and other restrictions on the movement of capital.

- Changes in the trade environment and administrative policies.
- Economic crisis, political instability and social riots affecting operations.
- Nationalisation or expropriation of assets.
- Exchange rate fluctuations.
- Cancellation of operating licenses.
- Anticipated termination of Government contracts.
- Changes in tax rates in fees and taxes and/or new taxes.
- Other regulatory changes.

The results of our international subsidiaries, their market value and their contribution to 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, countries with low or moderate risk, whose credit ratings at 31 December 2019 are as follows:

Country	Moody's	S&P	Fitch
Spain	Baa1	A	A-
United Kingdom	Aa2	AA	AA
United States	Aaa	AA+	AAA
Brazil	Ba2	BB-	BB-
Mexico	A3	BBB+	BBB

The IBERDROLA Group has a significant presence in countries such as Germany, France and Portugal. The presence in countries other than the ones mentioned above is not significant at Group level from an economic point of view.

Note 4 of these Consolidated annual accounts includes information on the potential impact of the Brexit on the IBERDROLA Group.

4.5 Activity risks for IBERDROLA Group's business

The Group has 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 presence in the natural gas distribution sector.

IBERDROLA operates in the renewables industry sector carried out in Spain, the United States (through AVANGRID), the United Kingdom, Mexico and Brazil (through NEOENERGIA) and other countries.

Finally, the IBERDROLA Group maintains the Generation and Supply business, and operates in the thermal generation sector in Spain, Mexico and Brazil (through NEOENERGIA) and electricity and gas retail in Spain, the United Kingdom and to a lesser degree in Brazil (through NEOENERGIA), Italy, France, Germany, Ireland and the United States (not included in AVANGRID in the latter case).

Operating details shown in this section show the situation at 31 December 2019, unless stated otherwise. Sensitivities are shown in annual terms (following 12 months).

The strategy and investments for 2018-2022, which set the Group's growth lines, were presented to investors on 26 February 2019, is expected to be updated in May 2020.

Regulatory and political risks

Companies in 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 operate. The introduction of new laws and regulations or amendments to the already existing ones may have an adverse effect on the Group's operations annual results and economic value of businesses.

The following sections summarise the regulatory frameworks in force in the main markets where the Group operates, as well as the array of new regulatory measures approved in 2019 or expected to be developed in 2020.

A detailed description of the electricity and gas regulatory frameworks in the main countries where the Group operates is included in Annex II.

4. 5. 1. Networks business risk

The regulations of each country in which the IBERDROLA Group's network businesses operate establish regularly revised frameworks, guaranteeing that these businesses will receive reasonable and predictable returns. These frameworks include incentives and penalties for efficiency, service quality and, where applicable, for default management, which have a minor, immaterial impact overall. Any structural and significant changes to the aforementioned regulation 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 are not exposed to any market risk associated with energy prices.

The network businesses in Brazil and some of the businesses in the USA sell energy to regulated customers at a price determined by certain previously approved tariffs. In the case of a prudent procurement management and as established by the regulator, the regulatory frameworks in both countries guarantee sums will be collected in subsequent tariff readjustment reviews for possible purchase price deviations from those previously recognised in the tariff.

Given the above, in the case of extraordinary events (extreme drought in Brazil, catastrophic storms in the USA, 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.

- **Networks - Spain**

The present regulatory model is based on the Electricity Industry Law 24/2013 of 26 December 2013 and its development in the form of royal decrees and ministerial orders. The model is based in recognised historical investment (RAV at 31 December 2014) remunerating capital, depreciation and some operation and maintenance costs. In addition, each year RAV is increased with recognised investments made. Quality incentives and losses (technical and commercial) are added to this. Also, a retribution to other regulated activities required for the activity are also set, such as for example reading, subscription, structure, etc., not just to distribution.

On 20 November 2019 the retribution rate applicable in the upcoming six-year regulatory period 2020-2025 was set and published on the BOE (Official Spanish Gazette) (WACC 5.58%). On 19 December 2019 the applicable methodology was set and published on the BOE.

Some remuneration elements of the previous period still pending of review should be highlighted:

- Remunerations for 2017, 2018 and 2019 that are being applied are provisional since the final remunerations have not yet been published.
- Before the Spanish Supreme Court, a proceeding was initiated declaring it detrimental to the public interest which may entail a recalculation of the RAV used as reference.

- **Networks – United Kingdom**

The group operates in the United Kingdom through its subsidiary Scottish Power Ltd and the following licences:

- SP Distribution PLC (SPD) and SP Manweb PLC (SPM).
- SP Transmission PLC (SPT).

The framework of remuneration for the electricity transmission and distribution activities in the UK is in accordance with a price control model using a recognised cost of capital (WACC), 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 review for electricity distributors (RIIO ED1), including SPD and SPM, is valid from April 2015 to April 2023. The SPT review (RIIO T1) is valid from April 2013 to April 2021. Recognised ROE after tax (in real terms) is 6% for SPD and SPM, whereas for SPT it is 7%.

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 July 2018 the OFGEM published its preliminary report included some of the hypothesis proposed for the next regulatory revision, pointing at a preliminary ROE of 4.8% compared to the current 7.0%. For the end of 2020, OFGEM is expected to publish the final methodology and retribution rate.

- **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 2.2 million electricity supply points and 0.9 million natural gas supply points):

- New York State Electric & Gas (NYSEG), New York, with a 3-year Rate Case in force since 20 April 2016 (base ROE 9% for electricity distribution).
- Rochester Gas and Electric (RG&E), New York, with a 3-year Rate Case in force since 30 April 2016 (base ROE 9% for distribution Electricity).

In 2019 the process to review NYSEG and RG&E rate case was launched. This process is expected to conclude at the beginning of 2020.

- Central Maine Power (CMP), Connecticut, whose annual rates are in force since 1 July 2014. They may be extended for its electricity distribution businesses (base ROE 9.45%) and transmission business (base ROE 10.57%). The ROE calculation method for the transmission business is under review by the FERC and an Order in that regard is expected in 2020.

In October 2018, CMP, following the instructions provided by Maine's utilities regulatory commission, started a rate case review.

- United Illuminating (UI), Connecticut, with rates in force since 1 January 2017 for its electricity distribution business (base ROE 9.1%) and transmission business (base ROE 10.57%). The ROE calculation method for the transmission business is under review 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 of the companies regulated (tariffs and other conditions).

The distributors' tariff plans have been designed to reduce the risk to which 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 the Brazil through its listed subsidiary Neenergia, which in turn has the following subsidiary network companies:

- Elektro Redes, S.A. (Elektro), operating in the states of Sao Paulo and Mato Grosso do Sul, with 2.7 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 Bahia, with 6 million supply points. Rates in force until April 2023 and WACC of 8.09%;

- Celpe Energetica de Pernambuco S.A. (Celpe), operating in the state of Pernambuco, with 3.7 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 1.4 million supply points. Rates in force until April 2023 and WACC of 8.09%;
- Several transmission assets with their specific regulation.

The Brazilian regulatory framework is based on a system of price cap that is revised every four or five years, depending on each company's concession contract and is updated annually by the regulator based on predetermined parameters. COELBA and COSERN have a five-year term and CELPE and ELEKTRO have a four-year term.

Brazilian legislation applicable to 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") as part of 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 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.

4.5.2. Renewables business

The Group's Renewable business includes hydroelectric, wind (onshore and offshore) and photovoltaic generation, as well as storage (pumping and batteries) technologies.

The regulations of each country in which the Group operates establish regulatory frameworks aimed at promoting the development of renewable energies based on formulas which may include premiums, green certificates, tax or regulated tariff deductions, which allow investors to obtain sufficient and reasonable return. Any structural and significant changes to the aforementioned regulation 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, among other, to source (hydraulic, wind and solar) risk and market risk:

- 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 Brazil.
- The risk of wind resources in any given year affects the Renewable Energy Businesses of all countries in which the Group operates. At global level, the Group considers that the wind resource risk is mitigated by the large number of wind farms available and their geographical diversification.

- Management of market risk of the Renewables Businesses in Spain, the UK, Brazil and Mexico is transferred to the Generation and Retail Businesses of those countries so that it can be integrated into a single risk position. Management of market risk of the Renewables Business in the US is integrated within the business itself.

The Group has important renewable 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 technology risks.

- **Renewables – Spain**

The Group currently has an installed capacity of renewable energy in Spain of: 6,005 MW of wind power, 9,715 MW of hydroelectric plants, 500 MW of photovoltaic plants and 306 MW of mini hydroelectric plants.

The output of hydroelectrical plants not governed by RD 413/2014) is transferred to the Generation and Supply business for its marketing to end users and/or sale to the market. The lesser or greater availability of hydro resources has an impact on the marginal hour prices of the Spanish electricity system.

Despite having a large water storage capacity Spain, IBERDROLA Group's annual results depend significantly on the rainfall contributions. The changes in output from a dry year to a wet year with respect to the average value can be up to -4,000 GWh in a dry year and +5,000 GWh respectively in Spain, and the variability would be between an estimated Euros -150 million and Euros +190 million. In the mid and long-term dry years are offset by wet years.

The capacity installed by the Group before 2013 was subject to the Specific Retribution Regime in accordance with Law 24/2013 and RD 413/2014. Said regime, combining market income and a supplement per MRC, guarantees reasonable profitability before taxes to plants, which was set at 7.398%. At the end of 2019, RDL 17/2019, whereby the value of reasonable profitability was extended until 2031, was approved Facilities before 2004 had no retribution to investment. In accordance with RD 413/2014 i) at the end of each regulatory half-period of three years several retribution parameters for model facilities are revised, among them price estimates for the following three years, as well as past prices. To do so it is calculated if in the last three years the set limits (bands) have been exceeding and ii) the existing plants were segments based on several criteria such as commissioning year and size, and they are assigned standard CAPEX values, useful regulatory life, peak factor, O&M expenses and hours.

Those renewable plants commissioning after 2013 or which only receive income from market income (or PPA agreements), or to access the Specific Remuneration Regime previously described must participate in bids (which took place in 2016 and 2017).

With regards to wind output, as well as photovoltaic generation, they have also been transferred to the Generation and Supply business to be sold to end customers and/or the market.

- **Renewables – United Kingdom**

The Group currently has an installed capacity of renewable energy in the UK of 1,906 MW in onshore wind farms and 194 MW in offshore wind farms, operational (West of Duddon Sands) and an interest of 60% in the offshore wind farm of East Anglia (420 MW installed at the end 2019), which is in the commissioning stage.

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 in the UK, as the revenues obtained reflect the price of the energy produced and the sale of 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 buy, which in practice amounts to a floor price equal to the price of the ROCs.

Renewable technology plants implemented from 1 April 2017 (those implemented at 12 May 2016 in the case of onshore wind farms) may avail 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.

The fixed prices for these projects 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 the counterparty is practically zero.

- **Renewables United States**

The IBERDROLA Group conducts its renewables business in the US through its listed company Avangrid, which has an installed capacity of 7,259 MW in onshore wind farms, 118 MW in hydroelectric plants and 143 MW in operational photovoltaic plants.

Approximately 71% of the energy produced is sold on fixed-price long-term contracts with third parties. If hedges of some type are considered, this percentage rises up to 79%. The remaining 21% of the energy produced is sold to the market in more or less short terms.

With electricity prices around USD 25MWh, a 5% change in prices could give rise to an impact of Euros ±6 million on operating results.

Avangrid has very relevant offshore wind project portfolio, among them Vineyard.

- **Renewables Mexico**

In Mexico the business currently has an installed capacity of 595 MW in wind farms and 368 MWdc in solar plants, with two sale schemes: a) fixed-price sale to the CFE under a long-term contract (La venta III, 103 MW) and b) sale to third parties with a discount on the official price published by the CFE, under the self-supply regime or sale to the free market.

Mexican legislation requires electricity retailers in the free market to present Certificates of Clean Energy (CEL in the Spanish abbreviation) at the end of each year for a percentage which increases over time of their energy sales for the year. The Group’s renewable production for the market in Mexico gives rise to these certificates, which are sold, at market prices, to the Group’s Generation and Supply business.

- **Renewables Brazil**

In Brazil the business, through Neenergia, currently has an installed capacity of 516 MW in onshore wind farms, all operating under long-term contracts (PPAs) with a fixed price for the country’s distributors. Excesses and shortages in the production contracted with the distributor are settled over periods of four years, and excesses must be offered and shortages purchased at market prices.

Also in Brazil the Group has 3,031 MW in hydroelectric plants, of which 60% is sold to electricity distribution companies under PPAs.

- **Renewables International**

In Germany, the Group has and operates the Wikinger offshore wind farm of 350 MW. Pursuant to German regulations, Wikinger plant will have a fixed price for the energy it produces over the first 12 years of operation on a CfD contract, similar to the aforementioned setup for East Anglia 1.

In other European countries, IBERDROLA Group currently has an onshore installed capacity of 609 MW in wind farms and 6 MW in photovoltaic facilities. Regulations in these countries make a distinction between two energy sale schemes: sales at the tariff (Portugal, Greece, Cyprus and Hungary), or sales at market price (Romania).

The Group has been selected, and is already developing, for several significant offshore wind farm projects in Europe, which are expected to be brought into operation throughout 2023-2024.

- Germany: Wikinger Süd (10 MW) and Baltic Eagle (476 MW).
- France: Saint Briec project, with an expected total capacity of 496 MW, in which the Group has a 70% stake in the promoting company.

4.5.3. Generation 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 in the US. A significant number of the plants in Mexico and the Brazilian plant have long-term PPAs (power purchase agreements) with the CFE (Mexican state electricity company) and the electricity distributors Coelba and Cosern in Brazil respectively.

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.

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 USA).

Main risks:

- Market prices for electricity, both wholesale and retail, are closely correlated with 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 generation 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 prices regulated in the UK, etc.).

The offsetting of risk positions between the generation 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.

- **Liberalised and retail businesses in Spain**

In Spain the Group has 10,099 MW of installed capacity in conventional generation, of which 3,177 MW are of nuclear power, 5,695 MW of combined cycles, 353 MW co-generation and 874 MW coal.

Sales of the free-market retail electricity business in Spain amounted to nearly 49 TWh in 2019. Additionally, the Last Resort Tariff retail subsidiary supplied just over 7 TWh in 2019.

Commodities' price risk

Given current market conditions, the production price of the coal-fired power plants defines, to a large extent, the price of electricity in Spain since coal is the marginal technology necessary to cover electricity demand. Consequently, the price of coal conditions revenues from the other less expensive technologies which are used to cover demand. With electricity prices around Euros 52/MWh, a 5% change in prices could give rise to an impact of Euros ± 13 million on operating results.

The price of CO₂ influences the cost of production in coal-fired power plants. With CO₂ prices of Euros 24 per tonne, a 5% change in the prices could give rise to an impact of Euros ± 2 million on operating results.

In 2019, IBERDROLA Group sold its LNG sale/purchase activity, including long-term supply contracts in Spain and LNG contracts with third parties. From 2020 Iberdrola will supply gas at indexed prices to European markets. The uncertainty associated to the difference between purchase price and sale price to customers or price of gas consumed by combined cycle power plants is Euros ± 20 million.

Demand risk

Given the current market condition, where price is primarily determined by the generation cost at coal-fired plants, which make up around 22% of the generation mix, demand fluctuations 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 Euros 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 technologies.

Nevertheless, there could be an impact if a drop in electricity demand entails an equivalent reduction in the Group's retail sales and consequent narrowing of 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 is seen in demand for gas.

Taking both effects into account, it is estimated that a 1% fluctuation in demand would have an impact of around Euros ± 11.9 million overall.

Nuclear plants risk

From the perspective of its impact on business results, the main risk arises from the combined cycle power plants outages (partially covered by a loss of profits insurance policy over and above an excess).

Nuclear power plants are also exposed to specific risks derived from the operation, storage and manipulation of radioactive materials. Constitutional Spanish law caps the liability of nuclear power plant operators in the event of a nuclear accident at Euros 700 million. This liability for a nuclear accident must be compulsorily insured by the operator of Spanish nuclear power plants. The IBERDROLA Group meets this obligation by taking out Nuclear Civil Liability insurance policies for each plant. However, Law 12/2011, of 27 May, concerning civil liability for nuclear damage or damage caused by radioactive materials, will increase the operator's liability ceiling and the consequent ceiling on mandatory insurance to Euros 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 Administration and nuclear generators have agreed a schedule closure plan for Spanish nuclear plants. The agreements provide guarantees on the recoverability of investments required until the last day of useful life of the plants and allows a rational safe operation of the plants until the end of the next decade.

- **Liberalised and retail businesses in Mexico**

The Group has 8,223 MW in combined cycle plants and 346 MW in cogeneration plants in Mexico.

Approval of the Energy Regulatory Commission's Agreement A/064/2018, which defines the methodology to determine the calculation and adjustment of the final tariff and the operations tariffs that will apply to the subsidiary production company CFE Suministrador de Servicios Básicos from 1 January 2019.

Commodities' price risk

Electricity generation at IBERDROLA Generación México is gas-intensive. Gas prices are therefore an essential component of this risk. In 2019, approximately 75% of the electricity generated in Mexico was sold under long-term sales agreements (to CFE and, to a lesser extent, other major industrial customers), whereby the risk associated with the price of gas used in generating this electricity is passed on.

The remaining energy is sold to customers (either under self-provision or the free market) at a price linked to the official tariffs published by CFE. The Group's competitiveness in this case relies on its obtaining a better input price for 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 slightly above Euros 12.5 million in the 95 percentile.

Demand risk

The structure of the agreements IBERDROLA has entered into in Mexico largely shields business results from electricity demand fluctuations. Revenues 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 therefore have no effect on results.

Operational risk

From the perspective of its impact on business results, the main risk arises from the combined cycle power plants 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 missing energy in the market.

- **Generation and Supply businesses in Brazil**

The Generation business has a combined cycle power plant of 533 MW in Brazil (Pernambuco) at the end of 2019 with long-term sale agreements with Coelba and Celpe.

Renewable energy without PPA and thermal generation excess will be traded through the Group's retail company in the free market. With market prices in the area of R\$ 205 MWh, a price fluctuation of 30% would affect the results by some Euros 2.5 million.

- **Retail business in the United Kingdom and other countries**

Sales of the IBERDROLA Group's retail business in 2019 amounted to 20 TWh of electricity and 27 TWh of gas.

Following the entry into force of the Domestic Gas and Electricity Tariff Act 2018, OFGEM publishes on a half year basis the new maximum prices that suppliers may charge to end customers under the "Standard Variable Tariff". The desirability of maintaining this system of price caps will be reviewed in 2020; it may be extended to 2023.

The structure of the rates applied, both those defined freely and those fixed by the regulator, imply 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 on a warm year, the actual customers' demand would be 2.1% lower for electricity and 9.8% lower in gas compared to average values. This year's hot temperatures have had a negative impact on results amounting to Euros 44 million.

Other countries

IBERDROLA Group carries out or has started carrying out in 2019 retail activities in Italy, France, Germany, Ireland and the United States, although its dimension is not relevant with the Group's results.

- **Unhedged energy transactions (discretionary trading)**

Discretionary trading of electricity, gas, emissions allowances and other fuels and associated products performed by some of the Group's businesses is 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 period, pursuant to the Market risk policy approved by IBERDROLA, S.A.'s Board of Directors.

IBERDROLA has reduced discretionary trading in recent years in line with the widespread move away from market speculation. In December 2018, 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 Euros 135 million for commodity derivatives. This value is much lower than the Euros 3,000 million threshold set for non-financial companies in the European regulation (EMIR).

4.5.4. Group's business operating risks

During 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 also exposed to the following operational risks, among others:

- Malfunctions, explosions, fire, toxic spillages or polluted emissions in gas and electricity distribution networks and in both traditional and renewable generating plants.
- Force majeure cases.
- Sabotage and/or terrorism.
- Operational risk of operations in markets.
- Physical security and cybersecurity.
- Operations in treasury and energy markets.
- System failures.
- Hazards at work and third-party accidents in own facilities.

Any of these risks could cause damage or destruction to the IBERDROLA Group's facilities and financial losses, as well as injuries to third parties or damage to the environment, along with the ensuing lawsuits, especially in the event of power outages caused by accidents at our distribution networks and possible penalties imposed by the authorities.

Although many of these risks are unpredictable, the IBERDROLA Group mitigates them 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 cover, IBERDROLA Group has international insurance programmes to cover equity (insurance for material damage, machinery breakdowns, loss of profits, damage due to natural disasters and risks arising from construction work) and third-party liabilities (general public liability, liability for environmental risks, professional public liability, etc.).

However, this insurance does not completely eliminate operational risk, since it is not always possible, or it is not in its interest to pass such risk on to insurance companies. In addition, cover is always subject to certain limitations.

Given the configuration of the electricity sector's chain value, IBERDROLA Group's activities may be affected by failures in third-party infrastructures and equipment, as well as transmission networks, competitors' generation plants, communications networks, etc.

- **Cybersecurity risks**

The 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 admin or customer interfaces (TI), in particular violation of information in hem, under the umbrella of General Data Protection Rules (GDPR) in Europe and other countries.
- Other cybersecurity risks having an impact on reputation.

The OT cyberinfrastructure of the thermal generation business and Renewables' large hydroelectrical power plants is set up to control and manage the operation of each plant from the Despacho Central de Generación (DCG) in Spain any other local generation dispatch office. The potential impact of a cyber-attack could put the generation and the safety of the whole country's electrical system at risk.

The operating management of the Group's Networks Business supports itself in cyber infrastructures 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 in IBERDROLA Group's facilities (substations, transformation centres, other) or in customer facilities (meters). The potential impact of a cyber-attack could put the energy supply to whole IBERDROLA Group's distribution areas and/or borderline areas operated by other suppliers at risk.

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, defense and response abilities before possible attacks.

IBERDROLA Group currently has a specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the quick evolution and wide variety of cyber risks.

The different Generation and Retail, Renewables and Networks businesses in the Group have appointed specific cyber security 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 of ICS, SCADA, Advanced Measuring Infrastructure or AMI, etc.).

IBERDROLA Group complies with local rules on critical infrastructures protection in the countries where it operates, which guarantees the highest level of protection against these type of threats. In the case of Spain, the nuclear plant of Cofrentes has the highest requirements in terms of physical and cyber security within the Group. It has its own Cybersecurity Plan, in order to comply with the Spanish Act on Critical Infrastructures (Act 8/11) and the Nuclear Safety Council, as well as its Additional Technical Guidelines (in Spanish, Instrucciones Técnicas Complementarias or ITC), and collaborates in the exchange of information through the Spanish cybersecurity plan.

From the commercial operation perspective, IBERDROLA Group has implemented a global model to guarantee compliance with all obligations in force in each country. In Europe, the Group is subject to the GDPR. The Personal Data Protection Policy is implemented in each Group subholding and is developed through local rules and procedures adapted to the relevant provisions in each country.

4.5.5 Climate change risks

IBERDROLA has a Policy against climate change (available from www.iberdrola.com) and is clearly committed to the investor community's growing interest in the risks of climate change, which is why we are working to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) initiative of the Financial Stability Board.

The identification, analysis and management of risks resulting from climate change has been integrated, with a global focus, in the ERM (COSO) philosophy, under which IBERDROLA has oriented its risk management since last decade. The identification, analysis and management of risks is approached from a multidepartment perspective, in which both the Corporation and the Businesses take part.

The risks related to climate change require in certain cases strategic management. In this regard, the growth policy followed by Iberdrola throughout its recent history has proven to be a success story, given the strong bet on the development of renewable energies and flexible smart networks. In any case, the opportunities that for the Company arise from the decarbonisation of the global economy weigh more than its risks.

We are facing a systemic global risk. Companies, governments and individuals can reduce their emissions (mitigation) and/or adapt to the new future (resilience).

Climate change compromises several long-term risks which, to a greater or lesser extent are not new to the sector. Risks may be grouped in the following categories:

- Physical risks due to potential material impact on facilities due to the effects resulting from climate change (raise in temperatures, rise of sea level, variations in rainfall, increase both in frequency and intensity of extreme meteorological phenomena, etc.).
- Transition risks, linked to risks arising from global decarbonisation, such as regulatory, market price, technological, reputational, and demand changes, penalties and variations in demand, inter alia).

- Other risks, i.e. 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 is worth mentioning that the impact of climate change, despite being perceivable already in the short-term (i.e. Higher intensity and frequency of climate events in certain geographical areas), are progressive and act over relatively long periods of time. This mainly implies that it will be the Group's future assets and not current assets the ones more severely impacted, since assets are progressively renewed when they reach the end of their useful life. Additionally, the following risk mitigation measures are to be highlighted:

- The design and specifications of new equipment will take into account more severe climate scenarios.
- The best technologies will allow to obtain more economic value for new projects.
- Taking this risk into consideration in new investments.
- The Group's accumulated experience on the management of climate events.
- Insurance cover.
- Diversification of assets (by geography, technology, age, etc.).

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 coast areas will have a reduced impact on the regulatory conditions of our Group's assets.

Increases in temperature and greater frequency of extreme weather events may imply a very moderate gradual increase in operation and maintenance costs (associated with various phenomena such as bigger technical losses and reduced useful life of assets) and in annual capital expenditure, although in perfectly manageable amounts given the multi-annual tariff revisions of these regulated businesses. Additionally, the investment and response plans already in force, accumulated experience and the design of networks (meshed) would act as mitigating factors.

In terms of risks of transition, we would highlight that of large-scale development of distributed generation, whose impact would be partly offset by the growing electrification of the economy (electric vehicles for example) 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 generating assets are located. Nowadays there are no conclusive reports by third parties enabling reasonable predictions on the potential positive or negative variation of said resources at assets level.

In the case of hydraulic resources, a potential decrease in annual rainfall average could lead to a negative impact on the output of hydraulic plants, especially visible in flow plants. 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 gross margin (net of taxes and rights) of approximately Euros 20 million.
- In Spain, for example, a drop of 5% in production would have an estimated impact for the Group of Euros 10 million (as a result of its stake in Neenergia).

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 should be noted. To face this risks, potential technology improvements which would predictably improve the performance of wind farms and solar plants in the future, the inclusion of climate change risks in the assessment of new investments and alternative ways to market sale (such as PPAs or tariff agreements) should be highlighted.

Generation and Supply businesses

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 essentially be concentrated in Mexico.

The impact on the pure 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.

By way of conclusion, and in accordance with the forecast effects alluded to and the mitigating factors to hand, we estimate that the physical risks of climate change will not have a disastrous or lasting impact on the Group's consolidated figures, the Group being resilient overall, and in any case the opportunities deriving from the decarbonisation of the global economy (growth in renewables, investment in integrating smart grids, electrification of transport, etc.) outweigh the risks. In terms of transitional risks, the Group's current positioning, as a result of its focus as an investor on energy from renewable sources and networks, places it in a position of leadership to face these risks.

Apart from this we should highlight the fact that the Group continues to make progress with in-depth climate analysis with a view to improving its forecasting and establishing the most appropriate measures in order to adapt.

For further information on this risk, please refer to the Integrated Report of February 2020, as well as the Sustainability 2019.

4.6 Legal and tax risks

The IBERDROLA Group companies are part of a certain in-court and out-of-court disputes within the ordinary course of their activities, the final result of which, in general, is uncertain. An adverse result, or an out-of-court resolution thereof or other proceedings in the future could have a material adverse effect on our business, financial situation, operating results and cash flows. However, the Group's legal advisers consider that the outcome of the aforementioned disputes will not have a significant effect.

Notes 33 and 44 of the Consolidated annual accounts include a more detailed description of the most significant matters.

4.7 Other IBERDROLA Group risks

The Group has policies and procedures to monitor and mitigate these risks to which it is subject, under the supervision of the Board of Directors, the support of its different Committees and the management of the appropriate corporate divisions.

The comprehensive risk control and management system therefore observes the continuous follow-up and detection of emerging risks and risks of not a strict financial nature which the investors' community has been monitoring in the last years, such as environmental aspects, the impact on society and on the Group's corporate governance ("ESG"). The impacts said risks may have, which are conveniently reported both internally and externally, are of a varied nature, both in economic terms and reputational terms.

In terms of fraud and corruption risks, IBERDROLA Group has a Compliance system consisting of a set of substantive rules, formal procedures and material actions aimed at guaranteeing its intervention in compliance with ethical principles and the applicable legal provisions, preventing, avoiding and mitigating risks resulting from irregular, unethical or illegal behaviours from IBERDROLA Group's professionals within the organisation. Bodies and divisions which have been directly assigned their execution and development are also part of said system.

As part of the Compliance System the Code of Ethics (applicable to all Group's professionals, directors and supplies) and the Compliance Unit, an internal permanent collegiate body, linked to the Sustainable Development Committee within IBERDROLA' Board of Directors, disseminating a preventive culture based on the principle of zero tolerance to illegal or irregular behaviours, stand out. The system has been developed following the best domestic and international practices in terms of compliance, fraud prevention and fight against corruption.

For greater detail on these risks, please check the Sustainability Report 2019, as well as the Integrated Report February 2020 and the Annual Corporate governance report 2019.

Among the Policies approved by the Board, the following stand out:

Environmental, social and corporate governance risks ("ESG")

- Environmental policy, General sustainable development policy, Policy against climate change.
- Human resources framework policy, Health and safety risks policy and Equal opportunities and life-work balance policy.
- General Corporate Governance Policy, Board of Directors Diversity and Member Selection Policy, Senior Management Remuneration Policy.
- Stakeholder Relations Policy and Policy on Respect for Human Rights.

Fraud and corruption risks

- Anti-corruption and anti-fraud policy
- Crime prevention policy
- Code of Ethics

- Ethical mailboxes

Reputation risk

- Reputational risk framework policy.

Other sources of uncertainty

The risks associated to pension plans are analysed in Note 25 of these financial statements.

Note 44 shows the detail of contingent liabilities.

4.8. Risks materialised during the year

See section E.5 of the corporate governance report for 2019.

5. SIGNIFICANT SUBSEQUENT EVENTS TO YEAR END

Events after the reporting period are described in Note 51 to the annual accounts.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

IBERDROLA is today the Utility of the future due to its innovative strategy, extended to all its businesses and activity fields. 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, in accordance with 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 2019, IBERDROLA invested more than Euros 280 million to R+D+i activities, up 5% compared to the previous year. IBERDROLA Group's R+D+i are based on five pillars:

- **Disruptive technologies** that are increasingly efficient, sustainable and respectful of the environment, enabling the functioning 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.
- **Digitisation and automation** in all business and processes, introducing new technologies such as blockchain, big data, IoT, virtual reality, artificial intelligence, etc., at all company levels.
- **Innovation with start-ups, entrepreneurs and suppliers** with the goal of developing 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, attracting talent and promoting the entrepreneurial spirit. Within the Universities Programme, several initiatives are developed in the academic word, such as Chairs, R&D projects, training of students, in-house training and young entrepreneurs.

For recognition purposes, in 2019 the Spanish Ministry of Science, Innovation and Universities granted the National Innovation award, in the Innovating trajectory category, to the IBERDROLA Group's Chairman, Ignacio Galán.

Some of the most notable innovative initiatives, classified by broad area, are:

6.1 Renewable energies

In 2019, Innovation activities in Renewables have focused primarily on:

- Efficiency improvements in wind farms, photovoltaic plants and hydroelectric facilities. The European project ENERXICO has started. Its aim is to adapt flows dynamic models to future exascale supercomputers. The projects following projects have continued being developed: ROMEO, to improve operating and maintenance cost efficiency of wind farms; ASPA, to develop new models and tools for the early detection of defects based on AI/big data techniques, and Doctor PV, to reduce the costs in photovoltaic plants. The YO SOY INNOVADOR (I AM AN INNOVATOR) initiative has been launched, to promote internal and external challenges, and we have continued working on the *Renewables Digital Evolution Plan (2018-2022)*, and the *Renewables Accelerator* project, to promote new ideas fostering efficiency increase and global competitiveness in renewable energies.
- In the field of hydroelectric power, the projects HIDRODEMAND, for implementing operating efficiencies, and HIDROSMART, for developing new technologies to operate Watersheds Operating Centres (COCs, in Spanish) are to be highlighted.
- Regarding innovation in offshore wind projects, the construction of the East Anglia One offshore wind farm in the United Kingdom is being completed. There several initiatives such as the development of tools to model and foresee movements in the sea bed have been carried out. The proceedings for constructing East Anglia Hub, grouping three projects with a total installed capacity of 3,100 MW, in the upcoming years have been initiated. *East Anglia One North, East Anglia Two and East Anglia Three*. In the Baltic Sea, the upcoming construction of the Baltic Eagle offshore wind farm stands out, for which a new design of monopiles is being done given the circumstances of the sea bed. In the offshore wind farm of Saint Brieuc a new innovative onshore pilons projects is being carried out. It will serve to increase efficiency during its future installation in the sea. In Wikingier Sud, the installation of a new type of jackets is being assessed to reduce installation times and costs. Last, the FLAGSHIP project is worth highlighting. It is an initiative within the *Programa H2020*, to design, manufacture and operate a new floating half-immersed platform in Norwegian waters.

6.2. Clean generation technologies

During 2019, efforts in the area of generation focused on operating efficiency and flexibility, reducing environmental impact, and the improvement of plant safety.

- In the nuclear field, the completion of the OPD project stands out, thanks to which an open phase detection system for start-up transformers in nuclear power stations has been successfully developed

- In the thermal generation field, the OCTAVE project has been completed. It is continuation of the ambitious open phase detection system for start-up transformers in nuclear power stations. The initial goals set in terms of flexibility have been successfully met and have contributed to the integration of intermittent renewable generation in the energy mix. Moreover, the REDEMIS project has commenced to improve environmental performance at start-up and shut-down phases of the plant and in variations of load of combined cycles.

6.3. Retail Area - New projects and services

Innovation is essential in retail activity, in order to offer customers the products and services best suited to their needs. Thus in 2019 IBERDROLA launched the following:

- New initiatives to boost the customer experience.

A new app has been launched in Spain with a more innovative modular design, easier and more intuitive to use, and Bizum has been implemented as a payment method. In the apps for Italy, France and Portugal several functionalities have been added, such as the management of the fixed rate, the self-reading of electricity and gas, wire payments, etc. In addition, the web site has been restructured and now has a more innovative design, offering customers an excellent experience despite the device from which they access it and the information they want to check.

- New products and functionalities

In 2019 an innovative product for home energy management has been launched: the Iberdrola Smart Assistant (*Asistente Smart Iberdrola*), which allows to disaggregate the consumption of household appliances.

Regarding Smart Home, this year a new product has been launch to manage heat and cold air conditioning and the sale of smart led lights has been promoted. We have continued developing the product Energy Wallet, through which customers may select the renewable generation plant from which they receive their supply from a list of wind and hydroelectric al plants available.

In relation to the self-consumption solution for distributed generation, Smart Solar, in 2019, the product was launched in Italy and its product functionalities have continued to be improved in Spain and Portugal. Now, customers may monitor generation, self-consumption and the injection to the grid of their solar panels.

As part of the Smart Mobility, the roll-out of charging stations, integrating third-party equipment (interoperability), accessible through the Iberdrola Public Charge App (*App Recarga Pública Iberdrola*) stands out. On the other hand, the Smart functionalities of home charging equipment have been integrated in the Iberdrola Customers App (*App de Iberdrola Clientes*), so user may manage their home charging points from the app. In Brazil and the United Kingdom there are several on-going initiatives to foster the roll-out of electrical vehicles (new charging stations, 100% renewable rates, etc.).

Moreover, IBERDROLA takes part in R+D+i projects in the field of electric mobility, such as REMOURBAN, developing a public charging network in the city of Valladolid, or the CIRVE project in which Iberdrola assists with the development of rapid-recharge infrastructure corridors for electric cars, to boost electric mobility and connect Spain to France and Portugal and the interoperability among charging stations of different companies. Moreover, IBERDROLA takes part in a work group to create a state interoperability platform of public charging stations.

6.4. Smart grids

The Group's R+D+i activities in electrical energy distribution is specially aimed at improving customer services, maintaining and extending the smart digital grid model, and advancing towards a larger integration of renewables in the grid, electrical vehicles and storage systems, both in Spain and abroad.

- In Europe, the project COORDINET has given its first steps. Several agents in the electricity sector involved in the electricity sector chain value take part in it in order to offer a favourable framework to facilitate the participation of all agents. Furthermore, in 2019, the European Commission approved the project ATELIER, whose purpose is to develop Positive Energy Districts (PED) in eight European cities, Bilbao being among them.
- In Spain, the execution of the LAYCA project has gone on. This project, which received the Quality Innovation Award, develops a system to locate breakdowns and characterise failures of medium voltage networks. Additionally, the roll-out of a new system to inspect aerial lines in Spain developed by LIDAR project has been completed.
- In the United Kingdom, the launch of Comunidades de Cero Carbono stands out. It is the first detailed work plan to show how local communities may have a role in attaining zero emissions. The campaign was started in Liverpool and will be extended to other areas with different energy needs like Edinburgh and Glasgow or the rural communities of Angleshey and Cheshire.
- In Brazil, innovation projects are leading in five main directions: smart grids, quality and reliability of the grid, safety in facilities, recoverability of energy and sustainability. Among the initiatives carried out the project DSO Atibaia stands out. It is expected to install a new automation system, smart meters and a telecommunications network, and the Transmission Grids project, where new mixes, fibres, structures and digital solutions will be explored.
- In the United States, the project ARIES stands out. It offers a solution to assess damages during weather events using LiDAR technology. It will significantly reduce diagnosis time and offer better customer service. As part of the Energy Smart Community programme, several fast load pilot projects for electric vehicles are being carried out, as well as battery storage projects for the grid.
- Regarding Iberdrola Innovation Middle East, a technological centre IBERDROLA has in Qatar, several R+D+i projects with a high level of digitisation and great retail potential have been implemented in different areas: smart grids, integration of renewables and energy management.

6.5. IBERDROLA Ventures – PERSEO

Iberdrola Ventures – PERSEO is IBERDROLA's start-up programme created in 2008 to foster creation and develop a dynamic start up and entrepreneurship ecosystem in the electricity sector. The programme focuses on technologies and business models through greater electrification and decarbonisation of the economy. From its inception, more than Euros 65 million have been invested in energy start-ups worldwide. Among the main milestones achieved in 2019, the following stand out:

- The recognition by the European Commission within the Start-up Europe Partnership initiative, including IBERDROLA among the top 12 European companies that work best with start-ups for the third year in a row. IBERDROLA was also handed the special award Start-up Procurement Award.
- More than 15 pilot projects with start-ups in technological areas such as IA, Big Data, IoT, robotics and Blockchain, aiming at improving both asset planning and management and optimising operation and maintenance. The Iberdrola Challenges programme has been launched to attract innovative solutions that may be applied in IBERDROLA to face the company's challenges.
- The investment in Wallbox, dedicated to developing electric mobility solutions, and Balantia, developing solutions for improvement in the field of energy efficiency. These investments entail an important contribution towards IBERDROLA's support in the fields of electric mobility and energy efficiency.

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 agreements of any type, traded or not in the stock market or other organised secondary markets, which grant the right to acquire from, or the underlying security 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 article 83.ter.1 of the Securities Market Law and article 2 of the Royal Decree 1333/2005, of 11 November, implementing the Securities Market Law related to matters of market abuse.

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 organisations.

Note 20 of the Consolidated annual accounts presents the movements of IBERDROLA's shares in the Group companies' portfolios in the last years. Likewise, other information on transactions in 2019 and 2018 is presented in the following chart:

Treasury Stock	No. of shares	thousands of Euros	Thousands of Euros treasury shares cost	Average price (euros)	Total shares	% of capital
Balance at 01.01.2018	75,710,149	56,782	507,175	6.70	6,317,515,000	1.20
Additions	266,442,793	199,832	1,672,087	6.28	–	–
Capital reduction	(198,374,000)	(148,781)	(1,245,420)	6.28	–	–
Iberdrola scrip dividend ⁽¹⁾	5,117	4	–	–	–	–
Iberdrola scrip dividend ⁽²⁾	–	–	(11,044)	–	–	–
Disposals (3)	(7,798,715)	(5,849)	(49,733)	6.38	–	–
Balance at 31.12.2018	135,985,344	101,988	873,065	6.42	6,397,629,000	2.13
Additions	172,369,618	129,277	1,402,123	8.13	–	–
Capital reduction	(280,457,000)	(210,343)	(2,015,182)	7.19	–	–
Iberdrola scrip dividend ⁽¹⁾	3,039,564	2,280	–	–	–	–
Disposals (3)	(6,561,151)	(4,921)	(42,141)	6.42	–	–
Balance at 31.12.2019	24,376,375	18,281	217,865	8.94	6,362,072,000	0.38

(1) Shares received.

(2) Free of charges allocation rights disposed.

(3) Includes awards to employees.

Treasury shares of Scottish Power	No. of shares	thousands of Euros	Thousands of Euros treasury shares cost	Average price (euros)	Total shares	% of capital
01.01.2018	1,156,863	868	8,417	7.28	6,317,515,000	0.02
Additions	362,108	272	2,393	6.61	–	–
Iberdrola scrip dividend ⁽¹⁾	144,747	109	–	–	–	–
Disposals (3)	(613,079)	(460)	(2,734)	4.46	–	–
31.12.2018	1,050,639	789	8,076	7.69	6,397,629,000	0.02
Additions	256,592	192	2,193	8.55	–	–
Iberdrola scrip dividend ⁽¹⁾	110,714	83	–	–	–	–
Disposals (3)	(504,226)	(378)	(2,330)	4.62	–	–
31.12.2019	913,719	686	7,939	8.69	6,362,072,000	0.01

During 2019 and 2018, treasury shares held by the IBERDROLA Group were below the legal limit.

Finally, the conditions and time periods of the current mandate of the Board of Directors to acquire or transfer treasury shares are detailed below.

At their General Meeting held on 13 April 2018, the shareholders expressly agreed to delegate powers to the board of directors, with powers of substitution, pursuant to the provisions of the Spanish Companies Act, to carry out derivative acquisition of shares in Iberdrola, S.A. under the following conditions:

- Acquisitions may be made directly by Company or indirectly through their subsidiary companies under the same terms and conditions as this agreement. The subsidiary companies which develop regulated activities as prescribed in Law 24/2013 of 26 December on the Electricity Sector and Law 34/1988 of 7 October on the Hydrocarbon Sector.
- Acquisitions may be made by purchase transactions, swaps or any other form permitted by law.
- Acquisitions may be made up, at all times, to the maximum legal threshold.
- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the share.
- This authorization is granted for a maximum period of five years since the adoption of the agreement.
- As a result of the acquisition of shares, including those in which the Company or the person acted on its own name and behalf but on behalf of the Company it had previously required and already had in stock, resulting net equity could not be reduced under its share capital plus unavailable legal or statutory reserved, as provided in section 146.1.b) of the Spanish Companies Act.

Shares acquired under these powers can be transferred or cancelled or used for the compensation systems as provided for in paragraph 3.a) in section 146.1 of the Spanish Companies Act. They may also be used to develop programmes that encourage participation in the Company's share capital such as the dividend reinvestment plan, loyalty bonuses and other similar instruments.

- Stock market data

		2019	2018
Stock market capitalisation ⁽¹⁾	Millions of Euros	58,404	44,899
Earnings per share continuing operations	Euros	0.534	0.455
P.E.R. (share price at year end/profit per share)	Times	17.190	15.420
Price / Carrying amount (capitalisation on carrying amount at year end) ⁽²⁾	Times	1.550	1.227

(1) 6,362,072,000 and 6,397,629,000 shares at 31 December 2019 and 2018, respectively.

(2) Capitalisation at 31 December 2019 (58,404) / Parent company equity (37,678). Capitalisation at 31 December 2018 (44,899) / Parent company equity (36,582).

- The IBERDROLA share

Stock market performance of IBERDROLA compared to the indexes:



	2019	2018
Number of shares outstanding	6,362,072,000	6,397,629,000
Share price at period end	9.18	7.02
Average share price for the year	8.42	6.43
Average daily volume	16,320,416	18,167,584
Maximum volume (19/01/2018 - 06/04/2017)	57,528,271	62,436,659
Minimum volume (24/12/2018 - 28/08/2017)	2,303,761	4,680,119
Shareholder remuneration (Euros)	0.356	0.331
Gross interim dividend (29/01/2019 - 29/01/2018) ⁽¹⁾	0.151	0.140
Gross complementary dividend (01/08/2019 - and 25/07/2018) ⁽²⁾	0.200	0.186
Attendance fees	0.005	0.005
Shareholders' profitability ⁽³⁾	3.88%	4.72%

(1) Purchase price of rights guaranteed by IBERDROLA in 2018 equivalent to interim dividend in accordance with "Iberdrola flexible remuneration" in 2019.

(2) Complementary dividend Iberdrola flexible remuneration (Iberdrola retribución flexible).

(3) Complementary dividend and attendance bonus for attending the General Shareholders' Meeting/share price at period end.

8. OTHER INFORMATION

8.1 Non-financial information and diversity

The statement on non-financial information, referred to in sections 262 of the Companies Act and 49 of the Code of Commerce, are presented in a separate report titled Statement of non-financial information. The consolidated sustainability report for IBERDROLA, S.A., and its subsidiary companies for 2019, expressly indicates the information contained there is part of IBERDROLA Group's consolidated directors' report. This document will be verified by an external verification services supplier and will be subject to the same requirements in terms of approval, deposit and publication as the consolidated management report.

8.2. IBERDROLA Foundation

In 2019, the Group allocated Euros 10,309 thousand to financing the various foundations.

The main recipient of the funding was Iberdrola Foundation, which received Euros 6,904 thousand. Information on its goals and activities is available at: www.fundacioniberdrola.org. IBERDROLA Foundation 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 the people in the regions and countries where the Group acts, especially in the areas of energy sustainability, art and culture, as well as solidarity 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, Iberdrola Foundation coordinates and executes the Group's corporate social responsibility strategy, so that it is in line with the purpose for which it was created and as assigned there to by the Board of Directors.

Iberdrola Foundation coordinates its welfare work in the United Kingdom through the Scottish Power Foundation, which was granted Euros 1,332 thousand. In the United States, this work is carried out through the Avangrid Foundation, allocating Euros 1,031 thousand. In Brazil through the Instituto Iberdrola Brasil, earmarking Euros 498 thousand. In Mexico, through the Fundación Iberdrola México, receiving Euros 544 thousand.



ANNUAL CORPORATE GOVERNANCE REPORT 2019

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED
COMPANIES**

ISSUER IDENTIFICATION

YEAR-END DATE: 31/12/2019

Tax Identification No. (C.I.F.) A-48010615

Company Name: **IBERDROLA, S.A.**

Registered Office: Plaza Euskadi número 5
48009 Bilbao - Biscay - Spain

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
25/07/2019	4,771,554,000.00	6,362,072,000	6,362,072,000

Remarks
On 30 January 2020, the share capital was increased to 4,840,194,000.00 euros, represented by 6,453,592,000 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.

Please state whether there are different classes of shares with different associated rights:

 Yes

 No

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks
All shares are of the same class and carry the same rights.

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC,	0.00	5.10	0.00	0.06	5.16
NORGES BANK	3.43	0.00	0.00	0.00	3.43
QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69

Remarks
Data at 31/12/2019.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC	BLACKROCK GROUP	5.10	0.06	5.16
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LUXEMBOURG II, S.A R.L.	8.69	0.00	8.69

Remarks
<p>According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows:</p> <ul style="list-style-type: none"> - Foreign investors 69.70% - Domestic entities 7.74% - Domestic retail investors 22.56%

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
NORGES BANK	08/01/2019	Its interest has decreased to below 3%
NORGES BANK	16/01/2019	Its interest has increased to above 3%
NORGES BANK	17/01/2019	Its interest has decreased to below 3%
NORGES BANK	18/01/2019	Its interest has increased to above 3%

Most significant movements
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.

On 7 January 2020, the Qatar Investment Authority reported that Qatar Holding Luxembourg II, S.à r.l transferred its direct interest in the company to Qatar Holding LLC, both entities being controlled by Qatar Investment Authority.

On 7 January 2020, Norges Bank reported that its percentage voting rights in the Company decreased to below 3%.

On 14 January 2020, Norges Bank reported that its percentage voting rights in the Company increased to above 3% on 13 January 2020.

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of total voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.11	0.06	0.03	0.00	0.20	0.00	0.00
MS INÉS MACHO STADLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MS SAMANTHA BARBER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS MARÍA HELENA ANTOLÍN RAYBAUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MS GEORGINA KESSEL MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS DENISE MARY HOLT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JOSÉ WALFREDO FERNÁNDEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MANUEL MOREU MUNAIZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR XABIER SAGREDO ORMAZA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	0.00	0.01	0.00	0.00	0.01	0.00	0.00
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01	0.00	0.01	0.00	0.01	0.00	0.00
MR ANTHONY L. GARDNER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SARA DE LA RICA GOIRICELAYA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.24
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Remarks
<p>The data reflected in this section is at the date of approval of this report.</p> <p>Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Furthermore, pursuant to the provisions of the 2017-2019 Strategic Bonus, the Business CEO may receive up to a maximum of 300,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the</p>

circumstances on which the performance evaluation was based remain in effect.

As at the date of this Report, the Remuneration Committee has not yet evaluated performance during the 2017-2019 period.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Royal Park 2000, S.L.	0.06	0.00	0.06	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	Grupo Siro Corporativo, S.L.	0.01	0.00	0.01	0.00

A.4 If applicable, state 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, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
No data		

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of legal-person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their

representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives 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 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes No

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
24,376,375		0.38

(*) through:

Name of direct shareholder	Number of direct shares

No data	
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Explain any significant changes during the year:

Explain significant changes
<p>The Company sent to the CNMV three updates to its treasury share position in 2019 as a result of a change in the number of voting rights arising from corporate transactions:</p> <ul style="list-style-type: none"> • On 5 February 2019 notices were provided of direct acquisitions of a total of 3,617,643 shares (representing 0.055% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. • On 26 June 2019 notices were provided of direct acquisitions of a total of 235,024 shares (representing 0.004% of voting rights on that date), coinciding with the reduction in capital; and • On 2 August 2019 notices were provided of direct acquisitions of a total of 379,515 shares (representing 0.006% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. <p>During financial year 2019 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:</p> <ul style="list-style-type: none"> • On 22 June 2019 notices were provided of direct acquisitions of a total of 66,286,268 shares (representing 1.017% of voting rights on that date). • On 17 June 2019 notices were provided of direct acquisitions of a total of 81,529,569 shares (representing 1.250% of voting rights on that date). • In addition, on 18 February 2020 the Company notified the CNMV of direct acquisitions of own shares in the total amount of 75,462,635 shares (1.169%).

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.

<p>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 (<i>Ley de Sociedades de Capital</i>), to carry out the derivative acquisition of shares of Iberdrola on the following terms:</p> <ol style="list-style-type: none"> 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 (<i>Ley del Sector Eléctrico</i>) and the Hydrocarbons Act (<i>Ley de Hidrocarburos</i>). 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.
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- 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 8 April 2016, 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, with the power to exclude preemptive rights, limited to a maximum nominal amount of 20% of the share capital.

A.11 Estimated working capital:

	%
Estimated working capital	82.13

- A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No

Description of restrictions
<p>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.</p> <p>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.</p>

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.

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes No

If so, please list each type of share and the rights and obligations conferred on each.

B GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes No

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC 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 State whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes X

No

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for 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. State the rules for amending the company’s Articles of Association. In particular, state 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 <i>et seq.</i> 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.
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B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

Date of General Meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
31/03/2017	0.40	71.92	0.17	4.71	77.20
Of which, free float:	0.32	60.43	0.17	4.71	65.63
13/04/2018	0.33	71.44	0.27	4.05	76.09
Of which, free float:	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, free float:	0.55	61.17	0.33	3.39	65.44

Remarks
<p>The "Other" column reflects the percentage of share capital of all absentee votes issued at each Meeting through depositaries and custodians, cards received at shareholder information desks, cards received by post and the telephone channel (started in 2018). Adding all votes and proxies received through the corporate website, electronic participation reached a percentage of share capital equal to 0.82% in 2017, 1.03% in 2018 and 1.11% in 2019.</p> <p>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.</p>

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes No

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes No

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes No

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

Sections s), t) and u) of article 17 of the By-Laws provide that the shareholders acting at a General Shareholders' Meeting will decide the following issues, among others:

s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

t) The acquisition, transfer or contribution of key assets from or to another company.

u) The approval of transactions having an effect equivalent to liquidation of the Company.

B.8 State the address and manner of access to the page on the company website where one may find 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

COMPANY ADMINISTRATIVE STRUCTURE

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

Remarks

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr José Ignacio Sánchez Galán		Executive	Chairman & CEO	21/05/2001	29/03/2019	Resolution of General Shareholders' Meeting
Ms Inés Macho Stadler		Other external	Vice Chair	07/06/2006	08/04/2016	Resolution of General Shareholders' Meeting
Mr Íñigo Víctor de Oriol Ibarra		Other external	Director	26/04/2006	08/04/2016	Resolution of General Shareholders' Meeting
Ms Samantha Barber		Independent	Director	31/07/2008	08/04/2016	Resolution of General Shareholders' Meeting
Ms María Helena Antolín Raybaud		Independent	Director	26/03/2010	29/03/2019	Resolution of General Shareholders' Meeting
Ms Georgina Kessel Martínez		Independent	Director	23/04/2013	13/04/2018	Resolution of General Shareholders' Meeting
Ms Denise Mary Holt		Independent	Director	24/06/2014	29/03/2019	Resolution of General Shareholders' Meeting
Mr José Walfredo Fernández		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Manuel Moreu Munaiz		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Xabier Sagredo Ormaza		Independent	Director	08/04/2016	29/03/2019	Resolution of General Shareholders' Meeting
Mr Juan Manuel		Independent	Lead Independent	31/03/2017	31/03/2017	Resolution of General

González Serna			Director (independent)			Shareholders' Meeting
Mr Francisco Martínez Córcoles		Executive	Director	31/03/2017	31/03/2017	Resolution of General Shareholders' Meeting
Mr Anthony L. Gardner		Independent	Director	13/04/2018	13/04/2018	Resolution of General Shareholders' Meeting
Ms Sara de la Rica Goiricelaya		Independent	Director	29/03/2019	29/03/2019	Resolution of General Shareholders' Meeting

Total number of directors	14
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Ángel Jesús Acebes Paniagua	Independent	27/03/2015	28/03/2019	Executive Committee and Appointments Committee	No

Reason for leaving and other remarks
End of term.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name of director	Post in organisational chart of the company	Profile

Mr José Ignacio Sánchez Galán	Chairman & CEO	<p>Salamanca, Spain, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>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 in Brazil).</p> <p>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.</p> <p><u>Academic training</u></p> <p>He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid).</p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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.</p>
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		<p><u>Noteworthy experience in other industries</u></p> <p>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.</p> <p><u>Other information</u></p> <p>Amongst other recognitions, 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.</p> <p>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.</p> <p>In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering.</p> <p>In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group.</p> <p>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.</p> <p>In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey.</p> <p>In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of</p>
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		<p>Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón.</p> <p>In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards.</p> <p>He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).</p>
Mr Francisco Martínez Córcoles	Business CEO	<p>Alicante, Spain, 1956.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the Business CEO of the Iberdrola group, chair of Iberdrola España, S.A. and of Iberdrola Energía Internacional, S.A.U. and a member of the board of the country subholding company in Mexico, Iberdrola México, S.A. de C.V.</p> <p>He is also a member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI).</p> <p><u>Academic training</u></p> <p>Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He worked at Compañía Sevillana de Electricidad, S.A. before joining Hidroeléctrica Española, S.A. and (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.</p> <p>In June 2014 he was appointed Business CEO of the Iberdrola group, with overall</p>

		<p>responsibility for all of the group's businesses throughout the world.</p> <p>He has also held the position of chair of Elektro Holding, S.A., of Iberdrola Generación, S.A.U., 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.U.</p> <p>He was also a member of the Board of Directors of the Spanish Electric Industry Association (<i>Asociación Española de la Industria Eléctrica</i>) (UNESA).</p> <p><u>Noteworthy experience in other industries</u></p> <p>He began his professional career at the Systems Division of Arthur Andersen.</p> <p>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.</p> <p><u>Other information</u></p> <p>He was awarded the XVII Annual Javier Benjumea Prize of the National Association of Engineers of ICAI Technical Engineering School and the Gold Medal of the Spanish Nuclear Society.</p>
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Total number of executive directors	2
Percentage of the Board	14.29

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
No data		

INDEPENDENT DIRECTORS

Name of director	
Ms Samantha Barber	<p>Dunfermline, Scotland, 1969.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p>She is Vice Chair of the 2020 Group on Climate Change.</p> <p><u>Academic training</u></p> <p>Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria, Newcastle (England) and Post-Graduate degree in EU Law from the University of Nancy (France).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a member of the Advisory Council of Scottish Power Ltd. following the integration of the Scottish company into the Iberdrola group.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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, and the chief executive of Scottish Business in the Community.</p> <p>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.</p> <p><u>Other information</u></p> <p>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.</p>

<p>Ms María Helena Antolín Raybaud</p>	<p>Toulon, France, 1966.</p> <p><u>Other current positions and professional activities</u></p> <p>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 (<i>Asociación Española de Fabricantes de Equipos y Componentes para Automoción</i>) (Sernauto), vice president of the Excellence in Management Club (<i>Club de Excelencia en la Gestión</i>), a member of the Advisory Board of Sabadell Urquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (<i>Confederación Española de Organizaciones Empresariales</i>) (CEOE), a board member of France Foreign Trade (<i>Comercio Exterior de Francia</i>), Spain section, and a member of the Plenary Committee of the Chamber of Commerce of Spain.</p> <p><u>Academic training</u></p> <p>Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States of America), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has served as an external independent director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee.</p> <p>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 for the Group.</p>
<p>Ms Georgina Kessel Martínez</p>	<p>Mexico City, Mexico, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director of Fresnillo plc and of Grupo Financiero Scotiabank Inverlat, S.A. de C.V., as well as the chair of the latter's Audit Committee, a partner of Spectron E&I and a member of the Business Board of Universidad de las Américas Puebla (UDLAP).</p> <p><u>Academic training</u></p>

	<p>Holder of a degree in Economics from Instituto Tecnológico Autónomo de México and of a Master's and Doctor's degree in Economics from Columbia University (New York).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been chair of the Audit and Risk Supervision Committee of Iberdrola, S.A., chair of the Energy Regulatory Commission (<i>Comisión Reguladora de Energía</i>) and Energy Secretary of the Government of Mexico.</p> <p>She has also been chair of the Board of Directors of Pemex (Petróleos Mexicanos) and of the Board of Directors of the Federal Electricity Commission (<i>Comisión Federal de Electricidad</i>) (CFE).</p> <p>She has participated in the Energy Council of the World Economic Forum and in the United Nations Organization Secretary General's advisory group (Sustainable Energy for All).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been an adviser to the chair of the Federal Competition Commission (<i>Comisión Federal de Competencia</i>), head of the Quasi-Autonomous Non-Governmental Organisations Investment and Divestment Unit (<i>Unidad de Inversiones y Desincorporación de Entidades Paraestatales</i>) of the Office of the Secretary of Finance and Public Credit of Mexico, general manager of the National Mint of Mexico (<i>Casa de Moneda de México</i>), member of the boards of Nacional Financiera (Nafinsa) and of Banco Nacional de Comercio Exterior (Bancomext), and general manager of Banco Nacional de Obras y Servicios Públicos.</p> <p>In the academic field, she has been a professor in the Economics Department of Instituto Tecnológico Autónomo de México, deputy chair of the course towards a Degree in Economics, and chair of the Alumni Association. She has also been holder of the Quintana Chair for Research in International Trade and is the author of many papers and specialised articles.</p>
Ms Denise Mary Holt	<p>Vienna, Austria, 1949.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director and member of the Audit Committee of HSBC Bank plc, chair of the Board of the University of Sussex and President of Cañada Blanch Centre for Contemporary Studies of the London School of Economics and Political Science (LSE).</p>

	<p><u>Academic training</u></p> <p>Degrees in Spanish philology, French philology and political sciences from the University of Bristol and Doctor of Laws from the same university (England, United Kingdom).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a director of Scottish Power Renewable Energy Ltd. and of Scottish Power Energy Networks Holdings Ltd.</p> <p><u>Noteworthy experience in other industries</u></p> <p>In her diplomatic career, she has been first secretary of the Embassy of the United Kingdom in Brazil, director of Human Resources, of Migration and of the Overseas Territories at the UK Foreign and Commonwealth Office, and ambassador of the United Kingdom to Mexico, Spain and Andorra. For her contribution to the British diplomatic service, she was elevated to Dame Commander of the Order of St Michael and St George (DCMG).</p> <p>She has also been chair and an independent director of Mark & Spencer Financial Services, Ltd., an independent director and member of the Risk Committee of HSBC Bank plc, an independent director and member of the Quality and Safety and Remuneration Committees of the Board of Directors of Nuffeld Health, chair of the Anglo-Spanish Society and of the Institute of Latin American Studies at the University of London, and has chaired the Nominations Committee of the Alzheimer's Society.</p>
Mr José Walfredo Fernández	<p>Cienfuegos, Cuba, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p><u>Academic training</u></p> <p>Degree in History from Dartmouth College (New Hampshire, United States of America), and Juris Doctor from Columbia University (New York, United States of America).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p>

	<p>He has been Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America. He has also been an independent director of Iberdrola USA, Inc.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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.</p> <p><u>Other information</u></p> <p>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).</p>
Mr Manuel Moreu Munaiz	<p>Pontevedra, Spain, 1953.</p> <p><u>Other current positions and professional activities</u></p> <p>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.</p> <p>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.</p> <p><u>Academic training</u></p> <p>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).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a member of the Corporate Social Responsibility Committee of Iberdrola, S.A., of the Board of Directors of Iberdrola Renovables, S.A., and a director and member of the</p>

	<p>Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa Renewable Energy, S.A.).</p> <p><u>Noteworthy experience in other industries</u></p> <p>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.</p>
Mr Xabier Sagredo Ormaza	<p>Portugalete, Spain, 1972.</p> <p><u>Other current positions and professional activities</u></p> <p>He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa, of BBK Fundazioa and of Fundación Eragintza. 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.</p> <p>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.</p> <p><u>Academic training</u></p> <p>Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee.</p> <p>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.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the</p>

	<p>concessionaire Transítia and a member of the Board of the Bilbao Port Authority.</p> <p>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.</p>
<p>Mr Juan Manuel González Serna</p>	<p>Madrid, Spain, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of Ceralto Spain Foods, S.A., the parent company of the Siro Group, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (<i>Asociación Española de Codificación Comercial</i>) (AECOC).</p> <p>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.</p> <p><u>Academic training</u></p> <p>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 Escuela de Dirección del Instituto de Estudios Superiores de la Empresa de la Universidad de Navarra (IESE Business School) in Barcelona.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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.</p> <p><u>Noteworthy experience in other industries</u></p> <p>Apart from the food sector, 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.).</p>

	<p>He is also a member of the board of directors of the HM Hospitales Group.</p>
Mr Anthony L. Gardner	<p>Washington D.C., United States of America, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>He is a member of the board of directors 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.</p> <p><u>Academic training</u></p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He was an independent director of Scottish Power, Ltd and a member of that company's Audit and Compliance Committee.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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 also worked as an attorney at international law firms in London, Paris, New York and Brussels.</p> <p>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 Transatlantic Free Trade Agreement.</p> <p>He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, with the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels.</p>

	<p><u>Other information</u></p> <p>He is the author of “A New Era in US-EU Relations? The Clinton Administration and the New Transatlantic Agenda” and numerous articles on EU affairs.</p>
Ms Sara de la Rica Goiricelaya	<p>Bilbao, Spain, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>She is director of Fundación ISEAK (Initiative for socio-economic analysis and knowledge), a member of the Scientific Advisory Board of Fundación Gadea, of the Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI), an honorary member of the Spanish Economics Association (<i>Asociación Española de Economía</i>).</p> <p>She is an associate researcher for CreAM (Centre for Research and Analysis of Migration - London) and IZA (Institute for the Study of the Labour Market - Bonn). She is also a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., the 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.</p> <p><u>Academic training</u></p> <p>PhD in Economics from the University of the Basque Country and 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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been an independent director of Iberdrola España, S.A.U.</p> <p><u>Noteworthy experience in other industries</u></p> <p>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).</p>

	<p>She has worked on editorial boards and/or research project review boards.</p> <p><u>Other information</u></p> <p>In 2018 she was given the “2018 Basque Economist Award” (<i>Ekonomistak Saria 2018</i>) by the Basque Association of Economists (<i>Colegio Vasco de Economistas</i>).</p> <p>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.</p>
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Number of independent directors	10
Percentage of the Board	71.43

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the 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.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
Ms Inés Macho Stadler	More than 12 years have passed since appointment.	IBERDROLA	<p>Bilbao, Spain, 1959.</p> <p><u>Other current positions and professional activities</u></p> <p>She is a professor of Economics in the Economics and Economic History Department of Universidad Autónoma de Barcelona and a professor of the</p>

		<p>Barcelona Graduate School of Economics. She is also an honorary member of the European Economic Association and of the Spanish Economic Association (<i>Asociación Española de Economía</i>) as well as a member-elect of The Academy of Europe.</p> <p><u>Academic training</u></p> <p>Degree in Economics from the University of the Basque Country. She has a Master's degree in Economics from l'École des Hautes Études en Sciences Sociales, and a doctorate in Economics (Ph.D.) from the same academic institution and from l'École Nationale de la Statistique et de l'Administration Économique (ENSAE) (Paris, France).</p> <p>Noteworthy experience in the energy and industrial engineering sector She has served as lead independent director (<i>consejera coordinadora</i>) of Iberdrola, S.A.</p> <p><u>Noteworthy experience in the energy and industrial economy sector</u></p> <p>She has been a member of the International Scientific Advisory Committee of the Basque Centre for Climate Change (bc3) and has served as chair of the Scientific Committee of the 2011 Conference of the Spanish Association for Energy Economics (<i>Asociación Española para la Economía Energética</i>).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been president of the Spanish Economic Association, coordinator of the National Agency for Quality Evaluation and Accreditation (<i>Agencia Nacional de Evaluación y Prospectiva</i>), and representative at the European Science Foundation, as well as a</p>
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			<p>member-elect of the Council of the European Economic Association and a member of the Executive Committee of the European Association for Research in Industrial Economics. She has been a member of the Advisory Board of the Research Service of Caja de Ahorros y Pensiones de Barcelona, “la Caixa”. She has taught at universities in Germany, Belgium, Brazil, Denmark, France, Portugal and Spain.</p>
Mr Íñigo Víctor de Oriol Ibarra	More than 12 years have passed since appointment.	IBERDROLA	<p>Madrid, Spain, 1962.</p> <p><u>Academic training</u></p> <p>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.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>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 Neoenergia, S.A. (Brazil), of Empresa Eléctrica de Guatemala, S.A. and of Empresa de Alumbrado Eléctrico de Ceuta, S.A.</p> <p>He has also been a director of Corporate Governance for the Americas, director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of Iberdrola, S.A.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.</p>

Total number of other external directors	2
Percentage of the Board	14.29

State any changes in status that have occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
Mr Xabier Sagredo Ormaza	29/03/2019	Other external	Independent

Remarks
The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 ratified his interim appointment (co-option) and re-elected him as an independent director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016
Executive	-	-	-	-	0.00	0.00	0.00	0.00
Proprietary	-	-	-	-	0.00	0.00	0.00	0.00
Independent	5	4	5	5	50	44	50	50
Other external	1	1			50	50	0.00	0.00
Total:	6	5	5	5	42.86	35.71	35.71	35.71

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes

No

Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
<p>The Company's Corporate Governance System, and particularly the <i>Board of Directors Diversity and Member Selection Policy</i>, provides that any type of bias entailing any kind of discrimination, including for reasons of gender, ethnic origin, age or disability, 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 continues to account for at least thirty per cent of the total number of members of the Board of Directors in the year 2020, shall be avoided.</p> <p>The <i>Regulations of the Appointments Committee</i> give this committee the duty to ensure compliance with the above-described goal.</p> <p>Six of the fourteen members of the Board of Directors are currently women. One of them holds the position of vice chair of the Board of Directors and another two chair two of the four consultative committees.</p> <p>On 7 June 2006 the Board of Directors appointed Ms Inés Macho Stadler as independent director on an interim basis to fill a vacancy; such appointment was ratified by the shareholders at the General Shareholders' Meeting held on 29 March 2007. On 22 September 2009 Ms Inés Macho Stadler was appointed as independent director with special powers (<i>consejera independiente especialmente facultada</i>), the name of which was later changed to lead independent director (<i>consejera coordinadora</i>), in which position she was replaced by Mr Juan Manuel González Serna by resolution of the Board of Directors on 21 June 2018 upon Ms Stadler losing the status of independent director required for this position. Ms Inés Macho Stadler was appointed vice chair of the Board of Directors on this same date.</p> <p>On 31 July 2008 the Board of Directors resolved to appoint Ms Samantha Barber as an independent director 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. Ms Barber has also chaired the Sustainable Development Committee since 24 April 2012.</p> <p>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 external independent director.</p> <p>On 23 April 2013, Iberdrola's Board of Directors approved the interim appointment of Ms Georgina Kessel Martínez as an external independent director, which appointment was subsequently ratified by the shareholders at the General Shareholders' Meeting held on 28 March 2014. Ms Kessel Martínez was appointed chair of the Audit and Risk Supervision Committee on 17 February 2015, which position has been held by the director Mr Xabier Sagredo Ormaza since 19 February 2019.</p>

On 24 June 2014, the Board of Directors approved the interim appointment of Ms Denise Mary Holt as an external independent director. This appointment was ratified by the shareholders at the General Shareholders' Meeting held on 27 March 2015.

The Appointments and Remuneration Committee was split into two separate committees on 25 March 2015. The appointment of Ms María Helena Antolín Raybaud and of Ms Inés Macho Stadler as chairs of the Appointments Committee and the Remuneration Committee, respectively, was approved for these purposes. Ms Antolín continues to be the chair of the Appointments Committee while the Remuneration Committee has been chaired by Mr Juan Manuel González Serna since 21 June 2018.

The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya in order to fill the vacancy occurring due to the end of the term of Mr Ángel Jesús Acebes Paniagua.

At 31 December 2019 the women represented 50% of the external directors on the Board of Directors.

C.1.6 Describe the means, if any, agreed upon by the appointments 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 and which makes it possible to achieve a balance between men and women:

Explanation of means
<p>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.</p> <p>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.</p>

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.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of reasons
Not applicable.

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Appointments Committee believes that Iberdrola is developing the *Board of Directors Diversity and Member Selection Policy* in a fully consistent manner and that the objectives for 2020 were met significantly in advance, as shown in section C.1.4 of this Report.

- C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

No

- C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

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 Corporate Governance System.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Mr José Ignacio Sánchez Galán	SCOTTISH POWER LTD.	Chair	No
Mr José Ignacio Sánchez Galán	AVANGRID, INC.	Chair	No
Mr José Ignacio Sánchez Galán	NEOENERGIA, S.A.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA ESPAÑA, S.A.U.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA MÉXICO, S.A. DE C.V.	Director	No
Mr Francisco Martínez Córcoles	IBERDROLA ENERGÍA INTERNACIONAL, S.A.U.	Chair	No

C.1.11 List any directors or representatives of legal person-directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS GEORGINA KESSEL MARTÍNEZ	GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.	Director
MS GEORGINA KESSEL MARTÍNEZ	FRESNILLO, PLC	Director
MS DENISE MARY HOLT	HSBC BANK, PLC	Director

MR MANUEL MOREU MUNAIZ	TUBACEX, S.A.	Director
MR ANTHONY L. GARDNER	BROOKFIELD BUSINESS PARTNERS, LP.	Director

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes 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 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	18,186
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

Remarks
This amount includes the remuneration received (5,562 thousand euros) by all of their directors for their performance as such during financial year 2019 (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 third period of the 2014-2016 Strategic Bonus, all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mr José Sainz Armada	Chief Financial Officer (CFO)
Mr Juan Carlos Rebollo Liceaga	Corporation Administration and Control Director
Mr Pedro Azagra Blázquez	Corporate Development Director
Mr Santiago Martínez Garrido	Director of Legal Services

Ms Sonsoles Rubio Reinoso	Internal Audit Director
Mr Xabier Viteri Solaun	Director of the Renewable Energy Business
Mr Armando Martínez Martínez	Director of the Networks Business
Mr Aitor Moso Raigoso	Director of the Liberalised Business
Mr Asís Canales Abaitua	Director of Procurement and Insurance

Total senior management remuneration (thousand euros)	19,520
Remarks	
The amount of the fixed and variable remuneration of the officers of the Iberdrola group (147 people) was 48,537 thousand euros. This figure does not include the shares delivered for the third and final payment of the 2014-2016 Strategic Bonus.	

C.1.15 State whether the Board rules were amended during the year

Yes

No

Description of changes
Within the process of ongoing review of Iberdrola's Corporate Governance System, apart from certain technical improvements, there have been amendments of the <i>Regulations of the Board of Directors</i> in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i> .

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: 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 senior officers 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 Corporate Governance 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 how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
<p>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.</p> <p>The Regulations of the Board of Directors were amended in March 2019 in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i>.</p> <p>More than 90% of the work areas defined in the evaluation process from the prior year were met during 2019.</p> <p>Other milestones that took place during financial year 2019 include the following:</p> <p>Composition of the governance bodies:</p> <ul style="list-style-type: none"> - Continuation of the process of regular and staggered renewal of the Board of Directors with the appointment of Ms Sara de la Rica Goiricelaya, increasing the number of women to approximately 43% of the total number of members on the Board of Directors. <p>Development of competencies:</p> <ul style="list-style-type: none"> - Definition of the Purpose and update of the Values of the Iberdrola group. - Review of alternatives for comprehensive analysis of the group's risks (combined assurance). - Expansion of the competencies of the Appointments Committee. - Expansion of the competencies of the Remuneration Committee.

Operation:

- Half-yearly review of the annual work plan of the consultative committees.
- Digitisation of the orientation programme on the directors' website and adaptation to the technical guides published by the CNMV.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Appointments Committee will coordinate the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and will submit to the full board the results of said evaluation together with a proposed action plan or with recommendations to correct any potential detected deficiencies or to improve the operation of the Board of Directors or the committees thereof.

The evaluation of the chairman & CEO will be led by the lead independent director.

The process of evaluation of the Board of Directors, its committees, the chairman & CEO and each of the other directors of the Company will include the following aspects: (i) the operation and quality of the work of the Board of Directors and its committees; (ii) the size, composition and diversity of the Board of Directors and of its committees; (iii) the performance of duties by the chairman of the Board of Directors & CEO; (iv) the performance and contribution of each director, paying special attention to those responsible for the various committees; (v) the frequency and duration of the meetings; (vi) the contents of the agenda and the sufficiency of the time dedicated to dealing with the various issues based on the importance thereof; (vii) the quality of the information received; (viii) the broadness and openness of debates, avoiding group-think; and (ix) whether the decision-making process within the Board of Directors or any of its committees was dominated or strongly influenced by a member or a small group of members.

The evaluation for financial year 2019 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser in the process.

The scope of the process in 2019 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 *Good Governance Code of Listed Companies*, (ii) monitoring of corporate governance trends, and (iii) analysis of achievement of potential areas of progress defined in evaluations from prior years.

More than 370 indicators of good practices with verifiable evidence were used. All of this was supplemented with interviews of the directors by the 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 National Securities Market Commission.

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 95% 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 2020 deriving from the 2019 evaluation process focuses on advancing in the following areas, among others:

- Monitoring of the changes made to be made to the recommendations of the *Good Governance Code of Listed Companies*.
- Deepening the supervision of critical issues like climate change, the energy transition and emerging risks.
- Continued improvement of training and initial orientation plans, including new issues and new formats.

On 24 February 2020 the Board of Directors approved the results of the evaluation of financial year 2019 and the Continuous Improvement Plan for financial year 2020.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Iberdrola has been assisted by an outside consultant for the last ten years. In 2019 PwC's business relations with the Iberdrola group worldwide were approximately 23 million euros (a large portion of this figure is due to the recent outsourcing of tax services by Avangrid, Inc.). The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2019 was 373,000 euros.

C.1.19 State the situations in which directors are required 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 Iberdrola's Corporate Governance 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 Corporate Governance 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 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.
 - d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
 - e) 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.
 - f) 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.
 - g) 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 specific decision?

Yes

No

If so, please describe any differences.

Description of differences
<p>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.</p> <p>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.</p>

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes No

Remarks
<p>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.</p> <p>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.</p>

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors or other more stringent requirements in addition to those established by law:

Yes No

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the 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 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	8
Number of Board meetings without the chairman	0

State 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
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Remarks
<p>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.</p> <p>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.</p>

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	15
Number of meetings held by the Audit and Risk Supervision Committee	12
Number of meetings held by the Appointments Committee	9
Number of meetings held by the Remuneration Committee	7
Number of meetings held by the Sustainable Development Committee	9

C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

Number of meetings with the attendance of at least 80% of the directors	8
% personal attendance of total votes during the year	98.21
Number of meetings with all directors attending in person or by proxy with specific instructions	8
% of votes cast in person and by proxy with specific instructions of all votes cast during the year	100.00

Remarks

The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2019 is detailed in the Annex to this Report.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mr José Ignacio Sánchez Galán	Chairman & CEO
Mr José Sainz Armada	CFO
Mr Daniel Alcaín López	Corporation Administration and Control Director

Remarks
<p>The Iberdrola group has established a certification process by 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 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.</p> <p>The culmination of the process is a joint certification that the chairman & CEO, the CFO and the Corporation Administration and Control Director submit to the Board of Directors.</p> <p>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.</p>

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

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 economic/financial information regarding the Company and its group and, based on available sources of internal information (including reports from the Internal Audit Area, 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), 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.
- 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, if 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 on the economic/financial information of the Company throughout the financial year and prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). 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 2019:

- Report dated 23 April 2019 on the *Interim Management Statement* for the first quarter of 2019.
- Report dated 22 July 2019 on the economic/financial information for the first half of 2019.
- Report dated 28 October 2019 on the *Interim Management Statement* for the third quarter of 2019.
- Report dated 24 February 2020 regarding the annual accounts of Iberdrola and its consolidated group for financial year 2019.

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

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Mr Julián Martínez-Simancas Sánchez	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, 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 Corporate Governance System, provide that:

- The relations of the committee with the statutory auditor of the Company shall respect the independence thereof, in accordance with the provisions of the Corporate Governance System.
- 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 ask the statutory auditor to provide an annual 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 law on statutory audit. 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 of the Company and of the Iberdrola group, stating 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 quality assurance and independence safeguarding internal procedures 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 2019:

- Iberdrola's statutory auditor, "KPMG Auditores, S.L." ("KPMG") appeared on fifteen 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 18 February 2019 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2018.
- On 16 July 2019 KPMG sent to the committee written confirmation of its independence with regard to the limited review of the economic/financial information as at 30 June 2019.

- On 19 February 2020 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2019.
- In the letters described above, the statutory auditor represents that it has implemented internal policies and procedures designed to reasonably ensure that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- The hiring of the statutory auditor for services other than auditing 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 of 24 February 2020, KPMG reported that it had no evidence that any member of the teams participating in the audit of the financial statements for financial year 2019 had joined as an employee of Iberdrola or of its related companies.
- On 24 February 2020 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 or entities related thereto.

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, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance 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 Office of the Shareholder). The Finance 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 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.

To actualise the principles of transparency and non-discrimination, always in strict compliance with regulations regarding the securities market, the Company has a number of communication channels:

- 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) and a 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 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes No

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated

Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)	11.11%	11.11%
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C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Explanation of procedure
<p>The <i>Regulations of the Board of Directors</i> 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 <i>Orientation Programme</i> shall be made available to them through the directors' website.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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, as well as the <i>Orientation Programme</i> and the training materials intended for the directors and presentations made to the Board of Directors.</p> <p>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 to any other information that the Board of Directors approves or that the chairman or the secretary of the Board of Directors deems appropriate to include.</p>

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 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes

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 Company's Corporate Governance 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 set forth in the Regulations of this body, particularly:

- a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Corporate Governance 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 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.

- d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
- e) 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.
- f) 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.
- g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.

In any of the aforementioned instances, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director's removal from office to the shareholders at the General Shareholders' Meeting.

By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply if the Board of Directors believes that there are reasons that justify the director's continuance in office, after a report of the Appointments Committee, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes

No X

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

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 for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to 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

	<p>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.</p> <p>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.</p> <p>2. OFFICERS</p> <p>Some employment contracts with officers of Iberdrola include specific severance clauses. 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, more so for positions deemed to decisively contribute to the creation of value due to the responsibilities entailed thereby. 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.</p> <p>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.</p>
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State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance 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 membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Position	Category
Mr José Ignacio Sánchez Galán	Chair	Executive
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent
Ms Samantha Barber	Member	Independent

% of executive directors	25
% of independent directors	50
% of other external directors	25

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Category
Mr Xabier Sagredo Ormaza	Chair	Independent
Ms Denise Mary Holt	Member	Independent
Ms Georgina Kessel Martínez	Member	Independent
Mr José Walfredo Fernández	Member	Independent

% of independent directors	100
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Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or 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 or risk management, 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, 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 that the Chairperson of this committee was appointed.

Name of directors with experience	Mr Xabier Sagredo Ormaza and Ms Georgina Kessel Martínez
Date of appointment of the chairperson	19/02/2019

APPOINTMENTS COMMITTEE

Name	Position	Category
Ms María Helena Antolín Raybaud	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Mr Anthony L. Gardner	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or 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 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

REMUNERATION COMMITTEE

Name	Position	Category
Mr Juan Manuel González Serna	Chair	Independent
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Category
Ms Samantha Barber	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Ms Sara de la Rica Goiricelaya	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or 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 set out 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 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, 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			
	FY 2019 Number %	FY 2018 Number %	FY 2017 Number %	FY 2016 Number %
Executive Committee	2/50	2/40	2/40	1/20
Audit and Risk Supervision Committee	2/50	2/50	2/50	2/50
Appointments Committee	1/33.33	1/33.33	1/33.33	1/33.33
Remuneration Committee	1/33.33	1/33.33	1/33.33	1/33.33
Sustainable Development Committee	2/66.67	1/33.33	1/33.33	1/33.33

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments

made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Each of the committees 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 Corporate Governance System, apart from technical improvements, there have been amendments of the Regulations of the Appointments Committee and of the Remuneration Committee in order to reflect the recommendations included in the National Securities Market Commission's Technical Guide 1/2019 on Nomination and Remuneration Committees.



RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for 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 Management of the Internal Audit Area.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
QATAR INVESTMENT AUTHORITY	IBERDROLA, S.A.	Corporate	Dividends and other distributed profits	2,766
QATAR INVESTMENT AUTHORITY	IBERDROLA Group	Corporate	Other	248

Remarks
<p>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.</p> <p>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.</p> <p>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.</p> <p>The amount allocated for "dividends and other distributed profits" corresponds to the bonus for attending the General Shareholders' Meeting and "other" corresponds to the income from treasury placements made with Qatar National Bank by Scottish Power Ltd.; there was no outstanding amount at 31 December.</p>

D.3 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the directors or officers of the company:

Name of director or manager	Name of related party	Relationship	Type of transaction	Amount (thousand euros)
No data				

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 preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions. In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		

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 Describe significant transactions conducted with other related parties that have not been reported in the previous sections.

Name of the related party	Brief description of the transaction	Amount (thousand euros)
SIEMENS GAMESA GROUP	PURCHASE OF MATERIAL ASSETS	698,463
SIEMENS GAMESA GROUP	RECEIPT OF SERVICES	42,978
SIEMENS GAMESA GROUP	PURCHASE OF GOODS (FINISHED OR IN PROGRESS)	1,995

SIEMENS GAMESA GROUP	SALES	1,201
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D.6 Describe 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 include, 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 approved by the shareholders at a General Shareholders' Meeting if the value of the transaction exceeds 10% of the corporate assets. All transactions will be reported in the Annual Corporate Governance Report and in the Annual Financial Report.

D.7 Is there more than one company in the group listed in Spain?

Yes

No

Identify the other companies that are listed in Spain and their relationship to the company:

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

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 a Risk Committee of the group 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, implementation and monitoring thereof, which effectively contributes to risks being managed in accordance with the Company's risk appetite.
- 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 periodic monitoring and control of profit and loss account risks in order to control the volatility of the annual income of the group.
- h) 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.
- i) 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 *Corporate Governance 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 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* in further development thereof apply to all companies over which the Company has effective control, within the limits established in the legal provisions applicable to the companies of the group that carry out regulated activities in the various countries in which it has a presence.

The listed country subholding companies (Avangrid, Inc. and Neoenergia, S.A.) have their own risk policies approved by their competent bodies pursuant to their own special framework of strengthened autonomy, which are aligned with those of the group.

At those companies in which the Company has an interest but which do not belong to the group, 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 creating and executing the Risk Management and Control System, including tax compliance 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, it has the following powers, among others, relating to the risk control and management systems and the tax area:

- Directly supervise the Corporate Risk Division and maintain an appropriate relationship therewith and with the audit and compliance committees of the other companies of the group.
- Continuously review the risk control and management systems, such that the principal risks are properly identified, managed and reported.
- Supervise the effectiveness of the risk control and management systems, formulating proposals for improvement.

- Obtain information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work.
- Ensure that the group's risk control and management system identifies at least:
 - the various risk factors that the Company faces;
 - the establishment and review of the risk map and the risk levels that are deemed acceptable;
 - the measures identified in order to mitigate the potential impact the materialisation of any of the identified risks; and
 - the internal control and information systems to be used in order to control and manage such risks.
- Promote (within the limits of its purview) a culture in which risk is a factor that is taken into account in the decisions of the Company.
- Identify and evaluate emerging risks, like those arising from technological, climactic, social and regulatory changes and reputational risks, as well as existing alert mechanisms, periodically evaluating the effectiveness thereof.
- Receive annual visits from the heads of the businesses of the group in order for them to report on the trends of their respective businesses and the risks associated therewith.
- Report in advance on the risks of the group to be included in the *Annual Corporate Governance Report*.
- Receive information from the Company's tax director regarding the tax standards applied during the financial year, and particularly regarding the level of compliance with the *Corporate Tax Policy*.

4. BOARDS OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEES OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the risk policies of the group and define the application thereof, approving 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 risk control and management systems.

The management decision-making bodies of the head of business companies of each country must approve the specific risk limits applicable to each of them and implement the control systems necessary to ensure compliance therewith, all within the limits provided by the legal provisions applicable to the companies of the group that carry out regulated activities.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group (Avangrid, Inc. and Neoenergia, S.A.) and those with significant interests of other shareholders 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 CFO 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 Division and the Administration 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 the 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. State the primary risks, including tax compliance 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* for financial year 2019, 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.

Due to the universal and dynamic nature thereof, the comprehensive risk system allows for the consideration of new risks that could affect the group as a consequence of changes in the environment or revisions of objectives and strategies, as well as updates based on the monitoring, verification, review and supervision activities that are performed on a continuous basis.

Pursuant to the definitions established by the *General Risk Control and Management Policy*, risks at the group level are classified as follows:

- a) Corporate governance risks.
- b) Market risks.
- c) Credit risks.
- d) Business risks.
- e) Regulatory and political risks.
- f) Operational, technological, environmental, social and legal risks.
- g) Reputational risks.

The activities of the group during financial year 2020 and later years will be 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 commodities and electricity prices in these countries.
- The annual change in hydraulic or wind resources for 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.
- The risks associated with cybersecurity.

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 or 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:

- The annual accounts 2019, and particularly the section dedicated to risk factors in the Management Report.
- Statement of Non-Financial Information. Sustainability Report 2019
- The Integrated Report 2019.
- Other sections of this Annual Corporate Governance Report.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance 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.

By way of complement, the Administration 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 Technologies Policy*
- *Cybersecurity Risk Policy*
- *Reputational Risk Framework Policy*
- *Procurement 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 of the Iberdrola group*

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 discretionary 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, the Administration and Control Division and the Risk Management Division also participate in the process.

E.5. State which risks, including tax compliance risks, have materialised during the year

The activities of the Iberdrola group during 2019 have been subject to various risk factors occurring in the countries and markets in which it operates, and on a global basis have not had a significant impact on the results for the financial year, thanks to the diversification of activities, markets and geographic areas in which the group is present, which has allowed for the negative effects of some businesses to be offset with favourable performance in others.

During the financial year, the group was negatively affected by events described below, although they have been offset by the following positive events:

- The approval at the end of 2019 of the new remuneration framework and rate applicable to the electricity distribution business in Spain for the 2020-25 period and the approval in December 2019 of the remuneration rate applicable for the next 12 years to the assets of the rate-regulated renewable energy business in Spain.
- These approvals, together with the agreement reached with ENRESA at the beginning of the year for a "Plan for scheduled closing of Spanish nuclear plants", positively eliminate uncertainties relating to these activities by the group in Spain.
- The approval in August 2019, on terms favourable to the group, of the remunerative framework of Elektro, applicable until August 2023.
- The sale with positive impacts for the group of: 1) 40% of the East Anglia One offshore wind farm in the United Kingdom, 2) the group's long-term liquefied natural gas supply contracts, and 3) the fibre optic business of the networks business in Spain.

The risks that have materialised include:

- The slowdown of economic growth in some of the countries in which the group is present, like Mexico, Brazil and the United Kingdom, partially offset by the group's business model, which makes it less sensitive to changing circumstances in the economic growth of the countries in which it is present.
- Lower hydrological contributions received by our hydroelectric plants as a result of the drought in Spain during 2019, which has resulted in hydroelectric production 4.5 TWh lower than expected in annual terms.

The write-off of 54 million euros in accounts receivable for territorial supplements, corresponding to the eco-tax in Extremadura (Spain).

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, 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 of the Company 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.

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 country subholding and head of business 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 RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. 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; (ii) their implementation; and (iii) their 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 the country subholding companies and 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 global 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 relies on the Internal Audit Area to carry out these responsibilities. Any audit committees at the country subholding and head of business companies have these powers within their respective purviews.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication 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 and General Services 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 and General Services Division, as well as by the Finance and Resources Division.

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, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a 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. In its review of April 2019, the *Code of Ethics* strengthened the obligation of the group's professionals to report to the Compliance Division the commission of any illegal act or any impropriety. The obligation of suppliers to comply with the *Code of Ethics* and with the corporate anti-corruption policies is also included.

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, which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of employees 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 Compliance 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 regulatory 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 the Company and of the other companies of the group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

The Compliance Unit is also in charge of determining whether a professional of Iberdrola, S.A. has engaged in activities that violate the provisions of law or the *Code of Ethics*, and if applicable, for tasking the Human Resources and General Services Division to apply 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 thereof, directors, professionals of the companies of the group and the suppliers thereof expressly accept the rules of conduct established in the *Code of Ethics* 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*. For this purpose, a literal extract of the corresponding section in each case is attached to their respective contracts.

Likewise, directors shall receive a complete copy of the *Code of Ethics*, for which they shall deliver a signed receipt.

- **Whistleblower channel, that allows 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, reporting, as the case may be, if this is of a confidential nature.**

Iberdrola has various reporting 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.

One need not identify oneself in order 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 employee making a complaint, unless there is bad faith on the party of the complaining party.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

Training is key in the Iberdrola's human resources policy and is an essential element for adjusting new employees 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 conformance of the group to future rules and to 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 2019 there were, among other events, the International Internal Audit Planning Days, the "VII-Global Tax Meeting" and the annual "XII Global Control Committee", which analyses the most significant issues affecting the function, like new accounting rules, with special attention on reviewing and evaluating the group's ICFR system.

In addition, although not considered specific training activities, the Accounting Practices 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 financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, 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 for performing the internal control over financial information at Iberdrola, documenting both the objectives and performance thereof as well as its results.

The methodology 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 evaluation, 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, as well as systematic review by the Internal Audit Area.

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. 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.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

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 company structures, shell companies, or special purpose entities.**

The scope of consolidation is identified on a monthly basis, and is obtained as a product of an updated map of companies, with express identification of 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 Iberdrola's *Regulations of the Audit and Risk Supervision Committee*.

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.

- **If 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 affect the financial statements, which risks are evaluated and managed by various corporate units like the Risk Division or the Legal Division, among others. However, there is no express identification of such other types for the identification 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 Management of the Internal Audit Area in the performance of this duty.

F.3. Control activities

State whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, 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 financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

On 24 July 2018, Iberdrola's Board of Directors approved an *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, 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 Corporate Administration and Control Director, 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 Management of 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 process of global consolidation and with the process of preparing the notes. 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 opinions, 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, once again with the support of the Internal Audit Division, 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 verifying the proper definition of the scope of consolidation, as well as the correct application of generally accepted accounting principles and international financial reporting standards.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation 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, of the transaction, and of 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 good market 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 2019, the total number of systems covered by the IT controls system was 46, on which there was homogeneous application of 14 controls, 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 Division.

F.3.3. Internal control policies and procedures intended to guide the management of activities subcontracted to third parties, as well as those aspects of assessment, calculation or evaluation 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

State 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 directly 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 quarterly bulletin 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. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding 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 system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the 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 prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The activities for supervising the ICFR by the ARSC mainly include: (i) monitoring of compliance with the process of certification by the various parties responsible for the financial information; (ii) the review, with the support of the Management of the Internal Audit Area, of the design and operation of the internal control system, to evaluate the effectiveness thereof; and (iii) regular meetings with the external auditors, internal auditors 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.

It should be mentioned that 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 Internal Control Division, 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 serious, medium or mild, based precisely on their potential impact on the financial information) and the action plans to fix them, are presented at an annual specialised meeting chaired by the Administration and Control director, and at which the Management of the Internal Audit Area is also present. 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 Administration and Control 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 reports hierarchically to the chairman of Iberdrola's Board of Directors, and functionally 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 Management of 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 Management of the Internal Audit Area plans for in-depth review of the entire internal control system is five years.

Specifically, 18 cycles were reviewed during financial year 2019. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A. (Sociedad Unipersonal), Neoenergía, S.A. and Iberdrola Inmobiliaria, S.A.U., as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Management of 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 Management of 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. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - “Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings by the various agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditors, with the internal auditors, and with the management 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 Management 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 process by 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 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 half-yearly process is a joint certification that the chairman & CEO and the Administration and Control director 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 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 of 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 process of certification 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 Internal Control Division, 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.

Furthermore, the Management of the Internal Audit Area, which is responsible for supervising 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 Management of 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 1,750 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 1,180

risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

In addition, the approximately 110 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 on:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its 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 EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do 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 shares on the market.

Complies | Explanation | 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 parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**
- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
 - b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies	X	Complies Partially	Explanation	Not Applicable

- 3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**
- a) Changes that have occurred since the last General Shareholders' Meeting.**

- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | X Complies Partially | Explanation |

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies | X Complies Partially | Explanation |

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies | X Complies Partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies | X Complies Partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | X Explanation |

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies | X Complies Partially | Explanation |

9. That the company permanently maintains on its web page 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 | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is 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, and the promotion of continuity and maximisation of 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 in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies | **X** | Complies Partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies | **X** | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call to the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | **X** Complies Partially | Explanation |

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies | **X** Complies Partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies | **X** Explanation |

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies | **X** Explanation |

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.

- b) Any other Boards to which the director belongs, regardless of whether 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) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies | Complies Partially | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explanation | Not Applicable |

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. 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 representing this shareholder.

Complies | Complies Partially | Explanation | Not Applicable |

21. That the Board of Directors may 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 appointments 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 attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into 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 similar 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 the proportionate representation criteria provided for in Recommendation 16.

Complies | Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible

and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies | Complies Partially | Explanation |

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 in the case of the secretary of the Board of Directors, despite not being a director.

Complies | Complies Partially | Explanation | Not Applicable |

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies Complies Partially | Explanation | Not Applicable |

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies | Complies Partially | Explanation |

26. That the Board of Directors meets frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies | Complies Partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies | Complies Partially | Explanation |

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, upon a request from the protesting party.

Complies | Complies Partially | Explanation | Not Applicable |

29. That the company 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 | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies | **X** | Explanation | Not Applicable |

31. That the agenda for meetings clearly states those matters about 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, under 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 | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies | **X** | Complies Partially | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required 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 so dictate.

Complies | **X** | Complies Partially | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chair of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; 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 coordinate a succession plan for the chairman.

Complies | **X** | Complies Partially | Explanation | 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 the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies | **X** | Explanation |

36. That the Board of Directors meets 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 of membership and competence of the Board of Directors.**
- d) **Performance of the chairman of the Board of Directors and 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 appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies | Complies Partially | Explanation |

37. **That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies | Complies Partially | Explanation | Not Applicable |

The Executive Committee is made up of the chairman & CEO, the vice chair of the Board of Directors, who is classified as other external director, and two independent directors, one of whom is a woman. Iberdrola believes that the various types of directors are duly represented and that the composition of said Committee is sufficiently diverse.

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 | Complies Partially | Explanation | Not Applicable |

39. **That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.**

Complies | Complies Partially | Explanation |

40. **That under the supervision of the audit committee, there must 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 | Explanation |

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies | **X** Complies Partially | Explanation | 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) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure 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) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure 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 accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies | **X** Complies Partially | Explanation |

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies | **X** | Complies Partially | | Explanation |

- 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 draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies | **X** | Complies Partially | | Explanation | | Not Applicable |

- 45. That the risk management and control policy identify, at a minimum:**
- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.**
 - b) **Fixing of the level of risk the company considers acceptable.**
 - c) **Means identified in order to minimise identified risks in the event they transpire.**
 - d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies | **X** | Complies Partially | | Explanation |

- 46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**
- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
 - b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
 - c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies | **X** | Complies Partially | | Explanation |

- 47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies | **X** | Complies Partially | | Explanation |

- 48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies | **X** | | Explanation | | Not Applicable |

- 49. That the appointments 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 may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | Complies Partially | Explanation |

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies | Complies Partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies | Complies Partially | Explanation |

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen 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 detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last 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 the minutes be made available to all directors.

Complies | Complies Partially | Explanation | Not Applicable |

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to

its powers of self-organisation, to which at least the following responsibilities shall be specifically assigned:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of corporate social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies | **X** | Complies Partially | Explanation |

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, at a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies | **X** | Complies Partially | Explanation |

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies | X Complies Partially | Explanation |

- 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 judgment of non-executive directors.**

Complies | X Explanation |

- 57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.**

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies | X Complies Partially | Explanation |

- 58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon 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 undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies | X Complies Partially | Explanation | Not Applicable |

- 59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.**

Complies | X Complies Partially | Explanation | Not Applicable |

- 60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.**

Complies | X Complies Partially | Explanation | Not Applicable |

- 61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies | Complies Partially | Explanation | Not Applicable |

- 62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies | Complies Partially | Explanation | Not Applicable |

- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies | Complies Partially | Explanation | Not Applicable |

- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies | Complies Partially | Explanation | 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.

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 at year-end 2014, there were 62 officers with a right to severance pay greater than two years in case of termination. At year-end 2019, the number has decreased again to 26, without the enforcement of any guarantee clause.

H FURTHER INFORMATION OF INTEREST

1. If there is any 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 is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it 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 redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

On 20 July 2010 the Company acceded to the Code of Good Tax Practices, a document approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established by the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*) and certain large companies and held on that date.

Pursuant to the provisions of section 2 of the annex of accession to the Code of Good Tax Practices and section 4.a) 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 2019, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 18 February 2019 and 22 July 2019 to report on 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 2019. 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 24/02/2020.

State whether any directors voted against or abstained from voting on this report.

Yes

No

Annex to ACGR 2019:

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 2019. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	8/8	15/15	-	-	-	-
MR ÍÑIGO VÍCTOR DE ORIOL IBARRA	8/8	-	-	9/9	-	9/9
MS INÉS MACHO STADLER	8/8	15/15	-	-	7/7	-
MS SAMANTHA BARBER	8/8	15/15	-	-	-	9/9
MS MARÍA HELENA ANTOLÍN RAYBAUD	8/8	-	-	9/9	-	-
MR ÁNGEL JESÚS ACEBES PANIAGUA	2/2	3/3	-	2/2	-	-
MS GEORGINA KESSEL MARTÍNEZ	8/8	-	12/12	-	-	-
MS DENISE MARY HOLT	8/8	-	12/12	-	-	-
MR JOSÉ W. FERNÁNDEZ	8/8	-	12/12	-	-	-
MR MANUEL MOREU MUNAIZ	8/8	15/15	-	-	7/7	-
MR XABIER SAGREDO ORMAZA	8/8	-	12/12	-	-	-
MR JUAN MANUEL GONZÁLEZ SERNA	8/8	-	-	-	7/7	-
MR FRANCISCO MARTÍNEZ CÓRCOLES	8/8	-	-	-	-	-
MR ANTHONY L. GARDNER	8/8	-	-	6/6	-	2/3
MS SARA DE LA RICA GOIRICELAYA	5/5	-	-	1/1	-	6/6

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 (previously the Corporate Social Responsibility Committee).

SECTION E.3.

ACTIONS OF IBERDROLA, S.A. AND IBERDROLA RENOVABLES ENERGIA, S.A.U. RELATING TO THE HIRING OF CLUB EXCLUSIVO DE NEGOCIOS Y TRANSACCIONES, S.L. (CENYT)

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**”), Iberdrola, S.A. (Iberdrola) has conducted various investigations described below in accordance with the provisions of its Corporate Governance 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, in relation to the facts referred to in said news reports.

The first news about the hiring of CENYT by Iberdrola appeared on 11 June 2018. Four days later, on 15 June 2018, the Compliance Unit (which, pursuant to the provisions of the *Regulations of the Compliance Unit*, is the body authorised since its creation in 2012 to investigate facts like those referred to above) prepared a first report identifying 14 invoices issued by CENYT to Iberdrola between 2004 and 2009 (in the total amount of 1,017,824.14 euros) and another 3 invoices issued between 2012 and 2017 to Iberdrola Renovables, S.A.U. (Iberdrola Renovables) (in the total amount of 114,200.00 euros).

In relation to the same news reports, the Audit and Risk Supervision Committee requested a report from the Internal Audit Area regarding invoices issued to the Iberdrola group on 19 November 2018 by companies connected to the former police commissioner Villarejo. Said report concluded (i) that the only company linked to Mr Villarejo Pérez (through his spouse and son) that invoiced the Iberdrola group was CENYT; and (ii) that the invoices paid corresponded to services purchased by the Corporate Security Division, which, according to statements thereby, were actually provided by CENYT within the context of Iberdrola’s international expansion process, in order to ensure the integrity of its officers in their travels to at-risk countries, ensure the confidentiality of communications and of significant meetings of the management team, and strengthen the security of vital sites for the group’s power generation activities.

On 25 September 2019 Iberdrola’s Internal Audit Area prepared a second report on the internal control of third parties, which was intended to describe the main controls implemented in recent years in relation with the process of hiring third party creditors and analyse how the internal controls worked in the hiring of CENYT. The Internal Audit Area concluded that the process followed conformed to the internal control procedures in effect at that time.

Beginning on 8 October 2019, additional news referring to alleged specific assignments by Iberdrola to CENYT were published in the media, on this occasion describing allegedly illegal content or purposes.

On that same 8 October, the Compliance Unit, under the supervision of the Sustainable Development Committee and in coordination with Iberdrola Renewable’s Compliance Division, commenced an internal investigation to clarify this additional news.

The content of the 24 meetings of Iberdrola’s governance bodies between the months of October 2019 and February 2020 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 documentations) or the lack of cooperation of certain former employees, complete documentation was not available.

The Compliance Unit also directly hired the services of “Pricewaterhousecoopers Asesores de Negocio, S.L.” (“PwC”) to perform an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings immediately available to the judicial authorities, whatever those findings may be. PwC dedicated more than 3,000 hours of work to this investigation, processing 4.67 TB of information (4.4 million files) and reviewing more than 300,000 files and more than 3,000 invoices.

As arises from the internal investigations conducted by the respective Internal Audit Areas and the Compliance divisions:

- (i) After the 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 and 3 to Iberdrola Renovables.
- (ii) 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.
- (iii) 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.
- (iv) No evidence or indications have been detected that would warrant a suspicion that the services set forth in the invoices reviewed were not provided.
- (v) In particular, based on the information available to Iberdrola and Iberdrola Renovables, no illegal conduct or conduct contrary to the rules making up the Corporate Governance System has been identified as a result of the internal investigations being conducted.
- (vi) All relevant information available and the full findings from the forensic work performed by PwC have been made available to Central Investigation Court number 6.

As of the date hereof, based on both the internal information and the external events of which the Company has become aware, the facts 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.

To ensure maximum dissemination in accordance with the Company’s commitment to transparency, the information set out in the preceding paragraphs in connection with the hiring of CENYT reproduces the text of the memorandum of the Board of Directors regarding this issue published on the corporate website on occasion of the call to the General Shareholders’ Meeting.

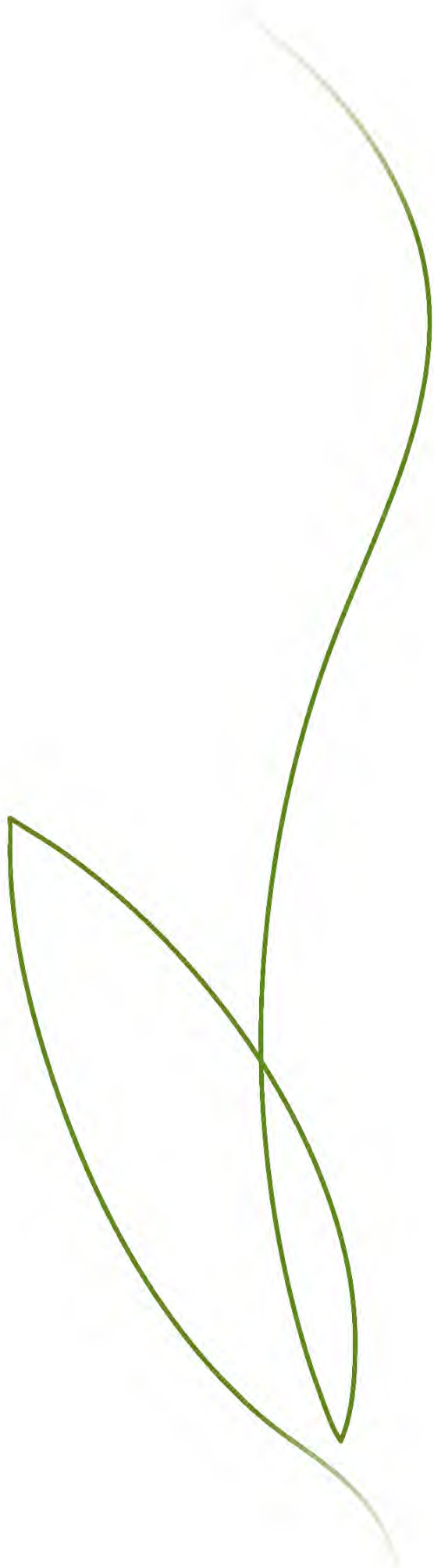
Statement of Non-Financial Information **Sustainability Report**

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Introduction


Since 2004, the year in which Iberdrola prepared its first Sustainability Report, the company has been continuously strengthening its status as a world leader for its commitment to transparency and its defence of a model of sustainable and environmentally-friendly growth. Continuing with this commitment, Iberdrola once again submits its *Statement of Non-Financial Information. Sustainability Report 2019*, approved by its Board of Directors on 24 February 2020.

Iberdrola publishes this report in order to allow its Stakeholders to see the company's performance in the area of sustainability during financial year 2019, obtaining detailed information on the social dividend provided by the group and its contribution to the Sustainable Development Goals of the 2030 Agenda of the United Nations, in compliance with the commitments assumed in the Company's [By-Laws](#) and in its [General Sustainable Development Policy](#).

Iberdrola thus satisfies the growing demand by society in general, and shareholders and investors in particular, for companies to provide a detailed report of their non-financial performance in the environmental, social and corporate governance (ESG) fields, with the understanding that good performance in these areas is an essential factor for the long-term success of the companies.

This document forms part of the *Management Report* of Iberdrola, S.A. and of the *Management Report* of Iberdrola, S.A. consolidated with its subsidiaries for financial year 2019, and is subject to the same approval, deposit and publication standards as said reports. By issuing this report, Iberdrola, S.A. complies with the provisions of sections 262 of the *Companies Act (Ley de Sociedades de Capital)* and 49 of the *Code of Commerce* as amended by *Law 11/2018, of 28 December, on non-financial and diversity information*, which transcribes into the Spanish legal system *Directive 2014/95/EU*, reporting with the detail required by these laws on environmental and social aspects, the management of people, diversity, respect for human rights and the fight against corruption and bribery, particularly describing the risks, policies and results connected to all of these issues.

This report has been prepared in accordance with the reporting requirements and recommendations of the Consolidated Set of Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 (Comprehensive option), except for the Safety and Health and Water and Effluents topics, for which the recommendations published by GRI in 2018 are used, with earlier adoption as recommended by this organisation. The document also complies with the information requirements of the GRI *Electric Utilities Sector Supplement*. References to the GRI indicators covered in each section have been added in the texts (e.g.: 102-7).



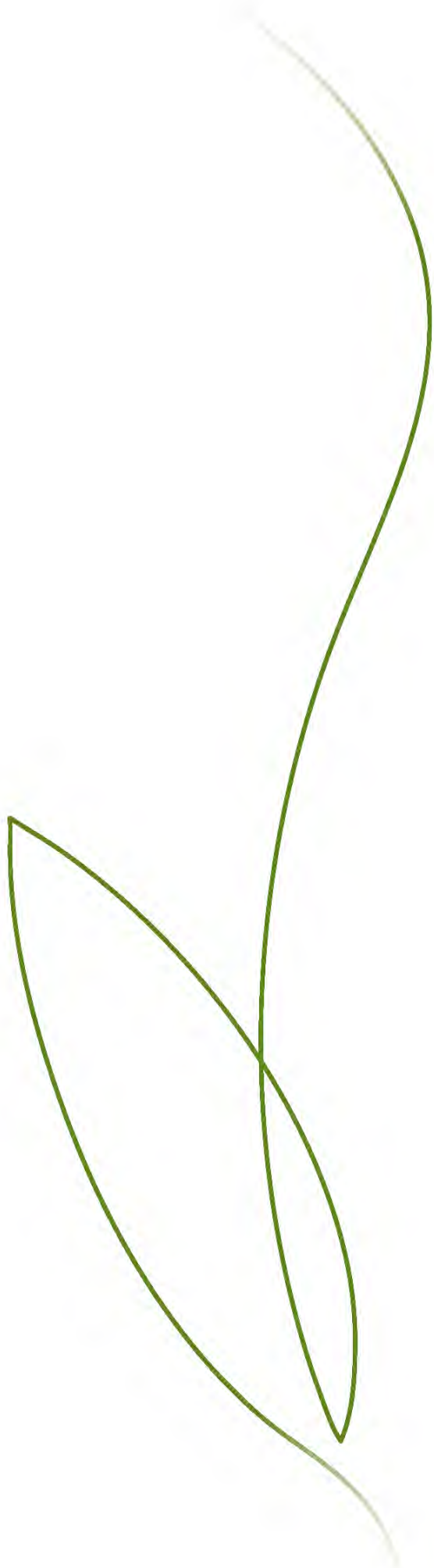
Anyone reading the *Statement of Non-Financial Information. Sustainability Report 2019* may also access the Annual Financial Report 2019 and the Annual Corporate Governance Report 2019, as well as the Integrated Report, February 2020, all of which are accessible on the Annual Reports section of the website, which contains additional information useful for better understanding Iberdrola's performance during the year and its future outlook, based on the principles of transparency and communication set out in the [Stakeholder Relations Policy](#).

Finally, to facilitate maximum access to other available information, direct links are included throughout this report to both the corporate website (www.iberdrola.com) and to other pages of the group, as well as to official documents published thereon in PDF format. To open these links, click with the left button of your mouse directly on texts identified with the following format: [link example](#).

Notes:

The report boundary is described in chapter III. About the Report in this document.

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



Letter from the Chairman & CEO

102-14



Ignacio Galán, Chairman of the Board of Directors & CEO of Iberdrola, S.A.
© Rosa Muñoz


In 2019 Iberdrola took significant steps along its path of profitable growth and creation of value for society. During the year, the company strengthened its position as a leader in the drive towards the transition to a decarbonised, healthy, competitive and inclusive energy model. We have been successfully deploying this pioneering model for decades.

On the fourth anniversary of the approval of the UN's '2030 Agenda for Sustainable Development', we at Iberdrola want to renew our comprehensive commitment to its transformational calling, based on 17 goals fully integrated within our strategy and our Corporate Governance System.

With the installation of 5,500 new MW of wind, solar, hydroelectric and efficient backup generation, we have bolstered the objectives of 'Affordable and Clean Energy' (SDG 7) and 'Climate Action' (SDG 13). Thanks to an unprecedented investment effort, the group's capacity has increased 12% in a single year, including projects like the Núñez de Balboa photovoltaic plant in Spain, the Baixo Iguaçu hydroelectric plant in Brazil, the East Anglia One offshore wind farm in the United Kingdom, the El Carmen and Topolobampo II plants in Mexico, and the Karankawa and Patriot Wind wind farms in the United States.

We also continue to move forward with the construction of another 100 renewable projects throughout the world, like the Támea (Portugal) pumped-storage hydropower project, one of the largest giga batteries in Europe, which will be able to serve two million homes.

The wager on clean energy has led us to continue reducing our own emissions, dropping below 110 grams per kWh in 2019 (three times lower than our competitors). Iberdrola already generates 100% of its energy with zero emissions in countries like the United Kingdom, Germany and Portugal.



The transition to a decarbonised and fully renewable system is not possible without modern and flexible electricity transmission and distribution networks capable of efficiently integrating new emission-free capacity.

In this field, we have placed large transmission projects into service this year, including the Western Link high-voltage underwater power line (the longest in the world), which transmits power at 600 kV between Scotland and Wales, enough to supply the electrical demand of more than four million homes. And we continue developing projects in the United States (like the NECEC interconnection line with Canada) and in Brazil, where a new 210 km transmission line has been added in 2019 to the existing portfolio of ten projects with 4,900 km under construction.

We have also continued to expand and optimise our distribution networks to make them increasingly reliable and at the same time smart. This has allowed us to make significant improvements in the quality indicators in all of the countries in which we provide service, despite various adverse meteorological situations, like in southeastern Spain (with the “cold drop” (*gota fría*) in September) and in northeastern United States (with major storms during October). Once again, our people gave the best of themselves under particularly complex conditions in order to minimise the impact on service, restoring supply in record times.

At the same time, we have continued to deepen our focus on the customer as the centre of our strategy, anticipating their demands and offering more choices and increasingly competitive products.

Iberdrola’s leadership in the transformation of the current energy model towards one that is cleaner, safer and more efficient has been widely recognised at the climate action summits this year, in which the company has prominently participated. Both Climate Week in New York and COP 25 in Madrid highlighted the need to urgently promote decarbonisation as the basis for a truly sustainable socioeconomic model over the long term. The prestigious *S&P Global Platts* group has recently recognised our commitment in this area with its *Energy Transition Award*.

The financial markets have also boosted this trend through new financing and sustainable investment instruments, which create new opportunities for our company.

With deals signed in 2019 with institutions like the European Investment Bank (EIB) and the Instituto de Crédito Oficial (ICO), we have already underwritten 1,044 million euros of green loans, as well as 9,042 million euros in credit facilities subject to social responsibility standards. We have also cemented our role as the largest corporate issuer of green bonds in the world, with 9,992 million euros issued since 2014.

Investment and pension institutions are also making sustainability a major factor in their decisions. The strong growth in funds specifically based on environmental, sustainability and good governance standards is in addition to the announcements by generalist asset managers like BlackRock, the largest in the world, whose founder and CEO has declared that they will only invest in companies committed to the fight against climate change.

New record results

Iberdrola's value proposal is based on the conviction that the model we have been implementing over the last twenty years is fully compatible with growth in results and profitability. The financial year we just ended is a good example: in 2019 EBITDA was 10,104 million euros, with an increase of more than 8%, and Net Profit grew 13% to reach an historic record of 3,406 million euros.

The markets are valuing the success of our strategy and our execution, as well as our tremendous potential for future growth. Our stock market capitalisation closed out 2019 at historical maximums, reaching 61,319 million euros, with the shares recording a total return of 36.7% in 2019, significantly higher than the 16.5% of the Ibex-35 and 28% of the Eurostoxx Utilities.

This trend has continued during the first months of this year, during which capitalisation exceeded 72,000 million euros. Iberdrola has thus cemented its position as the second-largest company on the Spanish stock market and one of the 3 largest electric utilities in the world by stock market value, having also become part of the Stoxx Europe 50 index, which covers the main companies of continental Europe in all industries.

The positive evolution of the company during the year has led the Board of Directors to propose to the shareholders a 14% increase in shareholder remuneration, to 0.40 euro per share payable in 2020.

In the financial markets chapter, another milestone for the year was the initial public offering of Neoenergia. This was the largest placement of this kind in the Brazilian energy sector since 2000, and since its debut, the shares have increased by almost 60%, highlighting investors' confidence in the outlook of the company. This trend continued during the first few months of the year, with an increase of approximately 4.5%.

A future of sustainable growth

Iberdrola closed out 2019 as a record year both operationally and financially. And the year we just ended is undoubtedly just the beginning of a new phase of sustainable long-term growth. The visibility of initiatives for climate action like the European Commission's "Green Deal", along with the needs for investment in the electricity sector in other markets like Brazil, Mexico and the United States, are leading analysts to define this time as the beginning of an era of great expansion.

Within this context, Iberdrola's position in these markets and the portfolio of projects that we have been accumulating in recent years will allow us to increase our investments in 2020 to approximately 10,000 million euros in increasingly safe and smart electricity networks, in new renewable capacity and in storage.


During the year, we will continue to strengthen our leadership in offshore wind technology, with projects like East Anglia Hub in the United Kingdom, Saint Brieuc in Francia, Baltic Eagle in Germany and Vineyard Wind in the United States. We are also driving forward our position in solar (in Spain, Mexico and the United States), onshore wind (in all markets), pumped hydroelectric storage (mainly at the Támeiga hydroelectric project in Portugal) and batteries.

We will continue during 2020 to strengthen our position in other markets like Italy and Greece, and we will begin our deployment in others like Australia, always in accordance with our focus on clean energy, innovation and a complete focus on meeting the needs of the customer.

Committed to our environment

Iberdrola confronts this stage of growth completely faithful to its model of a responsible company and its commitment to the creation of value, progress and the well-being of people.

Thus, through our Social Dividend we continue responding to the 2030 Agenda, as shown by the progress recorded in achieving the Sustainable Development Goals, including SDGs 8 (Decent Work and Economic Growth), 9 (Industry, Innovation and Infrastructure), 4 (Quality Education), 5 (Gender Equality) and 17 (Partnerships for the Goals).



Iberdrola is aware that its industrial leadership gives it a very important role as an engine for economic growth in the countries in which it is present. This role takes shape in aspects like the strengthening of the business community, the promotion of innovation and the creation of employment.

In 2019 alone we have made purchases of approximately 9,000 million euros of goods and services throughout the world (20,000 million euros if we add energy raw materials), providing a driving force to more than 22,000 suppliers. We have thus continued driving the development and transformation of employment-intensive industries towards future sectors (like the manufacturing of components for offshore wind facilities) and the promotion of new companies (like those related to smart meters or components for photovoltaic plants). Thanks to our activities, we currently give employment to approximately 400,000 people around the world¹.

Iberdrola's growth has also entailed the creation of more stable and high-quality jobs within the company, with almost 3,500 new hires during the year, 99% of the workforce having fixed contracts, and numerous measures of support for work/life reconciliation and gender equality.

In the area of continuous training and professional development, we have intensified our activities both for our own personnel (with 55 hours per employee) and for future talent (with the hiring of more than 1,400 interns and with almost 900 youth participating in our International Master's Scholarship Programme).

The increase in activity recorded by Iberdrola in 2019 is also reflected in our contribution of 14,200 million euros to the public coffers¹.

Iberdrola is also the third-leading company in the industry worldwide with the most resources dedicated to R&D, with an annual investment of 280 million euros, and is among the companies that provide the most support to startups in all of Europe².

As part of our commitment to society, we have also launched numerous initiatives in the conservation of biodiversity, the promotion of cultural heritage, education, cooperation and assistance for the most disadvantaged groups. This is done through the extensive activities of our foundations throughout the world and our International Corporate Volunteering Programme, in which close to 7,500 people participated this past year.

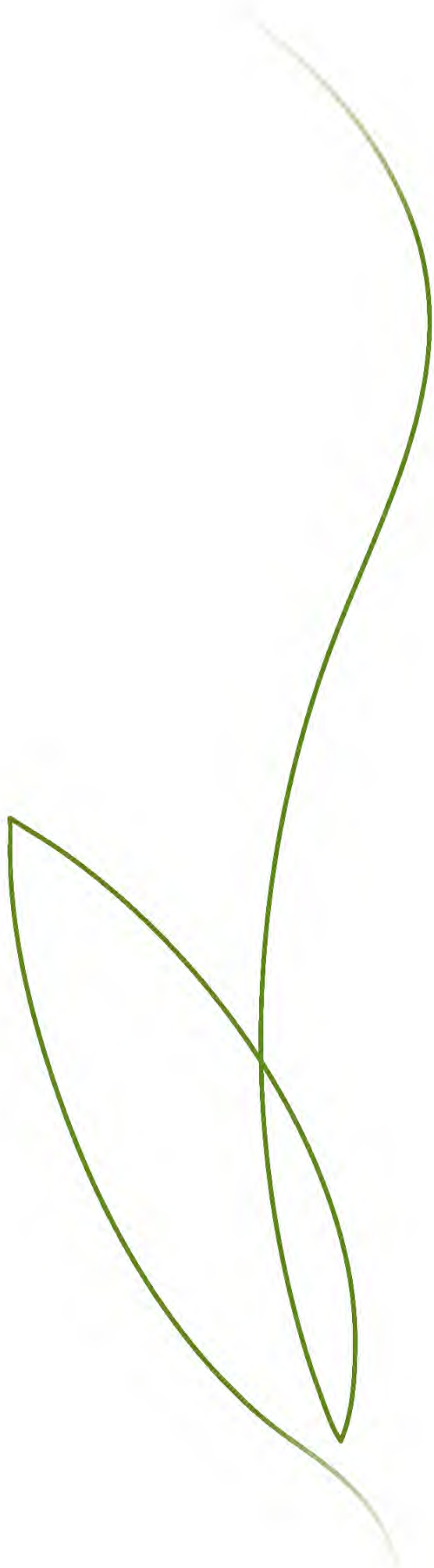
¹ PwC 2020 report "Iberdrola Group's economic, tax, social and environmental impact on the world".

² According to the European Commission's "Startup Europe Partnership".

Finally, Iberdrola has a fully responsible and sustainable business model, for which it has again been recognised on the main sustainability indexes like FTSE4Good, CDP Climate Change, MSCI and the Global100.

This is a detailed and exhaustive report of all of these activities, along with the other significant environmental, economic and social issues from 2019, following the international Global Reporting Initiative (GRI) standards. It is an example once again of our firm commitment to transparency, the cornerstone of our management and of our Corporate Governance System. A system that is based on a constant process of update to include the most demanding practices in this area, as only through ethics, good governance and the defence of the social interest can there be progress towards a truly sustainable creation of value for society.

Ignacio S. Galán,
Chairman & CEO of Iberdrola

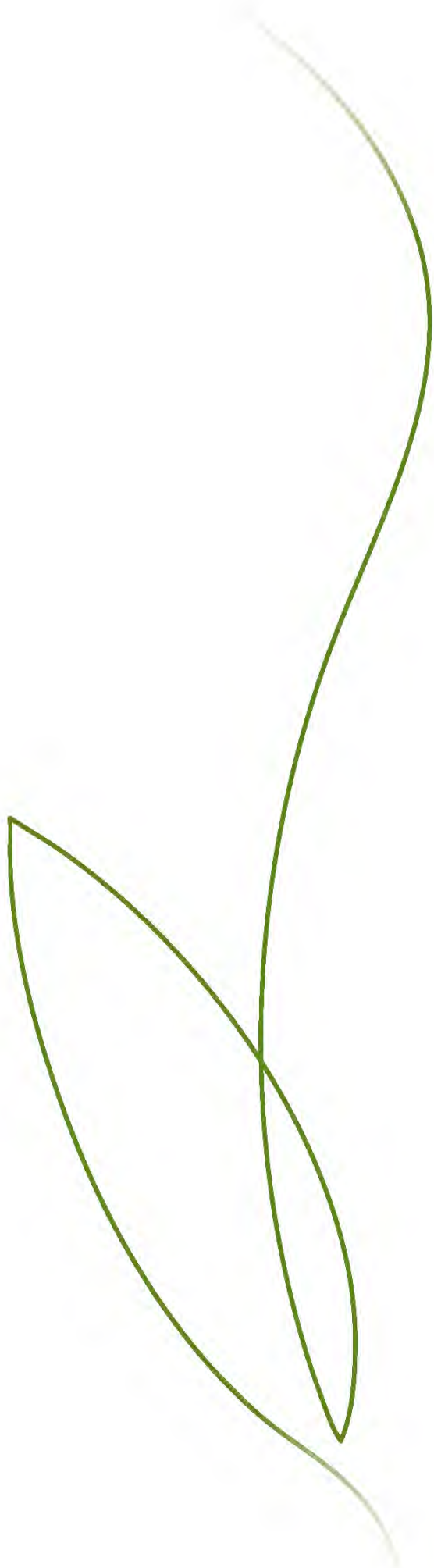


Corporate Reputation: Recognitions, Presence in External Indexes and External Evaluations

	Indexes or organisations	Rating or status ³
	Dow Jones Sustainability World Index 2019	Only European utility included for the past 20 years
	Global 100	Iberdrola selected
	FTSE4Good	Selected for the index for the last 10 years
	CDP Climate Change Index 2019	A-
	CDP Supply Chain Index 2019	Iberdrola chosen as CDP Supplier Engagement Leader
	MSCI Global Sustainability Index Series	Iberdrola selected AAA
	Euronext Vigeo Eiris index: World 120, Eurozone 120 & Europe 120	Iberdrola selected
	Sustainability Yearbook 2019	Classified as "Silver Class" in the electricity sector
	MERCO 2019	mercoEMPRESAS 2019 and mercoRESPONSABILIDAD Y GOBIERNO CORPORATIVO 2019: Leader in the utilities sector: electricity, gas and water.
	Emission Transparency Index	Iberdrola selected
	2019 World's Most Ethical Companies, prepared by the Ethisphere Institute	Only Spanish company included. Selected for the sixth consecutive year as one of the most ethical companies in the world
	Fortune Global 500	Iberdrola selected

	Indexes or organisations	Rating or status ³
	Stoxx	Iberdrola selected on the following indexes: STOXX Global ESG Leaders/Low Carbon Select 100/EURO STOXX ESG Leaders 50/50 Low Carbon/Low Carbon Select 50/Sustainability 40
	InfluenceMap	Iberdrola among top 25 scoring companies
	Bloomberg Gender-Equality Index 2020	Only Spanish electrical utility included in all editions. Selected in recognition for its equal opportunity and gender equality policies
	ISS-Oekom	Iberdrola classified as Prime
	EcoAct	Iberdrola classified as top utility and top 10 in the world in the 2019 sustainability reporting performance report
Forbes 2019 GLOBAL WORLD'S LARGEST PUBLIC COMPANIES 2000	Forbes	Iberdrola selected in Forbes 2019: GLOBAL World's Largest Public Companies 2000
	ECPI Sense in sustainability	Iberdrola selected in multiple sustainability indexes
	Energy Intelligence	Iberdrola among the top four utilities in the EI New Green Utilities Report 2019
	Ecovadis	Iberdrola one of the best-performing companies
	Brand Finance	Among the 500 most valuable brands at the global level

³ As at the date of approval of this report by the Board of Directors.



I. About Iberdrola

I.1. Profile of the Company

- Purpose and values
- Presence and areas of activity
- Main products and services: the Iberdrola brand
- Key operating figures
- Corporate and governance structure, ownership and legal form

Purpose and values

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Iberdrola's Corporate Purpose reflects the main social trends and responds to major economic, social and environmental challenges, reflecting the expectations of the Stakeholders and defining Iberdrola's role as an agent of social change and transformation in the energy sector. It is expressed as follows:

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

This Purpose, which goes beyond the traditional concept of mission and vision, describes Iberdrola's long-term raison d'être and contributes to the differentiation of the company and the generation of trust among all the Stakeholders, expressing:

- The Iberdrola group's commitment to the urgent social need of transforming our energy model towards a new one that prioritises the well-being of people and the preservation of the planet.
- The Iberdrola group's commitment to a real and comprehensive energy transition based on decarbonisation and electrification of the energy sector and of the economy as a whole, which decidedly contributes to the fight against climate change and atmospheric pollution, and at the same time favours the creation of new opportunities for economic and social development.
- The foresight of the Iberdrola group, which has spent two decades working to make this transformation a reality, driving the development of clean energy throughout the world, and continuing to invest its resources to reach the objectives of the Paris Agreement.
- The Iberdrola group's determination to continue building a more electricity-based energy model, which reduces dependency on the use of fossil fuels and generalises the use of renewable energy sources, the efficient storage of energy, smart grids and digital transformation.
- The conviction that a more electricity-based energy model is also healthier for people, whose well-being in the short term depend on the environmental quality of their surroundings (air, water, food, biodiversity, etc.), and in the long term to the success of the fight against climate change.
- The aspiration for the new energy model to also be more accessible to all, thus favouring inclusiveness, equality, equity and social development.
- The desire is to promote this new model in collaboration with all involved players (including governments, institutions, companies, tertiary sector and citizenry in general) because this is a tremendous shared challenge to ensure the sustainable development of the societies in which we live.

This Corporate Purpose is aligned with the social dividend strategy, the principles of Sustainable Development, Corporate Social Responsibility, and thus the 2030 Agenda - Sustainable Development Goals of the United Nations.

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

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

This value expresses the commitment to:

- Responsibility
- Ethics
- Safety
- Transparency

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

This value expresses the commitment to:

- Diversity
- Dialogue
- Empathy
- Solidarity

- **Driving force:** the Iberdrola group makes small and large changes a reality in order to ease the life of people. And it performs this work while always seeking to continually improve, efficiently and with high self-imposed standards.

This value expresses the commitment to:

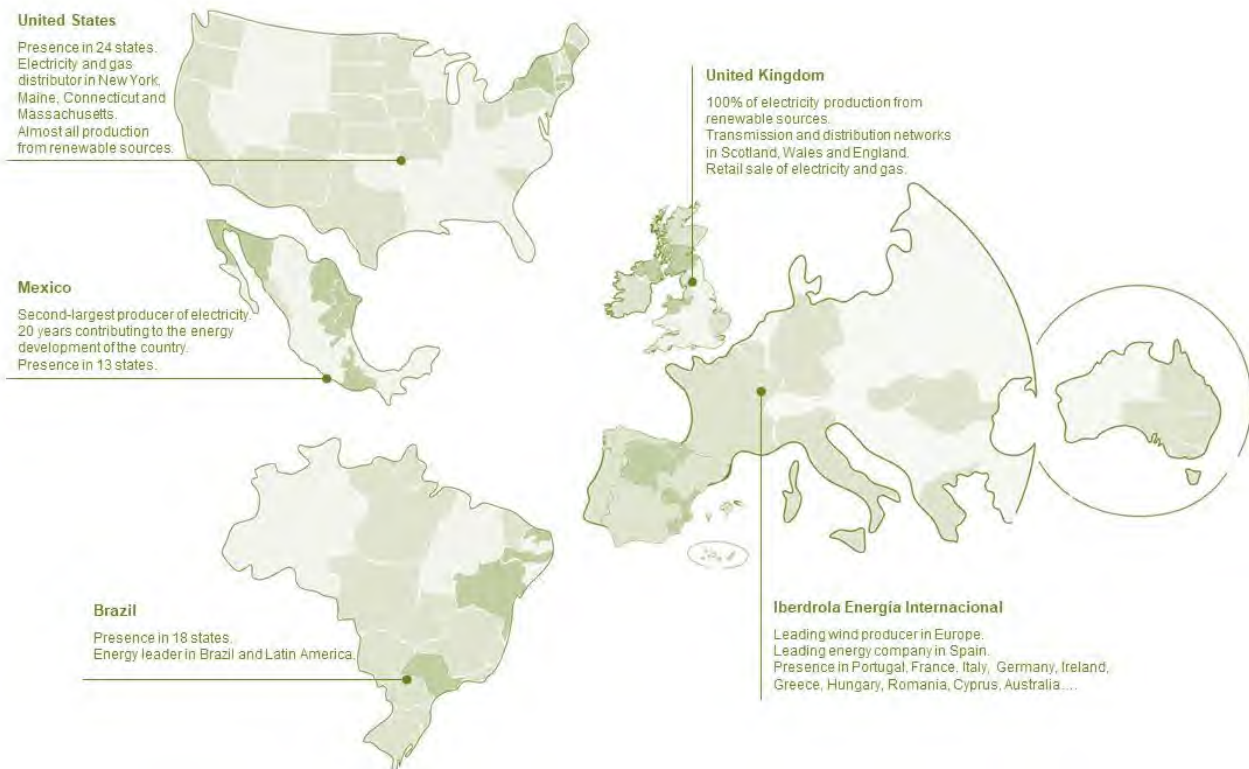
- Innovation
- Simplicity
- Agility
- Foresight

Presence and areas of activity

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Iberdrola and its subsidiaries and affiliates carry out their activities in almost thirty countries. The group concentrates a major portion of its activities in Spain, the United Kingdom, the United States, Brazil and Mexico; and also in Germany, Portugal, Italy, France, Ireland and Australia.

The following infographic shows the group’s principal areas of activity. Section “III.1 Scope of Information” of this report indicates the countries in which it operates, the activities performed in each of them and the criteria used to define the significance thereof.



Main products and services

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The main product that Iberdrola makes available to its customers is electricity (transmission, distribution, wholesale and retail), but the group also offers a broad array of products, services and solutions in the areas of:

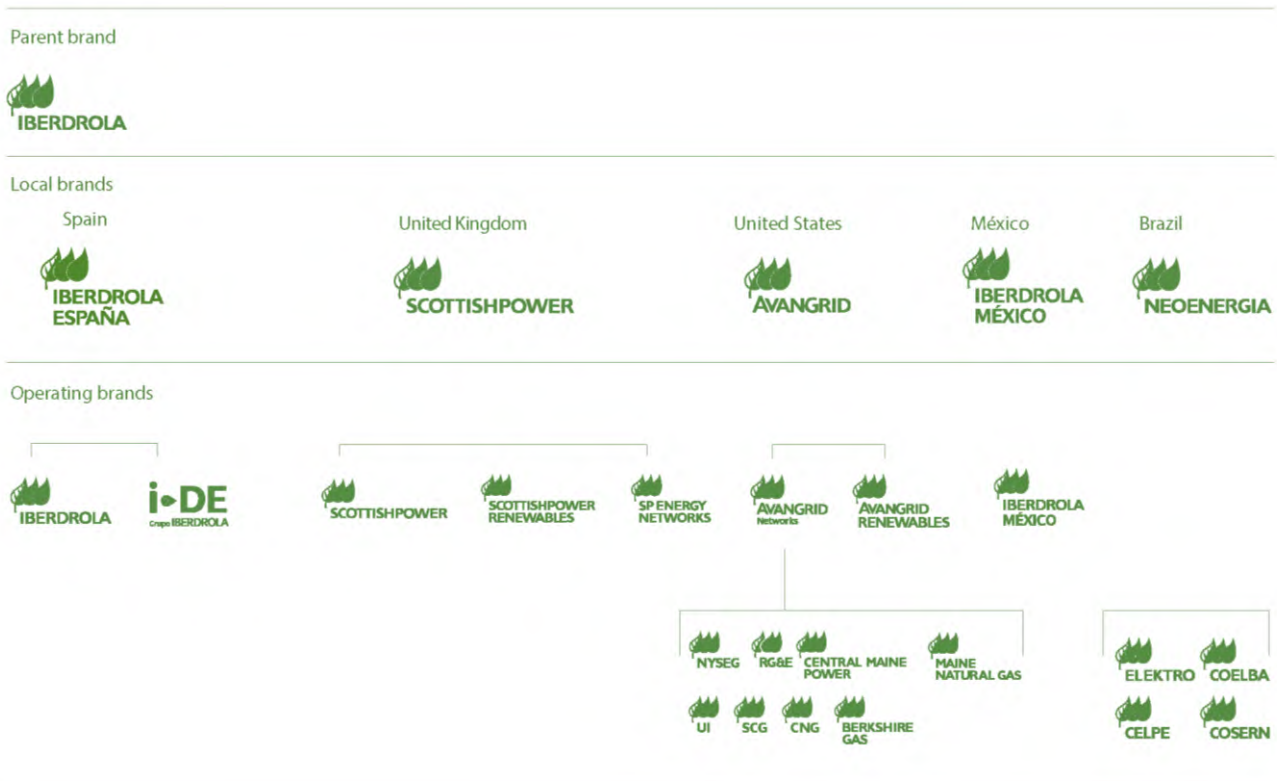
- Protection of the environment: renewable energy and sustainable mobility.
- Quality of electricity supply and safety of facilities.
- Distribution and sale of gas.
- Improvement in the consumer's quality of life, peace of mind and safety.
- Efficiency, digitisation and energy services.
- Assembly of electricity infrastructure.
- Comprehensive management of energy facilities and supplies.

The “Iberdrola” brand

The “Iberdrola” brand is a reflection of its corporate Purpose and Values (see the Purpose section of this chapter I.1), and is based on the company's strategy, which gives it credibility and strength. The brand attempts to convey the company's commitment to the sustainable creation of value for all of its Stakeholders, contributing to the development of the communities in which we do business and to the well-being of people, providing a high-quality service and offering environmentally-friendly, efficient and innovative energy solutions.

Iberdrola seeks to identify and adjust to the needs of each of the countries in which it does business. The company has used its experience in each market to strengthen its brand value, and beyond the location of the business, it has created a brand culture based on a global/local balance.

Iberdrola has the brand names listed in the table below at year-end 2019:



The table above shows the most important brands having the largest operational and market presence in each country. The company has other brands at the local and business level.

Key operating figures⁴

Installed capacity, production, networks and users

At year-end 2019, Iberdrola had 52,082 MW of total installed capacity, an increase of 11.5%, of which 32,042 MW are renewable.

EU1

Installed capacity by energy source (MW)

	2019	2018
Renewables	31,939	29,198
<i>Onshore wind</i>	16,787	15,569
<i>Offshore wind</i>	964	544
<i>Hydroelectric</i>	12,864	12,252
<i>Mini-hydro</i>	306	303
<i>Solar and others</i>	1,018	529
Nuclear	3,177	3,177
Gas combined cycle	8,377	7,474
Cogeneration	1,335	1,335
Coal	874	874
Total own installed capacity	45,702	42,058
Renewables	103	103
<i>Onshore wind</i>	103	103
Gas combined cycle	6,227	4,533
Total third-party installed capacity	6,380	4,636
Total	52,082	46,694

For its part, 76.8% of total own installed capacity is associated with emission-free technologies.

⁴ Operating figures include figures corresponding to partially owned and uncontrolled companies, applying the percentage interest.

Total production for the year was 151,714 GWh, showing growth of 4.2%:

EU2

Net electricity production by energy source (GWh)

	2019	2018
Renewables	59,074	61,474
Onshore wind	37,216	36,326
Offshore wind	2,211	1,642
Hydroelectric	17,941	22,415
Mini-hydro	618	670
Solar and others	1,088	421
Nuclear	23,737	23,535
Gas combined cycle	21,973	20,467
Cogeneration	8,897	8,020
Coal	349	1,637
Total own production	114,030	115,134
Renewables	227	279
Onshore wind	227	279
Gas combined cycle	37,457	30,192
Total third-party production	37,684	30,471
Total	151,714	145,605

Approximately 72.6% of own production is associated with emission-free technologies.

The following table shows the net output for 2019 broken down by country and technology type.

2019 net electricity production by technology and country (GWh)

	Spain	United Kingdom	United States	Brazil	Mexico		IEI
					Own	Third-party	
Renewables	22,190	4,640	17,480	10,674	1,424	227	2,665
Nuclear	23,738	0	0	0	0	0	0
Gas combined cycle	9,697	0	3	3,334	8,940	37,457	0
Cogeneration	2,586	0	3,477	0	2,834	0	0
Coal	349	0	0	0	0	0	0
Total	58,560	4,640	20,960	14,007	13,198	37,684	2,665

In 2019, 79.1% of production was achieved using local sources of energy⁵, as shown in the following table:

2019 production with local sources of energy (%)

Spain	78.4%
United Kingdom	100.0%
United States	66.7%
Brazil	100.0%
Mexico	76.1%
IEI	100.0%
Iberdrola group average	79.1%

At the end of financial year 2019, the companies of the group, as a whole, handled a total of 33.9 million users (33.6 in 2018). Of this total, 29.8 million users are of electricity, and the rest of the users are of gas. It should be noted that more than 85% are residential.

EU3 102-6

Electricity users (%)⁶

	2019	2018	2017
Residential	85.5	90.2	90.1
Industrial	1.0	0.9	1.0
Institutional	0.9	0.9	1.0
Commercial	10.7	5.9	5.8
Other	1.8	2.1	2.1
Total	100	100	100

Users who are producers (No.)

	2019	2018	2017
Users that are also producers of electricity	96,465	83,584 ⁷	72,073

⁵ All renewable and non-renewable sources available in the country, as well as nuclear fuel acquired from the Spanish company Enusa, are considered local sources of energy.

⁶ In 2019 there was a change in Spain in the classification between residential, commercial and industrial.

⁷ Data recalculated with respect to the data published in 2018.

The group operates more than 1.1 million kilometres of transmission and electricity distribution lines.

The following table shows the detail by type of line. Due to the nature of the electricity systems in each country, the voltage levels used to classify lines as transmission or distribution are different. In Brazil, the United States and in the United Kingdom, transmission lines are deemed to be those with a nominal voltage equal to or greater than 30 kV.

EU4

Power lines⁸ (Km)

	2019	2018	2017
Transmission			
Overhead	17,840	17,765	48,088
Underground	1,295	1,244	1,999
Total	19,135	19,009⁹	50,087
Distribution			
Overhead	979,926	962,940	911,474
Underground	192,452	191,723	195,050
Total	1,172,378	1,154,663	1,106,524
Total	1,191,513	1,173,672	1,156,611

During financial year 2019, the companies of the group produced electricity with a volume of 151,714 GWh, distributed 233,502 GWh of electricity, and supplied 122,083 GWh of gas.

Products or services provided

	2019	2018	2017
Net electricity production (GWh)	151,714	145,970	137,549
Electric power distributed (GWh)	233,502	233,435	230,151
Gas supplies to users (GWh)	122,083	126,341	122,010

⁸ Lengths of lines are calculated by circuit, regardless of the number of circuits for each power line. A double-circuit 5-km line is considered to be 10 km.

⁹ Since 2018 subtransmission in the United States and Brazil is recorded as distribution network. Until then it was recorded as transmission network.

Operations (locations of operation)

The Iberdrola group has identified more than 1,200 sites at which the company operates. In order to properly report on such a large number of them from the viewpoint of the disclosures required by the GRI Standards, rationalisation criteria have been used to address them; accordingly, the number of Iberdrola's locations of operation at year-end 2019 is deemed to be 158 for purposes of this report.

Detailed information on these locations and on the criteria used to define them can be found in Annex 1 Supplementary Information.

Employees

The group had 35,374 employees at year-end 2019, with the following breakdown by country.

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Employees¹⁰

	2019	2018	2017
Spain	9,587	9,822	10,296
United Kingdom	5,637	5,611	6,067
United States	6,597	6,449	6,561
Brazil	11,746	10,749	10,096
Mexico	1,291	1,112	944
IEI	516	335	291
Total	35,374	34,078	34,255

¹⁰ The figures in the table reflect the number of employees at year-end 2019, without distinguishing between full-time/part-time employees. To perform statistical analysis regarding labour costs, it is recommended to use the number of employees in terms of Full Time Equivalents (FTEs): 33,772 in financial year 2017, 33,747 in financial year 2018 and 35,120 in financial year 2019.

The distribution by types of employment and contract is reflected in the following table:

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Employees at year-end¹¹

		2019			2018			2017		
		Men	Women	Total	Men	Women	Total	Men	Women	Total
By employment type	Full-time	27,071	7,671	34,742	25,015	7,339	32,354	26,050	7,182	33,232
	Part-time	54	578	632	1,102	622	1,724	179	844	1,023
By type of contract	Permanent	26,890	8,180	35,070	25,840	7,890	33,730	26,073	7,965	34,038
	Temporary	235	69	304	277	71	348	156	61	217
Total¹²		27,125	8,249	35,374	26,117	7,961	34,078	26,229	8,026	34,255

Policies regarding subcontracted personnel are set out in the “Creation of employment and salaries” section of chapter II.1.

¹¹ The figures in the table reflect the number of employees at year-end 2019, without distinguishing between full-time/part-time employees. To perform statistical analysis regarding labour costs, it is recommended to use the number of employees in terms of Full Time Equivalents (FTEs): 33,772 in financial year 2017, 33,747 in financial year 2018 and 35,120 in financial year 2019.

¹² The high percentage of full-time permanent contracts, and low turnover, properly represent the average data on contracts at year-end.

Revenue, equity and assets

The main figures relating to turnover, value of assets and liabilities and composition of consolidated property, plant and equipment are the following:

Net sales (Net revenue) (€ millions)

	2019	2018	2017
Iberdrola consolidated total	36,438	35,076	31,263

Capital structure, broken down in terms of debt and equity (€ millions)

	2019	2018	2017
Equity of controlling company	37,678	36,582	35,509
Adjusted bank borrowings, net	37,769	34,149	32,856

Assets

	2019	2018	2017
Gross property, plant and equipment in operation	105,841	97,911	94,928
Accumulated amortisation and provisions	(42,392)	(39,394)	(37,627)
Property, plant and equipment in operation	63,449	58,517	57,301
Gross property, plant and equipment in progress	7,879	7,651	6,837
Provisions	(38)	(59)	(56)
Property, plant and equipment in progress	7,841	7,592	6,781
Iberdrola consolidated total assets	122,369	113,038	110,689

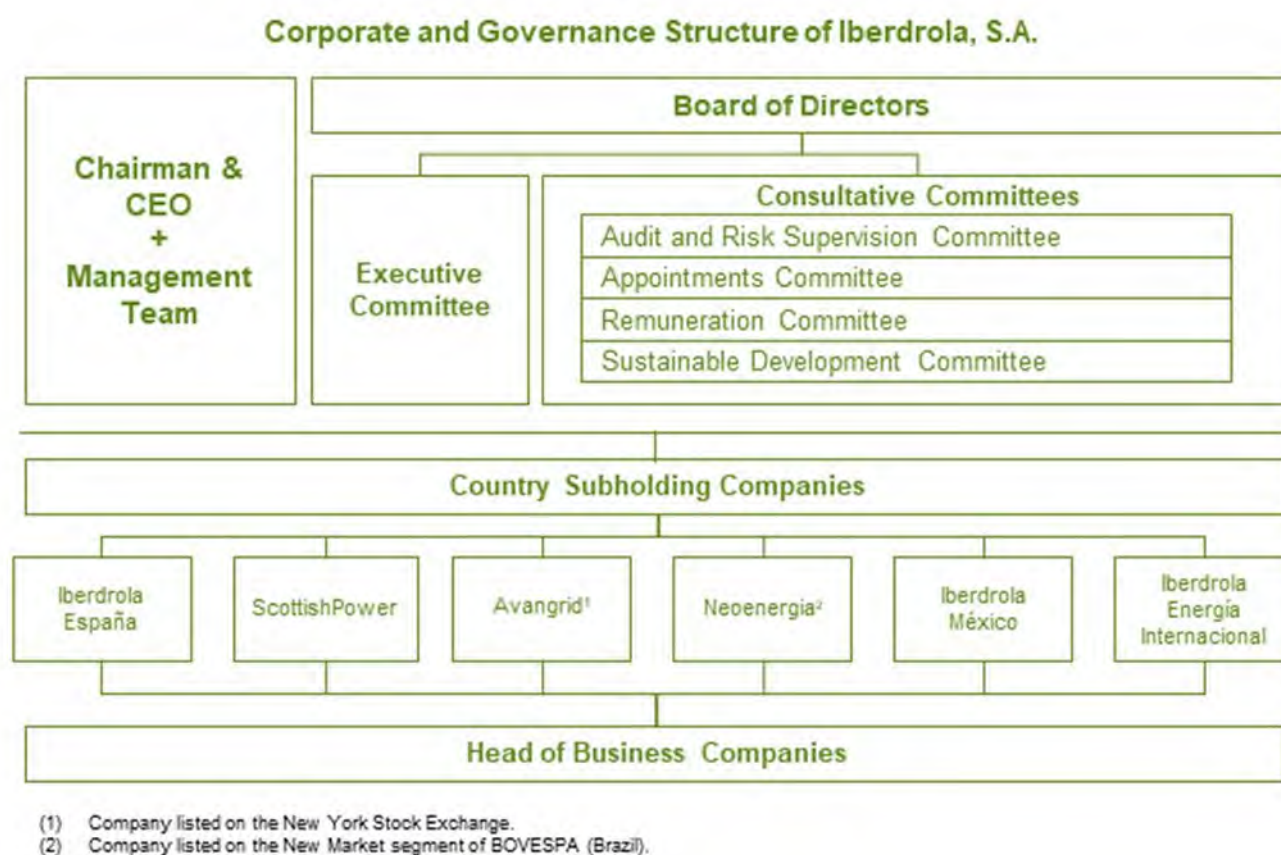
Information on the key figures by geographic area can be found in Annex 1 Supplementary Information.

Corporate and governance structure, ownership and legal form

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Iberdrola is a *sociedad anónima* (public limited company) organised under Spanish law.

The corporate and governance structure of the company and of the group, which forms an essential part of the company's [Corporate Governance System](#), is reflected in the following chart:



Such corporate and governance structure is defined on the grounds described below, which differentiate between the duties of day-to-day administration and effective management, on the one hand, and those of supervision and control, on the other:

- a) Vesting in the company's Board of Directors of powers regarding approval of the strategic goals of the group and the definition of its organisational model, as well as supervision of compliance therewith and development thereof.
- b) Assumption of the duty of organisation and strategic coordination within the group by the chairman

& CEO, with the technical support of the Operating Committee, by the Business CEO, with overall responsibility for all the businesses of the group, and by the rest of the management team.

- c) The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the Company has so decided. These entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the group does business. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies. One of the main functions of the country subholding companies is to centralise the provision of services common to the head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

Country subholding companies have boards of directors that include independent directors and their own audit committees, internal audit areas and compliance units or divisions.

Country subholding companies are responsible for disseminating, implementing and supervising the general strategy and the basic management guidelines at the country level.


The group's listed country subholding companies (currently Avangrid, Inc. and Neoenergia, S.A.) have a special framework of strengthened autonomy that covers regulatory matters, related-party transactions and management.

In particular, all transactions between the listed country subholding company and the subsidiaries thereof with the other companies of the group require approval by a committee of the Board of Directors of said country subholding company made up solely of directors not linked to Iberdrola.

The special framework of strengthened autonomy is implemented in the respective contracts signed by the Company with each listed country subholding company.

- d) The head of business companies of the group assume decentralised executive responsibilities, enjoy the independence necessary 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.

These head of business companies are organised through their respective boards of directors, which include independent directors where appropriate, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas and compliance units or divisions.



The corporate configuration and governance principles described above make up the corporate and governance structure of the group. This structure operates jointly with the group's Business Model (see chapter I.3 Business Model and Strategy), which seeks the global integration of the businesses and aims to maximise the operational efficiency of the various business units. It also ensures the dissemination, implementation and monitoring of the general strategy and of the basic management guidelines for each of the businesses, mainly through the exchange of best practices among the various companies of the group, without reducing the decision-making autonomy of each of them.

Within the group's corporate and governance structure, the Operating Committee is an internal committee of the company, the essential function of which is to provide technical, information and management support to the chairman & CEO, in order to facilitate the development of the group's business model.

Governance structure

Board of Directors

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As at 31 December 2019, Iberdrola's Board of Directors is made up of 14 members:

Board of Directors

Position	Director	Status	Nationality	Date of first appointment	Date of last appointment
Chairman & CEO	José Ignacio Sánchez Galán	Executive	Spain	21-05-2001	29-03-2019
Vice-chair	Inés Macho Stadler	Other external	Spain	07-06-2006	08-04-2016
Director	Íñigo Víctor de Oriol Ibarra	Other external	Spain	26-04-2006	08-04-2016
Director	Samantha Barber	Independent	United Kingdom	31-07-2008	08-04-2016
Director	María Helena Antolín Raybaud	Independent	Spain - France	26-03-2010	29-03-2019
Director	Georgina Kessel Martínez	Independent	Mexico	23-04-2013	13-04-2018
Director	Denise Mary Holt	Independent	United Kingdom	24-06-2014	29-03-2019
Director	José W. Fernández	Independent	United States	17-02-2015	29-03-2019
Director	Manuel Moreu Munaiz	Independent	Spain	17-02-2015	29-03-2019
Director	Xabier Sagredo Ormazá	Independent	Spain	08-04-2016	29-03-2019
Lead independent director	Juan Manuel González Serna	Independent	Spain	31-03-2017	31-03-2017
Director / Business CEO	Francisco Martínez Córcoles	Executive	Spain	31-03-2017	31-03-2017
Director	Anthony L. Gardner	Independent	United States	13-04-2018	13-04-2018
Director	Sara de la Rica Goiricelaya	Independent	Spain	29-03-2019	29-03-2019

Secretary (non-member): Julián Martínez-Simancas Sánchez.

Deputy Secretary (non-member): Santiago Martínez Garrido.

Legal Counsel (non-member): Rafael Mateu de Ros Cerezo.

The composition of the Board of Directors is shown below:

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Composition of the Board of Directors

		2019		2018		2017	
		No.	%	No.	%	No.	%
By gender	Men	8	57	9	64	9	64
	Women	6	43	5	36	5	36
By age group	Between 31 and 50 years old	1	7	2	14	2	14
	Over 51 years old	13	93	12	86	12	86
Total		14	100	14	100	14	100

Executive Committee

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The Executive Committee has all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions.

The core activities of this Committee consist of assisting the Board of Directors in the ongoing supervision of the implementation of the strategy, compliance with objectives and the governance model and submitting proposals to the Board of Directors or making decisions in urgent cases regarding all strategic issues, investments and divestitures that are significant for the company or its group, assessing their alignment with the budget and the strategy of the company, and analysing and monitoring business risks, taking into consideration the environmental and social aspects thereof.

Executive Committee

Position	Director	Status
Chairman	José Ignacio Sánchez Galán	Executive
Member	Inés Macho Stadler	Other External
Member	Manuel Moreu Munaiz	Independent
Member	Samantha Barber	Independent

Secretary (non-member): Julián Martínez-Simancas Sánchez.

Chairman & CEO

The chairman of the Board of Directors is also the chief executive of Iberdrola. At the General Shareholders' Meeting held on 29 March 2019, the shareholders approved the re-election of the chairman & CEO by a large majority. Such proposal was supported by two reports: one prepared by a prestigious independent expert (PricewaterhouseCoopers Asesores de Negocios, S.L.) and the other by the Board of Directors itself. It was also favourably reported upon by the Appointments Committee.

The initiative for this proposal was led by the lead independent director, who held meetings with the non-executive directors, who unanimously proposed the re-election of the chairman & CEO. By virtue thereof, the Board of Directors prepared the corresponding proposed resolution for the General Shareholders' Meeting on the following basis:

- The positive evaluation of the performance of the chairman & CEO during his entire term, his strategic vision and management capacity, demonstrated in the financial and non-financial results of the Company.
- His decisive role in the preparation of Iberdrola's 2018-2022 Strategic Plan, which is supported by the shareholders and is already generating results in its second year of application.
- The decentralised corporate structure of the Iberdrola group, which allows for the global integration of the Businesses, achieving maximum operational efficiency and ensuring the efficient implementation and supervision of the general strategy, the main management guidelines and best practices.
- The existence of efficient governance bodies that have strong and appropriate checks and balances mechanisms, all clearly defined and described in the Company's Corporate Governance System. In particular:

- A high level of independence of the Board of Directors and its committees compared to comparable entities at the global level and to the local market.
- The continuous refreshment of the composition of the Board of Directors with highly qualified members, each of whom contributes the skills required to drive forward Iberdrola's long-term strategy.
- The permanent commitment of Iberdrola's Board of Directors to maintaining an active and constructive dialogue with all of its Stakeholders in order to explain its strategy and activities.
- The existence of a vice-chair and a lead independent director with clear and strengthened powers, including participation in planning the schedule and the agendas for the meetings of the Board of Directors, maintaining ongoing contacts with the shareholders, and leadership in evaluating the performance of and the process of succession for the chairman & CEO.

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The company also has a Business CEO, who has been specially appointed by the Board of Directors, with responsibility for all the Businesses of the group in order to support the chairman & CEO (together with the management team) in the function of strategic organisation and coordination of the group. In addition, the company has a structure of executives and employees authorised to implement its strategy and basic management guidelines, with powers provided under two operating principles: (i) the principle of joint action, which governs the exercise of the powers that are of a decision-making or organisational nature; and (ii) the principle of solidarity, which governs the exercise of powers of mere representation.

Furthermore, the group has *Internal Rules on Powers of Attorney* which generally define the system for representational powers of the group, which is governed by the principle of several representatives, pursuant to which each company will appoint its representatives from among its own employees rather than from the employees of another company of the group, and by the establishment of limitations on time, quantity and the substitution of powers, among others.

Consultative Committees

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These are permanent internal informational and consultative bodies within the Board of Directors, without executive powers, with informational, advisory and proposal-making powers within their scope of activity.

- **Audit and Risk Supervision Committee.** Performs duties relating to the supervision of the internal audit function, the review of the internal control and risk monitoring systems, the process of preparing the economic and financial information, the auditing of accounts and compliance, all upon the terms established in its [Regulation](#).

Audit and Risk Supervision Committee		
Position	Director	Status
Chairman	Xabier Sagredo Ormaza	Independent
Member	Georgina Kessel Martínez	Independent
Member	Denise Mary Holt	Independent
Member	José W. Fernández	Independent

Secretary (non-member): Rafael Sebastián Quetglas.

- **Appointments Committee.** Performs duties relating to the selection, appointment, re-election and cessation in office of the company's directors and senior officers upon the terms established in its [Regulation](#)

Appointments Committee		
Position	Director	Status
Chair	María Helena Antolín Raybaud	Independent
Member	Iñigo Víctor de Oriol Ibarra	Other external
Member	Anthony L. Gardner	Independent

Secretary (non-member): Iñigo Gómez-Jordana Moya.

- **Remuneration Committee.** Performs duties relating to the remuneration of the company's directors and senior officers upon the terms established in its [Regulations](#).

Remuneration Committee		
Position	Director	Status
Chairman	Juan Manuel González Serna	Independent
Member	Inés Macho Stadler	Other external
Member	Manuel Moreu Munaiz	Independent

Secretary (non-member): Rafael Mateu de Ros Cerezo.

- **Sustainable Development Committee.** Performs duties relating to the revision and update of the Corporate Governance System and supervision of the sustainable development policies: human resources, equal opportunities, occupational health and safety, stakeholder relations, respect for human rights, sustainability, etc., upon the terms established in its [Regulations](#).

Sustainable Development Committee		
Position	Director	Status
Chair	Samantha Barber	Independent
Member	Iñigo Víctor de Oriol Ibarra	Other external
Member	Sara de la Rica Goiricelaya	Independent

Secretary (non-member): Fernando Bautista Sagüés

For more detailed information regarding the composition, operation and activities carried out by the governance bodies of the company, see the [Activities Report of the Board of Directors and of the Committees thereof](#) for financial year 2019.

Beneficial ownership

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At 31 December 2019, the company's share capital totalled 4,771,554,000 euros, represented by 6,362,072,000 shares of the same class and series, each having a nominal value of 0.75 euro. All shares give the holders thereof the same rights. The approximate distribution of equity interests is as follows:

- Foreign institutional investors 69.70%
- Domestic institutional investors 7.74%
- Retail shareholders 22.56%

No shareholder holds a controlling interest in the equity structure of the company. Below is a table showing those shareholders who hold a significant interest¹³ in the equity of Iberdrola or in the voting rights during the last three financial years.

Significant shareholders and percentage of direct and indirect voting rights (%)

	31/12/2019	31/12/2018	31/12/2017
Qatar Investment Authority	8.69	8.65	8.57
BlackRock, Inc.	5.16	5.13	3.03
Norges Bank	3.43	3.33	3.21
Capital Research and Management Company	N/A	N/A	3.10

As at the date of preparation of this report, the share capital of Iberdrola, S.A. totals 4,840,194,000.00 euros and is made up of 6,453,592,000 shares, each having a nominal value of 0.75 euro, which are fully subscribed and paid up.

¹³ Defined according to Royal Decree 1362/2007 and Circular 2/2007, of 19 December, of the National Securities Market Commission.

I.2. Iberdrola's Contribution to the Sustainable Development Goals

- Introduction
- Commitment to the SDGs
- Our main focus: SDGs 7 and 13
- Main objectives and actions in 2019 that contribute to the SDGs

Introduction

In September 2015, the Member States of the United Nations adopted 17 Sustainable Development Goals (hereinafter, SDGs) as part of the 2030 Agenda for Sustainable Development. These goals are designed to, among other things, end all forms of poverty, fight inequalities and injustice and tackle climate change.

The success of the Agenda will be the result of the collaborative efforts of all of society. Companies have been included in this process for the first time, in their role as promoters of innovation and engines for economic development and employment. Strong and visionary business leadership is essential for achieving the necessary transformation that the SDGs require.

Iberdrola recognises that the SDGs offer a new vision that allows us to translate global needs and desires into solutions. They propose a new viable model for long-term growth and will contribute to companies developing more solid strategies. The integration of the SDGs into business plans strengthens the identification and management of material risks and opportunities and costs, the creation of and access to new markets, and innovation in the business models - making them more efficient and thus aligning the strategy and expectations of the company with its employees, customers, suppliers and investors and the communities in which it operates.

SUSTAINABLE DEVELOPMENT GOALS



References to SDGs in this Report

This report is a compendium of the annual performance of the company in the area of sustainable development, of its strategy in this regard, and of the principal activities and projects undertaken.

To facilitate an analysis from the viewpoint of its contribution to the 2030 Agenda, it is important to establish a relationship between the activities that Iberdrola describes throughout this report and the various SDGs that are furthered by the performance thereof. Therefore, the SDGs to which the company contributes are identified in each section, based on the mapping made by the tool *SDG Compass. The guide for business action on the SDGs*, as well as the recent document published by GRI and the UN Global Compact “*GRI-UNGC Business Reporting on SDGs. An Analysis of Goals and Targets*”, but only including those SDGs to which the company believes it makes a significant contribution.

Annex 2 provides more detailed information regarding Iberdrola’s contribution to the SDGs and related goals, as well as the related GRI disclosures and the pages on which the corresponding performance information can be found.

Commitment to the SDGs

Based on ongoing dialogue with its Stakeholders, and aware of the clear economic, social and environmental impact of all of its activities, Iberdrola frames its business activities primarily with reference to its Purpose and Values and respect for Human Rights. It thus promotes initiatives that contribute to achieving a more just, egalitarian and healthy society, and particularly the achievement of the SDGs, especially those relating to universal access to electricity (goal 7) and the fight against climate change (goal 13), but also others like the promotion of innovation, the development of education, the protection of biodiversity, gender equality, and particularly the empowerment of women, as well as the protection of disadvantaged groups.

Therefore, Iberdrola has linked its business strategy to the SDGs since the definition thereof, and in 2018 revised its Corporate Governance System by formalising and further developing the company’s contribution to the SDGs as part of the corporate philosophy.

The SDGs thus inspire or are included as a fundamental element in the following areas:

- By-Laws
- *Purpose and Values of the Iberdrola group and Code of Ethics*
- Corporate governance and regulatory compliance policies
- Sustainable development policies
- Governance rules of corporate decision-making bodies and of other functions and internal committees

Ultimately, it is an attempt to cause all Stakeholders to participate in the social dividend generated by the company's activities, or shared value, which is the sum of all the economic, social and environmental impacts that a company generates through its activity, within the environment in which it does business.

It should be noted that, among the various corporate policies that have been approved, those relating to sustainable development are intended to ensure the alignment of all conduct of the group with the bylaw-mandated commitment of the company to the social dividend and to the SDGs, as provided in the General Sustainable Development Policy.

This policy sets out the general principles and provides the basis for governing the group's sustainable development strategy. The goal is to ensure that all its corporate activities and businesses are carried out while fostering the sustainable creation of value for society, citizens, customers, shareholders and the communities in which the group is present, equitably compensating all groups that contribute to the success of its business enterprise, with a long-term vision that achieves a better future without compromising present results, favouring the achievement of the SDGs and rejecting actions that contravene or hinder them.

It should be noted that the company's commitment to contribute to the SDGs is supervised by the governance bodies. Thus, the Sustainable Development Committee of the Board (the composition and duties of which are described in the "Corporate governance" section of chapter II.7) is vested with the power to, among other things, "*Monitor the group's contribution to the achievement of the SDGs*".

Furthermore, given the cross-sectional nature of the SDGs within the group, Iberdrola has an SDG Advisory Committee, a multidisciplinary team that meets on a quarterly basis in order to review the actions taken by Iberdrola and analyse the alignment thereof with the SDGs, in addition to proposing new challenges and encouraging actions that help to achieve the fixed goals. The SDG Advisory Committee held 6 meetings during 2019.

Activities to raise awareness of the SDGs

Iberdrola wants to disseminate and raise the awareness of its employees regarding the importance of achieving the SDGs, and of the capacity of each of their activities, as a company and as individuals. These activities include:

- Making available to all employees a training course on the SDGs, prepared in collaboration with Unesco. This course will serve as the basis for a new online orientation course made available to all new hires.
- Communication and promotion of a campaign called “The SDGs and Me”, which defines each of these Goals, Iberdrola’s position and the activities that each person can perform in their daily life to improve them.
- At the internal communication level, the various notices included in the intranet have a graphical link to the SDGs.
- Various social campaigns defining their link to the SDGs have been launched.
- All volunteering campaigns, as well as the social contributions made by the group and its foundations, have been linked to the SDGs they seek to improve.

Our main focus: SDGs 7 and 13

Iberdrola focuses its efforts on the SDGs where its contribution is most significant: the supply of accessible and non-polluting energy (goal 7) and climate action (goal 13). This commitment forms part of its governance model and of the company’s management, and is formalised in goals that are tied to the remuneration of the management team: the shareholders at the 2017 General Shareholders’ Meeting approved the linkage of the long-term incentive plan to contribution to achievement of these two Goals. For its part, the Board of Directors has proposed to the shareholders at the 2020 General Shareholders’ Meeting a new long-term incentive plan (Strategic Bonus 2020-2022) both linked to the economic and finance performance (evolution of Net profit, the Financial Strength and Total Shareholder Profitability), and to the UN 2030 Agenda and the Sustainable Development Goals (SDGs). Related to that, these objectives are referred to the fight against climate change, the drive for sustainability in the supply chain and to the commitment with the salary equality between men and women, that contributes to SDGs 3, 5, 6, 7, 13, 14 and 15.

The following tables show the disclosures in this report where it can be seen how the company contributes to the achievement of these two goals and their related aspirations.



Goal 7: Affordable and sustainable energy

Ensure access to affordable, reliable, sustainable and modern energy for all

Goal for the “Electricity for All” programme: bring electricity to 16,000,000 million people who today lack access to this energy source by 2030.

The *Electricity for All* programme is Iberdrola’s response to the call of the international community to extend universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. It is intended to ensure access to electricity in emerging and developing countries and to protect vulnerable customers in the developed countries in which are present.

Since the launch of the *Electricity for All* programme in January 2014, we have contributed to 7 million people benefiting from access to electricity through projects carried out, mainly in Latin America and Africa, meeting our 2020 commitment two years in advance.

Commitment to renewables. Iberdrola, a world leader in renewable energy, commits to the decarbonisation of the economy, which means electrification and the encouragement of renewable technologies, increasing renewable installed capacity. At year-end 2019 Iberdrola had approximately 32,000 MW, adding more than 2.7 GW during the 2018-2019 period.

Goal of the 2030 Agenda (SDGs)	GRI Indicator	Description	Pag.
7.1.- By the year 2030, guarantee universal access to affordable, reliable and modern energy services.	Own indicator	Number of beneficiaries of the <i>Electricity for All</i> programme	271
	Shift indicator C070101 from SDG EU26	Proportion of population of distribution zones with access to electricity	270
	EU28	Power outage frequency	247
	EU29	Average power outage duration	248
7.2.- By 2030, increase substantially the share of renewable energy in the global energy mix.	Own indicator	Installed capacity from renewable sources (MW or %)	22
	Own indicator	Power produced from renewable sources (MWh or %)	23
	302-1	Energy consumption within the organization	190
7.3.- By 2030, double the global rate of improvement in energy efficiency.	302-4	Reduction of energy consumption	192
	302-5	Reductions in energy requirements of products and services	195
	EU30	Average plant availability	109
7.a.- By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology. 7.b.- By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programmes of support.	Own indicator	Amount allocated to R&D (€M)	262



Goal 13: Climate action

Take urgent action to combat climate change and its impacts

The group recognizes the seriousness of the threat that global warming entails, which must be faced in a coordinated manner with governments, multilateral agencies, the private sector and society. The company thus undertakes to assume a position of leadership in the fight against climate change and to assume the following principles of conduct: i) prevent pollution by reducing the intensity of greenhouse gas emissions, ii) promote electrification, efficiency and smart grids, iii) support international negotiations and the participation of the private sector, iv) advocate for an emissions market that generates a strong and sustainable price signal, and v) support a tax system that includes the “polluting party pays” principle.

Iberdrola has set the goal of reaching global carbon neutrality by 2050 and expects its emissions intensity in Europe to be practically zero by 2030.

It has also set a goal of reducing greenhouse gas (GHG) emissions of absolute scope 1, 2 and 3, which has been approved by the Science-Based Target initiative.

The company has committed to maintaining its position as one of the leading European companies with the lowest CO₂ emissions per kWh produced, and to achieve this by focusing its efforts on reducing the intensity of greenhouse gases, promoting renewable technology and increasing efficiency.

Policy, memberships, awareness-raising and reporting

The company has a [Policy against Climate Change](#), in which there is a commitment to supporting the necessary international conventions, encourage the development of technology, and promote efficient energy use and responsible consumption. It has also endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), created by the Financial Stability Board (FSB), the objective of which is transparency regarding risks associated with climate change. Iberdrola has a section of its website called [Against Climate Change](#), as well as a section of this report (Iberdrola section and the TCFD in chapter I.3) to show the actions taken in this area. In 2016 Iberdrola included a *Plan for Raising Social Awareness on Climate Change* as an additional focal point for its climate change actions, with initiatives aimed at different audiences And an *Introduction to climate change* course continues to be available to all employees as a virtual training initiative.

Goal of the 2030 Agenda (SDGs)	GRI Indicator	Description	Pag.
13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change 13.1.- Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	302-1	Proportion of energy consumption derived from renewable energy.	190
	302-4	Reduction of energy consumption (efficiency).	192
	302-5	Energy savings of green products and services.	195
	305-1	Direct GHG emissions. Scope 1 (per GHG Protocol)	199
	305-2	Indirect GHG emissions. Scope 2 (per GHG Protocol)	201
	305-3	Other indirect GHG emissions. Scope 3 (per GHG Protocol)	202
	EU30	Average plant availability	109
	Own indicator	Installed capacity from renewable sources (MW or %)	22
	Own indicator	Power produced from renewable sources (MWh or %)	23
	201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	70
13.3.- Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Own indicator	Awareness-raising activities regarding climate change and renewable energy	71

Main objectives and actions in 2019 that contribute to the SDGs

The following table lists some of the more significant goals relating to the SDGs as well as Iberdrola's main activities during 2019 and indicators measuring the Iberdrola group's contribution:

SDGs and related targets	Iberdrola's main actions and achievements 2019
 <p>1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p> <p>1.5 Reduce exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters</p>	<p>Actions and achievements:</p> <ul style="list-style-type: none"> • Contribution of more than 15 million euros at the group level to initiatives intended to improve the quality of life of vulnerable groups, along with Iberdrola's foundations. • Launch of the Iberdrola Social Programme 2020 by Fundación Iberdrola España. 33 projects in collaboration with 47 entities in the 2019 call, benefiting 85,000. 42% is allocated to avoiding situations of poverty and exclusion, prioritising the fight against infant poverty. • At ScottishPower, the ReachingWider association focuses on higher education for vulnerable people in Wales. And Bendrigg Trust is an outdoor education centre for disabled people at its Adventure for all project. • Rainn: an Avangrid project committed to protecting vulnerable people.
 <p>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p>	<p>Goal: Voluntary contributions of consumer staples by the group's employees, thus contributing to alleviating the situation of social exclusion and poverty of many persons</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Iberdrola has gathered more than 20,400 kilos of food at its work centres thanks to 'Operation Kilo', a programme launched in 2012. The more than 6 tons of food contributed by the employees have been distributed to various families through social organisations in Spain, Mexico, the UK and Brazil. • Encouragement of volunteering activities to distribute food to families in situations of vulnerability, soup-kitchens, etc.



3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

3.6 Halve the number of global deaths and injuries from road traffic accidents

3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination

Goal: Reduce the accident rate (accidents involving own personnel) by 10% over the average of the last 5 years.

Actions and achievements:

- Improve the Global Occupational Safety and Health System, which is aligned with the [Occupational Safety and Health Policy](#) and the strictest international standards.
- Health and safety measures for contractors through training programmes and in-sourcing of work and personnel.
- ScottishPower has created a team to coordinate actions with Cancer Research, helping to raise awareness regarding the treatment of this disease. More than 86,000 customers were already signed up in Spain in 2019.
- 0-accident plan in Brazil 2019/2020 in order to reduce the accident rate among employees.



4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development

Goal: Exceed the ratio of training hours received per employee over that of comparable companies.

Actions and achievements:

- Develop continuous training plans for employees, monitoring compliance therewith.
- **54.86 hours of training per employee trained in 2019, a 21.3% increase over 2018.**
- Millions of euros of investment in the scholarship and research grant programme for the 2019-2020 academic year.
- Iberdrola U: Programme with 8 universities focused on strengthening the company's link to the academic world and allowing a connection between more than 290,000 members of the academic world.
- Celebration in 2019 of *The World's Largest Lesson*, an initiative of Project Everyone and UNICEF to generate a space for dialogue in class, where inspiration and collaboration become actions that allow youth to open their eyes to the global situation and achieve a social impact.
- **ODS al Cole (SDGs to School), an initiative for teaching about the SDGs at secondary schools with talks given by employees of the company.** Some 3,500 children have already received training at various educational centres in Spain.



5.1 End all forms of discrimination against all women and girls everywhere

5.4 Promote shared responsibility within the household and the family

5.5 Ensure women's full and

effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

5.c. Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

Goal: Promotion of women to important positions

Actions and achievements:

- **Only European utility selected in all years of the Bloomberg Gender-Equality Index (GEI)**, in recognition of its equal opportunity and gender policies
- The Iberdrola group has an *Equal Opportunity and Reconciliation Policy* that includes measures to solidify the reconciliation of work and personal life.
- Campaign against gender violence, in collaboration with the Ministry of the Interior.
- Ratification of the UN Women's Empowerment Principles.
- Iberdrola, with 43%, has the highest percentage of women on its Board of Directors compared to Ibex-35 companies.
- **Support for female sports. Women's Universe (*Universo Mujer*) programme in partnership with the Higher Council for Sport (*Consejo Superior de Deportes*), promoting female sports within 16 Spanish federations.**



6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

6.5 Implement integrated water resources management at all levels

6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

Goal: In its position as one of the utilities with the best water productivity (water utilised/revenue), Iberdrola commits to maintaining this indicator 50% below the European average for the sector in the coming 5 years.

Actions and achievements:

- Join the United Nations' CEO Water Mandate to encourage sustainable practices in the use of water.
- **It has been part of CDP Water since its first edition.**
- Improve the management of the hydraulic sub-footprint and of the environmental management systems: first study of Iberdrola' water footprint.



7.1 Ensure universal access to affordable, reliable and modern energy services

7.2 Increase substantially the share of renewable energy in the global energy mix

7.3 Double the global rate of improvement in energy efficiency

7.a Enhance international cooperation to facilitate access to clean energy research and technology and promote investment in energy infrastructure and clean energy technology

7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries

Goal: By 2030, achieve access to energy for 16,000,000 people who previously lacked it, within the framework of the *Electricity for All* Programme.

Goal: increase renewable installed capacity during 2019, with the start-up of an additional 2,600 MW.

Actions and achievements:

- Procedures to protect customers in situations of vulnerability: covers 100% of vulnerable customers in Spain. *Warm Home Discount* and *Price Cap* programme in the United Kingdom. *Operation Fuel* in Connecticut (United States).
- **Iberdrola had approximately 32,000 MW of installed renewable capacity at year-end 2019, an increase of close to 9.4% for the year.**
- Offer of 100% renewable energy for customers in Spain with the "Customised Plans" and "Smart Solar"
- **ScottishPower, only 100% renewable electric company in the United Kingdom.**
- Energy efficiency: more than 65 million tons of CO₂ emissions avoided during the last 3 years.
- Fernando de Noronha Zero Carbon Project in Brazil.
- III Iberdrola Solidarity Awards, in recognition of projects ensuring universal access to accessible, reliable and modern energy services.



8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation

8.4 Improve progressively global resource efficiency in consumption and production

and endeavour to decouple economic growth from environmental degradation

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

Goal: Maximisation of issues in the green finance market and promote a stable working environment.

Actions and achievements:

- More than 34,200 direct jobs.
- Approximately 400,000 direct, indirect and induced job positions throughout the world¹⁴.
- €8,716 million in purchasing volume in 2019.
- More than €8,000 million in tax contributions.
- More than €31,100 million of GDP impact in the countries in which the group does business.
- Iberdrola continues to be the largest corporate issuer of green bonds in the world.
- Digital transformation applied to the businesses: big data, virtual reality and artificial intelligence.
- In Brazil, Neenergia has offered 64 scholarships for students to work at the distributor, including assistance for food, transportation and medical and life insurance.

¹⁴ PwC study "Economic, social and environmental impact of Iberdrola worldwide" (based on 2018 data).



9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including by encouraging innovation and substantially increasing the number of research and development workers

Goal: Development of the Innovation and Digitisation Programme.

Actions and achievements:

- **280 million euros in R&D in 2019 (most innovative Spanish utility, second most innovative in Europe and third most innovative in the world)¹⁵**
- 85 innovation projects between 2018 and 2019.
- World leader in smart grids, currently developing the STAR+ project
- Development of the smart grid projects *Smart City* (Atibaia) in Brazil and *Smart Community* (Ithaca) in the United States.
- Development of new products for customers based on Data Analytics (Energy Wallet, Custom Plans) and development of new apps.
- Develop projects to improve management of the grids in distributed generation scenarios, like the *Alois* project in Spain and *Fusion* project in the United Kingdom.
- Iberdrola has completed a project in Spain that will contribute to accelerating the decarbonisation process by showing with blockchain technology that the energy supplied and consumed by the customer is 100% renewable.



10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

Goal: Foster diversity and the social inclusion of vulnerable groups through the corporate volunteer programme and the social welfare projects of the foundations.

Actions and achievements:

- A total of 7,489 volunteers worldwide participated in the company's Corporate Volunteering Programme.
- Ensure equality of opportunities within the workforce through talent management.
- Model for management of impacts on human rights issues in relation to local communities.
- III Edition of the Iberdrola Awards for Solidarity, given to entities that fight for the equality and integration of the most vulnerable people.
- Since the implementation of its Social Programme, the company has promoted more than 350 social initiatives in Spain, helping a total of 335,000 people.

¹⁵ Based on classification by the European Commission



11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations,

women, children, persons with disabilities and older persons

11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Goal: Installation of 25,000 recharging stations for electric vehicles by 2021 through the Sustainable Mobility Plan, with initiatives aimed at employees, companies, customers and suppliers.

Actions and achievements:

- **Employee incentives to buy electric vehicles and availability of electric vehicles from the corporate fleet.**
- Electric vehicle fleet available to employees.
- LEED (Leadership in Energy & Environmental Design) certification, Gold Category, for the Iberdrola Campus, achieved within the planned deadlines.
- Illumination Programme of the Foundations, the goal of which is promote the recovery of artistic heritage and improve the interior and/or exterior illumination of unique buildings through collaborations with entities and institutions.



12.2 Achieve the sustainable management and efficient use of natural resources

12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Goal: We commit to a sustainable value chain, evaluating our suppliers with a new model seeking excellence and continuous improvement.

Actions and achievements:

- Energy efficiency plans at the corporate buildings.
- Almost 80% of energy production is carried out using local sources of energy available in the country where the electricity is generated.
- We stimulate the local economy: in 2019 89% of purchases were from local suppliers.
- **First Ibex-35 company to certify its General Shareholders' Meeting as a sustainable event in 2016, in accordance with international ISO 20121 standard, and first to renew this certificate in 2019.**
- Publication of Sustainability Report since 2004 and specific sustainability website.
- Active awareness-raising on the circular economy.



13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Goal: achieve a 50% reduction in the intensity of CO₂ emissions by 2030, as compared with the emissions of 2007; and be carbon-neutral by 2050. Also provides for its emissions intensity in Europe to be practically zero by 2030.

It has also set a goal of reducing greenhouse gas (GHG) emissions of absolute scope 1, 2 and 3.

Actions and achievements:

- Stimulate climate action activities at the **Climate Change Conference (COP25)** held in Madrid and other related events.
- Emission reduction targets approved by the Science Based Target initiative (SBTi).
- **Zero carbon communities:** ScottishPower project that describes the commitments to local communities to achieve the Net Zero goals in the United Kingdom with different goals scheduled through 2050.
- Collaboration with the World Business Council for Sustainable Development (WBCSD) on a report on disclosure of climate-related financial information aligned with the Task Force on Climate-related Financial Disclosures (TCFD).
- CO₂ emissions 65.5% less than the average for the European electricity sector (continental Europe, 2018).
- Plan to close the last two coal plants in Spain.
- *Plan for Raising Social Awareness on Climate Change*, with initiatives aimed at different audiences.
- Visits to energy classrooms: Whitelee received more than 84,000 visitors last year.



14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve

healthy and productive oceans.

Goal: Preserve marine ecosystems through innovative measures in the construction and operation of offshore wind farms.

Actions and achievements:

- Installation of noise mitigation systems for mammals in the construction and relocation phase and/or respect biotopes for the preservation of marine life.
- Regular studies of environmental impact on the area to monitor and conserve the habitat.
- Visual impact studies in the construction of new offshore wind farms.
- Insulation of subsea cables to avoid increasing temperature in the Baltic sea.
- Awareness-raising campaign to avoid the use of single-use plastics.



15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands.

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species

Goal: Adjustment of 234,000 pylons at distribution lines to protect birds from electrocution between 2018 and 2025 (Aleteo project).

Actions and achievements:

- Participation in Natural Capital's working group with companies in the industry.
- Biodiversity protection programmes.
- **AENOR Corporate Environmental Footprint certificate.**
- 26,400 pylons have already been replaced by year-end 2019, with an investment of €33 million.
-



16.5 Substantially reduce corruption and bribery in all their forms.

16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

legislation and international agreements

Goal: Renewal of ISO 37001 and UNE 19601 certifications regarding the anti-bribery and compliance management system in 2019.

Actions and achievements:

- **Inclusion for the sixth consecutive year on the list of the World's Most Ethical Companies of the Ethisphere Institute (United States)**, regularly reviewed and updated.
- *Expansión* Award to the company with best compliance practices 2018-2019.
- "Compliance Leader Verification" certification provided annually by the Ethisphere Institute on the Compliance system.
- The group has anonymous ethics inboxes to allow for the reporting of improper actions or acts contrary to law or the *Code of Ethics*.
- Active participation in the ICAI Iberdrola Chair on Economic and Business Ethics.
- Expansion of goal for SDG Chair with the Technical University of Madrid to include business ethics.



17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

17.19 Build on existing initiatives to develop measurements of progress on sustainable development

Goal: Promote alliances with institutions that contribute to action against climate change.

Actions and achievements:

- **Collaboration with the Spanish Office of Climate Change.**
- **Collaboration with the Spanish Green Growth Group.**
- **Alliances with the academic world:** The "SDG Chair" has been renewed with the Innovation and Technology for Development Centre at the Technical University of Madrid (itdUPM).
- **Acceleration 2030: The Unavoidable Transformation** SDG workshop held at the San Agustín de Guadalix Campus.
- **Shire Alliance:** Continuation of the project that began in 2014 to bring electric power to and improve facilities at refugee camps.
- **#CEOPorLaDiversidad Alliance**, with a commitment to promote diversity policies.
- **"IV Youth Speak Forum"**: More than 500 youths participated in a workshop dedicated to promoting youth leadership regarding the 2030 Agenda, held by Iberdrola and AIESEC at Universidad Carlos III de Madrid.

Symposium on “The Unavoidable Transformation”; strategy to meet the 2030 Agenda

An event was held on 25 May with the presence of the Spanish Minister for the Ecological Transition and Demographic Challenge, Teresa Ribera, the special advisor to the Secretary of the United Nations for the Sustainable Development Goals, Jeffrey Sachs, the CEO of EIT Climate-KIC, Kirsten Dunlop, as well as the chairman of Iberdrola, Ignacio Galán, who discussed the best strategies to meet the 17 Sustainable Development Goals (SDGs) of the U.N. 2030 Agenda.

During the event, Ignacio Galán stated that “the SDGs should not be a problem, but rather an opportunity. Companies spearheading change, like Iberdrola, are doing better”. He also encouraged all industries, companies and groups to “work in the interest of the world, nature and people, upholding talent and doing things well” and added that “it’s good for shareholders and for society at large”.

Ignacio Galán emphasised that investors are supporting companies committed to sustainability, declaring that “the time for persuasion has passed, we have begun the phase of measuring what we are doing”.

Jeffrey Sachs talked about Spain's role in achieving the goals of the UN 2030 Agenda, stating that: “Spain's leadership in sustainable development is exciting and convincing”. The Government has put SDGs at the heart of the national agenda and has received overwhelming public support in recent elections. Many Spanish companies are leading in new clean, green technologies.

Teresa Ribera was responsible for closing the first block of the seminar and argued that “we are destined to cooperate with our natural partners to identify those collectives, institutions and vulnerable groups which, necessarily, must be part of the plan for any solution”.

Around twenty globally recognised experts on sustainability and innovation also took part in the event, including the Ibero-American Secretary General, Rebeca Gynspan, the High Commissioner of the Spanish Government for the 2030 Agenda, Cristina Gallach, a professor at McGill University in Montreal and Senior Fellow of The Young Foundation and the Agirre Lehendakaria Center (UPV-EHU), Gorka Espiau, and the President of Fundación COTEC, Cristina Garmendia.

I.3. Business Model and Strategy

- Business model
- Corporate Governance System
- *Code of Ethics*
- Policies and commitments
- Sustainable development policies
- Responsibilities
- Responsibility in the sustainable development strategy
- Goals, resources and results
- Key impacts on sustainability
- Risks and opportunities. Comprehensive risk system

Business model

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The Iberdrola group engages in the following activities:

- Transmission and distribution of electricity and gas.
- Production of electricity from clean and conventional sources.
- Supply of electricity, gas and related energy services.
- Purchase/sale of electricity and gas on wholesale markets.
- Other activities, mainly linked to the energy sector.

The Iberdrola group engages in its activities in many countries, including Spain, the United Kingdom, the United States, Brazil, Mexico, Germany, Portugal, France, Italy and Ireland, as well as Australia, where the Company has just commenced building a hybrid solar and wind project.

The business model developed by the group is based on Iberdrola's purpose (see "Purpose and values" section of chapter I.1) through a long-term sustainable industrial enterprise. Under this consideration, and taking into account the long-term consensus energy scenarios, Iberdrola is pursuing a strategy with the following main characteristics:

- The organic growth of the company is driven by major investments in the Atlantic area, in continental Europe, and in new countries like Australia. The international diversification in terms of contribution to results will continue to grow in the coming years.
- The investment will preferably focus on the networks and renewables businesses, which, in addition to being regulated businesses or long-term contracts, contribute decisively to the fight against climate change.
- The strategic pillars defined by the company are sustainable development, profitable growth, operational excellence, customer-focused operations, the optimisation of capital, and innovation.
- The company has published its commitment to decarbonisation, setting stringent objectives: to reduce the intensity of its CO₂ emissions to 50% below those of 2007 by 2030, and to be carbon-neutral by 2050, forecasting virtually zero emissions in Europe by 2030. These goals have been recognised as being based on science in accordance with the Science Based Targets initiative (SBTi).
- One characteristic of Iberdrola is its strong focus on the application of innovation to its operations and the rapid adoption of available technology.

- Financial stability is considered key for balanced growth. The company seeks to maintain high levels of solvency and liquidity, which ensure the normal development of operations, good access to the capital markets, and a sustainable dividend policy.
- The commitment to social responsibility and sustainability is reflected by the inclusion in the company's strategy of the concept of the "social dividend", defined as the sustainable creation of value for its Stakeholders by engaging in all of its activities.

Corporate Governance System

The Corporate Governance System includes another three regulatory foundations in addition to the By-Laws and the Corporate Purpose and Values of the Iberdrola group and the Code of Ethics: (i) the corporate policies; (ii) the governance rules of the corporate decision-making bodies and of the committees; and (iii) the rules relating to compliance, which group together the rules intended to prevent market abuse



A commitment to corporate governance and transparency is one of the hallmarks of Iberdrola's identity. The Board of Directors therefore regularly reviews the Corporate Governance System, keeping it updated and including therein the recommendations and best practices generally accepted in international markets.

The Corporate Governance System includes the company's contribution to the SDGs as part of the corporate philosophy. In February 2019 there was a new revision to include the Corporate Purpose of the Iberdrola group and its new values. For more information about the Corporate Purpose and values of Iberdrola group, see the "Purpose and values" section of chapter I.1.

The commitments of Iberdrola defined in this System materialise daily in all business activities of the group, as well as in its strategy to maximise the social dividend, sustainable development and respect for human rights, encouraging initiatives that contribute to achieving a more healthy, equal and just society, and

particularly to the achievement of the SDGs, especially the goals relating to universal access to electricity and the fight against climate change.



Ultimately, it is to seek shared value and to maximise Iberdrola's contribution to society through an energy model that is healthier, more accessible and based on electricity, and in the definition and construction of which all involved players should collaborate.

Iberdrola is conscious of the importance of the social dividend set out in article 7 of the *By-Laws* for all of the communities in which the group is present. Maximisation of the social dividend and the company's commitment to the sustainable creation of value are key values that the Board of Directors takes into account in order to define the strategy of the group.

Code of Ethics

Contribution to SDGs of the performance described by the indicators of this section



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The Company's *Code of Ethics* establishes the set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all directors, professionals and suppliers of the group. The code thus applies to all directors (including natural persons who appoint corporate directors to represent them in the performance of their duties), professionals and suppliers of the group, regardless of their rank, their geographical location or functional reporting, or the group company to which they provide their services. It does not apply to country subholding companies that are listed or not wholly owned by the group and that have their own code of ethics, or the subsidiaries thereof.

The body charged with ensuring that the *Code of Ethics* is applied is the Compliance Unit (hereinafter, the “Unit”), a collective, internal and permanent body connected to the Sustainable Development Committee of the Board and with powers in the regulatory compliance area. The Unit’s main duties include ensuring the application *Code of Ethics* and the dissemination of a preventative culture based on “zero-tolerance” towards the commission of unlawful acts and fraud. The operation and main powers thereof are set forth in the [Regulations of the Compliance Unit](#).

In addition, Compliance Divisions have been established at each country subholding company and/or head of business company of the group, which are structured as internal independent areas linked to the respective Audit and Compliance Committee, with duties in the area of regulatory compliance and in the prevention and correction of unlawful or fraudulent conduct.

The *Code of Ethics* forms part of the Corporate Governance System and was approved by the Board of Directors in 2002 and last amended in April 2019. The last revision includes a reinforcement in various sections for providing notices to the Compliance Unit, as well as amendments regarding data protection.

For more detailed information regarding the group’s Compliance System, see the “Ethics and integrity” section of chapter II.7.

Policies and commitments

The Iberdrola group has a set of corporate policies that develop the principles reflected in the Corporate Governance System and that contain the guidelines governing the actions of the company and the companies of its group, as well as those of the directors, officers and employees thereof, within the framework of the *Purpose and Values of the Iberdrola group*.

The companies of the group assume this set of principles and values that express their commitment to corporate governance, business ethics and sustainable development. The awareness, dissemination and implementation thereof serve to guide the activities of the Board of Directors and its committees and of the decision-making bodies of the company in their relations with the company’s various Stakeholders.

These [policies](#), which can be viewed in full or in summary in the [Corporate Governance](#) tab of the website, are grouped into three categories:

- Corporate Governance and Regulatory Compliance Policies.
- Risk Policies.
- Sustainable Development Policies.

Iberdrola has also assumed certain public commitments that guide the activities of the group:

- By subscribing to various initiatives relating to the environmental and social dimension of its activities.
- Through its membership in certain business and social organisations, which are identified by their objectives and purposes.

Both the initiatives and the partnerships are available in the “Public policies” section of chapter II.7 of this report.

These policies and commitments serve to guide the company and its workforce to manage their activities, and more specifically, the material topics dealt with in this document.

Sustainable development policies

102-16

Iberdrola has a *General Sustainable Development Policy*, first approved by the Board of Directors in 2007 and last revised in December 2019, which sets out the general principles and provides the basis for governing the group’s sustainable development strategy. The goal is to ensure that all its corporate activities and businesses are carried out while fostering the sustainable creation of value for society, citizens, customers, shareholders and the communities in which the group is present, equitably contributing with all the groups that contribute to the success of its business enterprise.

This sustainable development strategy is based on a long-term vision that achieves a better future without compromising present results, favouring the achievement of the Sustainable Development Goals (SDGs) and rejecting actions that contravene or hinder them.

The actual and effective implementation of this strategy is to form part, along with the Corporate Governance System that supports it, of the virtual soul of the group, which is one of the key elements that differentiates it from its competitors and which is a deciding factor for its establishment as the preferred company for its Stakeholders.

The policy contains 5 cross-sectional principles of conduct in relation to:

- the sustainable creation of value
- transparency
- development and protection of intellectual capital
- innovation
- responsible taxation

And 6 principles of conduct in relation to the principal Stakeholders:

- shareholders and investors
- communities in which the group does business
- environment
- human team and talent
- customers
- suppliers

The General Sustainable Development Policy is further developed and supplemented by various sustainable development policies addressing specific needs and expectations of the Stakeholders:

- Stakeholder Relations Policy
- Innovation Policy
- Policy on Respect for Human Rights
- Quality Policy
- Corporate Security Policy
- Human Resources Framework Policy
- Knowledge Management Policy
- Recruitment and Selection Policy
- Equal Opportunity and Reconciliation Policy
- Occupational Safety and Health Policy
- Sustainable Management Policy
- Environmental Policy
- Policy against Climate Change
- Biodiversity Policy

The principles of conduct included in these sustainable development policies are described throughout this report.

Responsibilities

The “Corporate and governance structure, ownership and legal form” section of chapter I.1 describes the organisational model of the Iberdrola group and its responsible persons. The responsibilities of the corporate areas or operational areas regarding the various aspects dealt with in this report are the following:

- The chairman & CEO, with the support of the Business CEO and the rest of the management team, assumes the duty of strategic organisation and coordination of the group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors.
- Issues relating to corporate governance are the responsibility of the Office of the Secretary of the Board of Directors.
- Issues that affect the legal area are the responsibility of the Legal Services Division.
- Aspects relating to labour practices are the responsibility of the Human Resources and General Services Division, within the Finance and Resources Division.
- Aspects relating to the environment are the responsibility of the Innovation, Sustainability and Quality Division. Those aspects relating to the fight against climate change are the responsibility of the Energy Policies and Climate Change Division. Both divisions report directly to the chairman & CEO.
- Issues relating to procurement are the responsibility of the Purchasing and Insurance Division, if referring to general supplies, and the responsibility of the Wholesale and Retail Business, if referring to the supply of fuel, both of which are within the group’s General Business Division.
- Those relating to regulation and public policies are the responsibility of the Planning, Management and Regulatory Positioning Division in coordination with the country subholding companies of each of the countries in which Iberdrola operates.
- Products sold, demand, customers and other related topics are the responsibility of the Wholesale and Retail Business if referring to liberalised markets like Spain or the United Kingdom, and of the Networks Business if referring to regulated markets like the United States or Brazil.
- Those relating to production facilities are the responsibility of the Wholesale and Retail Business or the Renewables Business, each within their scope of activity, and those relating to transmission and distribution facilities are the responsibility of the Networks Business. These three businesses are within the General Businesses Division of the group.

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By way of complement:

- The Operating Committee, made up of the chairman & CEO, the Business CEO and the directors of corporate functions and business units, is an internal committee providing technical support, information and management, with respect to both the duties of supervision and monitoring as well as the strategic organisation and coordination of the group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors, while always respecting the scope of day-to-day management and effective decision-making corresponding to the governance and management bodies of the head of business companies of each of the businesses.
- The Compliance Unit, as an internal and permanent decision-making body linked to the Sustainable Development Committee of the company's Board of Directors, is responsible for proactively ensuring the effective operation of the company's Compliance System, which is made up of all of the rules, formal procedures and significant actions intended to ensure that the company conducts itself in accordance with ethical principles and applicable law, and for preventing improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals thereof within the organisation.
- The Internal Audit Division ensures the proper operation of the information technology and internal control, risk management and governance systems of the company and of the group. Its activities are governed by the provisions of the Corporate Governance System, the Basic Internal Audit Regulations of Iberdrola, S.A. and its group (BIAR) approved by the Board of Directors and the other internal rules of the company, as well as the *International Standards for the Professional Practice of Internal Auditing* approved by the Global Institute of Internal Auditors (IIA). The BIAR is required knowledge of the professionals of the group that it affects, and describes the nature, organisation, competencies, resources, activities, powers and duties of the function and establishes the relations between the Internal Audit Area of Iberdrola, S.A. and the Internal Audit divisions of the other companies of the group.

Iberdrola's governance model provides that said duties are assumed in a decentralised manner by the country subholding and head of business companies in each country, which are organised through their respective boards of directors. The head of business companies occupy themselves with the effective management thereof, as well as the day-to-day management and control thereof.

Responsibility in the sustainable development strategy

The implementation, monitoring and supervision of the sustainable development strategy is the responsibility of the various companies of the group in accordance with the corporate and governance structure of the group described in chapter I.1, in all cases respecting the principles of subsidiarity and decentralised management through the various committees that assume duties in the area of sustainable development and reputation.

Specifically, the Corporate Sustainable Development and Reputation Committee has the duties of:

- defining the basic corporate lines of evolution of practices focused on the sustainable growth of the social dividend and improvement of the group's reputation,
- approving and monitoring development plans in both areas,
- acknowledging the most significant advances, and
- collaborating in the preparation of public information regarding these areas disclosed by the company.

102-20

For its part, the Sustainable Development Committee of the Board (the composition and duties of which are described in the "Corporate governance" section of chapter II.7) is vested with the power to, among other things:

- *Assess and review the Company's plans implementing the sustainable development policies and monitor the level of compliance therewith.*
- *Supervise the Company's actions relating to sustainable development and report thereon to the Board of Directors and to the Executive Committee, as appropriate.*
- *Supervise and evaluate the processes of relations with the various Stakeholders.*

The Activities Report of the Board of Directors and of the Committees thereof for financial year 2019, available on the corporate website, identifies the reports prepared by this Committee and the appearances that took place during the year.

Goals, resources and results

Iberdrola regularly publishes its medium- and long-term goals using various formats: *Capital Markets Day*, the materials for which are available on the corporate website, is one of the most important events for communication of the company's future outlook. Iberdrola also publishes its *Integrated Report*, which is also available on the corporate website, using the methodology of the *International Integrated Reporting Council (IIRC)*.

To reach its financial and operational goals, Iberdrola has an annual process for assigning resources, by establishing the corresponding income and expense budgets, which are approved by the company's Board of Directors.

Internally, the various businesses and corporate organisations determine their annual goals in harmony with the strategic goals of the company, both financial and non-financial, directed specifically towards the activities for which they are responsible. The results obtained with respect to the established goals are used to establish the annual variable remuneration of the company's management team. The listed country subholding companies have their own process for establishing objectives and remuneration of their officers pursuant to their own special framework of strengthened autonomy, although they will be consistent with those of the Iberdrola group.

The sustainable development objectives are set by the different businesses and corporate divisions. Many of them are set out in the Sustainable Development Plan that the company prepares on a bi-annual basis, and which can be seen in the introduction to chapter II "Responsible Energy for People": Our Priorities.

The introduction to this chapter shows a table setting out the main objectives of the Plan, which consists of more than 300 activities.

The achievements obtained by Iberdrola are reflected in the performance of the various quantitative indicators covered by the various aspects dealt with in this report.

Key impacts on sustainability

102-15

The objective of Iberdrola's sustainable development strategy is to favour the "sustainable creation of value by engaging in the activities included in its corporate object, taking into account the Stakeholders related to its business activity and its institutional reality, in accordance with the *Purpose and Values of the Iberdrola group*", as set out in the *General Sustainable Development Policy* approved by the Board of Directors.

This sustainable development strategy is aligned with the implementation by the Iberdrola group of a business enterprise focused on the sustainable creation of value for all of its Stakeholders, providing a quality service through the use of environmentally-friendly energy sources, staying alert to the opportunities offered by the knowledge economy, and committed to the SDGs, especially in relation with goals 7 and 13.

For this purpose, the group innovates, makes new investments and promotes more efficient, sustainable and clean technologies, fosters the growth and develops the talent and the technical and human capacities of its professionals, works for the safety of people and supply, and labours to build a successful business enterprise together with all of the participants in its value chain, sharing the achievements with its Stakeholders.

Furthermore, the group's commitment to sustainability takes shape in five main principles of conduct pursuant to its *Sustainable Management Policy*:

- Competitiveness of the energy products supplied.
- Safety in the supply of energy products.
- Reduction in environmental impact of all of the activities performed by the companies of the group.
- Creation of value for shareholders, customers and suppliers, looking after business profits as one of the foundations for the future sustainability of the company and of the group.
- Driving the social dimension of the activities of the group.

Measurement of the social dividend

The measurement of the social dividend encompasses the principal direct, indirect and induced impacts, both present and future, generated by the group's activities, consistently with Iberdrola's commitment to the long-term sustainable creation of value.

Due to the diversity of sustainable development goals and commitments, the group uses a broad set of indicators that allows for an evaluation of the contribution from various viewpoints. Even though the indicators do not capture all of the impacts generated, the results obtained constitute an efficient assessment tool to verify the achievement of the bylaw-mandated commitment to the social dividend in the communities in which the group does business.

This assessment is taken into consideration by the Board of Directors when defining the group's strategy, and is shared transparently with all Stakeholders.

Long-term risks and opportunities. Comprehensive Risk System

102-15

The Iberdrola group is subject to various risks inherent to the different countries, industries and markets in which it does business and to the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

Aware of the significance of this issue, the Board of Directors of the company undertakes to develop all of its capabilities in order to adequately identify, measure, manage and control the significant risks to all the activities and businesses of the group, and to establish through the [General Risk Control and Management Policy](#) the mechanisms and basic principles for appropriate management of the risk/opportunity ratio.

All actions aimed at controlling and mitigating risks shall conform to the following main principles of conduct, among others:

- a) Defining the risk strategy and appetite determined by the Board of Directors.
- b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring thereof.
- c) Act at all times in compliance with the law and the company's *Corporate Governance System* and, specifically, with due observance of the values and standards reflected in the *Code of Ethics* and the principles and good practices reflected in the *Corporate Tax Policy*, 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](#).
- d) Inform regulatory agencies and the principal Stakeholders, in a transparent fashion, regarding the risks facing the group and the operation of the systems developed to monitor such risks.

Comprehensive Risk Control and Management System

The General Risk Control and Management Policy and the basic principles underpinning it are implemented by means of a *Comprehensive Risk Control and Management System*, supported by a Risk Committee of the group 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 and analysis of significant risks and threats (including passive liabilities and other off-balance sheet risks), both for each corporate business or function and taking into account their combined effect on the group as a whole. To the extent possible, risks will be measured following homogenous procedures and standards common to the entire group.
- c) The analysis of risks associated with new investments, as an essential element in risk/return-based decision-making.
- d) 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.
- e) The audit of the system by the Internal Audit Division.

The risk factors to which the group is subject are generally grouped into the following categories:

- Corporate Governance
- Market
- Credit
- Business
- Regulatory and political
- Operational and technological
- Environment and climatic
- Social, legal and reputational

Effectiveness of risk management processes

102-30

Generally, the group's *Comprehensive Risk Control and Management System* allows for proper *ex ante* identification of risks or sounds alarms that allow for the making of decisions tending to minimise the impact of the risks.

The pillars of the system include the ongoing evaluation of the suitability and efficiency thereof, as well as best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

The group's Risk Committee meets at least on a monthly basis. This committee is supplemented with the Credit Risk and Market Risk Committees, which report to said Risk Committee, and which also meet on a monthly.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors monitors trends in the group's risks:

- It reviews the group's quarterly risk report, which includes monitoring of compliance with the risk policies and limits and the updated key risk maps submitted by the group's corporate Risk director.
- It coordinates and reviews the Risk Reports sent periodically (at least half-yearly) by the Audit and Compliance Committees of the companies of the group that have such a body.
- On at least a half-yearly basis, it prepares a risk report for the Board of Directors and the Operating Committee.

A more detailed description regarding risk management at Iberdrola can be found in the following public documents, available on the website:

- Section "E" of the [Annual Corporate Governance Report](#) for financial year 2019.
- The "Principal risks and uncertainties" section of the [Consolidated Management Report](#) for financial year 2019.
- Note 4 to the consolidated financial statements for financial year 2019
- The [Integrated Report](#), February 2020.
- The *General Risk Control and Management Policy*.

Climate action at Iberdrola

201-2

Iberdrola has understood the importance of climate change for more than two decades. The company at that time began a profound transformation of its business model, which has allowed it to lead the energy transition and to contribute in the progression towards a sustainable and fair future.

The electric industry plays a key role in achieving the purpose set out in the historic Paris Agreement to limit the increase in the planet's temperature to below 2° C. The Iberdrola group, an active participant in the various Climate Conferences, is fully aligned with this international compact, having made a public commitment to reach carbon neutrality by 2050 (and expects to reach an emissions intensity of virtually zero in Europe by 2030), as well as a climate scenario fully aligned with a maximum increase in temperature of 1.5 °C. Reaching a decarbonised energy model is currently feasible and can be achieved efficiently and competitively. Iberdrola is in an optimal position to manage the risks and take advantage of opportunities offered by this energy transition thanks to its leadership in renewable energy, smart grids, storage and digitisation.

Iberdrola recognises the fight against climate change as a strategic pillar of its activity in its corporate governance system, and has updated its Policy against Climate Change in 2019. To put its commitment into practice, Iberdrola has a climate action plan with five lines of action dealing covering actions of mitigation and internal adaptation to climate change, active participation in the global agenda collaborating with the main international organisations and coalitions, as well as our contribution to and participation in debates on climate goals and policies and awareness-raising and the engagement of all of its Stakeholders in this area. These activities have allowed us to show that technology and solutions are available to successfully deal with climate change, not only feasibly and competitively, but also creating numerous business opportunities and supporting a fair transition for those sectors that might be negatively affected in the energy transition.

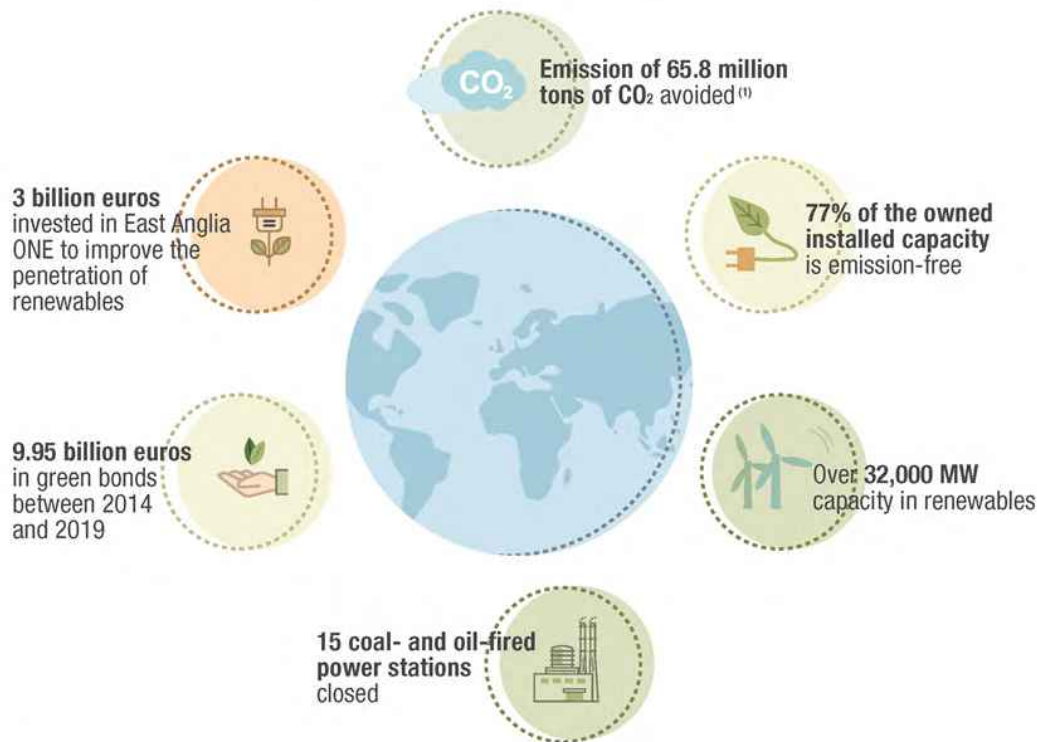
The *Policy against Climate Change* has given form to a Climate Action Plan that is focused on five pillars:



Iberdrola has ambitious emission reduction goals that will allow it to reach carbon neutrality by 2050. A strategic pillar to achieve this relies on the group’s investment plan, supported by innovation initiatives, focused on decarbonisation of the energy mix, increasing its resiliency and strengthening its leadership in renewable energy, smart grids, efficient storage and clean technology. The following achievements reached by the company should be noted:



IBERDROLA GROUP AGAINST CLIMATE CHANGE



*(1) During the last three years.
Data at the close of 2019.*

An important part of the Climate Action Plan is the work of supporting a climate action process by participating in domestic and international institutions, organisations, campaigns and events, promoting an ambitious focus on the definition of climate policies and the participation of the private sector. During 2019 Iberdrola has shown clear leadership in the private sector's participation in the principal milestones of the global climate agenda:

Participation in the Climate Change Conference - COP25

For the fourth consecutive year, the company has worked with the United Nations during the Climate Change Conference COP25 held in Madrid under the Presidency of Chile, as well as being an official sponsor of the conference, formally supporting the Spanish government at the highest level, and intensely participating in numerous meetings, high-level technical forums and the principal events and initiatives of civil society.

Iberdrola also organised the Moving for Climate Now awareness-raising cycling route for the fifth consecutive year.

Climate Action Summit of the General Secretary of the United Nations in New York

Iberdrola's climate leadership allowed the company to have a significant participation in the summit, focused on promoting aspirations for climate action through successful examples. In this context, Iberdrola was one of the few representatives of the private sector invited to participate in the main event in the presence of leaders of governments and international organisations.

Climate awareness

Aware that climate change is a challenge that requires the active participation of all of society's players, in 2016 Iberdrola included a Plan to Raise Social Awareness on Climate Change, which it has since been carrying out with various activities directed towards different public audiences and which is coordinated through an internal working group at the global level. This plan consists of four main focus points for action, which in 2019 included:

1. Internal communication to employees, with actions in parallel to the celebration of COP25.
2. External communication through awareness-raising events and specific products (documentaries, podcasts, etc.), including the broadcast of the documentary [Hacia un planeta verde](#) (Towards a Green Planet).
3. Actions directed towards youth (education, workshops), having presented [Educaclima](#), an online platform of educational resources on climate change and sustainability prepared by and for professors. It has also continued providing on-site school workshops on climate change by Iberdrola volunteers in Spain, Mexico and Brazil, and has launched a programme to train professors in the United Kingdom regarding climate change.
4. Establishment of alliances with the public and private sector as an accelerator and enhancer of climate action.

Iberdrola and the TCFD

201-2

In 2015, the Financial Stability Board (FSB), created by the G20 to supervise the smooth functioning of the financial system, established a task force to encourage the publication of sufficient information regarding the risks relating to climate change and the manner in which each company is managing it, in order for the investing community to be able to make properly make investment decisions: the Task Force on Climate-related Financial Disclosures (TCFD). Climate change could entail various risks in the medium term, both transitional and physical. Iberdrola was one of the first companies to publicly commit itself to implementing these recommendations in its public reports by 2020.

For this purpose, in 2017 the company created an internal multi-disciplinary task force to coordinate all work in this area, reporting in subsequent *Statements of Non-Financial Information* (and other annual public documents) on the progress made and its alignment with each of the four thematic areas in which the eleven recommendations of the TCFD are structured:

- I. Governance,
- II. Strategy,
- III. Risk Management, and
- IV. Metrics and Targets.

In 2019 Iberdrola participated in a report promoted by the World Business Council for Sustainable Development (WBCSD) on the disclosure of financial information on climate change aligned with the TCFD in the electricity sector.

Corporate Governance

Iberdrola's Board of Directors considers climate change to be a priority element for the company. In 2018 it undertook a profound reform of Iberdrola's Corporate Governance System strengthening the group's commitment to all of the SDGs, especially goals 7 and 13.

In 2019 it updated the Policy against Climate Change of the Iberdrola group, which establishes the company's goals for decarbonisation and the main principles of conduct in this area, emphasising its commitment to, among other things:

- Reduce the intensity of its CO₂ emissions to 50% below those of 2007 by 2030, and to be carbon-neutral by 2050, forecasting virtually zero emissions in Europe by 2030. Iberdrola also has a global

goal to reduce scope 1, 2 and 3 emissions. This goal was validated in 2019 as a Science Based Target.

- Integrate climate change into internal decision-making processes as well as in the analysis and management of long-term risks for the group.
- Support international climate change negotiation processes, private sector participation in the global agenda, the creation of partnerships and raising climate awareness.

Based on this commitment, the long-term incentive plan proposed by the Board of Directors to the shareholders at the 2020 General Shareholders' Meeting includes among others, objectives linked to the fight against climate change, which contribute to the SDGs 7 and 13 (see additional details in the section on Remuneration policies on pages 343-344).

To complement this, in 2019 Iberdrola's Board of Directors updated the [Risk Policies](#) of the group by including the need to consider the possible risks arising from climate change (physical and transitional) in decision-making on any new investment both in the Investment Policy and in the global policies of the renewable, liberalised and networks businesses. The significance of climate change and the management of the risks and opportunities deriving therefrom are thus reflected at the Corporate Governance level of the Company.

For its part, the Sustainable Development Committee of the Board, which is in charge of, among other things, reviewing aspects relating to climate change, receives regular reports in this regard.

For more information, see the Corporate Governance System section of this chapter, as well as the following link: [Corporate Governance System](#).

Strategy

Climate change is a key element for defining the company's strategy. Iberdrola treats it not only as a risk factor, but also as an opportunity for growth through mitigation and adjustment activities during the transition towards a low-carbon economy.

Climate change covers various risks, which to a large extent are not new risks for Iberdrola. Pursuant to the [General Risk Control and Management Policy](#), risks relating to climate change are included in the catalogue of threats. Although the future risks are growing, the experience accumulated by the group in the management of these risks in the past should be highlighted.

The group's control and risk management system considers and monitors the risks and opportunities arising from climate change, which can be grouped into the categories identified in the following table:

Risks/threats and opportunities deriving from climate change (non-exhaustive list)

	Risks	Opportunities
<ul style="list-style-type: none"> • Transition 	<ul style="list-style-type: none"> • <u>Market risks</u>: Increase in cost of raw materials (fossil fuels) and of emission rights, and uncertainty in the behaviour of the markets. • <u>Regulatory risk</u>: regulatory and tax changes, including taxes on carbon emissions and or on fossil fuels. Uncertainties regarding the framework for financing and aid for the development of renewable energy. • <u>Financial risk</u>: increase in the cost of capital in investments in technologies or business models considered to be outside of the fight against climate change, or increased competition for the acquisition of green financing. • <u>Technological risk</u>: Profitability of generation facilities. Uncertainty relating to technological development. Innovation and foresight in the development and implementation of new technologies. • <u>Reputational risk</u>: Change in behaviour and preferences of the stakeholders, with pressure on non-sustainable companies. 	<ul style="list-style-type: none"> • Economic decarbonisation that requires an increase in the electrification of end uses, particularly for heat (use of heat pumps) and transportation (use of electrical vehicle). This transfer of energy from the fossil fuel industry (risk for these companies) is an opportunity for the electric companies. • Seasonal climate trends (colder or warmer) which increase the aggregate demand for electricity in particular areas. • Reduction in costs of technologies in which the company is specialised or increase in costs of technologies in which the company is not. • Greater importance of networks (increased digitisation, smart grids and flexibility of the system) in difference electrification scenarios. • Increased energy efficiency and benefits associated with the consumer and the relationship between them. • Advantages in the acquisition of financing by companies with sustainable and resilient business models (compared to those who do not have them) given the growing pressure on the financial sector and capital markets. • Increase in the relative value of low-emission technologies.
<ul style="list-style-type: none"> • Physical 	<p><u>Increase in temperature:</u></p> <ul style="list-style-type: none"> - Reduction in efficiency of generation and distribution systems - Demand peaks due to increase in temperature <p><u>Changes in availability of water resources</u></p> <ul style="list-style-type: none"> - Impact on cooling systems - Impact on potential hydroelectric generation <p><u>Variability of wind and solar resources:</u></p> <ul style="list-style-type: none"> - Uncertainty in the variability/seasonality of renewable resources (wind, solar, etc.) and the effect thereof on production. <p><u>Increase in sea level:</u></p> <ul style="list-style-type: none"> - Isolated effects on coastal infrastructure - Increase in frequency and severity of extreme events (large storms, flooding, fires, etc.) that may affect the integrity of coastal/river infrastructure, distribution infrastructure and generation infrastructure, as well as obstruction of access - Impact on supply chains <p>Chronic</p> <p>Extreme</p>	

Iberdrola has analysed its strategy in relation to various future climate scenarios, which analysis reveals that, generally, the group's business model is sufficient to face the challenges arising from the energy transition, as well as the physical impact of climate change. Specifically, the scenarios described below have been analysed:

- Two transition scenarios, based on plausible projections prepared by the International Energy Agency within the framework of the World Energy Outlook (WEO), regarding the development of climate policies and the deployment of technologies to limit emissions of greenhouse gases.
 - Sustainable Development Scenario (SDS): scenario aligned with the achievement of the climate change goals agreed to in the Paris Agreement (<2°C), improvement in air quality and universal access to electricity in accordance with the UN SDGs. It is Iberdrola's base strategy, and entails opportunities for the Company.
 - Stated Policies Scenario (STEPS): provides the path towards where the energy sector probably trends based on policies and measures that have already been implemented or announced. It is the base scenario for the World Energy Outlook (WEO) 2019 and involves opportunities for the Company.

- Two physical scenarios, based on the IPCC Fifth Assessment Report, to diagnose the range of impacts, based on global climate models (called "general circulation models") that shows the response of the Earth's climate to changes in atmospheric concentrations of greenhouse gases:
 - *Representative Concentration Pathway 8.5 (RCP 8.5)* of the Intergovernmental Panel on Climate Change (IPCC): the most unfavourable case of the physical risks that the company might face corresponds to an increase in average global temperature of between 2.6 and 4.8°C by 2100.
 - *Representative Concentration Pathway 4.5 (RCP 4.5)* of the Intergovernmental Panel on Climate Change (IPCC): stabilisation scenario, taking account of the efforts being made and to be made at the international level to reduce greenhouse gas emissions. It involves an intermediate stabilisation scenario and entails warming of between 1.1 and 2.6°C.

II.1 Transition Scenarios

A comparative analysis of the two transition scenarios allowing for conclusions to be extracted by business and geographic area regarding the level of resiliency of Iberdrola's strategy with respect to climate change in the short and medium term. Continuity of the Outlook 2018-2022 has been assumed, with a qualitative transfer thereof through 2030. This analysis will be updated in 2020.

The result indicates that Iberdrola's business model is sufficient to face the energy transition and is aligned with the objectives of the Paris Agreement. Iberdrola has undergone a profound transition in this regard over the last two decades, clearly anticipating the energy transition to face the challenges of climate change and the need for clean electricity. Today, the group is perfectly positioned to take advantage of the opportunities arising from the energy transition, among others, thanks to its leadership in renewable energy, smart grids, storage systems and digitisation, and its commitment to the transition towards a low-carbon and climate-resistant economy.

It is also important to note that, over the long term, Iberdrola's goal to achieve carbon neutrality by 2050 (which the company already set in 2009) is more ambitious than the goals sought under the STEPS scenario and is aligned with the SDS.

In this regard, Iberdrola has engaged in intense activities within the framework of the global and regional debate regarding climate policies, and has for years shown explicit support at the highest level for the goal of [carbon neutrality by 2050](#), convinced of the opportunities for the creation of value and prosperity from the achievement thereof. The [company's support](#) in this area has been especially important during 2019 within the context of the European Union, where there has been an intense political debate culminating in the formal approval in December 2019 of the goal of neutrality by 2050, which makes the European Union the largest economic area committed to climate neutrality.

II.2 Physical Scenarios

In relation to physical scenarios, Iberdrola is constantly working to analyse the principal threats arising from climate change and to acquire the best knowledge available from the principal existing climate tools and models with the support of experts in the field.

Based on the exercises to date and a better current understanding, it can be concluded that the chronic impacts are progressive and will therefore be occurring over the next decade, over relatively long periods, for which reason they will be managed based on the level of adaptation and resilience of the various facilities.

- From the scientific viewpoint, although an understanding of climate behaviour and the variability thereof has significantly improved in recent decades, extreme climate events are complex phenomena to study and even more difficult to predict because they are by definition abnormal/exceptional. However, there is general agreement that changes in frequency or intensity of meteorological and climatic phenomena are increasing in many regions as a result of global climate change, identified as one of the main threats to the different technologies and jurisdictions, the frequency and severity of which are expected to increase in coming years. These phenomena can affect the integrity of the various facilities as well as reduce electric generation capacity. However, Iberdrola has plans, technology and predictive systems that allow for the impacts arising from these events to be minimised, some of which we describe below:
 - Meteoflow predictive system, the main purpose of which is to predict the electricity production of renewable facilities, which, as part of their continuous improvement, has included the functionalities of predicting extreme meteorological phenomena, which allows for the activation of emergency plans sufficiently in advance and better management of maintenance equipment and emergency retainers to increase their resiliency.
 - The importance of smart grids to respond to extreme events like what occurred in September 2019 in the region of Levante due to storm DANA, after which Iberdrola was able to restore service with smart robots to 65% of its customers in less than three minutes and 80% in one hour.
 - Plans to respond to future events, including evaluation of the risk of flooding within the Networks Business of ScottishPower to reduce its vulnerability to the impacts of flooding during the design, planning and construction of infrastructure and the update of existing structures. Furthermore, the large diversification of generation assets (in terms of both technology and location) allows the group to better manage the risk arising from climate change.

At the same time, in order to identify phenomena that might have a greater impact on Iberdrola's facilities, an analysis is being performed of the risks arising from these types of phenomena for the overall set of the group's facilities.

Together with the above, and outside of the facilities' ability to respond to new climatic conditions, another risk to keep in mind is the possible impact of climate change on the variability of wind, solar and water resources. In order to determine with a certain level of confidence the potential impact of the variability of these resources on the regions/facilities of Iberdrola, specific studies are being performed in this area, supported by Iberdrola's own knowledge as well as by experts in the field.

However, given the constant evolution of science and the uncertainty associated with studies on climate projection and the impacts thereof, the analysis must be continued and deepened in order to quantify the potential impacts and establish adjustment measures if necessary.

For more information regarding the company's strategy, see the document *Outlook 2018-2022* (or any document updating it during this period), which can be accessed through its corporate website in the [About Us](#) section, as well as in the section "Key impacts on sustainability" of this chapter.

Risk management model

The Board of Directors and the senior management of Iberdrola are committed to the process of identification and analysis of the risk of climate change:

- Ex-ante: the levels of risk tolerance are reviewed and approved on an annual basis through risk policies and limits that establish the qualitative and quantitative risk appetite at the group level and at each of the main businesses and corporate functions.
- Ex-post: there is at least quarterly monitoring of the significant risks and threats and the various exposures of the group, as well as of compliance with the approved risk policies and limits.

As mentioned in the Strategy section, climate change covers various risks, which are set out in the [General Risk Control and Management Policy](#). Therefore, the group's control and risk management system considers and monitors the risks arising from climate change, which can be grouped into:

- Physical: potential material impacts on facilities (both exceptional and chronic).
- Transitional: associated with the process of global decarbonisation, including regulatory changes, market prices, technologies, reputation, etc.
- Other: like risks in the supply chain and social phenomena.

The identification, analysis and management of the risks arising from climate change has been integrated, with a global focus, into the ERM (COSO) philosophy under which Iberdrola has focused its strategic management of risks since the middle of the last decade. The identification, analysis and management of risks is approached with a multi-departmental focus, in which there is cooperation between corporate as well as business functions. The continuous work of identification and evaluation of the risks arising from climate change has the support of experts in the field for estimating the risks arising from the main threats identified, including extreme meteorological phenomena, as well as the potential variability of the renewable resource. In this latter respect, a sensitivity analysis performed with best available information can be seen in the group's *Integrated Report*.

It should be noted that in addition to the difficulties inherent in estimating the future impacts of any risk, the impacts of climate change, although they can already be perceived in the short term (e.g.: greater intensity and frequency of climatic events in certain geographic areas), are gradual and occur over relatively long terms and are quite dependent on the location and nature of the facilities, which therefore requires a predictive analysis at the asset level in the case of physical risks.

However, based on the best available knowledge, Iberdrola's strong adaptive ability can be affirmed, which is due to, among other factors, the strong diversification of assets, proven capacity and experience over the years, and the consideration of climate change as a manageable risk, which means that new investments are made over more resilient assets.

The management measures already pointed out in the "Strategy" section are in addition to the analysis of risks of new investments before approval, the purchase of insurance, and the potential recovery of a portion of the additional costs in the regulated businesses through the tariff frameworks.

For more information regarding the identification, analysis and management of risks at Iberdrola, see the following public documents, available on its website:

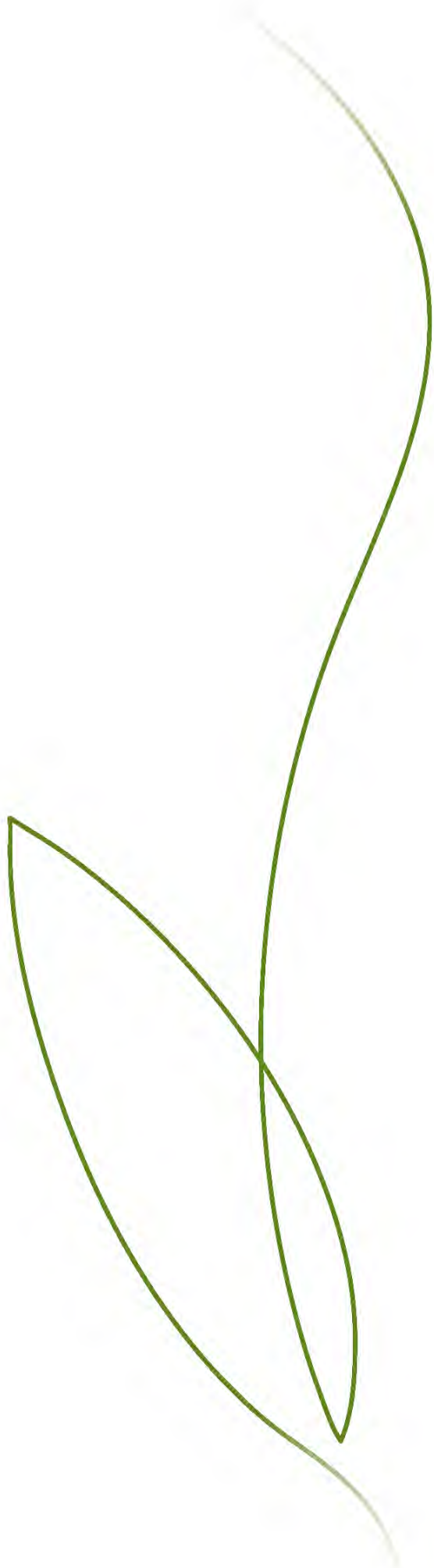
- Section "E" of the [Annual Corporate Governance Report](#) for financial year 2019.
- The "Principal risks and uncertainties" section of the [Consolidated Management Report](#) for financial year 2019 (particularly the section on climate change), as well as note 4 to the financial statements.
- The [Integrated Report](#).
- The [General Risk Control and Management Policy](#).

Metrics and targets

Iberdrola includes in this *Statement of Non-Financial Information. Sustainability Report* and in the *Integrated Report* significant indicators to report on aspects relating to climate and to the strategy of the fight against climate change, including the [greenhouse gas emissions inventory](#), the intensity of emissions, reduction targets, the use of energy, energy intensity, the energy mix, renewable installed capacity, use of water, source of water, R&D and Capex in the development of low-emission products, services and/or technology.

Iberdrola believes that disclosure of the financial risks relating to climate change in a consistent and improved manner will allow for the establishment of a constructive and well-informed dialogue amongst investors and companies regarding the opportunities and risks relating to their activities.

For more information, see the “Reduction in emissions” section of chapter II.3. Furthermore, to show the actions taken by the company to mitigate and adapt to the consequences of climate change, see the “Climate action at Iberdrola” section of this chapter as well as the specific [Against Climate Change](#) section of the website.



II. “Responsible Energy for People”: our priorities



Iberdrola is firmly committed to contributing to the sustainable development of society and improving the quality of life of people. This commitment materialises in the innumerable projects and activities undertaken by Iberdrola and set out in the Sustainable Development Plan 2018-2019 “Responsible energy for people”. It reflects the most significant projects and goals, all representative of a commitment to the UN Sustainable Development Goals (SDGs).

Iberdrola’s vision of its responsibility is based on the long-term creation of value for our Stakeholders. For this reason, we have focused our work on meeting their expectations and strengthening the links of mutual trust with our shareholders, employees, suppliers, environment and society in general. We have called this shared value the social dividend, which constitutes the basis of the responsibility that we assume through our actions for sustainable development.

The vision of “Responsible energy for people” is grouped around 7 priorities. This has a broad focus, with multiple lines of work that include specific tasks (more than 300) and measurable goals in accordance with international sustainability standards. The exchange of lessons learned to face the new challenges raised by society is also included. By year-end 2019 Iberdrola met almost all of the work included in the “Responsible Energy for people” plan focused mainly on the fight against climate change, on the improvement of the quality of life of people, and on the well-being of society.

These goals have been monitored by the Social Responsibility and Reputation Division together with the Areas and Businesses, and the results are evaluated by the group’s Sustainable Development and Reputation Committee and reviewed by the Sustainable Development Committee of the Board of Directors.

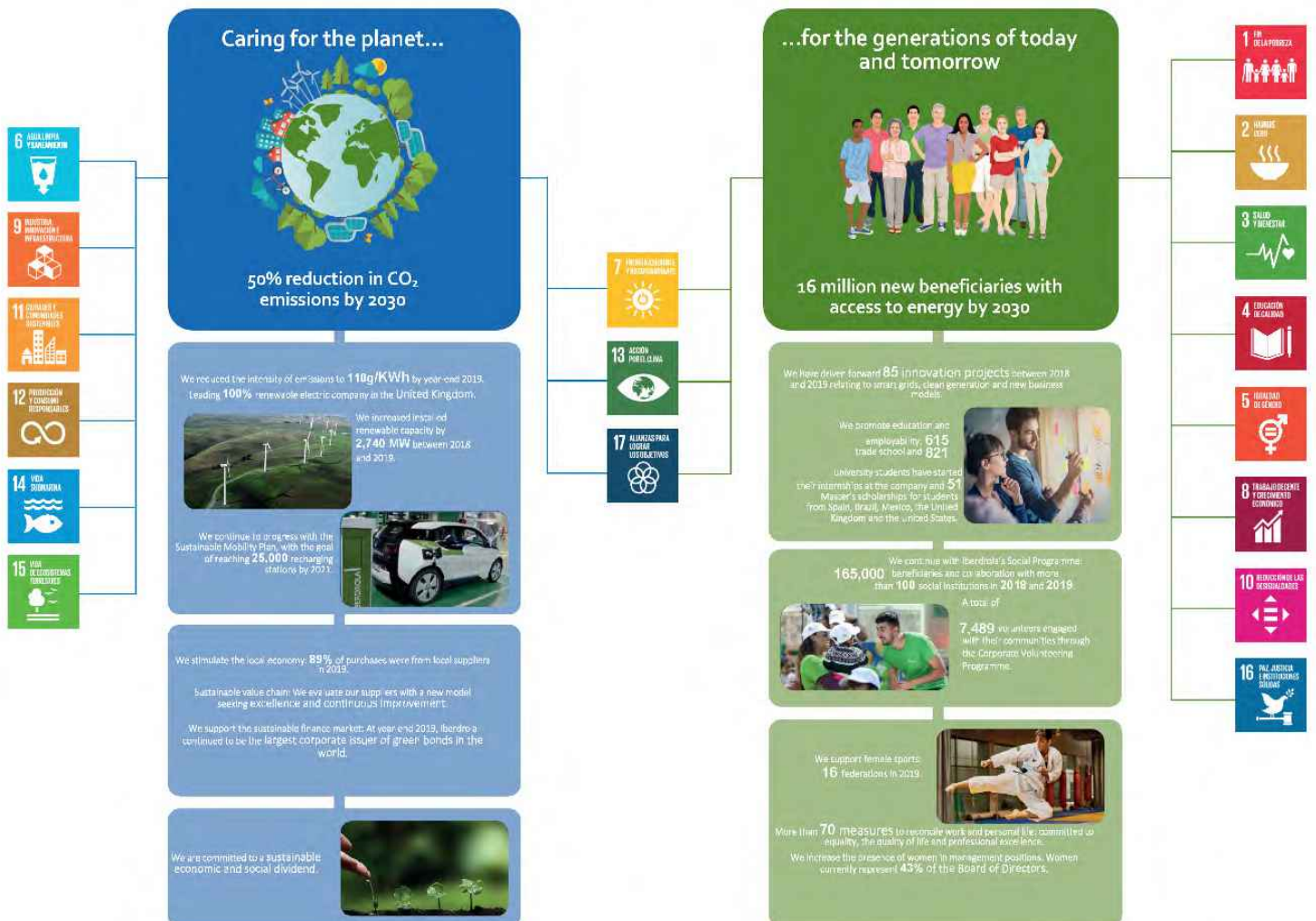
Although the company contributes to achieving all of the SDGs, Iberdrola’s largest impacts for the success of the 2030 Agenda are focused on SDG 13 (Climate action) and SDG 7 (Affordable and clean energy), which also constitute significant business opportunities due to the growing electrification of the economy. One should also note the company’s enormous contribution to the development of our communities in the areas of biodiversity, innovation, training, transparency, solidarity, education, the arts, culture, etc. Supplying “Responsible Energy” means responding to all of these challenges, meeting the demands of our Stakeholders.

Iberdrola’s Sustainable Development Plan is integrated into its businesses and corporate areas, and is at the head of a new management paradigm in which companies take a more active role in building a more equitable world.

SUSTAINABLE DEVELOPMENT PLAN 2018-2019: RESPONSIBLE ENERGY FOR PEOPLE

We fulfil our commitment to sustainable development by integrating the UN 2030 Agenda into the strategy and operations of the Iberdrola group. Our most significant contributions towards achieving the Sustainable Development Goals are focused around two major foundations that inspire our actions: we care for the planet, putting ourselves at the lead in reducing emissions in the energy industry, and we contribute to the well-being and progress of the societies of all the territories in which we are present. Iberdrola's commitment takes shape through various lines of work that cover more than 300 environmental, social and economic activities, thus responding to the expectations and needs of our Stakeholders.

IBERDROLA'S CONTRIBUTION TO THE SDGs DURING THE 2018-2019 PERIOD



II.1. Sustainable Economic Growth

- Economic/financial impact
- Green financing
- Energy transition and supply costs
- Creation of employment and salaries
- Stable labour environment. Commitment to quality employment



Priorities of the Sustainable Development Plan



Economic/financial impact

Contribution to SDGs of the performance described by the indicators of this section



GRI 201

The electricity industry has a unique potential to contribute to addressing one of the most significant and urgent challenges facing humanity: climate change.

According to the World Economic Forum's Global Risks Report 2020, climate change is considered to be the main risk to the global economy over the next decade. As a consequence, society is increasingly aware of the need to transform the energy and production model, with the ultimate goal of limiting the increase in temperature below 1.5°C by the end of the century. Based on the report published by the IPCC¹⁶, this will require reducing emissions by 45% by 2030 as compared to those in 2010 and achieving zero net emissions by 2050.

These ambitious objectives place electricity in the centre of decarbonisation. According to the World Energy Outlook 2019¹⁷ (WEO 2019), electricity will increase its share in the total consumption of final energy from 19% in 2018 to 24% in 2040 in the central scenario (Stated Policies Scenario (STEPS)).


The key role of electrification will be based on renewable energy, which would reach 67% of total generation by 2040 in the Sustainable Development Scenario (44% in the STEPS). These growth values are driven by a significant reduction in its production costs¹⁸, which have decreased by 49% for onshore wind, 84% for solar photovoltaic and 56% for offshore wind since 2010.

In addition, the electrification of the economy accords a key role to an efficient, smart and flexible electricity transmission and distribution infrastructure, capable of integrating renewable energy and of meeting new requirements in terms of connectivity, digitisation and demand management. Along these lines, the central scenario of the WEO 2019 anticipates an average investment of around 400,000 million U.S. dollars per annum in grids by 2040, almost 45% of the total investment of the electricity sector over this period.

¹⁶ Special Report of the Intergovernmental Panel on Climate Change (IPCC) on Global Warming of 1.5 °C.

¹⁷ World Energy Outlook 2019 – International Energy Agency.

¹⁸ Levelized cost of electricity (LCOE) - Bloomberg New Energy Finance (BNEF) (2019). New Energy Outlook.



For all of the reasons above, the electricity industry is a significant driver of the economy, to which it contributes by means of high investments and the creation of both direct and indirect high-quality jobs. As an example, the energy model towards which Iberdrola undertook a deep transformation more than 20 years ago, a sustainable, safe and competitive model that would make it possible to address the fight against climate change, has managed to create almost 400,000 direct, indirect and induced jobs worldwide in only one year, to contribute more than 31,000 million euros to global GDP, generating 9.3 euros worth of GDP for each euro of Net Profits obtained, and to make a total tax contribution exceeding 14,000 million euros¹⁹.

Iberdrola continues to engage in a process of growth and internationalisation that has made it one of the leading electric companies in the world, investing more than 100,000 million euros over the last two decades in order to achieve a decarbonised energy model. This current scenario, attained through a sound, long-term industrial plan that is both profitable and creates value, provides it with an optimal position to continue anticipating and managing risks and to capitalise on the opportunities offered by this energy transition based on its leadership in renewable energy, smart grids and storage, as well as its firm commitment to digitisation.

A summary of the Iberdrola strategy can be found in the document Strategic Overview 2018-2022 (or in the document subsequently replacing it), which can be accessed through its corporate website in the [About Us](#) section.

Iberdrola's financial results for the year are summarised in the [Results](#) section of the website. Alongside these results, the company also requires its companies to explain how they are achieved and to evaluate them in terms of sustainability, understanding that adequate disclosure of non-financial information is an essential element for the sustainability of financing activities.

¹⁹PwC study "Economic, social and environmental impact of Iberdrola worldwide" (based on 2018 data).

201-1**Direct economic value generated, distributed and retained (€ millions)**

Iberdrola total	2019	2018	2017
Revenue (sales and other income)	37,673	36,273	32,714 ²⁰
Operating costs	23,027	22,433	20,446
Employee remuneration (excluding company social security costs)	2,532	2,387	2,517
Payments to providers of capital	2,916	2,402	2,916
Payments to government administrations	2,941	3,096	2,723
Community investments (verified according to the LBG Model)	52	54	63
Economic value retained	6,205	5,901	4,049

Information by geographic area can be found in Annex 1 Supplementary Information.

Financial assistance received

Financial assistance received by the Iberdrola group is shown in the following table on a consolidated basis:

201-4**Financial assistance (€ millions)**

	2019	2018	2017
Capital subsidies	12	6	10
Operating subsidies	3	3	6
Investment tax credits ²¹	0	8	30
Production tax credits ²²	84	91	90
Assistance for other items included in the GRI Protocol	0	0	0
Iberdrola total	99	108	136

Information by geographic area can be found in Annex 1 Supplementary Information.

²⁰ Includes Sales in the amount of €31,263 million and Other revenue €1,451 million.

²¹ *Créditos fiscales a la inversión.*

²² *Créditos fiscales a la producción.*

GRI 203

In addition to the direct economic impacts that occur as a result of the cash flows that are generated, the Iberdrola group also induces additional effects or indirect economic impacts such as those described below:

203-2

From an economic standpoint, the expansion of electricity systems drives the regional economy in the region where it occurs and creates employment opportunities, contributing to economic and social enhancement.

Positive effects include:

- Facilities for the production, transmission and distribution of electrical energy are built in dispersed geographic locations. This contributes to the generation of economic activity and jobs in urban and rural environments. This can also support the revitalisation and repopulation of underpopulated rural areas.
- These same facilities create significant indirect employment in the region in the form of local contracting companies, creating demand for various lodging, security, health, mechanical, supplier services, etc.
- Due to this geographic reach, electricity activities generate fees, taxes and duties at the local, regional and national levels and allow for the generation of revenue in very different areas, to which one must add the tax loads associated with increased commercial and financial activity.
- In local communities, professional training is promoted and skilled labour, such as services for building and maintaining wind farms, is boosted.
- Local communities are supported through sponsorship of the initiatives of social and environmental institutions and organisations.
- Economic development is favoured through rural electrification programmes, investment incentive programmes for the improvement of electric infrastructure, energy efficiency programmes, and reduced electricity tariff programmes for low-income customers.
- The supply of electricity to areas where there was none improves the quality of life and allows for the generation of economic activities that could not be undertaken until then.

Potentially negative effects can be considered to include the following:

- Environmental risks, which may give rise to undesirable consequences for the environment, such as spills and improper emissions, or waste management; though very unlikely, these situations might occur despite the ever more demanding standards applied to the operational practices developed by the group.
- The landscape impact of the facilities, especially large ones, and the possible negative effects (during construction or operation) on traditional activities, particularly in the rural environment, such as ranching, hunting or fishing.

Indirect impacts of the supply chain

The high volumes of Iberdrola's purchases (described in detail in the "Description of supply chain" section of chapter II.6) of equipment, works and services, as well as fuel, becomes an engine for growth in the countries in which the company is present.

Entrepreneurial support

Iberdrola has provided ongoing support for the creation and strengthening of new entrepreneurial projects through a number of significant initiatives, including the following:

- 54 million euros worth of purchases made in Spain during 2019 from companies that have been operating for less than 5 years, which is clear support for entrepreneurship.
- The specific category *Generation of employment and employment of youth* at the Supplier of the Year Awards in Spain, in order to incentivise suppliers to commit to quality youth and female employment, which will undoubtedly lead to an improvement in competitiveness and innovation at the companies and will allow them to retain talent. A start-up (Wallbox) received this Supplier of the Year Award in the Innovation and Competitiveness category for their commitment to innovative solutions that will allow for improvement in the sustainability of the energy model.
- Iberdrola's venture capital programme, *Iberdrola Ventures - Perseo*, which has invested more than 65 million euros worldwide since its creation, is an opportunity for companies dedicated to innovative technologies and business models that ensure the sustainability of the energy model. For more information about this programme, see the "Digital innovation and transformation projects" section of chapter II.4, as well as the [Innovation](#) section of the corporate website.
- In 2019 Avangrid Networks, through Iberdrola's international start-up programme, launched the *Start-Up Challenge*, which sought proposals for reducing to a minimum the impact on infrastructure and the period for restoring service in the event of natural disasters, as well as solutions to cover these risks. The winner was the Swedish company Skyqraft, which implements drone-based solutions and automates analysis and aerial inspection.

- In France, the Saint Brieuc offshore wind project works closely with the Regional Chamber of Commerce of Brittany and with the *Ocean Power* initiative in order to foster more efficient industrial projects. The primary goal is to help local companies participate in the supply chain, directly and indirectly promoting economic activity in the area.

203-1

During the construction and operation of its facilities, Iberdrola also carries out certain infrastructure activities that are unrelated to its facilities and without a specific commercial purpose, but rather that are intended to meet the needs of the social environment, resolving existing shortcomings in the local communities.

A summary of these projects with strong social impact during 2019 is provided below:

- Support for professional education and training in areas near Iberdrola's facilities. In 2019, 122,000 people visited the Energy Classrooms near the wind farms in Spain.
- In the United Kingdom, actions continue to be implemented to improve various infrastructures and to make landscape improvements for the enjoyment of people coming near the different production centres. There is also a visitor centre at the Whitelee wind farm, where visits are received from the general public and from school groups and which was visited by more than 84,000 people last year.
- In Mexico, it has participated in the construction and/or improvement of recreational and educational centres, health centres, and in the renovation of a ceremonial centre, as well as in infrastructure improvement and expansions of potable water and sewerage networks, thus benefitting the communities located in the vicinity of the projects.
- Finally, one should note the collaboration with Hydrographic Confederations and other entities in Spain, especially those focused on environmental issues, to enable various activities near hydroelectric reservoirs (sports events, support for the reproduction of certain species, etc., such as the international descent of the Sil River and the repopulation of eels in the Júcar and Mijares rivers), by adjusting flows at certain times.

Green financing

Iberdrola is once again one of the leading companies worldwide with respect to sustainable financing, with notable performance in terms of number and amount of green financing transactions carried out. The foregoing is aimed at aligning its financial strategy with its purpose and values, optimising the cost of its debt and diversifying its funding sources.

The differentiating feature of this financing is the commitment to use the funds to invest in environmentally sustainable and socially responsible projects like renewable energy, improving efficiencies in electricity transmission grids and researching more efficient energy sources. The company also commits to regularly report the environmental return that its investments in these projects have yielded during the respective period.

In the capital markets, the company issued its first *green* bond in 2014, and since then has intensified its financing through this type of instrument focused on Socially Responsible Investing (SRI) investors, with many more issues and in various areas: both public and private issues, involving senior and subordinated debt (hybrid bonds) issued by the corporation or its subsidiaries (Avangrid green bonds in November 2017 and May 2019, and Neoenergia *green* infrastructure debentures in June 2019).

In the banking market, Iberdrola received the first green loan signed by an energy company in 2017, which was followed by other *green* transactions. In 2018 Iberdrola Mexico signed the first green corporate loan formalised in Latin America, and in 2019 Iberdrola signed a series of *green* corporate loans with development banks for assets under construction, specifically: i) with the multilateral institution the European Investment Bank (EIB), and ii) with Instituto de Crédito Oficial (ICO), a Spanish state-owned bank. These public institutions have their own standards for evaluating projects and for allocating green instruments. All the assets financed by these entities are included as projects capable of *green* financing within the framework of Iberdrola's *green* financing.

Iberdrola has issued a total of 12 *green* bonds from the Corporation²³. The issue dates, as well as the principal characteristics thereof, are as follows:

²³ Does not include the *green* bonds issued by Avangrid or the *green* infrastructure debentures issued by Neoenergia, which are subject to specific Frameworks and which will be reported in the respective Sustainability Reports of these companies.

Green bonds

ISIN	Issue date	Issuer	Public / Private	Senior / Subordinate	Face value (€ millions)	Maturity	Coupon
XS1057055060	24-Apr-14	Iberdrola International	Public	Senior	750	Oct-22	2.50%
XS1398476793	21 Apr-16	Iberdrola International	Public	Senior	1,000	Apr-26	1.13%
XS1490726590	15-Sep-16	Iberdrola International	Public	Senior	700	Sep-25	0.38%
XS1527758145	07-Dec-16	Iberdrola Finanzas	Public	Senior	750	Mar-24	1%
XS1564443759	20-Feb-2017 (extended on 22-Jun-2017)	Iberdrola Finanzas	Private	Senior	250	Feb-24	Euribor 3 M + 0.67%
XS1575444622	07-Mar-17	Iberdrola Finanzas	Public	Senior	1,000	Mar-25	1%
XS1682538183	06-Sep-17	Iberdrola Finanzas	Public	Senior	750	Sep-27	1.25%
XS1721244371	22-Nov-17	Iberdrola International	Public	Subordinate	1,000	Perpetual	1.875%
XS1797138960	26-Mar-18	Iberdrola International	Public	Subordinate	700	Perpetual	2.625%
XS1847692636	28-Jun-18	Iberdrola Finanzas	Public	Senior	750	Oct-26	1.25%
XS1924319301	21-Dec-18	Iberdrola Finanzas	Private	Senior	44 ²⁴	Oct-25	3.724%
XS1890845875	05-Feb-19	Iberdrola International	Public	Subordinate	800	Perpetual	3.25%

In November 2017 and May 2019 Iberdrola also issued *green* bonds in the U.S. market through its subsidiary Avangrid in the amounts of 600 and 750 million U.S. dollars with coupons of 3.15% and 3.80%, respectively. Information on the projects that received the proceeds from these bonds, as well as the environmental benefits achieved therefrom, are described in Avangrid's [Sustainability Report 2019](#).

In June 2019 Neoenergia also issued *green* infrastructure debentures in the amount of 1,296 million Brazilian reais, which are being used to finance wind, hydro and transmission projects in Brazil. Information on these assets is described in Neoenergia's [Sustainability Report 2019](#).

As regards bank financing, in April 2018 Iberdrola México, a 100%-owned subsidiary of Iberdrola, also obtained a *green* bank loan with a number of international financial institutions in the amount of 400 million U.S. dollars, which was used to refinance the company's renewable assets in Mexico.

²⁴ USD 50 million nominal value.

Green loans signed with development institutions for projects under construction

Lender	Project	Date	Borrower	Type	Amount (€M)
ICO	Tamega	30-May-2019	Iberdrola Financiación	Corporate	400
ICO	Nuñez de Balboa	11-Jul-2019	Iberdrola Financiación	Corporate	140
EIB	Nuñez de Balboa	11-Jul-2019	Iberdrola Financiación	Corporate	145
EIB	Cavar	4-Nov-2019	Renovables de la Ribera ²⁵	Corporate	25

The proceeds of all of these transactions have been used to fund the refinancing of investments in projects that met certain environmental and sustainable development criteria described within the [Iberdrola Framework for Green Financing](#) (el “Framework”), which is consistent with the *Green Bond Principles* promulgated by the International Capital Markets Association (ICMA) and the *Green Loan Principles* of the Loan Market Association, and which has been validated by PricewaterhouseCoopers Auditores, who verify the Report on *green* financing returns. These projects are mainly within the area of renewable energy.

In most cases, there is also a certification by VigeoEiris (independent expert) regarding the eligibility of the (re)financed assets and their suitability for the Framework.²⁶

Iberdrola used VigeoEiris in validating the “green” nature of its financing instruments. VigeoEiris issues its rating of the issuer not only with respect to the management of the selected projects, but also regarding its general environmental and sustainable development commitments that it implements in the ordinary course of its business.

Certification regarding the eligibility of the (re)financed projects in each transaction issue can be found in the corresponding *Second Party Opinion* prepared by VigeoEiris and available on the corporate website. It is important to note that obtaining this type of certification requires not only compliance with the *Green Bond Principles* and alignment of each transaction with the *Framework*, but also the existence of a strong sustainability profile of the borrower.

²⁵ Renovables de la Ribera is a company that is 50% owned by Iberdrola. The financing obtained is guaranteed by Iberdrola in the amount of its percentage ownership interest.

²⁶ As described in the Framework, this certification or “Second Party Opinion” is required in the case of a public transaction, understood as those bonds issued through a public underwriting process. The standard is not restrictive, and there can also be *Second Party Opinions* in private transactions (such as the ICO loan) if so required by the lender.

On all occasions, VigeoEiris has performed an analysis classifying Iberdrola's sustainability policies and practices, finding that the required standards were met with a level of security that was more than satisfactory.

The conclusions of VigeoEiris, including the controversies identified in the *green* issues, together with the eligibility standards, are described in the *Second Party Opinion* corresponding to each *green* transaction. In the case of the bonds²⁷, this information is available in the [Information related to green finance](#) section of the corporate website.

The table below summarises the environmental benefits in 2019 related to investments financed or refinanced with outstanding *green* financings underwritten by Iberdrola.²⁸

²⁷ Excludes the loans, as they are private contracts between a reduced number of parties.

²⁸ Does not include the *green* bonds issued by Avangrid or the *green* infrastructure debentures issued by Neoenergia, which are subject to specific Frameworks and which will be reported in the respective *Sustainability Reports* of these companies.

Related environmental benefits

Financing (ISIN code for bonds)	Area of investment	Installed capacity attributable to the financing (MW)	2019 output attributable to the financing (GWh)	CO ₂ avoided in 2019 due to the financing (Tm)
XS1057055060	Renewables ²⁹	480	1,075	205,705
XS1398476793	Renewables	736	1,504	317,179
XS1490726590	Renewables	403	786	200,520
XS1527758145	Renewables	540	1,192	226,572
XS1564443759	Renewables	164	403	144,266
XS1575444622	Renewables	338	1,032	372,137
XS1682538183	Renewables	278	690	245,595
XS1721244371	Renewables	650	1,276	325,496
XS1797138960	Renewables	519	309	65,446
XS1847692636	Renewables	228	60	15,349
XS1924319301	Renewables	23	62	32,744
XS1890845875	Renewables	231	232	93,265
IBE México loan	Renewables	188	438	230,709
Támega ICO loan	Renewables	310	N/A ³⁰	N/A ³⁰
Nuñez de Balboa ICO loan	Renewables	241	N/A ³⁰	N/A ³⁰
Nuñez de Balboa EIB loan	Renewables	250	N/A ³⁰	N/A ³⁰
Renovables de la Ribera EIB loan	Renewables	27	N/A ³⁰	N/A ³⁰

For more details on these issues and their sustainability returns, see the *Report on Green Financing Returns*. This report is structured by grouping the benefits and indicators for each financing, so that investors can know the impact of the projects financed by each of them, as well as the *External Independent Verification Report on Green Financing*. For more information, see the [Green Financing](#) section of the corporate website.

²⁹ Among others.

³⁰ Projects in construction phase

Energy transition and supply costs

Contribution to SDGs of the performance described by the indicators of this section



Demand-side management

As part of its demand-side management programmes, Iberdrola's main objective is to improve energy efficiency and the smart use of active electrical grids to thus contribute to the more efficient use thereof by consumers, and thereby reduce CO₂ emissions and contribute to the fight against climate change.

The types of actions taken include those relating to information, training and the supply of solutions and technologies that help them improve energy efficiency and reduce the environmental impact of their energy habits and consumption. Iberdrola engages in demand-side management in all of its geographic areas and for its various types of customers.

The main activities performed are broken down separately due to the unique nature and law of each country or market.

Spain

The STAR+ project has commenced in Spain, continuing with the digitisation of the network and which will allow for improvement of the usefulness of the equipment deployed during the STAR project, which involved the renewal of 99.9% of its meters. The development of smart grids allows for the active management of demand by consumers and an improvement in the energy efficiency of the system.

There are also various projects required to expand and improve the telecommunications network, which will directly result in an improvement in the operation of this technology.

In 2019 Iberdrola launched the first energy storage system with lithium-ion batteries, connected to its distribution network. This project, located in Caravaca de la Cruz, will allow for improvement in the reliability of supply in an area affected by supply outages.

Iberdrola also sells a wide range of products and services that promote efficiency, energy saving and environmental protection, all within its *Smart Solutions*:

- Energy efficiency: efficient air conditioning and lighting, capacitor banks, home automation systems and other solutions.
- Renewable energy facilities: solar photovoltaic energy.
- Comprehensive management of energy supplies.
- Electromobility.

Iberdrola will install 25,000 electric vehicle charging points in Spain by 2021. The company launched a comprehensive solution that includes recharging infrastructure, installation and warranty, a personalised supply contract that can be easily managed remotely in real-time using an app for mobile devices.

There is a continued commitment to home energy management through internet-connected devices that allow the customer to better manage their electric consumption and thus obtain energy savings. The *Smart Home* range of projects includes intelligent thermostats and electric meters that provide disaggregated information on consumption.

In the industrial and commercial sectors, there are initiatives to diagnose and propose measures for energy savings and to improve energy efficiency, like efficient lighting, efficient air conditioning, etc.

Other activities to promote energy efficiency were also carried out through the website, social media, campaigns, customer invoices, etc.

In addition, Iberdrola's contribution in 2019 to the Energy Efficiency Fund, used to increase energy efficiency in the different energy consumers sectors in a way that contributes to reaching the national energy savings goal established by the National Energy Efficiency Obligations System (*Sistema Nacional de Obligaciones de Eficiencia Energética*) was 15.5 million euros.

United Kingdom

In the residential customer market, ScottishPower participates in the *Energy Company Obligation (ECO) Programme*, sponsored by the British government, the purpose of which is to reduce CO₂ emissions and heating costs through the measures for improving of insulation and energy efficiency. It also provides energy consultancy and support services through a range of channels, with a team of accredited consultants.

In the area of commercial and industrial customers, the company's products are focused on energy savings, cost reductions and CO₂ emissions. These include automated controls that allow for proactive or reactive response to the requirements of the grid.

In addition, there has been continued development of the Demand-Side Response (DSR) products to allow for the generation of business opportunities through the management of one's own energy consumption based on network requirements.

Generally, most of these programmes seek to promote energy efficiency in the buildings of customers and help to control their electricity consumption through various tools, allowing this consumption to be monitored.

In Scotland there is development of the FUSION project, which will contribute flexibility to the distribution network in the area of East Fife. Aimed at resolving congestion issues in the grid, the project will create a flexibility market based on the Universal Smart Energy Framework, which enables customers to make a more flexible use of electricity.

United States

Various projects have been launched to renew the grid, improving substations and key infrastructure, with a view to meeting the growing needs and demands for energy and to improving the reliability of the service.

There are programmes to help improve the energy efficiency of homes under construction or undergoing major renovations and to replace electrical household appliances.

Demonstration projects are also being rolled out, like Energy Smart Community, a platform that integrates the management of the distributed system and allows for online integration of transactions relating to energy efficiency, response to demand and distributed resources.

Additionally, four battery energy storage demonstration projects have been placed into service in New York in order to show the benefits of integrating storage into the distribution system and its ability to generate savings and benefits for the consumers, as well as to offer solutions to manage their energy needs. These systems will allow, for example, for an adjustment of demand on the grid at peak times or to charge electric vehicles at low-demand times.

Brazil

The companies of the Neoenergia group carry out various energy efficiency programmes for residential customers. For example, the Vale Luz programme promotes the safe and efficient use of electric power, and the Energía con Ciudadanía project intends to encourage reduced consumption through savings and

the replacement of inefficient equipment. There is also a programme for training in the efficient and safe use of energy for educators, students and the general population.

In the institutional and industrial segments, Neoenergia has carried out a range of projects relating to the improvement of energy efficiency and the development and improvement of the competitiveness of these sectors, such as the Energy Efficiency Programme for Sewerage or Public Lighting Systems or the Efficiency Programme for Institutions, through which photovoltaic systems are installed.

Generally, most of the programmes seek to promote energy efficiency in the buildings of customers and help to control their electricity consumption through various tools, allowing this consumption to be monitored.

A loss reduction plan is also being implemented, which leads to lower power costs for customers due to improved efficiency.

On Fernando de Noronha island there is a range of projects focused on energy sustainability, based on renewable energy facilities and storage systems, aimed at reducing the consumption of diesel.

Availability and reliability

EU10

The companies of the Iberdrola group have no direct responsibility for long-term planning processes for the corresponding electricity systems in the countries in which they operate.

Government authorities conduct the studies needed to anticipate the long-term needs of the respective electricity system, and Iberdrola's companies act as market agents, making investment decisions that are consistent with their business plans.

Spain

The planning of generation in Spain is a government function and is indicative in nature, as participants make investment decisions within a free-market environment.

Analysing the reliability of the short-term electricity supply is a task assumed by the System Operator (which role is played by Red Eléctrica de España, S.A.), which regularly studies different operation scenarios to verify the robustness of the system. Iberdrola significantly contributes to increasing reliability

in the operation of the system by providing great flexibility through hydroelectric generating and pumping capacity as well as with a pioneering renewable energy control centre.

The group's distribution company, i-DE, also contributes to guaranteeing reliability, performing studies to identify the short- and long-term investments needed to meet the increase in demand and to renew older facilities by adopting more modern technologies and network digitisation programmes, with a view to guaranteeing a more operational and reliable network and to reducing the environmental impact of the facilities. These studies take into account the changes in demand, the increase in requests for new supply, and different penetration scenarios for distributed generation facilities, as well as the integration of new technologies like the electric vehicle and internal consumption facilities.

Following completion of the STAR project, the installation of smart meters at Type-4 customers continued during 2019, with more than 10.98 million meters having been renewed.

United Kingdom

Production at ScottishPower is already 100% renewable, and the company is developing new onshore and offshore wind projects to expand the availability of energy supply free of CO₂ emissions.

Electricity transmission network activities are governed by the RIIO-T1 regulatory framework for the 2013-2021 period. Investments with a dual purpose are being considered for this period: first, to increase the transmission capacity of interconnections between Scotland and England, and second, to enable the evacuation of energy from all renewable facilities expected in the short to medium term.

Of note is the operation of the Western Link 850-km long subsea cable, which allows for the transmission of renewable energy from Scotland to homes and businesses in Wales and England. Thanks to this link, transmission capacity between Scotland and Wales has increased by 2,000 MW, which is sufficient capacity to supply more than 4 million homes throughout the year.

ScottishPower Energy Networks has defined four Energy Scenarios for the transmission network. These scenarios provide a framework to test the flexibility range required and then verify that investment plans meet the requirements of future possible scenarios. These scenarios also examine the interaction between the gas and electricity systems, as well as other changes in the transmission and heating sectors that may have an impact on the network.

The GEMS (Generation Export Management Scheme) project involves the rollout of a smart control system to manage the generation of 2,750 MW in real time. This is a project of ScottishPower Energy Networks in collaboration with the system operator (NGESO), which will ensure that the network complies with the relevant standards to control generation in the transmission and distribution network.

The reliability of electricity distribution networks is ensured through studies that make it possible to identify the short- and long-term investments needed to meet new demand and to renew older facilities, all of which is managed in accordance with the RIIO-ED1 regulatory framework for the 2015-2023 period.

United States

Avangrid is among the leading producers of wind energy in this country.

The group's North American companies act in accordance with the laws and regulations of the states in which they operate. In the state of New York, the companies participate in planning activities through official bodies, ensuring that they can meet short- and long-term demand under proper conditions of reliability and safety. The System Operator (NYISO) operates within the reliability margins set by the North American Electric Reliability Council, the Northeast Power Coordinating Council and the New York State Reliability Council (NYSRC). NYSRC sets the installed capacity reserve margin, as well as the required level of generating capacity, such that the loss of load in the New York control region is no more than one day per ten years. In New England, ISO-NE sets installed capacity requirements (ICR) using similar criteria.

In the State of Maine, transmission and distribution companies have no authority over energy planning, and cooperate with official bodies on operational matters that may be required by such bodies. In any case, electricity distribution companies guarantee reliability, carrying out studies that make it possible to identify the short- and long-term investments needed to meet the increase in demand, and to renew older facilities by adopting more modern technologies, with a view to ensuring a more operational and reliable network.

Avangrid continues making progress in securing the permits for construction of the 233-km-long high-voltage direct current (HVDC) transmission line (New England Clean Energy Connect - NECEC) to transport clean energy from Canada to Massachusetts. This project will improve grid stability and reliability, allowing for the supply of 100%-hydroelectric energy.

Avangrid's utilities are considering Non-Wire Alternatives (NWA) projects as an alternative solution for investments in the network, where appropriate and profitable. These solutions use distributed energy resources to postpone certain traditional construction projects, mainly needed to correct overloads or reliability issues.

The Rochester Area Reliability Project (RARP) for improved reliability of the network in the Rochester area will make it possible to meet the demand and economic increase in the region and to improve the reliability of supply.

Brazil

The group's companies in Brazil manage major electric distribution areas and electricity production plants. They work in close cooperation with government authorities, developing systems to help them attain energy planning goals, achieving the desired balance between available resources, quality and reliability of the electricity supply.

The Networks Business contributes to ensuring the reliability of electricity supply, making investments to meet the rapid increase in demand and electricity consumption in the areas in which it distributes, ensuring a more functional and reliable network. It also invests in electricity transmission projects that will encourage robustness by improving the backbone of the system. One transmission project was awarded in December 2019 involving the construction of 210 km of transmission lines, which is in addition to the 10 transmission projects awarded in prior auctions.

Other examples of activities to improve the quality of supply in Brazil during 2019 are:

- Improvement of prioritisation of incidents based on their scope (number of customers affected and duration of the interruption) and definition of a new contingency plan for the crisis.
- Review and expansion of automation of the network, improving coordination of protective equipment and expanding automation of the lines.
- Start-up of eight substations.

The group's companies in Brazil also participate in developing generating facilities using different technologies (hydroelectric, wind and photovoltaic).

Mexico

In Mexico, a major portion of production (approximately 20%) is generated by gas combined cycle generation plants with long-term contracts from the Federal Energy Commission (net production for third parties), while the rest of production is sold through long-term contracts to private customers. Combined cycle gas plants contribute to the country's energy transition with efficient energy, providing safety of supply and high levels of availability, as well as allowing for a considerable reduction in emissions to the atmosphere compared to other more polluting fossil fuels like coal, fuel oil and diesel, which still account for a significant portion of Mexico's generation mix.

Iberdrola is also investing to grow in the segment of renewable energy, especially in wind and solar photovoltaic technologies.

Fuel

A key element in managing the availability of electricity service is the supply of the necessary fuel. Iberdrola ensures it has a global portfolio of gas contracts that is flexible and diverse as to geographic origin. This is in addition to a stable, long-term and low-risk supply of nuclear fuel.

The risk of fuel cost is managed using financial contracts that fix the price of the fuel at a particular time, allowing for reduction of risks and ensuring a margin on forward sales. Derivatives are also used to cover fuel costs in euros, as purchases are usually made in U.S. dollars.

The Iberdrola group's generation facilities have high availability factors, as shown below:

EU30

Average availability factor of generation technologies (%)

	2019	2018	2017
Combined cycle	91.6	90.4	90.9
Conventional thermal	96.0	94.3	93.9
Cogeneration	97.1	92.2	82.8
Nuclear	90.1	89.3	89.3
Hydroelectric	89.3	86.9	86.0
Wind	94.0	96.4	94.4
Total³¹	90.4	91.6	90.5

Information on the availability factors in the various countries is described in Annex 1 Supplementary Information.

Supply costs

European Union

- Studies by the European agencies (Agency for the Cooperation of Energy Regulators (ACER) and the European Commission itself) on electricity prices confirm that taxes and charges associated with social and environmental policies are what have grown the most in recent years, reaching approximately 40% of the average bill in the EU and up to 50% in Spain. This mainly due to the supports for renewables in each country being imputed as an additional electricity charge, meaning that the electricity consumer is the only one funding them. A competitive electricity supply requires the elimination of cost components outside of the service itself, and a distribution of the charge for climate action among all types of energy based on the "polluting party pays" principle.
- In 2019 there was completion of a new energy rulebook called the Clean Energy for all Europeans Package, which includes rules to reach the goals of the European Union for 2030 (40% reduction in greenhouse gas emissions, 32% penetration of renewable energy out of all final energy, and energy efficiency improvement of 32.5% relative to the 'business as usual' scenario), in addition to a new Market Design to ensure a safe supply, with prices that are competitive for the industry and accessible for citizens. As regards the existence of specific regulated rates for vulnerable customers, the Package permits the situation to be maintained until 2025, when the Commission will analyse the justification for its interventions and may propose the elimination thereof.

³¹ Weighted average with the installed capacity.

Spain

- The price for electricity in the Iberian market is aligned with the other European markets. However approximately half of the electricity bill of domestic customers is not directly related to the provision of the service. The rest derives from the pursuit of energy policy goals (aid for renewable energy and cogeneration), social goals (subsidies for electricity in non-mainland territories and recovery of tariff deficits from previous years) and taxes. Iberdrola has included in its *General Sustainable Development Policy* the protection of customers in situations of vulnerability, in order to ensure their energy supply. For this purpose, it is taking action to promote, inform and facilitate access to the subsidised rates, and Iberdrola is also working with public authorities, various institutions and NGOs to identify and protect economically disadvantaged persons (see “Access to electricity” section of chapter II.5).

United Kingdom

- In 2018, the UK government approved the “Tariff Cap” law and Ofgem defined the cap for the standard variable tariffs (SVT) effective 1 January 2019. The tariff ceiling is updated half-yearly (in April and October) and will apply until the end of 2020 under current law, although there is a possibility for it to be extended until the end of 2023.
- The government continues working to minimise the costs impacting energy consumers, and to show its environmental commitment it has maintained the minimum price for CO₂ paid by electricity generators in the United Kingdom, and has announced plans to introduce a new Carbon Emissions Tax when the United Kingdom leaves the EU ETS as a result of Brexit.
- The government will also allocate a global budget of 557 million pounds for a Contracts for Differences (CfD) auction scheme for renewable generation projects, the next auction for which is scheduled for 2021, with additional auctions every two years. The government’s current goal is for the installation of 30 GW of offshore wind power by 2030 within the framework of the Offshore wind Sector Deal, although the scheme presented by the Conservative party in the General Elections in December 2019 contemplated an increase in this objective to 40 GW by 2030.
- On 27 June 2019 the United Kingdom became the first G7 country to approve a law establishing the commitment to reach net zero emissions by 2050, expanding upon the existing commitment since 2008 under the Climate Change Act, which set a goal for reducing emissions by at least 80% of 1990 levels by 2050.

United States

- The Environmental Protection Agency (EPA) concluded its Affordable Clean Energy (ACE) rule, replacing the “Clean Power Plan (CPP) that was never implemented. This new rule provides guidelines for the states to submit their own plans to regulate existing carbon dioxide emissions within a period of three years. Unlike the CCP, the new rule doesn’t set an emission reduction goal, giving the states flexibility to determine the best system for reducing emissions for each plant, based mainly on efficiency improvements. This new regulation has been challenged in the federal courts.
- There are other costs of supply, depending on political issues, including: potential changes in tax policy, the possibility of obtaining tax credits (PTCs or ITCs) for new renewables developments; the impact of changes in tariffs on Chinese products, especially solar panels, wind towers and other components using the raw materials of steel or aluminium.
- The development of smart grids, the rapid replenishment of supplies in the face of extreme weather conditions, new EPA regulations, and the integration of new energy sources require major investments, which sometimes conflicts with the goal of reducing final tariffs. These final rates are agreed between the distributors and the state regulators.

Brazil

- Brazil has the least polluting energy matrix among the large economies of the world, according to the Brazilian Energy Balance (*Balanço Energético Nacional*) 2019 (BEN 2019). 45% of final energy consumption is from renewable sources, which rises to 83% if we analyse the electric generation mix.
- As a result of the large share of renewable generation, especially hydroelectric generation, prices in the Brazilian electricity market are quite dependent on the country’s hydrological situation. In times of low rainfall, the price of energy increases, and there are mechanisms by which the tariffs directly transfer the changes in costs to the final users. During the first half of 2019, based on the favourable hydrological situation, there was no additional surcharge on the consumer rates (green band) except in May, when the yellow band was activated with a surcharge of R\$ 1 for every 100 kWh consumed. On the other hand, the second half had unfavourable hydrology, which caused the regulator to also activate the yellow bank during the months of October and December, while the rest of the months were red, increasing the bill by R\$ 5 for every 100 kWh consumed.

- According to ANEEL data, 42% of Brazilian domestic consumer energy invoices are due to taxes, approximately 40% corresponds to generation and transmission and 18% corresponds to energy distribution costs.
- Brazil has the “Light for All” programme for vulnerable consumers, which has been extended to December 2022. This programme was created in 2003 in order to electrify rural, isolated and economically disadvantaged areas. The programme is coordinated by the Ministry of Mines and Energy, operated by Eletrobrás, and executed by the energy concessionaires and rural electrification cooperatives. The programme is financed by industry funds, by the state governments and by the electric power distribution companies. The current Coelba contract is financed 65% with industry funds (CDE account) and 35% with own funds that are recovered in the tariff revisions every 5 years. The Coelba contract does not have financing from the government of the State of Bahia.
- The Ministry of Mines and Energy has approved the Decennial Energy Expansion Plan, which provides for the installation of a total of 67.9 GW between 2020 and 2029, of which 39.8 GW will be renewable. Breakdown by technology: 24.4 GW will be wind, 8.4 GW solar and 4.6 GW hydroelectric, with the remaining 2.4 GW being biomass. Investments during this period in the transmission business are estimated to be R\$ 103.7 billion (approximately 23,000 million euros).

Mexico

- In Mexico, private investment in electricity generation, the goals of renewable generation and the establishment of a system of clean energy certificates (*certificados de energía limpia*) (CELs) are encouraging competition and the diversification of the energy matrix, which is allowing for a reduction in generation costs.
- There were three long-term auctions of this type through the end of 2018, and the price has progressively decreased at each of them from USD 41.8 (€37.65)/(MWh+CEL) for the first auction to USD 20.57 (€18.53)/(MWh+CEL) for the third. With the change in government in Mexico in December 2018, a decision was made to temporarily suspend the Long-Term Auctions.
- The mechanisms for the purchase/sale of CELs continues in effect to incentivise new clean energy generation projects. However, in October 2019 the Secretary of Energy approved changes to the requirements for granting CELs in order for the CFE’s clean generation plants in existence before the Reform to be able to verify CELs for generation. This measure eliminated in practice the need for CFE Suministro Básico (a retail company of the CFE group) to purchase CELs in the Long-Term Auctions, containing the increase in Basic Supply tariffs to domestic customers.

- No changes are expected in the methodology for determining the electricity tariffs for financial year 2020, with rates expected to remain stable compared to those of 2019. In this way, the Federal Government can meet its commitment to not increase electricity rates in real terms (taking inflation into account).
- For more information about the business environment and the main factors and trends in the markets in which the company operates, see the [Integrated Report](#).

Nuclear plant decommissioning


Iberdrola is the only 100%-owner of a nuclear plant in Spain (Cofrentes). It also has interests in Almaraz I and II (52.69%), Trillo (49%), Vandellós II (28%) and Ascó II (15%), as indicated in the “Scope of information” section of chapter III.

According to Law 25/1964 on nuclear energy, the management of radioactive waste, including spent nuclear fuel, and the decommissioning and closing of the nuclear plants, is an essential public service reserved to the State, pursuant to article 128.2 of the Spanish Constitution. This law vests Empresa Nacional de Residuos Radiactivos S.A. (Enresa) with the management of this public service. Therefore, the State assumes ownership of the radioactive waste and for the monitoring that may be required after the closure of a nuclear plant, once the period established in the relevant closure declaration has passed.

Enresa prepares the *General Radioactive Waste Plan (Plan General de Residuos Radiactivos) (PGRR)*, which is the basic reference document setting forth the strategies to be followed and activities to be carried out in Spain in the fields of radioactive waste management and plant decommissioning, together with the corresponding economic/financial study. The PGRR is sent to the Ministry of Ecological Transition (MITECO) with a 4-year frequency, or whenever the Ministry requires, for approval by the Council of Ministers after a report of the Nuclear Safety Council, after hearing from the Autonomous Communities with respect to territorial and environmental ordinances. The first PGRR was adopted in 1987 and the sixth, approved in June 2006, is currently in force.

The financing system in Spain for PGRR activities is based on contributions from waste-generating entities called the “Fund for the Financing of the General Radioactive Waste Plan Activities”. The fund is managed by Enresa and includes provisions for the decommissioning of nuclear power plants.

Iberdrola makes contributions to the fund through a fee that is calculated by Enresa and approved by the government, which covers all management expenses relating to the management of the spent fuel and the radioactive waste generated at its plants, as well as the expenses corresponding to the decommissioning and closure thereof, as provided in the PGRR.



Iberdrola also records a reserve on its balance sheet to cover the pre-decommissioning stage of its nuclear power plants. Pre-decommissioning means the period from the final cessation of operations of the plant and decommissioning approval, at which time ownership of the plant passes to Enresa. The current sixth PGRR establishes a period of 3 years for this stage.

Nuclenor, S.A., the company owning the Santa María de Garoña plant in which Iberdrola has a 50% interest, created a reserve for the pre-decommissioning to pay for the closure once commercial operation of the plant has ended and until Enresa takes ownership thereof.

In March 2019 Iberdrola signed a protocol agreement for the closure of the nuclear plants between 2025 and 2035. This protocol includes the schedule for a gradual, orderly closure of the reactors making up the nuclear installations in Spain.

Creation of employment and salaries

Contribution to SDGs of the performance described by the indicators of this section



GRI 401 GRI 402

Policies and commitments

The professionals of the Iberdrola group form a global, multicultural, committed and qualified team that contributes to the sustainable creation of value with its work and talent.

The policies defined for the management of human resources contain guidelines governing labour relations among the various companies of the group and serve as a reference to define the company's employment-related goals: maintaining employment guarantees and a stable relationship with workers; strengthening of occupational health and safety and training aspects; protection of diversity and equal opportunity in access to employment; promotion of professional development; and promotion of behaviour and attitudes among its entire workforce in line with ethical principles.

Iberdrola has a *Human Resources Framework Policy*, the purpose of which is to define, design and disseminate a human resources management model of the group that will allow it to obtain, promote and retain talent and encourage the personal and professional growth of all people belonging to the group's workforce, making them participants in the successful business enterprise and guaranteeing them a dignified and safe job.

This policy is further developed in the following specific policies:

- *Recruitment and Selection Policy*
- *Knowledge Management Policy*
- *Equal Opportunity and Reconciliation Policy*
- *Occupational Safety and Health Policy*

Objectives

In relations with its employees, Iberdrola has identified as especially significant issues:

- Culture: the strengthening of a group corporate culture.
- Integration: boosting integration (Orientation Programme).
- Recruitment: defining a basic recruitment model at the international level.
- Training: the implementation of an integrated training management system (SAP system).
- Diversity: raising the awareness of our workforce with respect to diversity.

Our workforce

405-1

Employees in the workforce

		2019		2018		2017	
		No.	%	No.	%	No.	%
By gender	Men	27,125	77%	26,117	77%	26,229	77%
	Women	8,249	23%	7,961	23%	8,026	23%
By age group	Up to 30 years old	6,080	17%	5,378	16%	4,924	14%
	Between 31 and 50 years old	20,638	58%	19,512	57%	18,912	55%
	Over 51 years old	8,656	25%	9,188	27%	10,419	31%
By professional category	Management team	825	2%	830	2%	928	3%
	Middle managers and skilled technicians	15,074	43%	14,240	42%	14,676	43%
	Skilled workers and support personnel	19,475	55%	19,008	56%	18,651	54%
Number of employees		35,374	100%	34,078	100%	34,255	100%

For reasons of confidentiality, and in order to comply with the requirement established by the personal data protection laws in effect in each country, the information systems of the companies making up the Iberdrola group do not record their membership by ethnic group, religious group or any other diversity indicator. Information by geographic area can be found in Annex 1 Supplementary Information.

Subcontracted activities

EU17

To perform those activities that the company deems necessary to carry out at its facilities using subcontracted personnel, Iberdrola follows a procedure of entering into service agreements defining the type of activities to be performed, and contractors are responsible for allocating and managing the resources required for the proper performance thereof.

To ensure that the subcontracted activities are performed in alignment with the values of the group, the subcontracted companies:

- Must be approved in accordance with the process described in the “Description of Supply Chain” section of this report, which takes into account both their technical performance and their labour, environmental and social practices.
- Must meet the requirements set forth in the [contracting terms of the group](#), which take into account financial and quality aspects as well as environmental, labour, health and safety, and social responsibility performance.

Under these terms and conditions, subcontractors, with a total of 104,759,200 days worked, manage their technical and human resources and Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety given the importance of these issues in the social area and because they are considered material topics.

New hires

GRI 202 401-1

As a global company, Iberdrola has specific policies approved by the Board of Directors that regulate the selection activity (including the [Recruitment and Selection Policy](#) and the [Equal Opportunity and Reconciliation Policy](#)), as well as a master recruitment and selection process that applies at the global level. It also relies on local practices in order to ensure that the best talent is attracted and selected in line with activities appropriate to each specific territory and legal system.

The company believes that the talent of our organisation is a fundamental part of ensuring the success of the organisation each day. It is for this reason that we join forces from all countries to attract and select professionals with the skills, knowledge and abilities aligned with the current and future values and needs of the company.

In 2019, Iberdrola took various actions in this area seeking to attract and retain the best and most diverse talent pool in its various regions, including the following:

- Attending job forums and holding talks and conferences at various prestigious universities in the countries in which Iberdrola has a presence, reaching a total of 24,000 students with whom it has shared the value of our company, while at the same time encouraging them to participate in the company's selection processes.
- Holding "Talent Hackathons" at universities in Spain, the United Kingdom, the United States, Mexico and Brazil in order to get the word out about our company and attract university talent.
- Creation of an internal guide for attracting talent on social media (Twitter, LinkedIn, Instagram, etc.) in order to define, guide and encourage the participation of local human resources groups in the creation of content and collaboration with the internal and external communications areas.
- New unique employment channel: in April 2019, called "Success Factors", where external and internal candidates can look for and request vacancies that match their profile.
- Training programmes at the company directed towards vocational students, as well as university students, in order to complete their education within the professional environment. In total, 615 vocational students and 821 university students throughout the world have begun their training at Iberdrola Spain, ScottishPower, Avangrid, Neoenergia and Iberdrola Mexico.
- International scholarship programmes for master's studies. In 2019, Iberdrola granted 51 scholarships for master's studies, with students from Brazil, Spain, Mexico, the United Kingdom and the United States having had the opportunity to study in different countries.
- Mentoring programmes for students from the Iberdrola scholarship programme, with which they can not only develop skills and abilities relevant to the professional area but also work towards their career goals.
- Weekly email of vacancies published internally to the group of officers, department heads and team leaders to encourage mobility within the company, as well as for career development and personal and professional growth.
- At Neoenergia, a feedback programme has been developed for professionals who participated in the process and have not been selected for the position in question. The goal is to enhance the ability of the application to improve their employability for future openings.
- At ScottishPower, there is a training course for the hiring managers who participate in the selection process, providing training in four modules: the selection process, impartiality in the process, labour regulations and skills-based interviews.

By way of summary, during the 2017-2019 period, Iberdrola held 19 hackathons or bootcamps with the presence of more than 2,000 young talents, 350 entrepreneurial ideas to be developed, and the collaboration of more than 300 mentors. There were also more than 60 workshops or talks and almost 3,500 hours of mentoring were provided to the students. The international side of this programme was expanded upon during 2019, linking to various universities through global initiatives.

The Universities Program, Iberdrola U, focuses its efforts on strengthening the relationship between the company and the academic world through a number of resources and activities aimed at attracting talent, transferring knowledge and contributing to our society. The programme is based on five lines of action: support for university chairs, development of R&D projects, training through student scholarships, internal training of Iberdrola employees and support for young entrepreneurs.

Iberdrola has signed agreements for its development with major universities in the countries in which it has a presence. Two new universities joined and the programme connected with more than 290,000 members, including students, professors and interns, in 2019.

- Massachusetts Institute of Technology (MIT) and Yale University in the United States.
- Monterrey Technology Institute in Mexico.
- University of Strathclyde in the United Kingdom.
- Universidad Pontificia de Comillas and Universidad de Salamanca in Spain.
- Hamad bin Khalifa University in Qatar.
- Federal University of Pernambuco in Brazil.

All of these initiatives form part of the actions that Iberdrola has taken to attract talent. The relatively limited number of women seeking employment in technical/scientific profiles make it difficult to achieve numerical equality with respect to gender in the hirings that occur in the industry. Nevertheless, Iberdrola actively works to promote equality of gender in hiring, taking action at all of its subsidiaries to increase the attraction of women towards technical careers and thus increase the critical mass of available talent.

New hires

		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
By age, in numbers	Up to 30 years old	1,333	406	1,351	377	1,012	295
	Between 31 and 50 years old	1,207	375	1,235	328	1,353	318
	Over 51 years old	99	61	87	35	189	43
Total number		2,639	842	2,673	740	2,554	656
By age ³² , in %	Up to 30 years old	28.17	30.14	32.15	32.04	26.39	27.09
	Between 31 and 50 years old	7.74	7.46	8.44	6.72	9.65	6.50
	Over 51 years old	1.45	3.26	1.19	1.84	2.26	2.10
Total³² in %		9.73	10.21	10.23	9.30	9.74	8.17

202-2

Iberdrola's approach is to promote and favour the hiring of employees in the geographic boundaries within which it does business, also encouraging these individuals to reach executive positions in the corresponding companies. In 2019, 99.62% of executive officers at the companies of the group were local, defined as anyone with management responsibilities in the same geographic area as the one they come from, thus excluding professionals of other nationalities who are assigned there temporarily under an international mobility programme.

The management approaches described in the "Diversity and equal opportunity" and "Non-discrimination" sections of this report are applied to both remuneration as well as the selection of professionals. The current collective bargaining agreements at the companies of the Iberdrola group ensure equality in starting wages for men and women.

³² Of the headcount of this group at year end.

202-1

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

	2019	2018	2017
Spain	112.6	136.54	140.72
United Kingdom	107.8	113.01	125.52
United States	128.2	146.00	125.00
Brazil	128.8	128.74	135.18
Mexico ³³	466.0	449.12	464.09

Average relative remuneration (base plus variable salary) by age groups and gender

Iberdrola (EUR) ³⁴	Remuneration men/Remuneration women			(Remuneration men – Remuneration women) / Remuneration men		
	2019	2018	2017	2019	2018	2017
Up to 30 years old	92.7	92.7	98.0	-7.8	-7.9	-2.0
Between 31 and 50 years old	86.1	89.1	94.5	-16.2	-12.2	-5.9
More than 51 years old	112.1	111.0	110.2	10.8	9.9	9.3
Total average remuneration	95.1	97.3	100.9	-5.2	-2.8	0.9

Average remuneration (base plus variable salary) by age groups and gender

Iberdrola (EUR) ³⁴	Men			Women			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Up to 30 years old	23,357	22,208	25,076	25,183	23,953	25,579	23,758	22,591	25,188
Between 31 and 50 years old	43,458	42,685	46,569	50,487	47,882	49,299	45,179	43,991	47,287
More than 51 years old	75,089	67,787	68,259	66,993	61,064	61,914	73,292	66,378	66,973
Total average remuneration	47,614	45,990	49,089	50,086	47,278	48,639	48,195	46,293	48,983

³³ In Mexico, the minimum wage is generally not used as a reference for market wages; it is applied in sanctions by the labour authority, fines and limits on tax deductibility.

³⁴ Companies included: Iberdrola S.A., subsidiaries of: Iberdrola España, Iberdrola Energia Internacional (Spain), ScottishPower, Avangrid, Neenergia and Iberdrola México.

Average remuneration (base plus variable salary) by professional category

Iberdrola (EUR) ³⁴	2019	2018	2017
Management team ³⁵	124,742	119,185	124,675
Middle managers and skilled technicians	56,109	53,798	56,009
Skilled workers and support personnel	32,883	32,008	34,617
Total average remuneration	48,195	46,293	48,983

Employee turnover

Personnel leaving the company ³⁶		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
By age, in numbers	Up to 30 years old	254	106	293	117	242	113
	Between 31 and 50 years old	617	252	839	317	638	288
	Over 51 years old	901	212	1,694	382	1,072	336
By age ³⁷ , in %	Up to 30 years old	5.37	7.86	6.97	9.94	6.31	10.38
	Between 31 and 50 years old	3.95	5.00	5.73	6.50	4.55	5.88
	Over 51 years old	13.28	11.33	23.27	20.04	12.80	16.45
By seniority, in numbers	Up to 10 years	779	322	925	320	810	308
	Between 11 and 20 years	222	109	386	165	222	167
	Over 21 years old	772	139	1,515	331	920	262
By seniority ³⁷ , in %	Up to 10 years	10.97	12.47	7.59	8.06	6.18	7.18
	Between 11 and 20 years	1.59	2.60	6.85	7.66	3.93	4.16
	Over 21 years old	12.64	9.33	18.28	18.01	12.32	10.90
Total number	1,772	570	2,826	816	1,952	737	
Total³⁷ in %	6.53	6.90	10.82	10.25	7.44	9.18	

³⁵ The management team includes up to the level of team leaders.

³⁶ Information by geographic area can be found in Annex 1 Supplementary Information.

³⁷ Of the headcount of this group at year end.

Redundancies at the company

		2019		2018	
		Men	Women	Men	Women
By age, in numbers	Up to 30 years old	84	25	93	24
	Between 31 and 50 years old	250	58	270	74
	Over 51 years old	131	28	309	70
By age ³⁸ , in %	Up to 30 years old	1.78	1.85	2.21	2.04
	Between 31 and 50 years old	1.60	1.15	1.84	1.52
	Over 51 years old	1.93	1.50	4.24	3.67
By seniority, in numbers	Up to 10 years	276	81	248	70
	Between 11 and 20 years	71	18	46	17
	Over 20 years	118	12	378	81
By seniority ³⁰ , in %	Up to 10 years	3.89	3.13	2.03	1.76
	Between 11 and 20 years	0.51	0.43	0.82	0.69
	Over 20 years	1.93	0.81	4.55	4.41
Total number		465	111	672	168
Total³⁰ in %		1.71	1.35	2.57	2.11

³⁸ Of the headcount of this group at year end.

Average seniority of workforce (years)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Spain	18.31	13.84	17.44	20.60	15.81	19.64
United Kingdom	15.96	14.56	15.49	16.54	14.65	15.90
United States	13.32	13.60	13.40	14.16	13.84	14.07
Brazil	7.75	6.85	7.59	7.90	7.27	7.78
Mexico	5.66	4.02	5.34	6.39	4.56	6.05
IEI	6.09	5.65	5.96	6.65	5.51	6.32
Average overall seniority of workforce	12.95	11.74	12.67	13.99	12.57	13.66

International mobility programmes

The Iberdrola group's international mobility programmes form part of the set of tools that contribute to the development of talent, transmitting and strengthening the culture of the group and offering opportunities for professional growth in an international environment that attracts, motivates and retains the professionals who will ensure the sustainability of the business.

In 2019 the "Early Career" programme, which began in 2016, was launched once again. The goal is to accelerate the development of young professionals in any of the countries in which the Company is present by means of international experience, becoming integrated within a team in any of the corporate or business areas in Spain so that after a maximum of 3 years they can return to their own countries to continue their career after having acquired a global view and better understanding of the business and of the global processes. Employees will participate in improvement and transformation initiatives through this programme. One very important additional value is cultural exchange and greater mutual understanding between the company different geographic regions.

During 2019 386 employees participated in the group's international mobility programmes in their various forms.

As was done the prior year in order to favour opportunities for internal promotion and international mobility, the company continued to encourage the use of a global Internal Employment Channel during 2019. 55% of published vacancies were filled internally during 2019, with outside professionals being hired mainly due to:

- Development of business in new countries, and
- Hiring of professionals with a specialisation in a particular field of knowledge.

The management team of Iberdrola and its subsidiaries comprised 784 people at year-end 2019, with a voluntary turnover rate of 0.51%.

Stable labour environment. Commitment to quality employment

Collective bargaining agreements

102-41

The companies of the Iberdrola group have collective bargaining agreements or specific equivalent agreements to properly regulate labour relations.

Generally speaking, the collective bargaining agreements of the Iberdrola group apply to all employees working under an employment relationship and for the account of the companies of the group, regardless of the type of contract entered into, the professional group to which they are assigned, their occupation or the job performed.

However, issues relating to the corporate organisation, the law of each country or even usage and custom in each country lead to certain groups being expressly excluded from the scope of collective bargaining agreements (for example, executives in Spain are not covered by the agreement). This is why there is not 100% coverage, as indicated in the table below:

Employees covered by a collective bargaining agreement

	2019	2018	2017
Number of employees	27,829	26,900	26,643
Percentage of employees	78.67	78.94	77.78

There are 2 collective bargaining agreements in Spain, 2 in the United Kingdom, 12 in the United States, 11 in Brazil, 3 in Mexico, and 1 in the other countries. A breakdown by geographic area is available in Annex 1 Supplementary Information.

These agreements have specific monitoring mechanisms, such as the committees and sub-committees of the Collective Bargaining Agreement in Spain, the ScottishPower Company Consultative and Negotiating Machinery Constitution in the United Kingdom, the Union/Labor-Management Committee Leadership Committee, Operating Committee, Business Committee and the Joint Union/Management Partnership Committee in the United States, the CSE in France for renewables and for commercial. These Committees serve to regulate labour, safety and health, and pension issues and consult with employees and with representatives on social matters within the company, as well as to ensure compliance with commitments made.

402-1

The different organisational changes and significant events that occur are officially reported in compliance with the various legal provisions that apply at both the global and the local level within the labour relations of the companies of the group. These notifications are made via the various channels and forums enabled for the purpose, such as monitoring committees formed by management and employee representatives, intranet, notices to interested parties, unions, etc.

- In Spain, organisational changes are governed by both the *Workers Statute* and by the collective bargaining agreements, and generally provide for a period of at least 15 days prior notice.
- In the United Kingdom, employees and their representatives are consulted prior to the implementation of major operational changes that could materially affect them. The minimum notice period depends on the change to be implemented, but is generally 4 weeks.
- In the United States, notice requirements are governed both by collective bargaining agreements and labour laws. When organisational change or significant events occur that may impact union employees, union leaders are routinely provided with advance notice. The minimum notice period depends on the change to be implemented, but is generally 4 weeks.
- In Brazil, organisational changes at the distribution companies of the Networks Business (Coelba, Celpe, Cosern and Elektro) are governed by their respective collective bargaining agreements, which give guidance on how these changes should occur, always giving advance notice to the unions. The period is established by the management of the area together with the human resources area, depending on the type of operational change.
- In Mexico, significant operations are reflected in the collective bargaining agreements and notice is provided an average of two to three months in advance.
- In the other countries, organisational changes are made within the periods set out by local regulations in accordance with the process in question.

Benefits

401-2

Iberdrola offers a set of benefits to its employees, including:

- Life insurance
- Medical insurance
- Disability insurance
- Maternity/paternity leave
- Pension fund
- Remuneration in the form of company shares

Information by geographic area can be found in Annex 1 Supplementary Information.

For employees of Iberdrola, S.A., and the subsidiaries of Iberdrola España, Iberdrola Energía Internacional, ScottishPower, Avangrid, Neoenergia and Iberdrola Mexico, there are no significant differences between benefits provided to part-time employees and benefits provided to full-time employees.

201-3

The features of the contributions to pension plans at the various countries of the group are described below by country:

Spain

The companies signing the *7th Collective Bargaining Agreement* jointly sponsor a voluntary employee pension plan in which 98% of the workforce participates. The periodic contributions made under said Collective Bargaining Agreement are determined as a percentage of each employee's annual pensionable salary. Iberdrola does not have any unmet financial commitments pending with respect to this plan.

United Kingdom

98% of the workforce participate in the pension plans of the workforce in one form or another:

- The defined-benefit plan has two pension plan structures, based on company and seniority.
- The defined-contribution plan has a pension scheme that is based on a percentage of each employee's annual pensionable salary. This scheme is optional for employees and is co-funded by the company and employees.

United States

- The Networks Business has twelve defined-benefit plans, for which the company makes the contribution, with benefits being based on salary and years of service. It also has defined-contribution plans with distinct and separate operations. Employees can make contributions as a percentage of their pre-tax salary (generally up to 50%). Approximately 96% of the workforce are members of these defined-contribution plans.
- The Renewables Business has a corporate defined-benefit plan, with contributions assumed by the company and benefits determined based on salary and years of service. It also has a defined-contribution plan with three different types of company contributions. Employees can make contributions as a percentage of their pre-tax salary. 100% of the workforce are members of these defined-contribution plans.

Brazil

After the integration of all of the businesses of the company Elektro Holding into Neoenergia on 24 August 2017, the pension plan scheme is as follows:

- At Elektro Networks and Commercialization, they have a defined-benefit plan and a mixed plan (70% of salary as defined benefit and 30% as defined contribution). 83% of the workforce are members of both plans.
- The distributors Coelba, Celpe and Cosern have various defined-benefit plans and defined-contribution plans. 99% of the workforce are members of both plans.

Mexico

The commitments to the organised employees of Iberdrola Mexico, arising from the auctions by the Federal Electricity Commission, in which Iberdrola is required to apply a Collective Labour Agreement for organised staff, are provisioned as internal funds. A defined-contribution pension plan was implemented in 2015, with 63% of the non-organised workforce with pension plan rights signing up.

EU15

Employees eligible to retire

	In the next 5 years (%)			In the next 10 years (%)		
	2019	2018	2017	2019	2018	2017
Iberdrola total	13.05	12.59	16.21	22.06	21.70	27.60

A breakdown by professional category and region can be found in Annex 1 Supplementary Information.

II.2. Workplace Safety and Employee Development

- A safe work environment
- Professional training and development
- Diversity and equal opportunity



Priorities of the Sustainable Development Plan



A safe work environment

Contribution to SDGs of the performance described by the indicators of this section

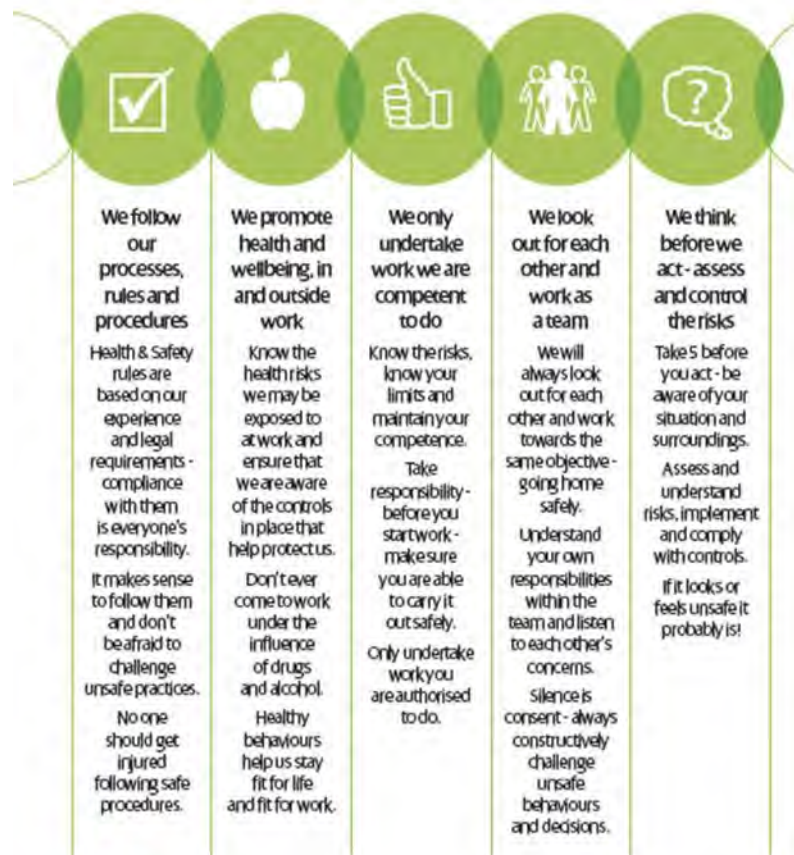


GRI 403

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Occupational health and safety management system

Our 5 Health & Safety Essentials...



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Workers covered by an occupational health and safety management system

The purpose of the Global Safety and Health Department is to propose a global strategy and objectives to homogenise safety and health requirements and standards throughout the company in those countries in which it has a presence. There are no legal requirements that specifically apply in this department, but rather it works through global practice groups that engage persons with knowledge and experience related to the objectives of such groups in order to achieve results based on the objectives set out in the Global Strategic Safety and Health Plan 2019-2022.

- In Spain, the applicable legal requirements are: Section 16.1 of Law 31/1995, of 8 November on Occupational Risk Prevention and Section 2. Occupational Risk Prevention Plan of Royal Decree 39/1997, of 17 January, approving the Regulations on Prevention Services.
- The United Kingdom has a Safety and Health System with related policies and procedures that must be followed to ensure that the Company and its employees comply with all applicable internal, external, legal and regulatory requirements and standards.
 - UKHS-GSP-SMS2007 Procedure to identify legal and other requirements
 - UKHS-GSP-SMS2008 Health and Safety Legal Registry - Describes all legal requirements
- In the United States, the only existing legal requirements to implement an occupational health and safety system are those relating to the offshore wind power sector. This sector is a business that is still emerging, for which reason the projects are still currently under development. The networks business already has a safety and health system.
- In Brazil, the purpose of the corporate safety and health department is to develop and implement all of the Iberdrola group's strategies in the country in order to comply with global safety and health requirements and standards, despite there being no legal requirements that these systems be implemented in Brazil.
- In Mexico, although there is no legal requirement, the group's facilities in the country implement and maintain an integrated quality, safety and environment system based on processes that satisfy the current versions of the ISO 9001, ISO 14001 and OSHAS 18001 standards.

- The purpose of Iberdrola Energía Internacional is to establish a common standard and propose global objectives to homogenise Safety and Health requirements and standards. There are no legal requirements that specifically apply to this Area; instead, work is performed locally, through suppliers with platforms used for this purpose.

The Global Safety and Health Department is not itself certified by a recognised standard or guideline, although the countries and businesses that it services are certified under the OHSAS 18001 standard.

- Spain conforms to the international OHSAS 18001:2007 standard.
- The United Kingdom has developed, documented and implemented a Safety and Health Management System within the scope of the ISO 45001:2018 certification.
- In the United States, the Networks and Onshore Renewables business units have implemented an occupational health and safety management system based on accepted management and risk management standards. As at the date hereof, the networks and renewables businesses have the OHSAS 18001 certifications and will move to ISO 45001 in 2020.
- Brazil is certified by a standard based on the OHSAS 18001 and ISO 45001 standards.
- In Mexico, the integrated management system, which currently contemplates the OSHAS 18001 standard, is in the process of migration to the ISO 45001 standard.
- Iberdrola Renovables Internacional Onshore (Operation and Maintenance) holds OHSAS 18001 certification in Portugal, Greece, Hungary and Romania; Iberdrola Renovables Internacional Offshore is working to obtain ISO 45001, managed by the Safety and Health, Environment and Quality Department. At Iberdrola Clientes Internacional, Italy is certified using OHSAS 18001, France is working to obtain ISO 45001 (it will replace OHSAS 18001) during the last quarter of 2020, and in Portugal they are working to obtain the ISO 45001 certificate in 2020.

Scope of the occupational health and safety management system

The Global Safety and Health Department is made up of a director and 4 occupational risk prevention experts (all employees of the company). One person is responsible for compliance, recording and tracking of the overall Indicators and reports and three are the prevention officers of the businesses of the company (networks business, liberalised business and renewables business), who lead, among other things, the global practice groups of the businesses to whom the technicians and officers of each country and business turn to deal with specific issues and needs and to follow up on specific objectives therein.

Workers covered by an occupational health and safety management system³⁹ (own personnel)

	No.	%
Employees covered by occupational health and safety management system	35,374	100
Occupational health and safety management system internally audited	35,374	100
Occupational health and safety management system audited or certified by an external party.	35,374	100

Workers covered by an occupational health and safety management system³⁸ (subcontractors)

	No.	%
Employees covered by occupational health and safety management system	40,400	100
Occupational health and safety management system internally audited	40,400	100
Occupational health and safety management system audited or certified by an external party.	40,400	100

403-2

The Global Safety and Health Department does not make or issue specific risk evaluations of the personnel for which it is responsible, as these evaluations are already provided by human resources areas of other corporate departments, which design and provide them to workers based on the roles that each person performs within the company.

However, upon the report of a serious or very serious accident in any company, they have the obligation to immediately report it to this global office and thus be able to inform the corporate human resources leadership and other country safety directors as soon as possible.

Occupational Safety and Health systems and processes

- In Spain, the companies party to the 7th Collective Bargaining Agreement share the process of identifying hazards to Occupational Safety and Health and the evaluation of occupational risks, pursuant to the law in this area and the OHSAS 18001:2007 standard. The quality of these processes is ensured through the creation of a Joint Prevention Service.
- The United Kingdom has created a system and certain processes to identify, implement and maintain a number of mechanisms for identifying hazards, evaluating risks and determining the required controls.

³⁹ Iberdrola's Health and Safety Management System covers all employees and subcontractors.

- In the United States, the hazards and risks to land and facilities are identified through a process of observation and inspection from the ground, the results of which are recorded in a safety management software tool.
- In Brazil, the identification of occupational health and safety risks follow the system defined in the management system procedure. The procedure handles the risk evaluation, review control, change management, documentation of information and reference to controls.
- In Mexico, the quality of these processes is ensured through internal and external audits, in which external members and customers validate compliance with the procedures, their acceptance of the processes and awareness of the personnel applying them. These exercises give rise to corrective, preventive and improvement actions, which are handled based on methodologies of the Comprehensive Management System.
- Iberdrola Energía Internacional does not make or issue specific risk evaluations of the personnel for which it is responsible, as they are already provided by Human Resources area of other corporate departments through the Prevention Service.

There is a quarterly and annual “Global Face to Face Meeting” of all corporate safety and health officers of the countries, where major accidents occurring during the period under review are shared as lessons learned to be integrated into the safety management systems of the various countries and thus avoid the repetition of similar events.

Occupational Safety and Health Plans

- In Spain, the annual planning of the prevention activities of each company is the subject of consultation and participation (central safety and health committee) and quarterly monitoring for compliance and effectiveness both by the central safety and health committee and by the safety and health coordinating councils of each business.
- In the United Kingdom there are an effort to continuously improve the suitability, sufficiency and effectiveness of the Safety and Health Management System through the organisation of various forums, performance evaluations, employee participation, communication, etc. The strengthens the encouragement of a culture of ongoing improvement and management commitment.
- In the United States there is a review and analysis of the results of the observations, inspections and audits in order to detect hot spots and specific trends. Gaps in the management system can be identified based on this review and the adjustments needed to improve the system can be made.

- In Brazil there are specific Safety and Health Committees, which verify the results at frequent regular meetings.
- In Mexico, the results of the processes are used as entries for the corrective, preventive and improvement processes, as well as the process of management review of the management system, in which the reasons for deviations from established procedures are established.
- This service is outsourced in the countries where Iberdrola Renovables Internacional, Onshore, Offshore and Iberdrola Clientes Internacional operate. Processes that follow up on workers who want to communicate hazards or dangerous situations.

Injury reporting and evaluation systems

Each country in which Iberdrola has a presence has its own procedures, means and systems for reporting work-related injuries in accordance with local practices and the regulations required by the country. In addition, all of the countries also have common practices, which give any worker the ability to report unsafe conditions and actions that occur while performing their duties.

- In Spain, hazard notices are provided through various instruments that are available both universally (Employee Portal) and locally. These include the “Maintenance Notices” system that manages thousands of communications each year. Any of the local (or central) Safety and Health Committees can also be informed of any potential or actual hazardous situation.
- In the United Kingdom, evaluation of the risks and reporting of occupational injuries takes place just like in the other countries, by reporting it to a supervisor or through a management system.
- In the United States, workers can communicate work-related risks and injuries through their supervisor or the online safety management system. If they prefer, they can also report problems anonymously using the ethics hotline.
- In Brazil, employees have complete freedom to make safety complaints regarding the business itself as well as the specific safety area. If the employee encounters any resistance with respect to these forms of communication, it is considered a violation of the Code of Ethics, will be analysed by the compliance area, and the employee will be protected against potential reprisals.
- In Mexico, the generation plants make available to the employees, contractors and other personnel engaging in activities within the facilities a Deficiency Observation Report (*Reporte de Observación de Anomalías*) (ROA), which is an effective participation mechanism to prevent and avoid risky situations that could lead to incidents and/or injuries. Once the deficiency is detected, the reporting party must act in two ways, correcting the deficiency or, if unable to do so, notifying their superior for it to be uploaded into the EQDz system.

- At Iberdrola Energía Internacional, upon the report of a serious or very serious accident in any company, they have the obligation to report it to this safety and health area in a format established by the Department and thus be able to inform the corporate human resources leadership and other country safety directors as soon as possible.

Right of workers to remove themselves from work situations that could cause injury or ill health

Safety has been a constant in the preventive culture of the company, and as such all workers are always urged to not proceed or give priority under any circumstance to performing any work that entails a risk without having the means and knowledge necessary to mitigate or eliminate the effects of the risk itself. This principle of conduct is set out in the safety policy of the company and is supported by the company's officers. The global department has implemented a training initiative of "No Harm" at the international level in order to more strongly emphasise and strengthen these concepts.

- In Spain, there is application of the legal provisions governing the processes to be followed by workers who want to remove themselves from work situations that they believe constitute a serious and imminent risk to their safety and occupational health.
- In the United Kingdom, there has been an effort to integrate health and safety into the DNA of the organisation and promote a fair and equitable culture of health and safety in which everyone is responsible for their own health and safety and that of their colleagues and they are responsible for their own actions or omissions.
- In the United States, employees are taught that they not only have the right to stop work if they feel unsafe without fear of retaliation, but also to expect to start work under safe conditions. There is also an insistence that employees only engage in work for which they are qualified.
- In Brazil, the right of rejection is provided for under Brazilian law, regulated in the NR01 (miscellaneous) standard of the labour and employment ministry of the federal government applicable to a specific activity if the worker does not feel safe in performing it.
- In Mexico, the employee portal contains a Code of Ethics mailbox in which any worker of the group or outside worker can communicate their objection to any labour instruction and/or practice that puts their physical or moral integrity at risk.
- In the countries in which Iberdrola Energía Internacional is present, they have both common practices and their own procedures, means and systems for reporting work-related injuries in accordance with local practices and the regulations required by the country.

Investigation of work-related incidents, hazard identification and corrective actions.

The global department ensures that each country has within its safety and health systems, all certified by third parties, the means to investigate work-related accidents and occupational diseases. It also performs regular Global Assessments of specific businesses in all countries, assessing whether the steps are performed with quality and in due time and form and there are records of all of them in the form of documentary evidence, and if not that they are formally requested to correct it in an Action Plan by country.

- In Spain, general procedures apply to the management of occupational safety and health incidents.
- In the United Kingdom, the “ScottishPower Incident Management Framework” has an investigation procedure in this regard, identifying hazards and evaluating the risks relating to incidents.
- In the United States, incidents must be immediately reported to the supervisor and recorded in the online safety management system, after which an investigation of the incident is performed based on the seriousness thereof.
- In Brazil, there is an analysis of work-related incidents based on a corporate management system procedure. Each causal factor and root cause are list and assigned to one or actions for treatment. The safety committees, with the participation of various areas of the company, are also part of the analysis report.
- In Mexico, the process of communication, classification, investigation and recording of accidents, incidents and occupational diseases considers that all undesired events that cause or might cause harm to personnel, the environment and/or the facilities as well as illnesses must be electronically reported and communicated. There is an investigation of the immediate causes giving rise to them, and the immediate corrective action is generated to mitigate and deal with the event, and a lead person is assigned to follow up on this action.
- Iberdrola Energía Internacional ensures that each country has within its safety and health systems, all certified by third parties, the means to investigate work-related accidents and occupational diseases. These means record in detailed form all of the data and details identified during the investigation of an accident. The report provides specific conclusions regarding assignable causes, corrective actions, risk mitigation measures and specific parties responsible for closing out the non-conformities detected during the process and setting deadlines.

403-3

Occupational health services

- Health services at the company are completely integrated within the preventive dynamics of the company. Health requirements are similar among countries and can be tracked for employees, contractors, temporary staff or interns, and personnel from temporary staffing or outsourcing companies. The health of the company's own workers is monitored in accordance with medical protocols that are applied based on the specific function of each worker based on an evaluation of occupational risks. The global safety department works to ensure that the health monitoring systems are consistent with the written procedures in each country. They are monitored using regular Global Assessments in the various businesses of the countries. The confidentiality of the personal health data of workers is ensured through the application of the measures established by applicable law and the internal and external controls established for this purpose (internal and external audits).
- In Spain, the monitoring of occupational health or workplace medicine is one of the four mandatory preventive specialities. The speciality is developed with internal means, through the occupational medicine unit of the joint prevention service, structured into four medical regions and which has the technical and human means established by applicable law.
- In the United Kingdom, the occupational health services guide includes how to provide professional medical and occupational health services, advice and assistance to efficiently manage risks to health and occupational hygiene relating to work-related activities and operations. In the United States, like in Spain, occupational health services are provided by third party healthcare organisations.
- Depending on the state, there tend to be a number of occupational health centres with which the company is related and shares information with relating to the work, as well as the ability to adapt to any type of work-related restriction.
- In Brazil, the health of workers is monitored in accordance with medical protocols that are applied based on the specific function of each worker based on an evaluation of occupational risks.
- In Mexico, the annual health monitoring plans contemplate programmes, services and clinical exams that can be easily accessed by the workers. There is currently a transition towards an online platform that will contain the medical files of each worker, for which purpose the worker will sign an informed consent and notice of confidentiality so that their data are maintained on this platform and can only be viewed by the worker and persons they authorise.

- At Iberdrola Renovables y Clientes Internacional the health monitoring service is outsourced in accordance with local law and Iberdrola standards. The health of workers is monitored in accordance with medical protocols that are applied based on the specific function of each worker based on an evaluation of occupational risks.

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Worker participation in the development, implementation and evaluation of the health and safety management system

There are union formations in all countries that collect the concerns of workers and bring them to forums and meetings that are regularly held with representatives of the company to deal with topics of common interest, including safety and health. At the work centre level and depending on the number of workers therein in accordance with the legal requirements of each country, there are specific safety and health committees that meet regularly with the participation and representation of both unions and the company.

- In Spain, there is a general procedure for the participation, consultation and communication of workers that gives effect to applicable legal requirements in this area and the 4.4.3 Communication, Participation and Consultation requirement of the OHSAS 18001:2007 standard.
- In the United Kingdom, the Health and Safety Governance Committee (HSGC) meets quarterly and serves as a forum for senior management governance and leadership in the area of health and safety.
- In the United States, there is a safety committee, at either the facility or job level, that ensures the representation of all employees.
- In Brazil, formal agreements with the unions on safety and health matters are not common because legal guidelines define the areas of responsibility for employees and companies. At companies with more than 20 employees, there is a legal requirement for a joint committee. The Occupational Accident Prevention Commission (CIPA) has a presence in safety audits, safety and health programmes and campaigns, and the analysis of incidents and improvement actions.
- In Mexico, communication takes place through the internet and email. Information that is routinely communicated includes accidents and incidents and operational events. For external communications, there is a communication procedure that governs requests for information as well as technical communications with customers.

- At Iberdrola Energía Internacional, there are union formations in all countries that collect the concerns of workers and bring them to forums and meetings to deal with topics of common interest, including safety and health.

Health and safety committees

All companies of the group in each country have occupational safety and health committees, under different names, to establish channels for consultation and participation with the employee representatives in this area, to monitor indicators, accident rates, to plan and take preventive measures to correct deficiencies and to improve the Safety and Health System.

- In Spain, there is a Central Safety and Health Committee, inter-centres and another 36 local safety and health committees, such that all of Iberdrola's personnel are represented on a local committee. In order for there to be consultation and participation of the employees in all company processes and decisions, they include the preparation of occupational risk prevention plans and all related work-related safety and health procedures, the process for evaluating work-related risks, the planning of prevention activities and information regarding occupational safety and health incidents and the causes thereof.
- In the United Kingdom, there is a Health and Safety Governance Committee that is in charge of the general strategy, guidelines and governance in this area. The Committee, which meets quarterly, is made up of members of the executive management teams of each of the business units and of the health and safety management team. The Governance Committee has the support of the executive teams of each area of the business, the Health and Safety Department and the health and safety forums.
- In the United States, in those business areas that have a union, they have created joint health and safety committees with officers and workers to adapt to the structure of the groups of experts on safety.
- In Mexico, the Safety and Hygiene Commission (*Comisión de Seguridad e Higiene*) (CSH) is the internal organisation that will help the organisation to ensure that the Occupational Safety and Health Management System is implemented and complies with requirements in all areas and processes of each corresponding facility, in addition to actively participating in the investigation of accidents and incidents.
- In Brazil, they have occupational safety and health committees, under different names, to establish channels for consultation and participation with the employee representatives in this area, to monitor indicators, accident rates, to plan and take preventive measures to correct deficiencies and to improve the Safety and Health System.

- At Iberdrola Energía Internacional, they have established channels for consultation and participation with the employee representatives in this area, there is monitoring of indicators, accident rates, and planning, and preventive measures are taken to correct deficiencies and to improve the Safety and Health System. The frequency for each country differs according to the nature of the work centre.

403-5

Worker training on occupational health and safety

The company has made available to employees a software system called “Savia” that offers various types of courses, including on safety and health, so that each worker can make their own “Personal Development Plan” supported by their immediate superior.

In parallel, the company regularly launches subject-specific online or on-site courses for all employees in accordance with their duties and needs, in order to provide training on general and relevant safety topics. The online safety courses are mandatory and are calculated for purposes of annual variable salary or bonus.

- In Spain, there is an annual identification of their needs for information, education and training on occupational safety and health issues. This planning is based on the evaluation of occupational risks of each job position and the skills required, which are compared to the accredited training already appearing in the file for each employee.
- In the United Kingdom, immediate supervisors are responsible for evaluating skills and identifying the training needs in order to ensure that employees have the skills and knowledge necessary to perform their duties effectively and safely. The country training plans are prepared by the training department, which obtains information from the health and safety compliance team regarding all approvals of plants in relation to the various functions within the companies in order to ensure the observance of all legal and compliance standards, and is in contact with the various business areas to determine the needs and priorities for training and development.
- In the United States, employees receive both technical and safety training relating to the work they perform. No employee can work unless they have passed the required tests and demonstrated their competence. This technical training includes all work-related safety requirements.
- In Brazil, the company regularly launches subject-specific online or on-site courses for all employees in accordance with their duties and needs in order to provide training on general and relevant safety topics. The online safety courses are mandatory and are calculated for purposes of annual variable salary or bonus. At the end of each training unit, there is a small test of knowledge that must be passed.

- In Mexico, the training plan for personnel is based on a performance evaluation each year for each employee, comparing their annual performance to their job profile, and based on which training deficiencies or improvements of the person are established, developing a training plan with additional courses.
- At Iberdrola Renovables Internacional, all employees have access to specific safety and health training courses. There are subject-specific online or on-site courses for all employees in accordance with their duties and needs, in order to provide training on general and relevant safety topics.

403-6

Promotion of health

Access to medical services and monitoring of the health of employees is managed by the Human Resources Division in the various countries. They maintain the history of medical examinations of all employees of each business in the countries in accordance with specific local regulations. Specific medical protocols are applied, in all cases based on an evaluation of the risks of each individual and the activities thereof. Medical examinations are performed with the frequency applicable in accordance with the country's local law and based on standards that may or may not be mandatory based on the duties of the worker and the risks to which they are exposed.

- In Spain, all personnel have access to medical services and non-work-related healthcare, not only through the public health system, but also through a system arranged with a private entity that offers health coverage to said personnel and to their direct family members.
- In the United Kingdom, all employees considered to be at risk are offered a confidential health monitoring programme at work and fitness for work programme. Innovative solutions and programmes have also been developed to engage and cause personnel to participate in general, health, exercise and well-being activities. It also has a confidential assistance programme for the workers that offers help, advice and assistance to the workers and their immediate family regarding a large number of issues relating to health, consumption, law and lifestyle.
- In the United States, there are high-quality non-work-related medical and health services for the employees through group medical plans.
- In Mexico, all employees are provided with medical benefits based on a catastrophic medical expense policy, a medical consultation policy with specialists, a dental insurance policy and a life insurance policy.

- In Brazil, access to medical services and monitoring of the health of employees is managed by the Human Resources Division. They maintain the history of medical examinations of all employees of each business in the countries.
- At Iberdrola Renovables Internacional, access to medical services and monitoring of the health of employees is managed by the respective Human Resources Divisions.

Promotion of health in non-work-related aspects

Iberdrola provides workers with significant means to promote the health of its employees, as well as the organisation of non-work-related sports activities, which are announced and promoted through the corporate intranet, as well as the sponsorship of sports teams, etc.

- The medical services in Spain (Prevention Service) engage in regular campaigns promoting good health and the acquisition of healthy habits (including anti-smoking and healthy food treatment) and includes voluntary programmes for monitoring and early prevention of potential pathologies at regular health examinations, including the prevention of colon and prostate cancer, cardiovascular illnesses, etc.
- In the United Kingdom, there are two key strategic initiatives to help workers:
 - Mental health: an awareness-raising programme was implemented throughout the company with the distribution of materials “Putting on a brave face: it’s time to talk, you’re not alone” and the holding of seminars and training on emergency mental health assistance.
 - The TOM (musculoskeletal disorders) plan, there has been approval of the DorsaVi system for telemetry data of evidence-based musculoskeletal disorders for implementation in the occupational hygiene area. A *Guide for the prevention and treatment of musculoskeletal disorders* has been prepared to contribute to the visibility of these changes.
- In the United States, voluntary health services are provided such as health events that include activities like free diabetes, high blood pressure and body mass tests and tests for the detection of various types of cancer, etc.
- In Brazil, to promote the health of workers, not only are more than 700 sports offered, but a communications campaign has also been implemented to promote healthy practices among the workers.
- In Mexico, there are two programmes focused on promoting health, both were voluntary established by the workers’ organisation:
 - Gympass: a benefit to promote the physical activation of the personnel.
 - Medical chart: a database of electronic medical records that will contain the medical exams along with the recommendations of the plant’s doctor.

- At Iberdrola Energía Internacional, this service is outsourced for local (in-country) Iberdrola personnel, in accordance with specific local regulations. Specific medical protocols are applied, in all cases based on an evaluation of the risks of each individual and the activities thereof.

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Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

There are operations, products or services for which there are difficulties in hiring or outsourcing because these kinds of companies are not familiar with the safety and health pre-qualification requirements required by Iberdrola or they do not have certified integrated management systems, and verification of compliance therewith delays their hiring. Iberdrola coordinates specific plans with the relevant health and safety department to avoid major impacts on the occupational safety or health of workers due to the existing commercial relationship with the supplier.

- In Spain, potential impacts on the occupational safety and health of the personnel of Iberdrola directly related to business processes are focused on through the process of evaluating occupational risks, which includes roadway and psycho-social safety aspects.
- In the United Kingdom, there are a large number of subcontractors in each of our business areas. Ensuring the highest possible standards of compliance on health and safety issues for all of our subcontractors is fundamental to achieving a strong health and safety culture.
- In the United States, the principal negative effects on occupational health and safety directly relating to the operations, products and services in which there is no control over the work or over the worksite are prevented and mitigated by raising awareness regarding public safety. We seek to generate greater awareness regarding the dangers of systems and facilities by working with local emergency personnel, and through educational programmes for youth.
- At the plants of Iberdrola Generación México, significant risks directly related to the power plant operation processes and the generation of products and services that directly affect the relationship with various stakeholders have been identified.
- Brazil is making investments in the facilities to reduce ergonomic risks for the workers. And at the operational facilities the group is taking action to change processes and improve equipment and infrastructure, all to continuously improve the safety and health of the workers and the quality of the public services provided.
- At Iberdrola Clientes Internacional, the process of hiring suppliers for the installation of products of the Iberdrola Customers business involves difficulties due mainly to the fact that these installation companies are not familiar with the safety and health pre-qualification requirements required by Iberdrola or do not have certified integrated management systems, and verification of compliance therewith delays their hiring. But in those places where these difficulties occur (Italy, France,

Portugal), they are defining specific plans under the control of Iberdrola Energía Internacional and by the Liberalised business.

Own staff represented on safety and health committees (%)

	2019	2018	2017
Iberdrola total	98.80	98.61	98.53⁴⁰

⁴⁰ In Mexico, there has been a recalculation of the data from 2017, including the Renewables and Engineering businesses.

Injury and absenteeism rates

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Employee injuries⁴¹

	2019	2018	2017
Number of injured workers	416	399	455
Men	378	363	376
Women	38	36	79
With fatality	1	0	0
Men	0	0	0
Women	1	0	0
With leave	83	80	104
Men	77	75	101
Women	6	5	3
Without leave	332	319	341
Men	301	288	265
Women	31	31	76
With high consequences	1	1	2
Men	1	1	2
Women	0	0	0
Number of lost days	3,896	3,929	4,374⁴²
Men	3,747	3,806	4,318
Women	149	123	56
Injury rate (IR)	1.33	1.37	1.75
Men	1.61	2.26	2.20
Women	0.41	0.21	0.22
Severity index	0.06	0.07	0.07
Men	0.08	0.12	0.09
Women	0.01	0.01	0.00

⁴¹ Methodology for calculating the indicators:

- Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked.
- Severity index = (number of calendar days lost per accident, as from first day of leave/hours worked)*1,000.

⁴² In 2017 there was a lower number of accidents with leave but a higher number of lost days.

Rate of work-related injuries (own personnel)⁴³

	2019
Rate of fatalities	0.00
Men	0.00
Women	0.01
Rate of high-consequence work-related injuries	0.00
Men	0.00
Women	0.00
Rate of work-related injuries	1.33
Men	1.58
Women	0.51

Rate of work-related injuries (subcontracted personnel)

	2019
Rate of fatalities	0.01
Rate of high-consequence work-related injuries	0.02
Rate of work-related injuries	1.12

In the event of a high-consequence work-related injury, there is an evaluation of risks, where each type of risk has a classification that is determined by means of evaluating the probability of occurrence and the consequences thereof (FINE method). The two are multiplied to give the final classification, which will be low, medium or high. The corresponding measures are taken based on these classifications to eliminate and/or minimise such risks.

⁴³ **Rate of fatalities** = Number of fatalities as a result of a work-related injury / number of hours worked x [200,000] **Rate of high-consequence work-related injuries (excluding fatalities)** = Number of high-consequence work-related injuries (excluding fatalities)/Number of hours worked x [200,000] **Rate of recordable work-related injuries** = Number of recordable work-related injuries x [200,000].

Absenteeism among own personnel

	2019	2018	2017
Number of lost hours⁴⁴	1,187,531	1,663,424	N/Av.
Men	814,819	1,109,664	N/Av.
Women	372,712	553,800.0	N/Av.

Information is provided by geographic area in Annex 1 Supplementary Information.

The table below shows the accident and absenteeism rates of subcontracted employees:

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Injury and absenteeism rates (subcontracted personnel)

	2019	2018	2017
Number of injured workers	587	570	631
Men	572	549	614
Women	15	21	17
With fatality	4	3	13
Men	4	3	13
Women	0	0	0
With leave	208	174	309
Men	201	171	307
Women	7	3	2
Without leave	375	396	309
Men	367	378	294
Women	8	18	15
With high consequences	12	6	4
Men	12	6	4
Women	0	0	0
Number of lost days	11,992	9,661	11,927
Injury rate (IR)⁴⁵	1.98	1.72	3.10

⁴⁴ The calculation of hours lost due to absenteeism includes leave arising from common illnesses and maternity in the United States (the hours lost due to occupational disease are calculated within the injury rates).

⁴⁵ Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked.

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The Iberdrola group's companies monitor the health of their workers for prevention purposes, using in-house or outsourced medical services that are responsible for monitoring the health through regular medical check-ups.

In general terms, the group considers that employees are not exposed to specific occupational or work-related diseases in the course of their work that may be considered to have a high level of incidence or to carry a high risk.

Occupational diseases among own personnel (No.) ⁴⁶

	2019
Fatalities	0
Occupational diseases	1
Total	1

Occupational diseases among subcontracted personnel (No.) ⁴⁶

	2019
Fatalities	0
Occupational diseases	0
Total	0

⁴⁶ Methodology for calculating the indicators (per GRI standard):

- Occupational disease rate (ODR) = (number of occupational disease cases/hours worked)*200,000

Professional training and development

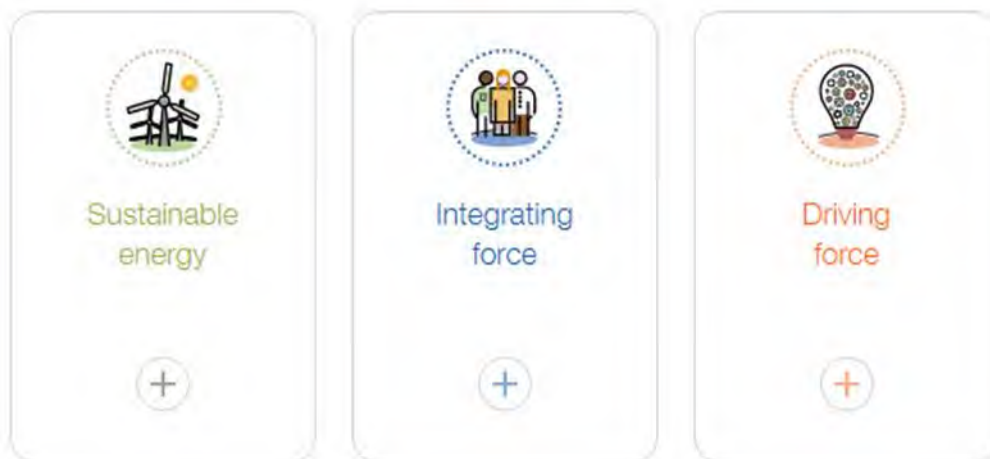
Contribution to SDGs of the performance described by the indicators of this section



GRI 404

Iberdrola’s commitments to the training and development of its professionals extend to all professional categories, all levels of responsibility, and without distinction as to gender.

OUR VALUES



In order to be aligned with the purpose and values of the Iberdrola group and the results of the climate survey, Iberdrola launched new **Model Principles of Conduct** in 2019. It is the **sole model** for all professionals and countries of the group, which provides a common language. It is made up of **6 Principles**, and behaviours have been defined for each of them that inspire the form of conduct of the company’s professionals at each stage of their **professional career**. This model will be the basis for the development of all Human Resources processes (selection, training, development and performance).

It began deployment in 2019 at both the global and local level, with the adaptation of the selection tools to include the new behaviours in all vacancies that are published, as well as the preparation of Personal Development Plans (PDPs) at the global level.

Each country has also implemented specific actions to disseminate this model and engage in the change management required for each professional to know the new behaviours and internalise them.

One example is the case of the United Kingdom, with “**Team Talks**” that link to this new model in addition to talking about the values of the group; another is the case of Mexico, with the launch of the “**DNA of a Leader**” programme, which is intended for Iberdrola’s leaders to know and continuously live the 6 behaviours.

In 2019, in line with the principle of designing activities and programmes with a clear focus on the employee, various global initiatives in the training management area have been launched as the centre of our activity:

- The launch of a specific section for courses dedicated to diversity in the global learning and development portal called Learning Meeting Point (LMP).
- The preparation of a global design process for courses in digital format, including a handbook of recommendations and good practices, in order to raise quality standards in the preparation of virtual courses.
- Commencement of a process of digitisation of training management, including the launch of an app to access virtual training from a mobile phone.
- Work has continued on recognition of international mobility programmes as an instrument favouring the exchange of experience and knowledge, professional development, the firm establishment of a group culture, and employee retention, aligned with the group’s business model. Mobility initiatives were launched in 2019 to promote the creation of a global community of talent that contributes to attaining the group’s objectives, to transmit and strengthen the company’s culture and to offer opportunities for professional growth that attract, motivate and retain the professionals who will ensure the sustainability of our business. One example of these types of initiatives was the pilot launch of the Career Advisor platform in 2019 to provide tools for reflection and exploration of new career paths and mobility options for employees of the Iberdrola group.

In addition to the above, in the area of training and development, different activities at both the global and local level were carried out in 2019 in the various countries in which Iberdrola is present. The more significant activities include the following:

- The Iberdrola Spain Campus has hosted numerous courses and development programmes in all knowledge areas and for all groups of the Company. It has also been the location of a large number of corporate events. These facilities have become a leading training centre for the Company.

- Within the framework of the Personal Development Plans (PDPs), there have been various local activities so that professionals can ask for their development plans. In Spain, there have been numerous programmes throughout the year that, experientially, have been able to place “skills management” in fourth place in terms of hours provided. Except for the United States, which continues with its biannual 2018-2019 development plan, all countries have begun new cycles in 2019, including in the case of Spain with the launch of a new process for preparing PDPs, with development activities taking place throughout 2020.
- There has been a strengthening of the programme for new team managers in order to strengthen the abilities and skills required in the management of teams of these professionals in the first stages of their career and which was designed globally but has followed a local implementation in order to adapt it to the needs of each of the countries. In Spain this programme is called “*DINAMO*”, and is designed with a modular four-month skills structure, and which was provided four times in 2019. In Mexico this programme is known as “*Liber*” and had more than one hundred participants in 2019. In the United Kingdom there was the “*Leadership Fundamentals programme*” and in the United States there was “*AMP’D Leading People*”. Finally, In Brazil there was a redesign of the local programme “*Lidera*”, moving from an on-line format to on-site modules, which has increased the level of utilisation and satisfaction of the participants.
- There has been a continuation of the language programmes, offering English, Portuguese and Spanish classes in various modes (on-site, telephonic and virtual), including immersion programmes and seminars, to employees from the different countries. To promote the learning of Spanish by English-speaking employees, and in order to strengthen local training activities launched in the United Kingdom, the United States and Brazil, two Spanish immersion courses were organised in 2019 at our San Agustín de Guadalix Campus.
- In the United Kingdom, the networks business (ScottishPower Energy Networks) has put tremendous effort into the creation, design and implementation of a training programme for the entire business regarding the environment and sustainability in order to ensure an understanding of and compliance in these areas. Work has also begun on revising all of its Workforce Renewal catalogues, creating a proposed alternative for its Craft Apprentice programme. The improvements in the programme are intended to meet the needs of this group to acquire new skills and behaviours, due to the increasingly high standards of technical competence required and the need to revise the methods for delivery. Finally, also in the United Kingdom, there has been collaboration with the onshore business of ScottishPower Renewables to create a standardised catalogue of courses for Electric High Tension work. A new programme will begin during the first quarter of 2020 and will include the use of new technologies of ScottishPower Renewables at the other centres of the company in the country.

- There has been a continuation of the on-boarding programme implemented at the global level in 2018 for the group of professionals who recently joined the company in Spain, the United Kingdom, the United States, Brazil and Mexico. This On-Boarding programme is intended not only to facilitate their on-boarding and inclusion into the company, but also to strengthen their professional development. The programme presents a virtual itinerary in the Landing Page format that gathers together all of the elements that a new employee needs to land at Iberdrola: orientation video, general information about Iberdrola, general courses on the energy business and specific courses on Compliance, Human Rights, Corporate Social Responsibility and Cybersecurity, among other topics. This training is completed with other resources like a new section of the employee portal and a guide for managers. This programme is also strengthened with local plans that help new hires to understand the context of their new company at both the global level as well as their local particularities.
- During the 2019 cycle there was work on the definition, design and implementation of a global on-line Mentoring platform. The main objectives of this Platform are to non-training development experiences (70/20/10 model), drive the process of digital transformation at Iberdrola and favour the existence of collaborative environments within the company. During this first phase, there has been work on the definition of global and local needs, integration with Iberdrola's computer systems and testing of functionality at the global level. At the end of 2019 Avangrid began to develop its local programmes within the Platform, and it is expected that the other countries will begin joining with their own programmes during 2020.
- The development activities include offering external Coaching to various professionals in Spain, the United Kingdom and the United States.
- Within the global homogeneous process of evaluating leadership skills and identifying employee potential in the various countries in which Iberdrola is present, there was a new analysis of the group in 2019 through meetings that analysed abilities, interests, professional aspirations and development needs, defining development actions to be taken in order to guide them on career types, whether technical or management. There has been work for this purpose on establishing goals and generating development opportunities.
- The Iberdrola group's commitment to professional training has gone beyond the scope of the company and has positively impacted civil society. In Brazil, the Electricians' School is training men and women over 18 years old to be able to join the electricity sector, making up a talent bank for the company. This project included the creation of four classes exclusively for women, the Electricians' School for Women, in order to attract diverse talent and encourage gender balance. By 2020 there will have been training of a total of 100 women, who are expected to form part of the company in the future.

- The global initiatives related to virtual training include offering employees courses like “Agile methodology”, “Cybersecurity risk evaluation in purchases”, “Transformation of job positions”, “Diversity management” and others.

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Programmes for skills management and lifelong learning

The Iberdrola group believes that professional development contributes to achievement of the Company’s results and improving the efficiency of the organisation, by equipping employees with the skills and competencies they need to perform their work efficiently today and preparing them to undertake greater responsibilities and challenges in the future.

All of Iberdrola’s training and development activities are based on the 70/20/10 learning model. This model is supported by the theory that 70% of a professional’s learning comes from experience and on-the-job training (“learning by doing”), 20% is acquired through conversations, feedback, coaching and mentoring, and only 10% comes from structured training courses and programmes.

Various development and training programmes have been carried out in 2019 in addition to all of the specific actions and objectives described in the “Management approach”:

Type of training	Corporate Programmes	Spain	United Kingdom	United States	Brazil	Mexico	Remarks
Training for high-potential employees	MBA in the Global Energy Industry - 2 and a half years (Universidad Pontificia de Comillas in Madrid and Strathclyde University Business School in Glasgow)	✓	✓	✓	✓	✓	The third class successfully graduated in 2019 and the fourth class has ended the first academic year.
Training for technicians, middle managers and executive group	Personal Development Plans (PDPs)	✓	✓	✓	✓	✓	On-site activities, workshops, online resources, jobsite actions, etc.
Ad-hoc training	Monthly presentations and activities, etc.	Atlas Programme			<i>Inspiração</i> (Inspiration)		Strategic skills, agile methodology, customers, social action, diversity, etc.
Technical career training	IMD International Business School	✓	✓	✓	✓	✓	Online format of two modules (one already given)
Specific programmes	Global training at the San Agustín de Guadalix Campus.	✓	✓	✓	✓	✓	Exchange knowledge, information and experience in the training and development areas.

- **Specific training for executives**

The Executive Management and Talent Unit worked during 2019 on coordinating and supervising the global talent management process in the various countries; it also attends to all management training and development needs through the Leadership School, including the following programmes:



Leadership Training and Development Actions



AND WE ALSO OFFER...

- Series of Presentations
- IMD CORPORATE LEARNING NETWORK
- IMD Corporate Learning Network:
 - Discovery Events: Global Meetings
 - Online Programs
- Savia Professional Development Plan
- Learning Meeting Point:
 - E-Leaders
 - Mentoring Global Platform
 - Virtual Training

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Hours of training by professional category and gender

		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
Hours of training	Management team	16,256	6,026	19,504	5,871	21,477	5,225
	Middle managers and skilled technicians	352,623	155,230	371,927	164,251	355,838	132,073
	Skilled workers and support personnel	1,091,123	154,822	914,036	112,077	895,808	96,690
Total		1,460,002	316,078	1,305,467	282,199	1,273,123	233,988
Average hours of training	Management team	28.19	40.81	29.15	34.73	18.06	28.09
	Middle managers and skilled technicians	38.07	37.51	36.71	35.54	33.55	26.96
	Skilled workers and support personnel	69.88	58.75	56.49	33.74	56.16	30.16
Average hours of training - total workforce		57.36	45.67	45.67	34.78	48.54	29.16

The specific training is different based on the diverse professional profiles of the staff and not from a generic perspective. Information by geographic area can be found in Annex 1 Supplementary Information.

Labour climate survey 2019

In 2019 there was an initiative to perform a Global Climate Survey, which has been launched for the second consecutive year among all the employees of the Iberdrola group at the global level. The geographic scope was increased this year to reach 100% of the group's employees.

The survey is totally confidential, ensuring the anonymity of the respondents at all times. For the first time this year, the survey was launched simultaneously in all countries (3 June 2019), with a completely digital process, so all of the surveys were answered online.

The communication of the results to leadership has provided an increased understanding of their teams and of themselves, resulting in the identification of opportunities for improvement and strengths, upon which a number of action plans have been traced. The 1,400 action plans that have been launched since 2018 have resulted in a 4% increase in participation since 2018, from 78% to 82%. There has also been a 2% increase in the levels of commitment reached, to 76%, and in organisational support, to 71%.

Employees receiving performance and career development reviews

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As stated in Iberdrola's [Human Resources Framework Policy](#), employee performance evaluations and communication of the results thereof are considered to be fundamental aspects of their professional development. Some of the basic principles of conduct relating to this aspect described in said policy are:

- Perform periodic evaluations of the performance of the employees of the group.
- Communicate the results thereof to the employees evaluated so as to favour their professional development.

At the Iberdrola group, employees are included in formal performance review processes, which vary based on the internal level of the employees and their corresponding responsibility, as well as the country in which they are located.

Employees can be reviewed through two types of processes, based on the level of responsibility relating to their position.

Executive officers:

- Goals review ("What"): measurable, quantifiable and specific goals to be achieved over the course of the review period, relating to the goals of the company.
- Performance review ("How"): review of conduct during the achievement of the goals.

Employees who are not part of the management team:

- Performance review ("How"): employees are reviewed on the basis of a number of personal competencies.

These processes are based on a corporate SAP-based tool that allows management of the Human Resources processes relating to the review. In this way, all users involved in such processes (employee, evaluator and Human Resources team) can work in real time and globally. However, the main advantage of this tool is that it allows for the global handling of all participants, unifying the focus and applicable standards.

Employees with performance reviews (%)

		2019	2018	2017
Men (%)	Management team	94.99	89.41	94.57
	Middle managers and skilled technicians	88.56	93.21	96.20
	Skilled workers and support personnel	69.81	72.64	74.91
Average men		77.36	80.70	83.58
Women (%)	Management team	93.79	85.22	90.10
	Middle managers and skilled technicians	87.68	91.82	95.23
	Skilled workers and support personnel	66.85	71.25	72.15
Average women		79.76	83.28	86.00
Iberdrola average		77.93	81.30	84.15

Information by geographic area can be found in Annex 1 Supplementary Information.

Diversity and equal opportunity

Contribution to SDGs of the performance described by the indicators of this section



GRI 405

Policies and commitments

The development of labour relations based on equal opportunity, non-discrimination and respect for diversity are key goals in the company's [Human Resources Framework Policy](#).

The introduction to this chapter identifies the policies that Iberdrola applies in the area of labour relations, including the [Equal Opportunity and Reconciliation Policy](#), which promote the commitments of equal treatment between men and women and support for employees with diverse abilities, promoting their effective employment.

The group's companies, in the various countries in which they operate, promote equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions, and provide support to workers with diverse abilities, facilitating their integration into the workplace.

Objectives

The main goals in this area during 2019 have focused on:

- The encouragement of reconciliation between employees' work and family life, which includes measures to ensure compatibility between a positive experience of parenthood and a successful professional career.
- The development of labour relations based on equal opportunity, non-discrimination and respect for diversity.
- The fostering of diversity and the social inclusion of vulnerable groups, particularly persons with diverse abilities, through the Corporate Volunteer Programme, which affords our employees an opportunity to participate in various solidarity initiatives to raise awareness of these groups and to improve the quality of their life.

Specific activities

- Our company has been given the Best Corporate Governance (Spain 2019) Award by the prestigious publication World Finance. The World Finance Corporate Governance Awards acknowledge efforts made by organisations to ensure their boards are more diverse and dynamic through long-term strategies. The companies selected are better positioned to handle risk, particularly impacts of climate change on their business activities; they are also drivers of excellent environmental, social and governance policies in the world of corporate governance.
- We have joined the #CEOPorLaDiversidad Alliance, with a total of 60 leaders of large companies in Spain having committed to the promotion of diversity policies at their companies. The mission of the Alliance is to unite the CEOs of the main companies in Spain around a common and innovative vision of diversity, fairness and inclusion, acting as drivers and ambassadors to help accelerate the development of strategies that contribute to business excellence, the competitiveness of talent in Spain and the reduction of inequality and exclusion in Spanish society.
- In the area of reconciliation, in Spain various options have been offered in Spain for employees on non-school days, as well as educational courses for children. There has also been a continuation of the "Iberdrola Parents' School", which offers employees the opportunity to participate with their

children in various programmes. And as happens each year there have been summer camps for children of employees, especially taking into account those with diverse abilities.

- As regards diversity, the *Hello/Hola* and *My Guest (Mi invitado)* cultural exchange programs have been held for the children of employees in Spain, the United Kingdom and the United States.
- To promote equality and the elimination of violence against women, there has been the voluntary activity “We all join in the fight against gender violence” (*En la lucha contra la violencia de género todos sumamos*), based on Iberdrola’s joint campaign with the Ministry of the Interior: “Don’t look the other way” (*No mires a otro lado*). The initiative was directed towards youth and adolescents of the Tomillo foundation.
- In the United Kingdom, ScottishPower has for the second year held *Breaking Barriers*, in cooperation with Enable Scotland and Strathclyde Business School, offering recognised qualifications and work experience to youth with learning disabilities.
- In 2019 this company continued with its 4 networks of employees (SP Connected Women, In-Fuse LGBT+, Future Connections and SP Carers) and launched the first multi-ethnic network called *VIBE*. It has also continued its collaboration with well-known organisations such as *Business Disability Forum*, *Employers Network for Equality & Inclusion*, *Equate*, *Working Families*, *ENABLE*, *POWERful Women*, *Stonewall* and *Carers UK*.
- ScottishPower has once again sponsored the National Diversity Conference of Scotland, which in May brought together representatives from the business and educational worlds and the third sector in order to share ideas regarding diversity and encourage the organisations to create a more inclusive and diverse environment. At the conference, ScottishPower and other attendees offered some of their more positive experiences in this area.

Gender equality

Iberdrola’s Corporate Governance System articulates the company’s firm commitment to equal opportunities, from which derives our commitment to gender equality in four management areas: recruitment and selection, salary terms, professional training and development, and communication, which take form in six areas of action:

- Promote equality within and outside of Iberdrola.
- Implement positive action measures to correct inequalities.
- Ensure that women participate in all areas of consultation and decision-making.
- Eliminate career obstacles for women.
- Strengthen mechanisms that correct the underrepresentation of women with the required qualifications.
- Encourage measures of reconciliation and flexibility under the perspective of gender parity.

Our commitment to gender equality has progressed over the years and has materialised in numerous initiatives:

1. Iberdrola has been included for the second consecutive year in the **Gender-Equality Index (GEI)** prepared by *Bloomberg*. The company is thus the only Spanish electricity company included in this report, which honours companies committed to transparency in information on gender issues and progress in equality between women and men. *Bloomberg* analyses aspects such as the presence of women on the Board of Directors (Iberdrola is one of the IBEX-35 companies with the highest percentage of female directors), family care (more than 70 measures to promote work/life balance), awareness-raising programs (campaign against gender violence recently developed with the Spanish government's Ministry of the Interior), and products that encourage support for women. The company's commitment to gender equality has also earned it the "Best in Class" rating in 30 GEI sections, including:
 - Number of women on the Board of Directors.
 - Percentage of women on the Board of Directors.
 - Minimum paid period for maternity leave.
 - Return to work programme.
 - Assistance for care.
 - Other assistance for family care.
 - Flexible working hours.
 - Presence of women in different programmes.
 - Female recruitment strategy.
 - Gender diversity requirement for candidates for management positions.
 - Goals for senior managers.
 - Health education programmes for women.
 - Lobbying for gender equality.
 - Membership of gender equality organisations.
 - Donations to gender equality organisations.
 - Recruitment of women returning to working life.
2. Currently, 43% of the members of Iberdrola's Board of Directors and 50% of the non-executive directors are women, which makes it one of the IBEX-35 companies with the largest number of women on the Board. The CEO of Iberdrola España is also a woman.
3. In 2007 Iberdrola España introduced measures to support maternity by allowing pregnant women to have 15 days off prior to delivery and one year of reduced working hours at 100% salary, guaranteed.

4. In 2008 Iberdrola España agreed with its workforce to make the shortened workday universal. The initiative, which was unprecedented at a large industrial company, was an inflection point in Spain, as it was the first in the country to attempt full work and family reconciliation.
5. In 2016 Iberdrola's Board of Directors acknowledged as a strategic objective the development of labour relations based on equal opportunity, non-discrimination and respect for diversity. For these purposes, the Board of Directors approved the group's Equal Opportunity and Reconciliation Policy.

Reconciliation and labour disengagement policies

Iberdrola has taken on the challenges of SDG 5 and has therefore implemented a number of actions, policies and procedures that contribute to the achievement of this Goal.

WE PROMOTE EQUALITY-FOCUSED ACTIVITIES



We promote **gender equality**, ensuring that men and women have the same opportunities for personal development and growth.



Agreements with notable universities to achieve **gender equality**, goal number 5 of the Sustainable Development Goals approved by the United Nations.



Holding events to drive **professional growth and leadership among women in the energy sector**.



Structuring the recruitment process to **avoid personal preferences**. Job opportunities available to all staff through the employee portal.

Iberdrola promotes the reconciliation of professional and personal life, as well as co-responsibility in the performance of family obligations, providing measures for looking after family members and children and flexible working hours.

- In Spain, there are improvements made by the 7th Collective Bargaining Agreement, and the rules thereunder, beyond those required by applicable law (Workers Statute) regarding all matters relating to the reconciliation of work and family life. One example of our company's clear commitment to the implementation of hours that allow for improved reconciliation of work and family life is the fact that Iberdrola was the first large IBEX-35 company to establish the continuous

(shortened) workday as a general schedule throughout the year, a measure that has been improved with even more scheduling flexibility in the latest collective bargaining agreements. Also, taking into account the public service that our company provides 365 days a year, 24 hours a day, and the nature of our company, hours have also been implemented that allow for field personal servicing the generating facilities and distribution network to also enjoy the continuous workday most of the time. There is also a reduction in the workday for legal guardianship until the child reaches 12 years old (compared to eight years old provided by applicable law), and the ability to reduce the workday to five hours without a reduction in fixed remuneration until the infant reaches one year of age.

- In the United Kingdom, ScottishPower is implementing an innovative focus in renovating the design of work spaces, initially at the corporate office on Tudor Street, and providing various ways to work. Workers are also given the freedom to choose the most appropriate place to work, depending on the tasks performed, and employees can choose the location most convenient for them, whether within the new work centre or outside of the office. Employees can choose provided that this system works within their team and meets the requirements of the business. This change is designed to facilitate reconciliation and to help employees, executives and teams to better organise their work based on requirements, projects, personal needs and objectives.
- In Brazil, the companies of the Neoenergia group are concerned about the well-being of their colleagues, promoting reconciliation of personal and professional life. One noteworthy item is the group's initiative to control overtime, with effective leadership using computers that have an alert system after 8 hours of work per day, turning off lights and air conditioning after certain hours, and other measures. Some companies of the group also have flexible working hours to use at times of personal need and to take advantage of "bridge days" for long vacations. Maternity leave is expanded to six months, two more than guaranteed by law.
- In Mexico, maternity leave has a duration of 84 days. After the end of the legal maternity leave period, employees are entitled to job-protected leave. Special working hours are given for maternity provided that the established number of hours are covered.

Specific activities regarding equality

Iberdrola has various initiatives and collaborations with institutions that support respect for the principle of equality in both the private and the public arena.

At the group level, Iberdrola is a member of the *European Round Table*, an initiative at the EU level bringing together 50 chairs and executive directors of European multinational companies in order to design and defend policies creating a strong, open and competitive European Union. Within this initiative, Iberdrola works with the *Jobs, Skills and Impact working group*, focusing on issues relating to the European Union's most valuable resource, its people. One of its four action areas is the promotion of the representation of women in leadership positions, focused on monitoring figures and milestones mainly promoted and driven by the more than 50 members of the initiative.

In 2019 Iberdrola also joined in the *UN Women* campaign, which gives support for advances in equality between women and men.

The following are examples of these collaborations and initiatives:

- Spain: to put the principle of diversity and equal opportunity into effect, the 7th Collective Bargaining Agreement in Spain includes an Equality Plan within the framework of labour relations (hiring, training, promotion, remuneration, etc.), which guarantees such principle. There is also sponsorship of the “*Commitment to equality*” (*El compromiso con la igualdad*) event at the Complutense University of Madrid, collaboration with the Diversity Charter, the Social Programme Convocation to support vulnerable groups through its foundation and the delivery of the “*Women Who Shine, also on the Internet*” (*Mujeres que brillan, también en Internet*) awards. In order to promote and disseminate the role of women in sports, a historically male-dominated area, Iberdrola forms part of the *Women's Universe (Universo Mujer)* programme of the *Higher Council for Sport (Consejo Superior de Deportes)* (CSD), which it joined in 2016.
- United Kingdom: in 2019 ScottishPower published its second *Gender Pay Gap* report in compliance with British law, which identified a number of areas relating to diversity and inclusion. ScottishPower has given training to the managers involved in the selection processes, and has included in the training offered to new managers the themes of inclusion and unconscious bias in order to improve self-awareness on these topics. Likewise, in all outside recruiting campaigns balanced male/female lists of candidates and gender interviews were submitted, and gender “de-coding” was introduced in all descriptions of externally published jobs. After the continuing success of the “Returns” programme, participation for 2019-2020 increased for this programme, which offers paid internships in the STEM (Science, Technology, Engineering and Mathematics) fields to persons who stopped working or temporarily left the industry, in order to support them in their return to work. As part of this STEM commitment, during the year the team has given our message to almost 21,000 school-age girls and boys (working with various partners and events to communicate our early career programmes to school-age children and their families). There has also been a

renewal of its commitment to collaboration on rugby in Scotland and Wales to support more women in the sport. ScottishPower became a founding member of Energy Leaders Coalition, which is made up of the CEOs of eight of the main companies in the UK energy sector, united in a public statement to improve gender diversity in their companies and in the industry generally. ScottishPower is also a member of Women's Engineering Society (WES), a professional network of women in the technology and engineering area that offers inspiration, support and development to future engineering professionals. In 2019 ScottishPower for the second year collaborated on the *Breaking Barriers* programme, an innovative association with Enable Scotland and Strathclyde Business School offering a recognised trade qualification to youth with learning disabilities. 2019 saw the development of four networks established and directed by employees (SP Connected Women, In-Fuse LGBT+, Future Connections and SP Carers) as well as the launch of the first multi-ethnic network called *VIBE*. ScottishPower was once again a key sponsor of the Diversity Conference for Scotland, which took place in May 2019. The event this year gathered persons representing employers, educators and third sector organisations to share knowledge and encourage businesses to adopt the diversity of the labour force, sharing experiences and showing how diversity and inclusion have had a positive impact on their workplace.

- United States: Avangrid has expanded its *Business Resource Groups* (BRGs) with *WomENergy*, focused on empowering women to drive the results of the business, and *AVANVeterans*, which seeks to strengthen relations with veterans throughout the company. All of the BRGs are focused on attracting the highest level candidates, providing networking opportunities and creating relations, working with outside organisations and giving visibility within their community in order to promote a strong sense of inclusion and belonging. Avangrid has continued its work with various initiatives supporting diversity, including *Troops to Energy* to encourage the inclusion of veterans in the workforce, *INROADS* to include diverse candidates in our talent portfolio, and participation in a consortium along with other services companies to discuss good practices regarding diversity.
- Brazil: In 2019 Neoenergia launched a new edition of the *Electrician's School* for a specific group of women. This programme was warmly welcomed and received more than 14,000 applications in two weeks. Likewise Coelba developed the *Energy* programme, allowing 21 young apprentices in situations of vulnerability to work as electricians in buildings and on the electricity grid. At Celpe, the *New Look (Novo Olhar)* programme has been operating since last year and continues to promote the insertion into the workforce of Down Syndrome youth through a mentoring system. In 2019 all of the supervisors of the group received training on a diversity module through the *Leadership Programme (Programa Lidera)*. Employees are offered a discussion on the same topic in the *Inspiration (Inspiração)* programme. To raise awareness, roundtable discussions have been organised with cooperating bodies and outside guests to speak about female empowerment and racism on symbolic dates. There have also been internally communicated campaigns on this issue.

A “*Junt + s*” stand with reflections focused on diversity was created for the Annual Leadership Convention.

- Mexico: There are flexible work hours, and holiday periods are offered beyond what is required by Mexican law. The company also allows for a reduced workday due to maternity or other family reasons. Women are entitled to reduce their normal working hours by 1 hour for a breastfeeding period at the beginning or end of the workday. For those who are far from the work centre, these 5 weekly hours can be accumulated on a single day. All workers can enjoy a period of maternity leave prior to giving birth and afterwards.

Iberdrola has also implemented a number of measures in the form of corporate policies, local policies and working and monitoring groups acting in cases of discrimination or conduct that could in any way hinder the egalitarian development of the professional career of men and women. At the local level, some companies have designed their own policies to adapt the company’s requirements to the specific policies of the country. In the United States, various policies have been implemented, including a *Sexual Harassment Prevention Policy*, a *Professional Development Non-Discrimination Policy* and an *Equal Opportunity Policy*. An *Equal Pay Policy* has been defined in Brazil. The main mission of the Diversity and Equality Governance Committee in the United Kingdom and the Equal Opportunity Committee in Spain is to engage in an appropriate review of the measures implemented in the annual action plans to ensure equal opportunity and non-discrimination.

Iberdrola, sponsor of women's sports in Spain

In 2016, after its agreement with the Ministry of Education, Culture and Sport, Iberdrola became the first company committed to the promotion of female participation in all areas of sport: school, amateur and professional. The company continues to promote equality through female sports within the framework of the [*Women's Universe Programme*](#), working with different national federations.

The main goals of this project are to promote gender equality, drive the success and practice of women's sport and foster healthy habits from a young age. The company has thus become the main driver behind the "Woman's Universe" programme to develop initiatives that contribute to improvement and social transformation through the values of female sports.

After the end of the Women's Universe I programme, Iberdrola became the main driver of the Women's Universe II programme in 2019. This new programme will last for three years (2019, 2020 and 2021), and its support, like the prior programme, goes to various national federations that stand out:

- by promoting and increasing female participation in all areas of sport.
- by the existence of programmes to promote sport at the grassroots level and other social projects.
- by their extraordinary level of success achieved and high participation rate.

Iberdrola continues to support 16 federations: gymnastics, badminton, handball, boxing, ice sports, fencing, hockey, karate, rugby, canoeing, triathlon, table tennis, surfing, volleyball and football. Together with each of the federations, Iberdrola also supports activities to promote women's sport like educational campaigns at high schools and national competitions.

In 2019 Iberdrola also organised four stages of the [*Women, Health and Sport Tour*](#), touring various Spanish cities (Oviedo, Granada, Huelva and Cáceres) with the aim of promoting women's sport and transmitting the concepts of effort and improvement via the practice and exhibition of various disciplines.

In short, by supporting women's sports, Iberdrola also contributes to the promotion of talent, effective equality and social development, which form part of the company's key pillars. Its support for values such as teamwork and overcoming challenges materialises through various projects with the aim of reinforcing the social and cultural dimension of sport and activating support for women's sport.

Defend salary equality

Salary equality

Iberdrola guarantees respect for this right and has made it one of the commitments included in the Equal Opportunity and Reconciliation Policy. Monitoring salary equality is one of the keys to ensure the creation of an inclusive and respectful culture without differentiation based on gender, age, race or any other personal factor.

The remuneration structure for all categories of professionals and responsibility levels within the group is designed following the standard of gender neutrality.

To support equality, Iberdrola strengthens mechanisms and procedures for selection and professional development that facilitate the presence of suitably qualified women in all areas of the organisation in which they are underrepresented, including the implementation of specific training and professional development monitoring programmes for women.

Furthermore, the salary review processes that the company implements each year are based on an evaluation of individual performance and common standards for both genders.

Difference between salary gap and salary equality

It is important to understand the difference between the concepts of salary gap and salary equality:

- The salary gap shows the difference between the average salary received by men and women.
- Salary equality is the right of men and women to receive the same salary for the same work.

The average remuneration of men and women within the consolidated group is quite similar. The ratio between the average remuneration of men and that of women was 95.1% in 2019, 97.3% in 2018 and 100.9% in 2017.

The underlying cause of the salary gap at certain age groups is the smaller presence of females within the staff, a common situation in the energy sector, which is accentuated in management and technical positions. This reality is more notable due to the scarcity of women specialising in STEM careers.

To mitigate this reality, Iberdrola is working in the following areas:

- On equitable professional development through the implementation of specific training plans for women.
- On the promotion of scientific careers among youth and women students, who will go on to form part of the talent pool that Iberdrola will access in the future.

- On the promotion of measures of reconciliation that equally benefit men and women, so that they can exercise co-responsibility in family duties and thus establish the conditions required for parity.

Iberdrola's defence of salary equality in the last two decades and its commitment to the reduction of the salary gap is seen in the segmentation of average remuneration by age groups and gender.

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Average remuneration (base plus variable salary) by age groups and gender

Iberdrola (EUR) ⁴⁷	Remuneration men/Remuneration women			(Remuneration men – Remuneration women) / Remuneration men		
	2019	2018	2017	2019	2018	2017
Up to 30 years old	92.7	92.7	98.0	-7.8	-7.9	-2.0
Between 31 and 50 years old	86.1	89.1	94.5	-16.2	-12.2	-5.9
More than 51 years old	112.1	111.0	110.2	10.8	9.9	9.3
Total	95.1	97.3	100.9	-5.2	-2.8	0.9

401-3

Leave and return to work due to paternity/maternity

	2019		2018		2017	
	Men	Women	Men	Women	Men	Women
Employees entitled to maternity/paternity leave (No.)	27,125	8,249	26,117	7,961	26,229	8,026
Employees entitled to maternity/paternity leave (%)	100	100	100	100	100	100
Number of employees taking parental leave	789	424	441	444	345	440
Number of employees that returned to work after parental leave ended	878	365	516	366	363	349
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	856	350	373	337	328	411
Return to work rate	111.26 ⁴⁸	86.00	117.01 ⁴⁸	82.34	105.2248	79.32

⁴⁷ Companies included: Iberdrola S.A., subsidiaries of: Iberdrola España, Iberdrola Energía Internacional (Spain), ScottishPower, Avangrid, Neenergia and Iberdrola México.

⁴⁸ Greater than 100% because during the current year employees who were entitled to leave the prior year returned to work.

Diversity and inclusion: sum of cultures and talents

To put the principle of diversity and equal opportunities into effect, in Spain the companies of the 7th Collective Bargaining Agreement included an Equality Plan within the framework of their labour relations (hiring, training, promotion, remuneration, etc.), which guarantees such principle. Within this Plan, an Equal Opportunity Committee has been created with the main mission of engaging in an appropriate review of the measures implemented to ensure equal opportunities and non-discrimination, and to encourage the inclusion of new activities in this area.

A number of appropriate measures are also established for workers with disabilities in order for them to adjust to and access the work position, based on the requirements and characteristics thereof and on the needs in each specific situation, which facilitates their integration.

Likewise, Iberdrola continues collaboration with the Diversity Charter, of which it has been a signatory since 2009, and has the category of patron member; as such, it respects prevailing legal provisions in terms of equal opportunity and non-discrimination, and puts diversity policies into practice.

In addition, in order to comply with the principle of non-discrimination for reasons of diverse abilities, arrangements were made to obtain disability certificates for those employees who applied for them. 79 families have benefited from the Family Plan, which is intended to facilitate the social and workplace integration of family members with a disability who are the dependent of an employee. Finally, donations have been made to entities or foundations whose purpose is professional training, entry into the job market or the creation of employment for persons with disabilities; and contracts have been signed with special employment centres, in excess of the amount required by law for investment in alternative measures, thus promoting protected employment.

In the United Kingdom, ScottishPower wagers on policies supporting people with disabilities to help ensure equal opportunity in employment. In 2019 they retained the *Disability Confident Standard* award and renewed their *Career Positive* accreditation, moving from “committed” to “established”. The *ScottishPower Careers Network* university chair received an award from the Scottish Parliament coinciding with the 25th anniversary of *Careers Week*.

In the United States, Avangrid has four diversity policies: equal opportunity in access to employment, support for disabled persons or disabled veterans, promotion of a non-discriminatory work environment and combating sexual harassment in the workplace.

The following table shows the number of disabled employees within the group:

Employees with disabilities		
	2019	2018
Men	273	257
Women	147	145
Total⁴⁹	420	402

⁴⁹ Does not include employees in the United Kingdom or the United States. The company has chosen not to request this information in the United Kingdom. In the United States, the employee has the option not to report on their disability, and at year-end 2019 no employee decided to exercise their right to share this information.

II.3.

Fight against Climate Change and Protection of Biodiversity

- Management of natural capital
- Circular economy
- Environmental management system
- Efficiency in energy consumption
- Reduction of emissions
- Rational use of water
- Waste management
- Protection of biodiversity
- Environmental safety



Priorities of the Sustainable Development Plan



Iberdrola and sustainable management

Iberdrola has a broad set of Sustainable Development Policies, four of which are specific corporate policies for environmental management:

- Sustainable Management Policy

The group has transformed its business model in recent years to make it more sustainable, achieving development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To continue leading this transformation, the group follows a strategy with the following main pillars:

- leadership in the fight against climate change,
- development of clean energies that contribute to the decarbonisation of the economy, and
- development of products that are increasingly competitive, cause the lowest possible environmental impact and are capable of assuring its customers of reliable supply.

This policy reflects the main principles of conduct regarding management that all companies of the group must comply with and that constitute a frame of reference for achieving the Sustainable Development Goals (SDGs).

- Environmental Policy

102-11

Iberdrola's *Environmental Policy* establishes the company's principles of environmental prevention and the minimisation of environmental impacts, which govern all of the company's activities. These principles emphasise compliance with regulations and seek to anticipate the regulatory changes outlined by the government, driving innovation and the implementation of robust management systems that integrate precautionary principles (the avoidance of risks and impacts), continuous improvement and participation by all of the company's stakeholders.

The policy also defines three areas of special interest to the company, namely: the circular economy, natural capital and the protection of biodiversity. All of these pillars are essential to achieving fully sustainable activity.

- *Biodiversity Policy*

The *Biodiversity Policy* illustrates Iberdrola's commitment to the fight against the loss of biodiversity, which is an integral part of its strategy, such that its activities have a net positive impact on biodiversity.

To this end, the policy establishes the principles of conduct and their integration into the company's decision-making during all phases (construction, operation, and dismantling) of the life-cycle of its facilities. The mitigation hierarchy (avoid, mitigate, restore and compensate) is the fundamental principle of conduct in any of our activities, avoiding the placement of new infrastructure elements in protected areas, integrating the preservation and promotion of biodiversity into the environmental management systems through specific biodiversity plans, collaborating with stakeholders, and encouraging awareness and communications.

This *Biodiversity Policy* confirms the Company's commitment to sustainable and efficient development, recognising the strategic value represented by the preservation and promotion of biodiversity for all of the companies belonging to the group.

- *Policy against Climate Change*

For more information about the implementation of this policy within the group, see the "Climate action at Iberdrola" section of chapter I.3.

Management of natural capital

Economic and social development are closely linked to the use of natural capital, understood as all of the natural materials (stocks) that we use and that generate a flow of goods and services. The use that we make of these materials will affect not only their availability but also the integrity of the ecosystems and their biological diversity that share the use of the materials.

Iberdrola, aware that the preservation of ecosystems is an essential condition for global sustainability, has been working since 2012 to develop methodologies that make it possible to identify, quantify and assess the impacts and consequences of its activities with regard to natural capital. This work includes the Biovalora project, which was centred around the economic assessment of ecosystem-related services at the hydroelectric power plants of the Tera System in Zamora (Spain), and the REIS project, which developed a methodology for evaluating the ecosystem-related services generated during the construction of infrastructure elements; and in recent years there has been work on the *Cumbernauld Living Landscape*

project, which applies the evaluation of natural capital to the infrastructure elements of the Business Networks at ScottishPower.

In 2019 Iberdrola has been combining its efforts and experience with those of seven other energy companies in order to lead a collaborative project that is unique in the world, creating the first working group on natural capital and energy. Its goal is to work on the application of the Natural Capital Protocol in the energy sector, exchanging the knowledge and experience necessary for the development of a common methodological framework for the identification, measurement and valuation of natural capital. This initiative aims to serve as a reference and to motivate other companies and sectors to undertake similar collaborative learning efforts and to share good practices in order to expand action in favour of sustainable development.

Iberdrola is also collaborating with the University of Salamanca on the ES-Values project⁵⁰, the goal of which is to expand knowledge about natural capital, the benefits it gives us and its economic quantification through the world's largest database of economic estimations of ecosystem-related services.

Circular economy

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



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



Our sustainable energy model, which relies on the decarbonisation and electrification of the economy and on innovation, is directly aligned with the circular economy through emissions reduction, improved efficiency, resource optimisation and the maximisation of waste recovery.

⁵⁰ <https://esvalues.org/>

waste is waste that is not produced, with unavoidable waste viewed as a resource that can be reintroduced into the productive cycle. This is all made possible by a regenerative vision based on innovation (in business, product and process models), collaboration and outreach and heightened awareness.

Efficiency in the use of natural resources

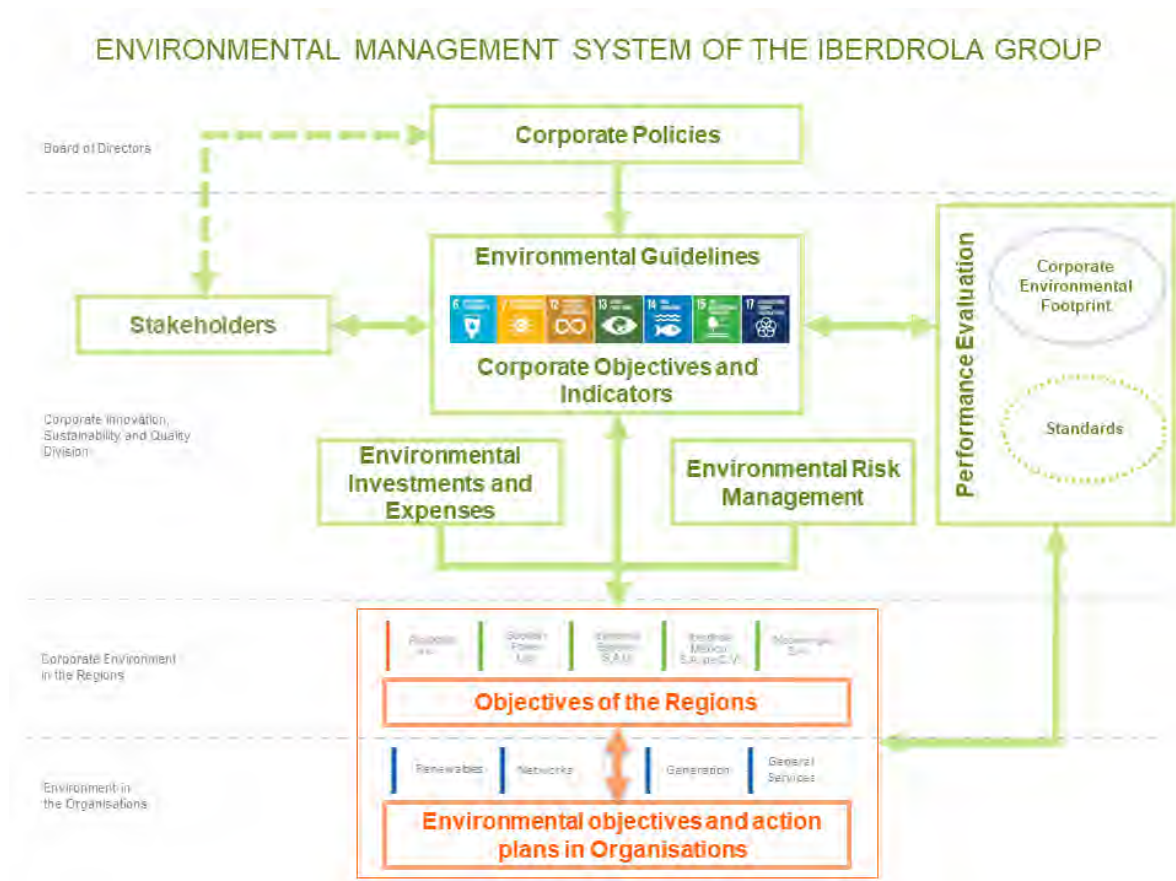
The generation of electricity is one of the main activities of the group. As part of its commitment to encouraging a circular economy, Iberdrola continues to opt for the most efficient technologies per unit of production, with the smallest environmental impact. This is reflected in the following activities:

- Commitment to the development of renewable energy, especially onshore wind, offshore wind and solar photovoltaic energy.
- Proposed closure of the last two coal plants (in 2019 coal generation accounted for only 0.2% of the group's production), pursuing a business strategy of replacing conventional technologies with others offering production with lower emissions.
- Selection of products with a reduced environmental impact.
- Sustainable management and use of consumables, always respecting the natural environmental and taking the necessary measures to reduce the risks of impact thereon.
- Commitment to technologies with lower dependence on water resources.
- Sustainable management of water collected for cooling, whilst optimising systems for reuse of this water before returning it to the environment.

Environmental Management System

The commitments made in the policies take shape in the Iberdrola group's Environmental Management System. This system allows for alignment of the environmental dimension within the group's sustainability model, integrating the SDGs and articulating the mechanisms to measure and evaluate the group's environmental performance from the life cycle perspective, including the concept of circular economy and of natural capital in the management thereof.

The group's Environmental Management System establishes a common, homogeneous, integrated and benchmark environmental framework for all of the organisations. The system facilitates the development of an ongoing diagnosis of the company's environmental behaviour at each of its management levels.



The System thus translates the corporate environmental policies into environmental guidelines, which are deployed by the organisations of Iberdrola in environmental objectives and targets. The environmental guidelines that define Iberdrola's strategic environmental approaches are:

- Protect the environment and stop the loss of biodiversity.
- Combat climate change and its effects.
- Guarantee sustainable modes of production and consumption.
- Revitalise partnerships with Stakeholders for sustainable development.

102-11

The precautionary principle set out in its *Environmental Policy* takes shape through its environmental management system. Thus, Iberdrola identifies the group's environmental risks and opportunities, and manages them through specific instruments for the prevention and mitigation of risks, and action plans for opportunities.

The advantages provided by the environmental management system include:

- Identification of environmental aspects throughout the entire life cycle and their impact on the environment, by calculating the Corporate Environmental Footprint (CEF).

- Exploitation of synergies between business activities and improvements in internal tools that result in a simplification of procedures.
- Environmental training and awareness-raising programmes for employees. Overall, 36,469 hours of environmental training were provided to employees, and a campaign to raise awareness of the circular economy was conducted in all of the regions in which the Iberdrola group operates.
- Improvement in supplier engagement.
- Strengthening of relations with Stakeholders.

A specific environmental training program is also being implemented for construction contractors.

The environmental function is thus distributed among all organisational and hierarchical levels of the group, from the Chairman's Office down to each person with local power over his or her surroundings. This complies with the "subsidiarity" principle of the *Environmental Policy*, pursuant to which all matters relating to the environment are addressed and resolved in each region by the affected business, although they must all be included within the framework of Iberdrola's environmental management system.

Corporate Environmental Footprint (CEF)

Measurement of the global environmental performance of the group



Iberdrola's environmental management activities include the calculation of the CEF, which evaluates the effects of the company's activities on the environment from the life-cycle viewpoint (ISO/TS 14072:2014 standard). The objectives of the CEF are:

- To quantify, homogenise and unify the group's environmental performance.
- To determine the effect of Iberdrola's activities in the different environmental impact categories.
- To help monitor the organisation's environmental performance and allow for tracking of the objectives of the businesses and of environmental improvements.
- To identify and assess the environmental aspects having the greatest significance for Iberdrola's activities.

For more information, see [Iberdrola's Environmental Footprint](#).

Certifications

Iberdrola's environmental management system is rooted in international procedures and standards that are audited by recognised prestigious independent agencies. The company currently holds the following environmental certifications:

- ISO 14001. This standard covers the activities consisting of the generation, transport, distribution and marketing of products, the management of offices, and general services. In particular, 83% of energy was generated within certified facilities in 2019.
- Eco-Management and Audit Scheme (EMAS). The group's thermal power generation plants hold certificates under this standard.
- ISO 14064. Iberdrola verifies its greenhouse gas emissions under this standard.
- ISO TS 14072. Iberdrola verifies its Corporate Environmental Footprint under this standard, and is the only company in the industry that has obtained this certificate.
- ISO 20121. Sustainable Event Management. Iberdrola certifies its General Shareholders' Meeting under this standard.

More information is available in the [Certifications and Verifications](#) section of the website.

Expenses and investments

Iberdrola generally considers all expenses or investments regarding projects that have a clear environmental impact, whether direct or indirect, to be environmental expenses or investments, in accordance with the following categories:

- Treatment of emissions, which includes expenses or investments relating to emissions treatment equipment or systems.
- Treatment of waste, which includes investments and expenses relating to the management and treatment of waste, both hazardous and non-hazardous.
- Reduction of environmental impact through the removal of ground and water pollution.
- Environmental prevention, which considers investments in new renewable energy facilities.
- Environmental management, which encompasses investments and expenses relating to the management of the environment that are not included in the above categories.

All of this is aimed at moving toward a more sustainable energy model.

Environmental investments and expenses (€ thousand)

	2019	2018	2017
Environmental investments	3,711,609	2,132,586	2,239,917
Environmental expenses	705,851	549,666	513,233

Reserves and insurance coverage for environmental risks

In 2019 Iberdrola invested 224 million euros in the prevention of environmental risks (fires, spills, protection of avifauna, etc.). It also establishes accounting reserves to cover the materialisation of potential environmental risks.

Iberdrola also has insurance policies that cover environmental risks. The main types of corporate insurance policies that the company has obtained that include environmental coverage are:

- Environmental Liability Insurance: Contractual limit of 130 million euros per incident and in the aggregate per year.
- Civil Liability Coverage for Sudden Accidental Pollution in the general civil liability policy: Limit of 500 million euros per incident and in the aggregate per year.

Environmental Grievance Mechanisms

Iberdrola makes grievance tools and mechanisms, and the management procedures associated therewith, available to its Stakeholders. All of this is described in the "Access to adequate information" section of chapter II.4.

Specifically focused on the environmental aspects of its activities, Iberdrola has an email mailbox medioambiente@iberdrola.es, that serves as a channel of communication with its Stakeholders, and which can be accessed in the [contact](#) section, offering the ability to ask questions, provide suggestions, place concerns or make complaints. This mailbox is included in the company's Environmental Management System and is certified under the ISO 14001 standard. In 2019 a response was issued regarding an environmental claim for which a reply was pending in 2018 due to the fact that it was received at the end of December of that year. It should be noted that of all of the emails received, only 5 were environmental claims, all of which were handled with the responsible parties and closed out during the year.

In addition to the environment mailbox, Iberdrola can also receive messages relating to the environment through various channels that it maintains in [social media](#).

Use of materials

GRI 301

The change in the consumption of fuel from non-renewable sources over the last three years is shown below:

301-1

Use of raw materials

	2019	2018	2017
Coal (t)	162,683	736,670	1,205,609
Fuel-oil (t)	36,084	44,155	48,376
Natural gas (Nm ³)	13,607,759,164	11,657,294,782 ⁵¹	12,293,944,087
Diesel (m ³)	13,054	61,818 ⁵²	15,217
Uranium (kg)	37,148	44,625	65,407
Waste-derived fuel (WDF) (t)	1,841	2,983	2,666
Offgas ⁵³ (m ³)	77,560,574	N/Av.	N/Av.

The coal that was consumed in 2019 was the coal that had been stored in the power plant as a result of the closing of the coal-fired thermal power generation plants.

The use of waste-derived fuel (WDF) and offgas accounted for 0.3% of the total energy from fuel consumed at thermal plants during the year, thus contributing to the circular economy process.

301-2

Fuel use (%) by country during 2019 is shown below:

⁵¹ Data recalculated with respect to the data published in 2018.

⁵² Data recalculated with respect to the data published in 2018. The shutdown of the plants in Mexico for maintenance work increased the use of gas-oil at those plants.

⁵³ Offgas is a gas that is produced as a byproduct of an industrial process. The only data available is for 2019.

301-1

Distribution of fuel consumption 2019 (%)

	Coal	Fuel oil	Natural gas	Gas-oil	Uranium	WDF	Offgas
Spain	100	100	18	18	100	100	100
United Kingdom	0	0	0	0	0	0	0
United States	0	0	5	0	0	0	0
Brazil	0	0	6	0	0	0	0
Mexico	0	0	71	82	0	0	0
Other countries	0	0	0	0	0	0	0

Apart from fuel, there is also much lower consumption of chemical products (in water purification, filtering of gases, etc.), oil and grease (as lubricants to maintain equipment) and office paper. As to this last consumable, it should be noted that the implementation of electronic billing continued during 2019, saving 621 t of paper.

Efficiency in energy consumption

GRI 302

The Iberdrola group ensures optimisation in the use of energy throughout its entire value chain (production, transport, distribution, marketing and end use), contemplating energy efficiency from a three-fold perspective:

- As an electricity generator and distributor, it seeks to improve efficiency by introducing the most advanced technologies, equipment and digitisation.
- As an energy consumer, Iberdrola promotes the ongoing improvement of energy efficiency across all its activities (offices and buildings, mobility, etc.).
- As an electricity supplier, the company informs, promotes and supplies comprehensive efficiency solutions aligned with the emission reduction strategy, thereby contributing to more efficient use of energy by consumers, whilst encouraging the reduction of the environmental impact of their energy habits and consumption.

Energy intensity

302-3

The trend of the intensity of fuel consumption in thermal power generation plants in relation to their net production (tep/GWh), and the intensity of internal energy consumption, are shown in the following two tables:

Fossil fuel consumption (tep/GWh)⁵⁴

	2019	2018	2017
Total	174	174	189

Intensity of internal energy consumption (GJ/GWh)

	2019	2018	2017
Total	2.80	2.75	3.26

Generation technologies (% energy production)

	2019	2018	2017
Renewables	39%	42.4%	36.7%
<i>Onshore wind</i>	24.6%	25.1%	24.7%
<i>Offshore wind</i>	1.3%	1.1%	0.6%
<i>Hydroelectric</i>	12.4%	15.9%	11.4%
<i>Photovoltaic solar and other</i>	0.7%	0.3%	0.00%
Nuclear	15.7%	16.2%	16.9%
Combined cycle	39.3%	34.8%	39.3%
Cogeneration	5.8%	5.5%	5.0%
Coal	0.2%	1.1%	1.9%

The increase in combined cycle production was mainly due to the reduction in hydroelectric production in 2019.

⁵⁴ Conversion factor used: 1GJ = 0.023888889 Tep.

Energy consumption within the organisation

302-1

Energy consumption within the organisation (internal consumption) includes the consumption of energy at all of the Iberdrola group's facilities, buildings and offices, and is calculated as:

Energy consumption within the organisation (GJ) = Fuel consumption + Energy purchased - Energy sold (non-renewable) - Steam sold.

The fuel consumption figure in terms of energy (GJ) is obtained from direct measurement of the fuel used at each facility based on its calorific value (NCV):

$$\text{Consumption(GJ)} = \text{Consumption of fuel(kg)} \times \text{PCI(MJ/kg)} / 1000$$

The value of the energy purchased or sold is obtained by direct measurement at the facilities, buildings and offices.

$$\text{Consumption(GJ)} = \sum \text{building/facility consumption (MWh)} \times 3.6 \text{ GJ/MWh}$$

Energy consumption within the organisation in recent years is shown in the following table:

302-1

Energy consumption within the organisation (GJ)⁵⁵

	2019	2018	2017
Fuel consumption	764,339,820	705,925,458	760,201,810
By type of fuel			
<i>Natural gas</i>	491,432,273	415,501,034	462,114,731
<i>Uranium</i>	264,926,154	265,340,801	262,902,924
<i>Coal</i>	4,566,621	20,786,570	33,020,919
<i>Fuel-oil</i>	1,461,030	1,801,267	1,899,317
<i>Diesel</i>	105,425	2,398,130	175,699
<i>WDF</i>	60,226	97,598	88,220
<i>Offgas</i>	1,788,091	N/Av.	N/Av.
By type of technology			
Generating plants ⁵⁶	682,235,522	630,813,850	691,154,673
Cogeneration	82,007,939	74,427,358	68,440,622
Non-generating plants ⁵⁷	96,359 ⁵⁸	631,635	606,515
Energy purchased	9,526,837	11,323,334⁵⁹	11,664,660
Standby and pumping	8,883,625	10,456,923 ⁶⁰	10,886,544
Buildings	643,212	866,411 ⁶¹	778,116
Energy sold (non-renewable)	332,690,372	301,836,963	312,791,322
Steam sold	14,155,713	14,695,071	18,527,684
Total⁵⁵	427,020,573	400,716,558⁶²	440,547,464

⁵⁵ Energy consumption within the organisation (GJ) = Fuel consumption + Energy purchased - Energy sold (non-renewable) - Steam sold.

⁵⁶ Combined cycle, conventional thermal and nuclear plants.

⁵⁷ The "non-generating" facility is Hatfield (gas storage) in the United Kingdom.

⁵⁸ The sizable reduction in consumption is due to the sale of the Daldowie thermal drying facility in the United Kingdom.

⁵⁹ Data recalculated with respect to the data published in 2018.

⁶⁰ Data recalculated with respect to the data published in 2018.

⁶¹ Data recalculated with respect to the data published in 2018.

⁶² Data recalculated with respect to the data published in 2018.

Reduction of energy consumption

Two cornerstones of reduced energy consumption are considered: on the one hand, the energy savings from reduced fuel consumption and, on the other hand, the savings associated with the steps taken to improve energy efficiency.

In 2019 the consumption of fossil fuels for the generation of 227,235,600 GJ of energy was avoided through the generation of renewable energy and the supply of steam to industrial customers, which accounted for a 14% increase over the 2017 figure.

302-4

Reduction of energy consumption by the generation of renewable energy and steam (energy saved, GJ)

Areas	Energy type	2019	2018 ⁶³	2017
Renewables	Annual primary energy savings through the production of renewable energy	213,480,000	222,314,400	182,689,200
Cogeneration	Annual savings through the supply of heat energy (steam) within the group	14,155,200	14,695,200	18,511,200
Total		227,635,200	237,009,600	201,200,000

The reduction in energy consumption is equal to the savings of primary (non-renewable) energy generated by the production of renewable energy and cogeneration. This figure for the energy saved is obtained from direct measurement at the output terminals of the facilities.

$$Consumption(GJ) = \sum generation (MWh) \times 3.6 GJ/MWh$$

Various measures were implemented in 2019 to improve energy efficiency within buildings and infrastructure elements. The energy savings produced by these measures is presented below:

⁶³ Data recalculated with respect to the data published in 2018.

Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)

Areas	Item	2019	2018	2017
Efficiency in the distribution network	Savings due to efficiency in the grid	997,153	2,824,279	4,273,557
Efficiency in generation	Savings due to efficiency improvement at plants	663,852	9,117	44,744
Efficiency at buildings	Savings due to efficiency in buildings	509 ⁶⁴	672	76,000
Total		1,661,514	2,834,068	4,318,301

Much of the savings through generation efficiency is due to improved efficiency at the Escombreras combined-cycle plant, as reflected in the saving of 177 GWh of gas, accounting for 96% of the total plant savings.

Savings due to efficiency measures of the electricity grid

Energy savings from network efficiency derive from actions the company takes to control or reduce losses, including:

- Updates and modifications to reduce the length of lines through construction of new substations and increases in the power of existing substations, increases in voltage and improvement of power factor, implementation of remote management, and maintenance work.
- Improvements in contract management and supply point inspections: replacement of electromechanical meters with electronic meters, inspection of facilities and regulation of customers and clandestine connections.
- Increase in top-level reviews and strengthening of field activities with supply point inspections to reduce administrative and non-technical losses.

The table below shows transmission and distribution network losses:

⁶⁴ Includes only data from Spain and the United States.

EU12

Transmission and distribution network losses (%)

	2019	2018	2017
Transmission			
United Kingdom	2.11	1.52	2.12
United States	0.85	4.68	4.72
Distribution			
Spain	6.47	6.60	6.70
United Kingdom	6.43	6.43	6.32
United States	2.24	3.72 ⁶⁵	3.59
Brazil ⁶⁶	15.20	13.21	12.24

Loss reduction programmes are implemented each year in all regions to improve the reliability and availability of the supply network, which has made it possible to reduce, or at least maintain in most cases, the level of losses.

Efficiency in thermal generation

As in prior years, the company continues to take action to improve the efficiency of the plants, avoiding leaks, decreasing emissions, reducing internal utility consumption, optimising start-up times and procedures, and installing recirculation systems, among other things. The savings resulting from efficiency in generation are calculated by estimating the reduction in fuel consumption per MWh due to the improvements made.

The table below shows the average performance of the thermal power generation facilities:

EU11

Average performance⁶⁷ of thermal generation facilities (%)

	2019	2018	2017
Combined cycle	55.11	54.22	53.57
Conventional thermal	34.34	34.28	34.38
Cogeneration	56.24	55.62	53.81
Total	55.15	53.83	52.76

⁶⁵ Data recalculated with respect to the data published in 2018.

⁶⁶ The only available data is from distributors in Brazil.

⁶⁷ Average of efficiencies weighted by the annual production of each thermal power plant.

Detailed information about the average performance of the thermal generation facilities in the various countries is provided in Annex 1 Supplementary Information.

Efficiency at buildings

Iberdrola continues to implement energy efficiency measures in the company's buildings and offices throughout the world. In 2019 the provision of green energy (from renewable sources) to buildings was introduced, which accounted for 60% of the total energy consumed by the buildings in Spain and 34% of the energy consumed by the buildings in the United Kingdom.

Moreover, energy audits of the buildings made it possible to implement improvements during these years in order to optimise the acclimatisation (heating and air conditioning) performance, improve thermal insulation, increase the efficiency of building lighting and automate the associated facilities. The savings achieved through the application of these measures amounted to 509 GJ in 2019.

Reductions in energy requirements of products and services

Iberdrola sells new products and services to encourage energy and financial savings by its customers, efficiency and care for the environment.

302-5

Energy savings of green products and services (GJ)

	2019	2018	2017
Photovoltaic solar energy	4,182	20,336	1,899
Energy audits and plans	4,737	46,545 ⁶⁸	100,375
Gas maintenance service	821,171	875,326	790,441
Other savings and efficiency activities	171,781	99,970	158,113
Green energy supplied	48,047,064	42,700,000 ⁶⁹	49,874,302
Total	49,048,935	43,742,176	50,925,130

More information about these and other initiatives is available on the websites of [Spain](#), [Brazil](#), the [United Kingdom](#), the United States (through [NYSEG](#), [RG&E](#) and [CMP](#)) and [Portugal](#).

⁶⁸ The energy audits and plans are in effect for 5 years, giving rise to the reduction they produce

⁶⁹ No data available from Brazil as at the date the report is issued.

Energy consumption outside of the organisation

302-2

The most significant consumption of energy outside the organisation is consumption associated with the transport of fuel by motorway, with trips to/from work by the group's employees and with business travel (planes and motorways). All of this information forms part of Scope 3 of the calculation of greenhouse gas emissions. Energy consumption outside the organisation is estimated based on the distances travelled via each means of transport and is transformed by means of conversion factors obtained from official sources⁷⁰. The energy consumption for these items is on the order of 1,106,522 GJ.⁷¹

Reduction in emissions

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



GRI 305

As part of its climate action, Iberdrola has ambitious emission-reduction objectives that will bring us to emission neutrality by 2050 and which are recognised as Science Based Targets (SBTi). The company also has an investment plan and innovation policies focused on decarbonising the energy mix and strengthening our leadership in renewable energy, smart grids and clean technology, and is progressing with its commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For yet another year, Iberdrola has registered its footprint with the Carbon Footprint, Carbon Offset and Carbon Dioxide Absorption Projects Register of the Spanish Ministry for Ecological Transition and the Demographic Challenge.

More information is available in the "Climate action at Iberdrola" section of chapter I.3 and in the [Climate change and emissions](#) section of the website.

⁷⁰ Defra: Department for Environment, Food and Rural Affairs (United Kingdom).

⁷¹ Does not include data from Mexico because the data was not available as of the closing of this report.

Intensity of GHG emissions

The intensity of CO₂ emissions is calculated based on direct emissions from the production facilities⁷² divided by the group's net output, including steam.

As reflected in the EU2 indicator in the "Key figures" section of chapter I.1, in this report Iberdrola uses the reporting criterion for its power generation assets, distinguishing between its "own" production and installed capacity and "third-party" production and installed capacity. The latter type of generation reflects the particular operating conditions of some of our plants in Mexico, which Iberdrola operates, under the instructions of the Mexican Federal Electricity Commission (CFE), in its capacity as an Independent Power Producer (IPP).

Under these conditions, Iberdrola believes that the IPP plants do not comply with the requirement enunciated by the *GHG Protocol* regarding "... the authority to introduce and implement operating policies at the operation" in order to be included in Scope 1.

The following table shows the intensity of emissions.

305-4

Intensity of CO₂ emissions

	2019	2018	2017
Specific emissions from global mix (kg/MWh) ⁷²	110	112	136
Specific emissions from global mix (kg/€) ⁷³	0.363	0.379	0.480

In 2019, CO₂ emissions per MWh generated remained among the lowest among domestic and international energy companies. It should be noted that Iberdrola's emissions intensity in Spain was 94 kg/MWh in 2019.

⁷² See "Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)" below

⁷³ Direct emissions from energy generation facilities (305-1) compared to net revenues in €.

Inventory of Greenhouse Gas Emissions (GHGs)

Iberdrola's inventory of emissions is calculated using the emissions set forth in disclosures 305-1, 305-2 and 305-3. In April 2019, for the tenth consecutive year, AENOR verified Iberdrola's greenhouse gas emissions inventory, covering the direct and indirect emissions from all of its activities, pursuant to the UNE ISO 14064-1:2006 standard.

Set forth below is the inventory (as of the date of approval of this report) to be submitted for verification in 2020 pursuant to the *Greenhouse Gas Protocol (GHG)* of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

CO₂ equivalent emissions to be verified in 2020 (t)

	Spain	United Kingdom	United States	Brazil	Mexico ⁷⁴	Total
Scope 1: Direct emissions	5,803,460	44,487	1,934,393	1,001,945	4,799,539	13,583,823
Scope 2: Indirect emissions	863,954	491,455	231,192	513,329	54,227	2,153,797
Scope 3: Other indirect emissions	3,858,165	9,437,581	19,892,852	190,409	15,657,512	49,036,519

Updated information is available in the [Greenhouse Gas \(GHG\) Inventory](#) section of the corporate website.

Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

Direct emissions are emissions from sources of GHGs that are owned or controlled by the company. They include:

- Emissions from electric power generation facilities (fuel consumption) with owned production.
- Emissions from non-generation (gas storage) facilities.
- Fugitive emissions of methane (CH₄) (storage and transport of natural gas).

⁷⁴ Iberdrola has assigned to Scope 3 of the emissions inventory those emissions generated by the plants that Iberdrola operates in Mexico as an Independent Power Producer (IPP), based on its understanding that Iberdrola does not have operational control of those plants because the CFE is responsible for making decisions regarding the dispatch and entry into operation (or not) of said plants. Scope 1 includes the emissions associated with the installed capacity for third parties. The values are 26,530,725 t for Scope 1 and 36,089,620 t for Scope 3. The totals would be adjusted in accordance with the changes. In this case, the historical emissions-intensity series (305-4) would be: 166 kg/MWh (2019), 161 kg/MWh (data reported in 2018) and 187 kg/MWh (data reported in 2017).

- Fugitive emissions of sulphur hexafluoride (SF₆) in distribution networks.
- Emissions from facilities that provide services to buildings (fuel consumption).
- Emissions from mobile combustion sources, associated with road transport of employees with fleet vehicles for work purposes.

The emission factors used to calculate each of these emissions are obtained from official sources.

Iberdrola has reduced its direct emissions (Scope 1) by 14% over the last two years from 15 to 13 million t CO_{2eq}. This is mainly due to the reduction of emissions at the thermal generation plants, which decreased 25% since 2017, as shown in the following table:

305-1

CO₂ emissions at Scope 1 production facilities (t)

	2019	2018 ⁷⁵	2017 ⁷⁶
Thermal generating plants	8,401,126	9,237,529	11,325,830
Cogeneration	4,526,760	4,090,080	3,693,748
Total	12,927,886	13,327,609	15,019,578

77% of the group's own installed capacity is emission-free. Direct emissions other than the above emissions from production facilities are less than 1% of the total of Scope 1.

⁷⁵ Data updated in the verification of the GHGs.

⁷⁶ Data updated in the verification of the GHGs.

305-1

Other Scope 1 emissions (t CO₂eq)

	2019	Source of emission factors
CH ₄ and NO ₂ emissions due to combustion ⁷⁷ (Non-renewable generating plants)	171,048	IPPC
Non-generation emissions (Gas storage)	26,233	DEFRA: ⁷⁸ United Kingdom.
CH ₄ Fugitive Emissions (Gas storage and transport)	221,619	IPCC ⁷⁹
SF ₆ Fugitive Emissions (Electricity distribution)	156,704	IPCC
Emissions in buildings (Fuel consumption)	44,739	MITECO: Spain. DEFRA: United Kingdom, Mexico and Brazil. EPA: ⁸⁰ United States, Mexico and Brazil.
Emissions from mobile combustion (Fleet vehicles)	30,311	DEFRA: Spain and United Kingdom. EPA: United States, Mexico and Brazil.
Total	650,654	

For more information, see the [climate change and emissions](#) section of the corporate website.

Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

Indirect emissions are those emissions deriving from the company's activity but generated by other entities, including emissions from the generation of electricity acquired for the company's consumption. These emissions are:

- Emissions associated with the consumption of electric energy by standby systems during shutdowns at the thermal, renewable and nuclear plants and during pumping at the hydroelectric plants.
- Emissions associated with the consumption of electricity in buildings.
- Emissions associated with network losses.

The emission factor of the generation mix of the respective country is used to calculate CO₂.

- Spain: Red Eléctrica de España
- United Kingdom: DEFRA
- United States: U.S. Energy Information Administration
- Mexico: SEMARNAT⁸¹
- Brazil: Ministry of Science, Technology and Innovation for Brazil

⁷⁷ Only emissions associated with owned generation are included.

⁷⁸ DEFRA: Department for Environment, Food and Rural Affairs (United Kingdom).

⁷⁹ IPCC: Intergovernmental Panel on Climate Change.

⁸⁰ EPA: Environmental Protection Agency (United States).

⁸¹ SEMARNAT: *Secretaría de Medio Ambiente y Recursos Naturales* (Secretary of the Environment and Natural Resources) in Mexico.

An action plan is being advanced internally to complement the calculation of emissions using a "market-based" methodology. This effort will continue throughout 2020.

Iberdrola has reduced its direct emissions (Scope 2) by 38% over the last two years from 3,415,200 t CO_{2eq} to 2,103,404 t CO_{2eq}. This is mainly due to the measures for improving the efficiency of the facilities and distribution networks that have been made in recent years.

305-2

Scope 2 emissions (t CO_{2eq})

	2019	2018 ⁸²	2017 ⁸³
Emissions associated with network losses.	1,597,207	1,793,198	2,464,981
Emissions from consumption of electric energy during shutdowns and pumping	520,992	698,236	897,734
Emissions associated with the consumption of electricity in buildings	35,598	52,610	52,485
Total	2,153,797	2,544,044	3,415,200

As can be seen, the decrease in emissions associated with electricity consumption in buildings is due to the certified consumption of green energy therein.

Other indirect greenhouse gas emissions. Scope 3 (per GHG Protocol)

Iberdrola has incorporated the life cycle perspective into its management model, which includes knowing the long-term impacts of the value chain. New elements are thus included each year in the calculation of its Scope 3, indirect emissions that are a result of the company's activities at sources not owned or controlled thereby. They include the following:

- Emissions from electrical-energy generation facilities (fuel consumption) with production for third parties. (GHG Protocol Category 3).
- Emissions associated with the transport of employees for work purposes (hire vehicles and personal vehicles, planes, trains and ferries). (GHG Protocol Category 7).
- Emissions associated with the transport of fuel. (GHG Protocol Category 4).
- Emissions associated with the supply chain. (GHG Protocol Category 1 and 2).
- Emissions associated with employee commuting to and from work. (GHG Protocol Category 6).

⁸²Data updated in the verification of the GHGs.

⁸³Data updated in the verification of the GHGs.

- Emissions associated with electrical energy purchased from third parties for sale to end customers (GHG Protocol Category 3, Activity D).
- Emissions associated with gas purchased from third parties for sale to end customers (GHG Protocol Category 11, Activity D).
- Emissions arising from activities upstream of the fuels purchased and consumed⁸⁴ (GHG Protocol Category 3, Activity A).

The emission factors used in calculating each of these emissions are obtained from official sources.

Scope 3 emissions were the following in 2019:

305-3

Scope 3 emissions (t CO_{2eq})

	2019	2018 ⁸⁵	2017 ⁸⁶
Emissions associated with the production of energy for third parties	12,946,900	10,816,309	11,695,888
Emissions from employee business travel	19,429	17,986	21,034
Emissions associated with the transport of fuel ⁸⁷	1,623	58,646	92,168
Emissions associated with the supply chain ⁸⁸	1,884,772	1,392,782	1,636,912
Emissions associated with employee commuting to/from their workplace ⁸⁹	52,467	59,729	77,655
Emissions associated with energy (gas and electricity) purchased for sale to end customers ⁹⁰	30,446,639	35,091,320	38,839,197
Upstream (WTT) emissions from fuel acquired and consumed	3,684,689	3,576,870	3,897,898
Total	49,036,519	51,013,642	56,262,798

Emissions from employee travel per employee in 2019 were 0.45 t CO_{2eq}.

⁸⁴ Excludes transport of fuels, as this is specified in Category 4, and the emissions under scopes 1 and 2.

⁸⁵ Data updated in the verification of the GHGs.

⁸⁶ Data updated in the verification of the GHGs.

⁸⁷ Calculated for the transport of fuel by motorway, train and ship. Fuel transport activities in 2019 only occurred in Spain by motorway.

⁸⁸ Estimated based on the Supplier Awareness and Greenhouse Gas Measurement Campaign that Iberdrola sends to the group's suppliers.

⁸⁹ Estimated using surveys sent to the employees of the Iberdrola group in order to record their emissions through an emissions calculation tool.

⁹⁰ The energy purchased for sale to end customers is calculated based on the difference between the energy supplied on the market and the internally produced energy. The emissions from such energy result from CO₂ emissions obtained by applying the emission factor of the generation mix of the corresponding country and adding it to the upstream emissions of such energy, using the DEFRA WTT (Well to Tank) emission factor.

More information about scope 1, 2 and 3 emissions is available in the [GHG Report](#), which is audited annually under the ISO 14064 standard.

Reduction of GHG emissions

Initiatives to reduce emissions are undertaken through a broad range of products and services promoting energy efficiency and savings. Some examples of actions taken in 2019 are given below:

305-5

Initiatives for reducing emissions

Areas	Actions and initiatives	CO ₂ avoided in 2019 (t)
Renewables	Primary energy savings through the production of renewable energy	15,551,630
Cogeneration	Savings through the supply of heat energy (steam) within the group	1,140,211
Network efficiency	Savings from distribution network efficiency in Spain, the United Kingdom and Brazil	61,377
Commercial	Energy savings and efficiency through green products and services	6,156,992
Group	Use of videoconferencing (t CO _{2eq})	10,231
Total		22,920,441

There were 64,780 videoconferences in 2019 that avoided employee travel, entailing a reduction of approximately 10,231 t of CO_{2eq}.

In total, the emission of 22,920,441 t CO₂ was avoided, equal to the amount of CO₂ absorbed by 1,146 million trees over the course of a year⁹¹.

The operating regimen of the group's production facilities led to the level of CO₂ emissions described in the section entitled "Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)". The sections "Reduction of energy consumption"⁹² and "Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)" provide additional information on this topic.

⁹¹ The estimated amount of CO₂ absorbed by an average tree is 20 kg of CO₂ per year.

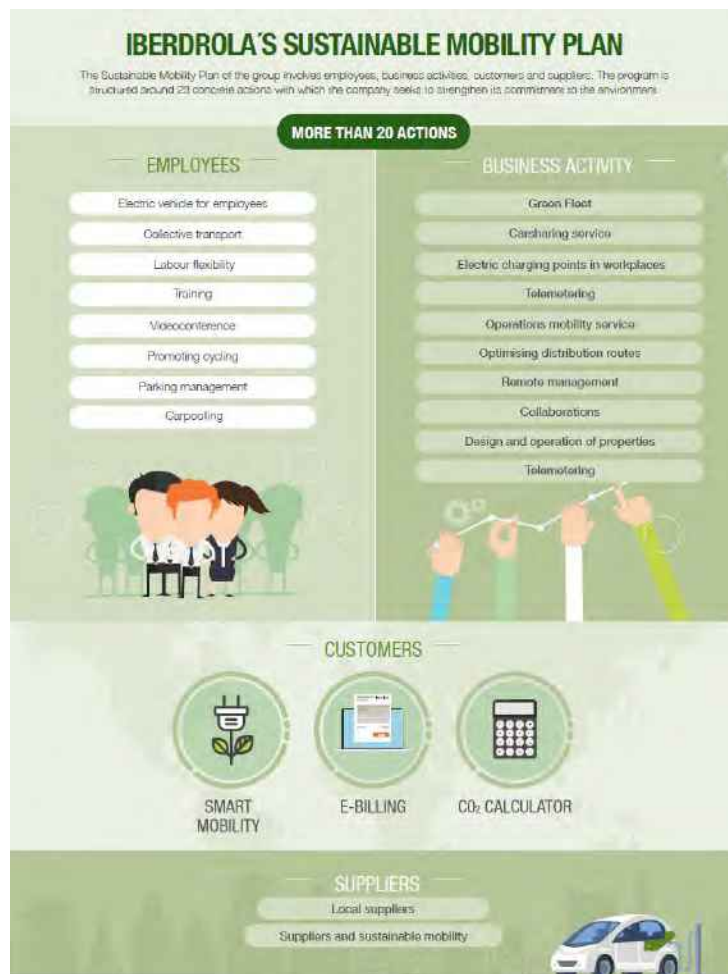
⁹² In addition to the reductions described in "Reduction of energy consumption", the group's nuclear production during the financial year prevented emissions of 5,089,685 t CO₂, taking into account the mix. Source: RRE.

Sustainable Mobility Plan for employees

In order to reduce emissions relating to employee travel and commuting to/from their home and workplace, Iberdrola is developing a Sustainable Mobility Plan that contributes to a rational use of the means of transport. This plan is included in the commitment made by the company in its Sustainable Management Policy.

The inclusive nature of the programme involves employees, the business activity, customers and suppliers, covering approximately 20 specific actions in which the company seeks to strengthen its support of sustainability.

These initiatives include Iberdrola’s launch of a new edition of the Electric Vehicle for Employees programme in Spain and the United Kingdom, which consists of special advances and financial assistance for the purchase of electric vehicles. Thanks to this initiative, the local emission of 531 t of CO_{2eq} in employee travel to the work place in Spain and the United Kingdom was avoided in 2019.



Allocation of CO₂ emissions allowances or equivalent

EU5

Only the generation facilities located in Europe are subject to an emission rights trading system, for which reason this indicator does not affect the thermal generation facilities in Mexico, Brazil or the United States.

The facilities located in Europe (Spain and United Kingdom) have not received free trading rights since 2013, for which reason they have to acquire the necessary rights at auction to offset the emissions produced.

Only the Tarragona Power facility has been assigned 23,929 emissions rights, within the emissions trading system (ETS) market.

Iberdrola intends to close the last two coal-fired facilities that are currently in operation in Spain.

Other atmospheric emissions

305-7

Emissions⁹³ of sulphur dioxide (SO₂), oxides of nitrogen (NO_x) and particulate matter are also created by the burning of fossil fuels. The changes in the generation profile discussed in the emissions section tends to reduce them with the incorporation of renewable energy and the support of modern technologies for monitoring combined cycles. This management focus is supplemented with a plan to invest in improvements in the combustion process and in the dismantling of less environmentally-efficient units.

Investments have been made in combustion control systems at the thermal plants in order to comply with *Directive 2001/80/CE*, which limits the atmospheric emissions of SO₂, NO_x and particulates from large combustion facilities in Spain.

⁹³ These emission figures are obtained either from direct measurement or through conversions of fuel-consumption figures using emission factors from official sources.

Emissions of oxides of nitrogen (NO_x)

NO_x emissions (t)

	2019 ⁹⁴	2018	2017
Generating plants	42,469	6,549	7,613
Cogeneration	8,298	6,202	8,539
Total	50,767	12,751	16,152

Intensity of NO_x emissions (kg/MWh)

	2019	2018	2017
Specific emissions from the global mix	0.326	0.085	0.113

Emissions of sulphur dioxide (SO₂)

Sulphur dioxide (SO₂) emissions (t)

	2019	2018	2017
Generating plants	970	2,733	4,143
Cogeneration	793	782	1,249
Total	1,763	3,515	5,392

Intensity of SO₂ emissions (kg/MWh)

	2019	2018	2017
Specific emissions from the global mix	0.011	0.023	0.038

⁹⁴ The methodology for calculating NO_x emissions has been changed.

Emissions of particulates

Particulate emissions (t)

	2019	2018	2017
Generating plants	1,015	745	1,114
Cogeneration	129	141	158
Total	1,144	886	1,272

Intensity of particulate emissions (kg/MWh)

	2019	2018	2017
Specific emissions from the global mix	0.007	0.023	0.038

Emissions of ozone-depleting substances

305-6

Ozone-depleting substances have a very limited presence within the Iberdrola group, and are located primarily in fire-extinguishing equipment (Halon) and some cooling systems (chlorofluorocarbons, CFCs). These systems and equipment are maintained in accordance with the provisions of applicable legal provisions.

The only atmospheric emissions originating from these products would be those arising from potential losses, which are identified by the volumes used to recharge the equipment. Although Iberdrola's goal is to eliminate the presence of these emissions in its facilities, these substances continue to be used where their use is authorised, and a better substitute has not been found on the market. 2,160 kg of CFC-11 were recharged in Mexico in 2019.

Emissions of mercury (Hg) and other compounds

The emission of mercury (Hg) from the combustion of coal during 2018 was 5.73 kg.

Furthermore, 449.33 t of volatile organic compounds (VOCs) were emitted in Spain, the United Kingdom, Mexico and the United States.

Rational use of water

GRI 303

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

The main actions taken by the group for a more sustainable use of water are:

- Limiting the volume of withdrawal and consumption of inland water in all technologies.
- Establishing and controlling limits on ecological flows at the hydroelectric generation reservoirs.
- Continually improving processes at facilities to reduce consumption and impact.
- Avoiding withdrawal of water in water-stressed areas.
- Reusing and recycling water at facilities.
- Conducting awareness-raising campaigns to achieve a more efficient and responsible use of sanitary water by employees at offices.

GRI 306 303-1 303-2

The water cycle needed for the generation of power at Iberdrola's thermal generation plants is based on the following three phases: Withdrawal, use, and return to the environment.

The quality of the returned effluents is strictly controlled and is kept below the maximum acceptable values established by the government based on the characteristics of the withdrawal point and the point of discharge into the environment (sea, reservoir or river).

Ensuring compliance with law and seeking methods to minimise the risk of spills is applicable to all of Iberdrola's facilities, including generating plants, renewable facilities and distribution substations.

Iberdrola has treatment plants and water quality measurement systems at its facilities that allow it to ensure a return to the environment in the desired condition, reducing the risk of polluting discharges through the use of preventive control tools:

- Consolidated systems for reporting anomalies and incidents in order to establish plans to minimise spillage risks, by implementing predictive, preventive and corrective actions that ensure the proper condition of the water.
- Certificates in ISO 14001 and EMAS, as tools for continuous improvement.

The company also has emergency plans and protocols to ensure a proper and rapid response in the event of discharges or spills with negative effects on the surrounding environment.

The thermal power-generation plants treat residual water before discharging it into the natural receptor environment.

- Water from the process undergoes physicochemical treatment, which includes the separation of hydrocarbons and temperature monitoring.
- Wastewater is treated in compact treatment systems with biological aerobic processes.
- Coal plants have a treatment system for slag from the plant, and a decantation/coagulation process that prevents the entry of particulate coal or coal in suspension into the receptor water.

After being treated, the process water and the sanitation wastewater are diluted with the water returned from the cooling system and are discharged into the receptor environment, with continuous monitoring of various parameters (temperature, turbidity, conductivity, etc.). An accredited organisation analyses these discharges and regularly reports to the government.

In Mexico, the combined cycles have separate and independent networks for industrial and sanitary water. The latter receive final treatment in biodigesters whereas industrial water is discharged into the natural environment or sent to municipal treatment plants or to the customer for treatment. The La Laguna power plant captures sanitation wastewater for all processes, for which reason the water discharged by this facility is of better quality in some parameters than the water that is collected.

303-3

The company makes no withdrawals that significantly affect water resources or habitats associated with water withdrawal points. The Iberdrola group does not have any plants located in areas considered to have water stress.⁹⁵ 72% of the water withdrawn is sea-water or brackish water. These areas can be seen in the [FAQ](#) and in [Aqueduct Water Risk Atlas](#).

⁹⁵ High or severe water stress is taken into account.

Total water withdrawal

The following table breaks down the group's total water withdrawal by source:

Origin of raw water withdrawal (ML⁹⁶)

	2019	2018	2017
Surface water (rivers, lakes, reservoirs, wetlands)	529,653	736,406	663,570
Offshore water	1,467,179	1,230,076	1,298,726
Groundwater	1,805	1,041	1,834
Rainwater directly withdrawn and stored	0	0	1
Purified wastewater	14,580	14,934	14,655
Municipal water supply or supply from other water companies	2,891	2,842	5,103
Total	2,016,108	1,985,300	1,983,889

The dissolved solids of all of the withdrawn water are less than 1,000 mg/L, such that all of the withdrawn water is termed "freshwater".

Total water withdrawal is the sum of the various sources, and is obtained by direct measurement (flowmeters) or by estimating the performance of the water withdrawal pumps.

90% of the total amount of water withdrawn is used in cooling processes. The rest of the water withdrawn (10%) corresponds to other auxiliary services of the generation plants and consumption at offices.

The following table shows the different sources of withdrawal for cooling:

⁹⁶ Megalitres

Source of withdrawal of cooling water

	Raw water withdrawal ⁹⁷ (ML ⁹⁸)	Raw water withdrawal (%)
Seawater and brackish water	1,278,373	70.7
Rivers and groundwater	151,442	8.4
Lakes and reservoirs	368,707	20.4
Purification of wastewater	8,941	0.5
Total	1,807,463	100%

All water withdrawal is strictly regulated by government authorities, which assign permits and determine the maximum permissible volumes of withdrawal to ensure that there are no significant impacts.

303-5

The total intake and discharge of water at the coal-fired thermal generation, combined-cycle, nuclear and cogeneration plants in 2019 are shown below.

Use of water in thermal generation (ML⁹⁹)

	2019
Withdrawal	
Withdrawal for standby process and services	208,104
Withdrawal for cooling	1,807,463
Discharge	
Evaporation of water used for cooling	82,538
Discharge into the receiving environment ¹⁰⁰	1,927,711
Water use (withdrawal less discharge)¹⁰¹	87,856
Percentage of water returned	96%

After use in cooling and other auxiliary processes, 96% of the water withdrawn at thermal generation and cogeneration facilities returns to the receptor environment in a physical/chemical condition allowing it to

⁹⁷ Raw water withdrawal: total raw water volume withdrawn for cooling.

⁹⁸ Megalitres

⁹⁹ Megalitres

¹⁰⁰ The total discharge figure includes the return from cooling, the return of water used in processes, and rainwater collected at some thermal facilities that lack an independent storm-drain system.

¹⁰¹ Withdrawal less discharge into the receiving environment is deemed to constitute water use.

be utilised by other users without affecting the natural environment. The other 4% has been consumed and/or retained in the various processes, or returned to the environment in the form of steam generated in the cooling systems of the thermal power plants.

The group's use of water is summarised in the following table:

Water use¹⁰²

	2019	2018	2017
Total water use (ML ¹⁰³)	88,399	87,890	82,275
Water use/global production (ML/GWh)	583	604	597
Water use/overall sales (m ³ /\$k)	2.16	2.14	2.15
Water use/overall sales (m ³ /€k)	2.42	2.53	2.56

Water cycle in hydroelectric generation¹⁰⁴

Water used for hydroelectric power generation is not considered to have been withdrawn, and is therefore analysed separately. The table below shows the net amount of water used in hydroelectric power generation, defined as turbinéd water less pumped water, in Spain and Brazil.

Water use in hydroelectric generation (ML)

	2019	2018	2017
Net water volume	97,062,635	133,262,232 ¹⁰⁵	49,824,142
Volume of pumped water	1,939,270	2,709,926	2,806,800
Annual increase in reservoir water	1,798,489	2,547,269	-1,179,000 ¹⁰⁶

Additional information, such as withdrawal locations and discharges from the thermal facilities, can be found in [Water use](#).

¹⁰² Use of water is defined as water withdrawn minus water discharged into the natural environment.

¹⁰³ Megalitres

¹⁰⁴ Hydroelectric generation in the United States, which is approximately 0.9% of the installed hydroelectric capacity, is not included (information not available).

¹⁰⁵ 2018 was a year with high levels of precipitation and high hydroelectric generation in Spain. Data recalculated with respect to the data published in 2018.

Water reused

303-3

At the thermal plants with closed or semi-open cooling systems, the withdrawn water is reused in the cooling towers in an average of approximately three to five cycles per m³ before being purged. The total volume of this reuse was approximately 1,600 hm³ in 2019.

Water recycled

Furthermore, wastewater is also used in the cooling systems at some of the thermal generation plants in Spain, Mexico and the United States.

Use of wastewater or recycled water in cooling systems in 2019

	ML	% of total country
Mexico	10,690	5
United States	3,651	98
Spain	382	0.01

In addition, at some of ScottishPower's wind farms the control buildings have rooftop rainwater collectors and storage tanks to use the water.

Water discharges in terms of quality and destination

306-1 303-4

The data regarding the discharge of water into the environment for all facilities and offices is as follows:

Total water discharged (ML)

	2019	2018	2017
Ocean	1,453,877	1,220,814	1,289,298
Rivers	149,930	324,636	248,498
Lakes and reservoirs	320,382	347,764	360,073
Purification network	3,522	6,299	5,888
Total	1,927,711	1,899,513	1,903,757

Water consumption and discharges by the facilities during 2019 were within the limits indicated by the relevant comprehensive environmental permit for each facility, and no anomalies were detected that might materially affect the water resources or associated habitats.

306-5

The company's activities can even be beneficial for the ecosystem, as seen in the following examples:

- In Spain, above and beyond the Integrated Environmental Authorisation requirements, at times additional quality control analyses are conducted on water upstream from hydroelectric generation facilities, with a view to improving, if necessary, the quality of this water once it has passed through the plant and is returned to the environment (see disclosure 304-3).
- In Mexico the discharge from the Altamira III and IV plant has been re-directed over the Garrapatas estuary, which is allowing it to recover its salinity and thus the specific characteristics of this habitat and the species of fauna and flora adapted thereto. This estuary was losing its brackish nature due to salt-water entry being blocked after the construction of a pipeline, with the resulting desalination of the ecosystem.

For more information, see the [Water Usage](#) section of the corporate website.

Waste management

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



GRI 306

Iberdrola's goal is to reduce the generation of waste for any process or activity (construction, operation, maintenance of facilities and work centres), and to prioritise recycling and the reuse thereof. Iberdrola is committed to the concept of the "circular economy" for all of the parties to its activities, having joined the Circular Economy Agreement of the Spanish Ministry for Ecological Transition and the Demographic Challenge.

Waste is managed in accordance with the following principles:

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

306-2

Two types of waste are distinguished within the Iberdrola group's activities:

- Waste arising during the energy production process.
- Waste generated at facilities and offices.

The various areas and businesses of the company perform activities to minimise waste and improve waste management, within the framework of the certified environmental management systems.

Waste from the production process

Fly ash and slag

Fly ash and slag are the most typical types of waste in the generation process at coal plants. The following table shows the production and reuse thereof:

Production and reuse of ash at Iberdrola's thermal power plants

	2019	2018	2017
Ash produced (t)	25,985	92,440	174,523
Ash reused (t)	21,009	61,459	76,034
Percentage of product reused (%)	81	66	44

Reused ash was used for the production of cement as filling in infrastructure work and to produce compost. The reduced production of ash in 2019 is associated with the reduced production by means of carbon-fired plants (78.7%).

Nuclear waste

As part of its commitment to transparency of information for Stakeholders, Iberdrola provides additional information on its nuclear plants (General Radioactive Waste Plan, Enresa¹⁰⁷). The processes of reduction, reuse, segregation, recycling and recovery is applied to radioactive waste in the safe management thereof.

¹⁰⁷ Enresa: Empresa nacional de residuos radioactivos, S.A.

Iberdrola's nuclear power plants are included within the Environmental Radiological Monitoring Programme of the Nuclear Safety Council of Spain, the purpose of which is to monitor the dispersion into the environment of controlled discharges from facilities and to determine and monitor radiological quality throughout the country¹⁰⁸.

Low-low level and medium-low level radioactive waste generated during 2019 are shown in the following table:

Hazardous waste generated at nuclear facilities in 2019

	Net Production (GWh)	Low-low level waste		Low-medium level waste	
		Produced (m ³)	Produced (m ³ /GWh)	Produced (m ³)	Produced (m ³ / GWh)
Cofrentes nuclear plant	8,065	35.98	0.004	195	0.024
Partially-owned nuclear plants	15,673	302	0.019	638	0.041

As to high-level waste, 328 spent fuel assemblies were generated during 2019.

Other waste

Hazardous waste

Hazardous waste that is generated is regularly delivered to authorised handlers for proper processing. Not all of the waste generated is deposited or recycled immediately, as there are temporary warehouses for hazardous waste at the facilities.

Hazardous waste generation (t)

	2019	2018	2017
Produced	19,662	13,169	9,193
Incinerated	166	0	0
Recovered (energy recovery)	N/Av.	N/Av.	N/Av.
Deposited	1,854	4,161	3,023
Recycled, reused	17,548	8,839	7,288

Hazardous waste produced includes PCBs, batteries, dissolvents, lighting, etc.

¹⁰⁸ For more information, see the technical reports on environmental radiological monitoring issued by the Nuclear Safety Council, available at www.csn.es.

There are residual PCBs at the group's facilities in Spain, the United States and Brazil. However, no pyralene transformers with more than 500 ppm of PCBs remain. The company's policy is to eliminate equipment containing PCBs from its facilities. 942 t of oil with PCBs in Spain, 855 t in the United States and 191 t in Brazil were managed during 2019.

Non-hazardous waste

Non-hazardous waste that is generated is regularly delivered to authorised handlers for proper processing. Not all of the waste generated is deposited or recycled immediately, as there are temporary warehouses for hazardous waste at the facilities.

Non-hazardous waste generation (t)

	2019	2018	2017
Produced	655,694	549,146	1,053,671
Incinerated	694	0	0
Recovered (energy recovery)	N/Av.	N/Av.	N/Av.
Deposited	157,342	247,256	543,254
Recycled, reused	663,128	294,845	449,920

Non-hazardous waste produced includes inert waste from construction and demolition, electronic equipment, wood, metals, plastics, paper, etc.

As a result of the new focus on avoiding waste generation by obsolete material or equipment and instead encouraging its sale on second-hand markets, in 2019 the company avoided sending 186.17 t of material to waste managers, thereby preventing the emission of about 200 t of CO₂.

Protection of biodiversity

Contribution to SDGs of the performance described by the indicators of this section



**IBERDROLA
WITH BIODIVERSITY**

— OBJECTIVE —

Iberdrola is committed to **continual improvement of our biodiversity protection standards** with the aim of achieving, in 2030, a positive net balance in all new generation infrastructures developments, **applying the principles of the mitigation hierarchy and avoiding the use of protected areas for their location.**

— APPROACH —



Knowledge and awareness



Action



Commitment

GRI 304

Iberdrola is aware that the conservation of biodiversity and the services provided by it (ecosystem-related services) is an essential condition for global sustainability. As a leading company of the energy industry, the company is also aware of its responsibility for knowing and managing the interactions of its activities with habitats and wildlife throughout their entire life-cycle, and for working with stakeholders to adopt measures that allow them to be identified and eradicated.

Along these lines, Iberdrola is committed to assuming a leadership position in the conservation and protection of biodiversity and in encouraging a corporate culture oriented toward promoting awareness-

raising amongst all of its Stakeholders regarding the magnitude of this challenge and the benefits associated with the resolution thereof, identifying specific actions in the area of prevention and adaptation.

Since 2007 Iberdrola has had a Biodiversity policy that establishes the company's position in the fight against the loss of biodiversity, as well as its commitment to ensuring that its activities go beyond mere regulatory compliance to generate a positive impact while contributing to the creation of value for its stakeholders.

The protection and conservation of biodiversity are integral parts of its management through the *Biodiversity Policy*, which establishes the main principles of conduct and defines four high-priority approaches:

- Promoting the protection, preservation and sustainable use of natural capital by applying the hierarchical mitigation principles (i.e., avoidance, mitigation, restoration, and - as a last resort - compensation), while avoiding the placement of new projects in protected areas, and through the adoption of specific preventive, mitigating and compensatory actions in those areas that might be affected by the Group's facilities.
- Encouraging knowledge about and research on the surroundings, with the adoption of a preventive approach and integration within the management of natural capital of best practices throughout the entire life cycle.
- Engagement with Stakeholders, considering their needs and expectations regarding biodiversity for the integration thereof in action plans, and partnering with research projects.
- Communication, awareness-raising and training, both internally and externally.

Various instruments are used to carry out these lines of action, including:

- *Biodiversity Policy*, applicable in all of the geographic areas in which the Iberdrola group does business, the basic principles of which are developed by various approaches.
- *Stakeholder Relations Policy* and the company's Stakeholder Engagement Model.
- *Corporate Environmental Footprint*, which enables an evaluation of the group's impact on biodiversity, and which, combined with the methodology for the assessment of the ecosystem-related services, makes it possible to establish goals for improvement for both direct and indirect effects.
- The environmental management system of the group and its organisations, certified under ISO 14001 or EMAS, which implement biodiversity commitments in action plans establishing the monitoring and control thereof.
- Environmental committees with the leaders of the organisations dealing with biodiversity risks and opportunities.

- Biodiversity plans, which implement the high-priority approaches of the *Biodiversity Policy*.

Biodiversity plans¹⁰⁹

Plans	Sub-plans
Plan for the prevention, reduction and compensation of impacts.	Plan for the direct protection of fauna.
	Direct protection and management of vegetation.
	Restoration of, and compensation for, habitats and species.
	Prevention of impacts on the edaphic environment.
	Prevention of impacts on the hydric environment.
Plan for understanding and preserving the environment.	
Plan for awareness-raising and communication.	

Working with the Stakeholders is a cross-sectional approach of the three plans.

102-11

In keeping with the precautionary principle, Iberdrola supports the expansion of knowledge and of research as key measures for the conservation and protection of biodiversity. Accordingly, in 2019 the company continued its support of research into species behaviour, such as the work associated with the study of *Thermal stress, immunosuppression and climate change in threatened raptors*¹¹⁰, the *Project for the recovery of ospreys in the Picos de Europa National Park*¹¹¹ and the continuation of the *Migration Project*¹¹², the goal of which is the study of the migratory movements of birds in Spain. The company also took part in studies for appraising ecosystem-related services such as the *ES Values Project*¹¹³, and held sessions with the environmental authorities on good practices and lessons learned with regard to ecological mitigation strategies as applied to projects, such as the ones implemented in the East Anglia One project.

¹⁰⁹ The three plans work with Stakeholders in a cross-sectional approach.

¹¹⁰ A collaborative project of Fundación Iberdrola and Fundación Aquila.

¹¹¹ A collaborative project of Fundación Iberdrola and Fundación para la conservación del Quebrantahuesos.

¹¹² A collaborative project of Fundación Iberdrola and Sociedad Española de Ornitología, SEO/BirdLife.

¹¹³ In partnership with the Universidad de Salamanca.

Numerous studies of species and ecosystems have been conducted in the vicinity of our facilities, such as the research study on the acoustic deterrence of bats at the Blue Creek Wind Farm¹¹⁴ and the tracking and research studies of species at the Teles Pires hydroelectric plant¹¹⁵, which are leading to the identification of new fish species¹¹⁶, one primate species¹¹⁷ and flora species. Also noteworthy is the project for the application of the methodology of the LIFE institute, which is being carried out at the hydroelectric facilities in Brazil, which will make it possible to evaluate performance with regard to the actions for the protection and conservation of biodiversity.

In the new projects, Iberdrola also applies the mitigation hierarchy (avoid, minimise, remediate and, as a last option, compensate) in the environmental impact assessments (EIAs). These analyse alternatives, with a view toward avoiding placing new infrastructure in protected areas or areas with a high biodiversity value, even if they are not officially protected. Before beginning the process, Iberdrola consults the various Stakeholders regarding new projects and incorporates best construction practices, going beyond the applicable legal requirements in each case. Afterwards, and during construction, Iberdrola continues to work with the Stakeholders, seeking for the environmental impact to be as low as possible, and restoring the affected areas.

304-2

The following table shows activities that might have more significant impacts during the various phases of a project:

¹¹⁴ A joint research program conducted by Avangrid Renovables, Bat Conservation International, the U.S. Geological Service and the U.S. Department of Energy.

¹¹⁵ Collaboration to Support Teaching and Research of the University of Mogi das Cruzes - Genetics Laboratory for Aquatic Organisms and Aquaculture (LAGOAA).

¹¹⁶ *Myleus pachyodus* (family *Serrasalminidae*); *Ageneiosus apiaka* (family *Auchenipteridae*); and *Hyphessobrycon pinnistriatus* (no defined family).

¹¹⁷ Zogue-zogue.

Activities during the phases of a facility's life-cycle

Phase	Activity
Construction phase	Entry of vehicles and machinery.
	Opening of pathways and changes in plant cover or the seabed.
	Generation of noise, vibrations and turbidity in the water.
	Prolonged human presence (which temporarily affects the behaviour of species of fauna, and is generally reversible).
	Changes in landscape.
Operation phase	Emissions.
	Changes in the natural system of rivers and barrier effect of hydroelectric developments (affecting the ecosystems and habitat of certain species).
	Presence of facilities.
	Changes in vegetation to maintain power line corridors, etc.
	Discharges and spills.
Decommissioning phase	Use of machinery and vehicles to remove and demolish existing facilities.
	Prolonged human presence (which temporarily affects the behaviour of species of fauna, and is generally reversible).

Based on these actions, we can single out a number of significant potential effects on biodiversity, arising from the activities, products and services of the group:

Potential impacts

General impacts	Loss of habitat and species.
	Increase in greenhouse gases and climate change.
	Pollution of the atmospheric, edaphic and/or aquatic environment.
Impact on avifauna	Electrocutions.
	Collisions.
Impact on terrestrial fauna	Electrocution, trapping, etc.
Impact on ichthyofauna	Changes in water quality.
	Discharges/spills into the hydrological environment.
Impact on flora	Production and spread of fires.
	Deterioration in the edaphic environment.

If significant impacts are identified during the evaluation process, the project is modified to the extent possible, and the best available techniques and any measures identified as necessary are employed to correct and minimise these impacts. Where full avoidance or mitigation is not possible, compensatory measures are implemented.

EU13

The following table shows the principal activities in this regard during 2019:

Principal actions taken

Country	Technology	Actions and results	Objectives
Spain	Hydroelectric plants	Release of a total of nearly 5,600 eels into the Júcar, Cabriel and Mijares rivers as part of the Eel Repopulation Plan for the rivers in the Valencian Community, this being the fifth of 10 years.	Recovery of the eel population
	Onshore wind farm	Planting of 5 hectares of grain for the improvement of prey species hunted by Bonelli's eagle (<i>Aquila fasciata</i>).	Recovery of Bonelli's eagle populations
	Onshore wind farm projects	Relocation of the habitat of the <i>Pimelia canariensis</i> beetle, which was affected by the project due to the environmental restoration and landscape integration of an area of 4 hectares with 4,430 specimens of <i>Euphorbiaceae</i> , <i>Ceropegia</i> , <i>Kleinia</i> and <i>Plocama</i> . The 38 specimens that were rescued during the environmental monitoring prior to construction were released into the restored area in March of 2019. Monitoring and tracking will be performed during the next few years.	Relocation of the <i>Pimelia canariensis</i> habitat and species.
	Photovoltaic projects	The <i>Núñez de Balboa</i> project included the creation, in coordination with the Department of the Environment of the Regional Government of Extremadura, of two Agricultural and Environmental Management Areas, each consisting of 45 hectares, and two reserve areas of 5 hectares each for the steppic birds in the vicinity of the project. In 2019 the proceedings for the siting of the land areas were in progress.	Recovery of croplands and creation of reserve areas for steppic birds

	Nuclear plants	<p>The construction project for the Individualized Temporary Storage (ITS) facility includes the restoration and preservation of an area of oak groves equivalent to the one that was removed during the construction of the ITS facility. The initial planting of species for meadow repopulation took place in 2019. These species consisted of: <i>Quercus rotundifolia</i>, <i>Olea europaea</i> var. <i>Sylvestris</i>, <i>Quercus suber</i>. Monitoring will be performed during 2020 and 2021, with replacements if necessary.</p> <p>A Monitoring Programme for birds was implemented for the characterisation of the structure and dynamics of the avian community at the Arrocampo Reservoir, as part of the Almaraz ITS project.</p>	<p>Recovery of meadow habitats</p> <p>Characterisation of birds in the ZEPA area of the adjacent reservoir</p>
United Kingdom	Onshore wind farms	Continuation of the Habitat Management Plan for 19 wind farms with a surface area of 8,700 hectares. Performance of work for vegetation maintenance and for livestock entry management.	Habitat compensation
United States	Networks	Recovery of the CI-32 wetland, in which 404 trees and 2,597 shrubs were planted. Plants were replaced and the status of the wetland is being monitored. Follow-up work will be performed and the results will be documented during the next few years.	Wetland recovery
	Onshore wind farms	<p>Continued monitoring and maintenance of habitats (grasslands, meadows, wetlands, deserts, etc.) within and around the area thereof.</p> <p>Mitigation and implementation of the preservation plan for the San Diego Conservancy.</p>	<p>Improvement of adjacent habitats and protection of associated fauna.</p> <p>Conservation and management of sensitive habitats and species</p>

Brazil	Baguari (hydroelectric)	Reforestation of 1.77 km ² of the Areas of Permanent Protection (APPs). Slope recovery work was performed in 2019, with the enrichment of 48.11 hectares of land and the planting of 64.01 hectares. All of the areas except for the islands were fenced and monitored, and corridors for animal use were created.	Improvement of adjacent habitats, strengthening of soil absorption capacity and reduction of the risk of losses due to erosion.
	Corumbá (hydroelectric)	Continuation of the reforestation of 2,562,308 trees for the recovery of 1,538 hectares of Areas of Permanent Protection (APPs).	Improvement in soil quality and the reduction of erosion.
	Teles Pires Dardanelos (hydroelectric)	In 2019, 774,126 native plants were planted on 88.75 hectares of the forest restoration areas of the reservoir. Since 2014, native plants have been planted on 697.2 hectares of land.	Improvement of adjacent habitats and reduction of the risk of losses due to erosion.
	Power lines	Reforestation of 224 hectares and planting of 171,287 trees in degraded areas, with plants at various different growth stages, with native species from the region in accordance with the environmental permits for the installation and operation of transmission lines (69 kV to 138 kV), substations (69 kV to 138 kV) and distribution networks (13.8 kV to 34.5 kV).	Recovery of degraded habitats
Mexico	Onshore wind farms	Reforestation of 25.56 hectares as compensation for the Línea Venta III project, and of 19.18 hectares for the P.E. Venta III project.	Restoration of habitats

304-1

The areas in which Iberdrola conducts its activities serve as habitats for a variety of flora and wildlife, which in some cases are under some form of protection. This is mainly due to the fact that the construction work was performed prior to the issuance of said declarations of protection by the public authorities. There are also facilities for which - after an analysis of the alternatives, giving priority to avoiding the protected areas, and after an environmental assessment process in which the mitigation hierarchy was applied - the competent authorities authorised the project, finding that even though the protected areas or high

biodiversity-value areas could not be avoided, the preventive and palliative measures prevented the activities from having significant impacts on the protected habitats and species.

Therefore, following the impact assessment process¹¹⁸, it was determined that the presence of such facilities in protected spaces or in high biodiversity-value areas was indeed compatible with the protected elements, with the consequent implementation of the corresponding measures for the prevention, mitigation and compensation of the possible adverse effects,

The following table shows the Iberdrola facilities within or adjacent to protected spaces or in high biodiversity-value areas:

¹¹⁸ Except for those for which the designations were made subsequently, in which case the actions for monitoring possible adverse effects are being managed with the environmental authority.

Facilities within or adjacent to protected spaces or in high biodiversity-value areas

Facility	Location with respect to the protected area	Affected surface area/length	Type of protection
Spain			
Hydroelectric plants - Reservoirs	Inside	31,505 hectares	Biosphere reserves, Ramsar wetlands, Nature 2000 Network, national parks and nature parks.
Power lines	Inside	18,774 km	Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves.
Substations	Inside	135 units	Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves.
Transformer centres	Inside	8,654 units	Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves.
Onshore wind farms	Inside	343 ha	Nature 2000 Network, important bird and biodiversity areas
Nuclear plants	Inside	115 ha	Nature 2000 Network
	Adjacent	3 units	Nature 2000 Network
Thermal plants ¹¹⁹	Adjacent	12 units	Nature 2000 Network, Protected Landscapes, Biosphere Reserves and Protected Offshore Areas
United Kingdom			
Power lines	Inside	3,815 km	National Park, Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI).
Substations	Inside	414 units	National Park, National Scenic Areas (NSA), Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI)
Transformer centres	Inside	8,881 units	National Park, National Scenic Areas (NSA), Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI).
Offshore wind farms	Inside	36,700 ha	Nature 2000 Network and Protected Offshore Areas (MCZ)
Onshore wind farms	Partially inside	9,035 ha	Sites of Special Scientific Interest (SSSI).
United States			
Onshore wind farms	Inside	32 ha	National Forest Systems
Power lines	Partially inside	384 km	Protected areas designated by each federal state, which may be Biosphere Reserves, forests, national parks or national wildlife refuges, and those with high ecological value even though they may not have the same level of protection.
Brazil			
Power lines	Inside	27,199 km	Environmental protection areas (EPAs).
Substations	Inside	96 units	Environmental protection areas (EPAs).

Hydroelectric plants	Adjacent	5 units	Private Nature Park Reserve (PNPR), Biosphere Reserves declared by UNESCO, Important Bird and Biodiversity Areas (IBAs), High Biodiversity Wilderness Areas (HBWA), Wildlife Refuge (Revis), Sustainable Development Reserve (SDR)
Mexico			
Generating plant	Adjacent	1 production centre	Environmental protection areas
Onshore wind farms	Adjacent	1 Wind farm	Regional Ecological Park
Greece			
Wind and solar farms	Inside	129 ha	Nature 2000 Network and Important Bird Area
Hungary			
Wind farms	Adjacent	6 Farms	Near Nature 2000 Network and Ramsar Wetland areas.
Portugal			
Wind farms	Inside	0.12 ha	Nature Reserve.
Romania			
Onshore wind farms	Adjacent	1 wind farm	Nature 2000 Network
Germany			
Offshore wind farms	Adjacent	1 wind farm	Marine Special Protection Area

304-4

Knowledge of the species that live in the vicinity of the facilities is fundamental to the prevention of effects on them - all the more so if they are protected.

Iberdrola identifies threatened species included on the IUCN Red List and on the national and regional lists of the areas in which it does business. The company also implements species monitoring programmes and research projects at many of its facilities with a view toward learning more about their patterns of behaviour and incorporating this knowledge into its operations (see 102-11 and 304-3).

¹¹⁹ Combined cycle plants, Cogeneration and Coal

IUCN Red List Classification	No. of species
Critically endangered (CR)	17
Endangered (EN)	87
Vulnerable (VU)	203
Near threatened (NT)	62
Least concern (LC)	709

Habitats protected or restored

304-3

Iberdrola's action plans include tasks aimed at the prevention, protection, reduction and mitigation of impacts on species and habitats, which tasks are carried out during the life-cycle of each facility in accordance with its needs.

The various activities that were begun in 2019, or that were begun in prior years and continued during this financial year, are shown below:

Spain

Project/Technology	Activities	Objectives
Hydroelectric plants	Limnological control of the most eutrophicated reservoirs in the Tagus basins (pollutant loads contributed by agents unrelated to Iberdrola that travel along these rivers before they flow into the reservoirs)	Prevention of potential impacts on fauna located downstream of the reservoirs
	19 activities aimed at the prevention of pollution: Construction and waterproofing of tanks and drums; replacement by dry transformers; septic-tank reinforcement; oil separators; replacement of lubricating oils with less polluting substances; maintenance and adaptation of spill-containment systems, etc.	Prevention of pollution and of its potential effects on flora and fauna.
	Biomass cutting and management for the prevention of forest fires	Fire prevention
	6 activities for the protection of fauna: relocation and construction of animal escape platforms in the Sil basin; channel fencing in the Mediterranean and northern basins, etc.	Fauna protection and recovery
	Environmental recovery of channels in the Mediterranean and northern basins, and of the Villar weir in the Sil basin. Decommissioning and recovery of huts and septic tanks in the Duero Basin	Environmental land recovery
Onshore wind farms	Environmental Fauna Monitoring Avifauna and/or chiroptera censuses are being conducted, as well as collision control, at 108 farms.	Protection of avifauna
Wind farm projects	GPS tracking of vulture species at the Cavar wind farm over a 3-year period	Protection of avifauna
	Installation of bird-safety beacons along the 4.5 km of ground cable of the Cavar wind farm evacuation line	Protection of avifauna
Photovoltaic plant projects	Placement of 33 of the 50 nesting houses for lesser kestrels and European rollers at the Núñez de Balboa Plant	Protection of avifauna
	Protection of a 40-hectare area of the <i>Núñez de Balboa</i> plant where Montagu's harrier has been sighted, and where no photovoltaic panels will be installed, in order to ensure the successful reproduction of the species.	Protection of avifauna
	Annual review of the insulation components of the overhead evacuation line and of the maintenance of the regulatory distance from vegetation.	Avifauna protection and fire prevention.
Thermal and combined-cycle plants	16 activities aimed at the prevention of pollution: construction of perimeter ditches; sealing of openings; waterproofing of floors and tanks; installation of continuous purge valves and hydrocarbon detectors, etc.	Prevention of the pollution of soil and water.
	15 activities aimed at reducing waste generation; reducing the amount of water withdrawn for cooling; reducing the use of chemical products; reducing the generation of external noise, etc.	Reduction of withdrawn water, waste generation and noise generation.
	Revegetation of the non-hazardous waste disposal site of the Carbón de Lada thermal plant	Land restoration
Networks	154 preventive activities for preventing and mitigating the impact of possible spills (construction of disposal sites at transformer substations and pits and/or trays at thermal plants).	Prevention of pollution

	<p>The Flash Project is helping to optimise vegetation management and the maintenance of power-line corridors by capturing images using a helicopter and Lidar¹²⁰ cameras. 29,400 km of lines were inspected in 2019, at a cost of 5.3 million euros. 2,144 maintenance and renovation operations on power lines, which made it possible to reduce the risk of fire at the facilities.</p>	<p>Fire prevention</p>
	<p>ALETEO project, the goal of which is to reduce the risk of harm to avifauna from pylons in protection zones. This year, 19,383 pylons were corrected and 1,574 activities were performed for the installation of protectors and insulators on lines and in substations. The project also includes collaboration on various LIFE¹²¹ projects for the conservation of emblematic species threatened with extinction, through the adjustment of high-risk pylons in the species recovery areas.</p>	<p>Reduced risk of collision and electrocution of avifauna. Species conservation: Vulture, Bonelli's eagle, and black vulture</p>
	<p>Application of the waste-mitigation hierarchy in the field: Maximum reduction of waste generated, with proper separation and treatment, and the application of appropriate minimisation, reuse, recycling-recovery and disposal processes.</p>	<p>Waste reduction</p>
<p>Fundación Iberdrola</p>	<p>Reforestation of a surface area of approx. 50 ha with more than 40,000 trees on land belonging to the Ministry of Defence.</p>	<p>For the improvement, protection and conservation of the environment and the fight against climate change</p>

¹²¹ Rupis Life, in the Arribes del Duero and International Douro Nature Park. The AQUILA a-LIFE Programme, the AQUILA a-LIFE Programme, MONACHUS Project.

United Kingdom

Project/Technology	Activities	Objectives
Onshore wind farms	Monitoring of species such as the hen harrier (<i>Circus cyaneus</i>), blackcock (<i>Tetrao tetrix</i>) and crested newt (<i>Triturus cristatus</i>).	Protection of fauna: Hen harrier, blackcock and crested newt
Networks	When golden-eagle nests were discovered, construction of the access roads leading to the pylons was postponed until after the conclusion of the eagles' breeding season. Currently underway, but successful so far.	Protection of avifauna: Golden eagle
	Exclusion of badgers from their setts, for adaptation in areas located away from the construction work. In collaboration with, and under license from, SNH. The outcome was a success and the construction work did not affect the badgers.	Protection of fauna: Badger
	Protection of the habitat of the hen harrier at the construction site for the access roads. Acquisition of licences and specific training of contractors for protection of the hen harrier	Protection of avifauna: Hen harrier
	Measures for protecting reptiles (adder snakes) during construction of the paved access road, including the removal of vegetation and the <i>in situ</i> redesign of the lanes, with the installation of special SNH-approved mitigation means below the paving so as to allow water to flow under the road.	Protection of fauna: Adder snake
	Plan for the restoration of heaths and the seeding of more than 6,500 m ² with a mixture of heather seeds. A hibernaculum was also installed. The site will be monitored monthly to ensure that the desired species are becoming established and to remove any ruderal species that are reaching the site.	Restoration of adder-snake habitats

United States

Project/Technology	Activities	Objectives
Power lines	Activities aimed at the protection of fauna on projects, such as contractor training and on-site monitoring for the protection of the eastern box turtle (<i>Terrapene carolina carolina</i>).	Protection of fauna
	Avifauna protection measures. Four osprey nests were relocated.	Protection of avifauna
Wind farms	Continued tracking and monitoring of avifauna through 58 programmes at 48 wind farms. Performance of livestock management tasks and the removal of carcasses.	Protection of avifauna and chiroptera.
	Implementation of preventive measures with the goal of reducing the impact of avifauna and chiroptera. Test of the DTBird dissuasion/detection system for birds of prey. This new system combines artificial intelligence with high-precision optical technology to identify species of protected birds such as golden eagles, evaluate their flight paths and send a warning to shut down specific turbines in case of a risk of collision. On-site contractor training, etc.	Protection of avifauna and chiroptera
	Correction of substations and pylons of the evacuation lines at six wind farms in accordance with the directives issued by the Avian Power Line Interaction Committee (APLIC) for protection against electrocution and fauna collision.	Protection of fauna

Brazil		
Technology	Activities	Objectives
The Baixo Iguazú hydroelectric plant	Monitoring and environmental programme on jaguars. Work is being performed jointly with researchers from the Iguazú National Park and members of the community surrounding the Park on the participatory construction of the Jaguar Permeability Map.	Species conservation: Jaguar expansion in the region
	Marking and monitoring of species displacement habits: Endemic species of Iguazu catfish (<i>Steindachneridion melanodermatum</i>), Williams's toadhead turtle (<i>Phrynops williamsi</i>), herpetofauna and avifauna	Species protection and conservation
	Programme for the rescue of, and scientific research on, fauna before the clearing of vegetation	Protection and conservation of fauna
Telespices hydroelectric plant	Genetic Ichthyofauna Research ¹²² . The goal of the programme is to understand the population structures of the species and to identify patterns in the distribution of genetic variability over geographic distances. The study will contribute toward the determination of the future adoption of mitigation measures directed toward ichthyofauna.	Ichthyofauna conservation
	Species environmental monitoring programme: specific programmes for semi-aquatic and terrestrial avifauna, entomofauna, herpetofauna, primates and mammals.	Species conservation and research
Onshore wind farms	Quarterly study and monitoring of avifauna, flying mammals, terrestrial mammals and herpetofauna at the Calango and Santana Wind Farms.	Studying the potential richness and composition of faunistic species and protective measures for avifauna and chiroptera
Power lines	The Meliponiculture Project in the Itamboató Valley, sponsored by Coelba ¹²³ , has been underway since 2012. It consists of expanding meliponiculture in the Itamboató Valley through the creation and rational management of the Uruçu bee (<i>Melipona scutellaris</i>), thereby creating an opportunity to improve family earnings and the quality of life of small producers in a sustainable manner.	Conservation of the Uruçu bee

¹²² In collaboration with FAEP - the Foundation for Support for Teaching and Research of the University of Mogi das Cruzes - Genetics Laboratory for Aquatic Organisms and Aquaculture (LAGOAA).

¹²³ In collaboration with Fundación Terra Mirim

Mexico		
Technology	Activities	Objectives
Thermal plants	The Garrapatas Estuary Rescue Project, in Altamira, Tamaulipas. In 2019 work continued on the physico-chemical studies of the Garrapatas estuary for observation of the recovery of the brackish conditions of the water and the gradual change in the area's vegetation.	Reconstruction and maintenance of the mangrove-swamp ecosystem under conditions suitable for the characteristic flora and fauna.
	Continuation of the Feline Support Project in the Altamira region. The following species were observed in 2019: Jaguars, ocelots, jaguarundis and bobcats.	Identification of feline distribution ranges, and the delimitation and proposal of a Feline Biological Corridor (Golfo Norte).
	Studies of the quality of discharge water	Monitoring and protection of aquatic ecosystems
	Wildlife rescue and relocation during construction of the Topolobampo III power plant	Protection of wildlife
Onshore wind farms	Bird monitoring during the 4 seasons of 2019	Monitoring and protection of avifauna
	Evaluation of physico-chemical parameters of the marine biota of the offshore ecosystem adjacent to the Baja California power plant	Monitoring and protection of the adjacent offshore ecosystem
	Activities aimed at protection of the soil and the water environment: The leak-proofing of hazardous-waste storage facilities was strengthened	Prevention of the pollution of soil and water
Photovoltaic plants	Rescue and relocation of at least 166 wildlife specimens during construction of the Santiago and Hermosillo photovoltaic plants	Protection of wildlife

For more information about the biodiversity protection measures taken by the Iberdrola group, see [Iberdrola and biodiversity](#), which sets out the management approach, strategies and progress of the activities undertaken by the various businesses and regions in which the company has a presence. See also Iberdrola's [Biodiversity Report](#).

Environmental safety

Contribution to SDGs of the performance described by the indicators of this section

(according to SDG Compass www.sdgcompass.org)



Disaster/emergency planning and response

As in any industrial activity, situations of risk to the facilities or the public at large may occur at power generation plants and in electricity grids, either because of an accident or due to loss of electricity supply.

In these situations, the subsidiaries of the Iberdrola group and the companies in which the company has an interest have put contingency plans, procedures and other mechanisms in place in order to try to minimise the consequences. Such measures include preventive measures that have been jointly established with local authorities, as well as training both for its own and subcontracted staff and ongoing education, and regular safety drills with on-site audits.

The Wholesale and Retail Business and the Renewables Business have various documented emergency management procedures in place at its facilities: for example, in Spain and Mexico there is an *Emergency Response Organisation (Organización de respuesta ante emergencias) (ORE)* procedure, which involves personnel of all levels and is put into operation in the event of emergencies that jeopardise the assets of the company or its employees. In the United States and Canada, each facility has a Prevention, Control and Countermeasures Plan, which includes preventive and reactive actions, and also has an Emergency Response Plan. There are also emergency plans at the generation plants in Brazil.

In addition, there may be specific plans based on each technology; for example, hydroelectric generation facilities also have an internal process to monitor a Reservoir Emergency Plan implemented at all of the Cuenca Units, which optimises the safety of people and of the facilities in the event of a serious rupture or breakdown of the dam and is known by civil protection authorities, municipalities and other government organisations.

Nuclear power plants have specific emergency plans in order to ensure that emergency systems are operational and to guarantee the safety of employees and the public, which include both an *External Emergency Plan (Plan de emergencia exterior)*, for which the governmental authorities are responsible (called the Nuclear Emergency Plan (*Plan de Emergencia Nuclear*) (PEN) of the Province in which each

plant is located), and an *Internal Emergency Plan (Plan de emergencia interior)* (PEI), compliance with which is the responsibility of the companies that own the power plant. The PEI is known by the public authorities and municipalities of the region, which participate in its adoption and verify its effectiveness through annual emergency drills supervised by the Nuclear Safety Council (*Consejo de Seguridad Nuclear*) (CSN), as well as tests and internal exercises performed at the facility itself. The Basic Nuclear Emergency Plan (*Plan Básico de Emergencia Nuclear*) (PLABEN) provides for an interface to coordinate both Emergency Plans.

Another example of emergency management is the cooperation of the company with the authorities responsible for the operation of the national electricity grids and of connections with other countries in order to deal with the possibility of a global supply failure. System operators are responsible for guaranteeing the reliable and safe operation thereof and for restoring service following severe incidents in a controlled manner and within the shortest possible time. To that end, they draw up detailed plans and procedures that determine the responsibilities and guidelines for action by geographic areas. Concurrently therewith, Iberdrola conducts tests at its facilities to ensure that the main generation centres can resume production in the event of a power grid failure.

The Networks Business also has various management plans and procedures to facilitate the restoration of electric service in the case of a major outage

In Spain there is a major procedure entitled "*Emergency plans - Actions in extraordinary situations affecting the grid*" as well as other procedures that describe supplemental aspects of actions in those circumstances, such as the activation of resources for dealing with incidents on the grid; the management of high-voltage and medium-voltage incidents; and the procedure for communication and coordination between the Operations Center, 112 and the i-DE customer-service telephone line. Both Iberdrola's personnel and 112 receive periodic training in the actions to be taken in emergencies, and simulations of emergencies affecting the energy supply are performed each year in order to validate the proper operation of the process as a whole.

A documented and proven emergency plan has also been established in the United Kingdom. There are 3 levels of emergencies that can be declared, according to the severity of the "prognosis" until the impact as an event develops. It should be noted that there is active communication with vulnerable groups during power outages to ensure the provision of the assistance that may be required.

The Avangrid distribution subsidiaries in the United States also have emergency plans and perform simulations.

Also noteworthy are the operations centres of the distributors in Brazil, which standardise safety in operations and the procedures to restore supply and for the maintenance of the electricity system. Monitoring the system in real time controls the conditions of the electric system and responds to scheduled and emergency requests for service, ensuring the restoration of service as quickly as possible, while respecting safety and quality.

Significant spills

306-3

Iberdrola has an Environmental Management System, with prevention as one of its primary objectives. To this end, multiple preventive measures have been implemented in all of the group's businesses. These measures are set out in organisational and technical manuals. Within the various businesses of the group, minimise risk plans (emergency guides and procedures, regular drills, etc.) and environmental incident management systems have been established to prevent and to control accidental spills and to inform the relevant authorities whenever necessary.

One example of safety and containment measures for mitigating damage consists of the measures implemented in Spain, where there were 189 preventive activities in 2019 to prevent and mitigate the impact of potential spills. These included the construction of 13 oil collection reservoirs in case of a major discharge at the substations and 141 trenches/oil collection trays at transformer stations.

Of all the leaks and spills recorded within the Iberdrola group in 2019, 28 incidents were significant¹²⁴, with a total spill volume of 9.25 m³. In all cases it was within the group's facilities and was resolved satisfactorily, thanks to the emergency response team, with contaminated area cleaned and the waste handled properly. In the case of minor accidents or incidents that did not have permanent environmental impacts on the surroundings, corrective or compensatory measures were not required.

¹²⁴ The term "significant spill" means a spill that causes damage to the external surroundings of the facility or that entails a significant risk of damage and must be reported to the governmental authorities. Small spills may occur within the facilities during the operation and maintenance thereof, which are properly handled and reported as required.

Environmental compliance

GRI 307

In order to respond to the international expansion and diversity of activities implemented by the company that have an environmental impact, the Iberdrola group's Environmental Management System was approved in 2008 with the goal of creating a common framework for environmental matters that would enable coordination of the various plans and measures while respecting autonomy and individual characteristics at the regional level.

Since then, and in keeping with the commitment to ongoing improvement and with the goal of implementing the purpose and values of the Iberdrola group, this shared system has been developed with the incorporation of innovative actions in the environmental management area that allow the alignment of the environmental dimension within the group's sustainability model, integrating the Sustainable Development Goals and articulating the mechanisms for measuring and evaluating the group's environmental performance from the life cycle perspective. This in turn allows Iberdrola to incorporate both the circular economy and natural capital within its management.

The Environmental Management System of the Iberdrola group embodies the environmental policies of sustainable development in the environmental guidelines. These environmental guidelines are deployed by Iberdrola's organisations in the form of environmental objectives and targets, which include the assignment of responsibilities, resources and implementation periods.

Iberdrola holds specific Environmental Management Systems (EMSs) for the businesses and processes, based mainly on the UNE-EN-ISO 14001:2004 and EMAS standards, which are distributed to and implemented within its organisations. This arrangement makes it possible to reduce environmental risks, improve the management of resources and optimise environmental investments and costs.

Disclosure 307-1 below provides information regarding pending legal proceedings of an environmental nature directed at companies managed directly by Iberdrola.

Incidents relating to the environment during 2019 involved the following fines and monetary sanctions:

307-1

Fines relating to the environment (€)

	2019	2018	2017
Total amount of fines imposed	2,301,170	7,538,539	3,881,246

Of the total amount of the fines imposed during the fiscal year, 2,204,416 euros were imposed in Spain, 88,046 euros were imposed in Brazil and 8,707.98 euros were imposed in the United States. In Spain, 74% of the total amount consisted of fines involving the pruning of trees, fires caused by branches, and the electrocution of birds. In Brazil, they were due primarily to non-compliance with environmental provisions. In the United States, a fine was imposed on the company in connection with the delay in compliance with environmental improvement requirements relating to the purchase of a piece of real estate.

307-1**Non-monetary sanctions, sanction proceedings and arbitrations (No.)**

	2019	2018	2017
Non-monetary sanctions	27	41	14
Proceedings commenced	378	212	57
Cases being resolved through arbitration or similar mechanisms	0	0	0

100% of the non-monetary sanctions were imposed in Brazil. Of the proceedings that were initiated, 271 pertain to the network businesses in Spain and 107 pertain to Brazil.

II.4.

Innovation, digitisation and quality for our customers

- Products and services
- Access to adequate information
- Innovation and digital conversion projects



Priorities of the Sustainable Development Plan



Products and services

Iberdrola operates an organisational structure in relation to its customers in which:

- The Networks Business manages the distribution activities in Spain and the transmission and distribution activities in the United Kingdom, the United States and Brazil, as well as the regulated sale of energy in the United States and Brazil and any other regulated activities of the group in these four countries.
- the Wholesale and Retail Business manages non-regulated activities in Spain, the United Kingdom, Brazil, Mexico and continental Europe.
- Meanwhile, the Renewables Business manages long-term power purchase agreements (PPAs) with major companies in Spain, the United Kingdom, the United States and Mexico.

In the liberalised retail markets, Iberdrola mainly provides its customers with two products: electricity and natural gas, trying to ensure competitive supply, operational and service excellence, and continuous improvement of efficiency in operations, together with safety and respect for the environment. Although the Iberdrola group engages in other activities (see “Main products and services” section), due to the nature and scope thereof, these activities are insignificant in connection with customers for purposes of the information presented in this report.

Overall, the group's distribution companies manage 32 million energy supply points, 31 million of which provide electric power and 1 million of which provide gas. This information is described in this report by type of supply point in the “Key Figures” section.

Customer satisfaction

Iberdrola has various mechanisms that it uses to measure customer satisfaction levels and to gather their opinions, verify compliance with its quality standards within the customer service and sales channels, and implement suggestions for improvement. The most significant studies by country are:

In Spain, in the Wholesale and Retail business, there are various mechanisms for measuring the satisfaction level of users, including the Voice of the Customer Study. On a quarterly basis, it generally measures satisfaction with the service received by the customer and offers detailed information about attributes such as agility, training, and handling of channels, clarity of the invoice, claims management, quality of supply, price competitiveness and electronic billing, whether for large customers, companies, small businesses or residential customers. Overall satisfaction in 2019 was rated higher than 7 out of 10 for the fifth consecutive time.

Most of the studies use the Net Promoter Score (NPS) Index, which ranks the recommendation that Iberdrola's customers would make. This index highlights the use of products and services, as well as attention to digital channels, and experienced major growth in the issues it focused on in 2019.

A Voice of the Customer Measurement Programme was also implemented, allowing satisfaction surveys to be performed in a transactional manner (that is, immediately following an interaction with the customer) at various key times in the customer's relationship with Iberdrola, while also analysing unstructured information through the use of text analytics. This all enables more agile detection of customers' opinions and the prioritisation and implementation of improvements. This programme measures and analyses factors in the following principal areas:

- Attention to the Telephone Channel
- Attention to the Customer Service Points
- Attention to the Digital Channels (Web/App)
- Use of products and services (Maintenance Pack, Gas Comfort, Gas Assistance or Gas Protection, Home Electrical Protection, Home Electrical Protection Plus, Electrical Emergencies, Home Appliances Protection, Home Appliances Protection 10, Climate Control and SME Assistance).

Regarding the Networks Business, calls are made weekly to customers who have contacted the company in order to present them with a satisfaction survey about the service that was provided. These results are used to measure the Customer Satisfaction Index and to detect and resolve problems with the service. Customer satisfaction has continued to grow. The result of this survey for the year 2019 is a score of 7.26 out of 10.

Specific studies are also conducted annually regarding the satisfaction of applicants for new supplies, direct-toll customers and electrical-energy retailers. In all instances, satisfaction with i-DE has remained in positive numbers, and the studies being conducted allow for identification of areas for improvement and the definition of concrete plans for the ongoing improvement of customer and retailer satisfaction.

In the United Kingdom, customer satisfaction is measured by a series of internal and external studies conducted by the Customer Insight department. These analyses include various satisfaction surveys that vary in terms of frequency from monthly to annual.

At the external level, the key comparative studies measuring the satisfaction of ScottishPower's customers as compared to its competitors' customers are *USwitch, Which?* (with annual surveys) and the UK-CSI study, which is published twice per year. These studies analyse specific areas,

such as customer billing, campaign follow-up and complaints. ScottishPower received an overall customer-satisfaction rating of 69% in the *USwitch* survey, and was recognised as the best energy retailer in the categories *Best value for money*, *Best account management*, *Best deal for you* and *Best green services*. The British subsidiary received an overall customer-satisfaction rating of 66.4% in the UK-CSI study in 2019.

The most significant internal analysis is *Pulse*, which is performed monthly and measures confidence, loyalty, ease of use, value, etc., showing an overall satisfaction level of 47 out of 100. This result is along the same line as other customer-satisfaction studies such as “*Which?*” Accordingly, measures are being implemented to improve the processing of customer complaints. Internally, there is also *YouGov*, which is used to compare the various competitors in terms of brand reputation and intent to purchase.

In the regulated business, the Broad Measure of Customer Satisfaction (BMCS) scores were used as an indicator to set the regulatory incentive. The internal objectives are reviewed annually in order to ensure optimal customer service. The index is calculated on the basis of a survey that covers all of the customers who requested customer service, and takes into consideration various aspects of the service that the customers received. The scores obtained by the distributors ScottishPower Manweb and ScottishPower Distribution in 2019 were 9.17 and 9.19, respectively.

In the United States, the subsidiaries of Avangrid measure service perception and customer satisfaction, which are evaluated through telephone surveys on a weekly basis. The companies of Avangrid obtained the following results in 2019: RG&E 90.3%; NYSEG 91%; CMP 87%; UI 91%; CNG 89%; SCG 90% and BGC 94%. All of the distributors have fixed customer-service quality standards, although only NYSEG and RG&E have regulatory targets, which are 89.5% and 88%, respectively.

In Brazil there are two types of annual satisfaction studies: the Perceived Quality Satisfaction Index (ISQP) study of the services, conducted by the Brazilian Association of Electric Power Distributors (*Associação Brasileira de Distribuidores de Energia Elétrica*) (ABRADEE), and the Consumer Satisfaction Index (IASC) study, conducted by the National Electric Power Agency (*Agencia Nacional de Energia Elétrica*) (ANEEL).

ABRADEE, in association with Fundación Instituto de Investigaciones Económicas (FIPE), is responsible for classifying and recognizing companies based on an evaluation of performance in the following areas: operational excellence, economic/financial management, customer assessment, social responsibility and management quality. The ISQP is obtained through

evaluations by the customer via surveys performed by Instituto Innovare, which evaluates the quality of the services provided, classified according to supply of energy, information and communication, the energy bill, customer service, image, etc. The results obtained from the Abradee ISQP in 2019 are 65.4% (Celpe), 69.6% (Coelba), 77.6% (Cosern) and 78.3% (Elektro). All of the distributors in the Neoenergia group improved their positions in the ranking among distributors in Brazil.

As to research by the National Electric Power Agency (ANEEL), which measures the Customer Satisfaction index (IASC) and evaluates the attributes of perceived quality, perceived value, satisfaction, trust and loyalty, the results for 2019 have not yet been disclosed by the agency. The figures for 2018 are 64.2% (Celpe), 60.9% (Coelba), 72.2% (Cosern) and 68.9% (Elektro). With these results, published in 2019, all of the distributors in the Neoenergia group improved over the previous year.

Supply quality

EU28

Improvement in the quality of the service is an essential element and one of the main goals of Iberdrola's activity. A quality system allows for the achievement of objectives linked to continuous improvement. Implementation of the system also involves strict internal and external audit procedures, which ensure compliance with the established quality standards. Moreover, in Spain as well as in the United Kingdom and Brazil, the distribution companies have incentives to improve the quality of supply and to reduce losses in the distribution networks.

Iberdrola monitors service quality in the various countries. However, the measurements in each country are taken according to different standards, following the respective legal requirements or customs, such that in each country one indicator is used to measure the frequency of interruptions and a different indicator is used to measure the duration of interruptions.

The figures achieved for the frequency of supply interruptions are:

- The Installed Capacity Equivalent Interrupt Number (*Número de interrupciones equivalentes de la potencia instalada*) (NIEPI) is used in Spain.

NIEPI	2019	2018	2017
Spain	0.94	0.91	1.14

- The Customer interruptions per 100 connected customers (CI) is used in the United Kingdom.

CI	2019	2018	2017
United Kingdom ¹²⁵	39.46	43.32	35.91

- The System Average Interruptions Frequency Index (SAIFI) is used in the United States.

SAIFI	2019	2018	2017
United States	1.17	1.22	1.15

- The Equivalent Duration of Interruption per Consumer Unit (*Freqüência Equivalente de Interrupção por Unidade Consumidora*) (FEC) is used in Brazil.

FEC	2019	2018	2017
Brazil	5.47	5.81	7.15

Throughout this “Innovation, digitisation and quality for our customers” chapter, additional information is offered regarding the development of smart grids to improve the quality of the electric supply, among other things.

EU29

Furthermore, the figures for the average duration of electric supply outages are presented below:

- The Installed Capacity Equivalent Interrupt Time (*Tiempo de interrupción equivalente de la potencia instalada*) (TIEPI) is used in Spain.

TIEPI	2019	2018	2017
Spain	45.2 min	44.6 min	52.7 min

¹²⁵ The figures differ from the ones published in earlier reports in that they have been adjusted to reflect the time-frame (January to December) of the report. Previously, the figures that were published were the same ones that were submitted to the regulatory agency in accordance with its requirements (April to March).

- Customer minutes lost per connected customers (CML) is used in the United Kingdom.

CML	2019	2018	2017
United Kingdom ¹²⁶	33.47 min	35.51 min	31.26 min

- The Customer Average Interruption Duration Index (CAIDI) is used in the United States.

CAIDI	2019	2018	2017
United States	1.93 h	2.07 h	1.91 h

- The Equivalent Duration of Interruption per Consumer Unit (*Duração equivalente de interrupção por unidade consumidora*) (DEC) is used in Brazil.

DEC	2019	2018	2017
Brazil	11.02 h	12.24 h	15.96 h

Marketing communications

GRI 417

Iberdrola goes beyond regulatory compliance in its advertising and marketing communications and adopts mechanisms and voluntary codes that cause such communications to be transparent and truthful. The *Code of Ethics* also applies in this area for all employees regardless of their area of responsibility.

In Spain, Iberdrola is a member of the Association for Commercial Self-Regulation (*Asociación para la Autorregulación Comercial*) (Autocontrol), the Spanish Association for the Digital Economy (*Asociación Española de la Economía Digital*) (Adigital), the Spanish Advertisers' Association (*Asociación Española de Anunciantes*) (AEA) and the Marketing Association of Spain (*Asociación de Marketing de España*) (MKT), and has subscribed to their respective codes of conduct, which entails the assumption of a commitment to offer to society responsible advertising that complies with the codes of conduct, and accepts the decisions of an Advertising Jury (*Jurado de la Publicidad*) regarding complaints that may be filed by consumers or competitors with that body.

¹²⁶ The figures differ from the ones published in earlier reports in that they have been adjusted to reflect the time-frame (January to December) of the report. The previously published figures were the same ones that were submitted to the regulatory agency in accordance with its requirements (April to March).

ScottishPower in the United Kingdom complies with all of the advertising rules and also follows a structured internal approval procedure for all advertisements, which includes legal aspects, prices, product development and marketing. All of the advertisements that are produced are approved by the legal department, which compares them to the current advertising practices codes of the Advertising Standards Association to ensure their compliance.

In France, Iberdrola adopts mechanisms and voluntary codes that impart transparency and truthfulness to said advertising and marketing communications. Before being released, all advertising materials are submitted to the Authority on the Professional Regulation of Advertising (*Autorité de Régulation Professionnelle de la Publicité*) (ARPP). In Portugal, Iberdrola is a member of the Portuguese Advertisers' Association (*Associação Portuguesa de Anunciantes*) (APAN), and has subscribed to its respective codes of conduct, with a commitment to offer to society responsible advertising that complies with the codes of conduct.

The following table lists the incidents that occurred due to non-compliance regarding marketing, advertising, promotion and sponsorship during financial year 2019, in which 19 incidents resulting in a fine occurred in Spain and one incident occurred in Portugal.

417-3

Incidents of non-compliance concerning marketing, advertising, promotion and sponsorship (No.)

	2019	2018	2017
Resulting in a fine	20	5	0
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	0
Total incidents	20	5	0

Information on and labelling of electricity sold

GRI 417 417-1

As regards labelling, in Spain Iberdrola informs its customers about the sourcing of the energy sold by the retailer and its associated environmental impact by means of the label included in the electricity bills and in marketing communications sent to customers. This information is presented using standard graphic

images and labels established by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*) (CNMC), which also provide a breakdown of the mix of national production technologies to compare the average national percentages with those corresponding to the energy sold by the company together with the company's energy mix. For the preparation of said labels and graphic images, the CNMC has launched an energy "Guarantee of Origin" system for the energy supplied. This information is also available in the [electricity labelling](#) section of the retail website.

In the United Kingdom, ScottishPower reports the origin and the environmental impact of its energy on an annual basis. New customers receive this information as part of their Welcome Cycle communications, and existing customers receive this information in the "Important Information" section of each invoice or notice, in accordance with the guarantee regulations established by Ofgem. All labelling information is also available in the [Where you get your energy](#) section of the website.

In the United States, the companies use the electricity bill to inform customers of their energy demand, the cost of the energy and their consumption history. This information is shown in the format established by the regulatory bodies in each state, i.e., the Maine Public Utilities Commission (MPUC), the State of New York Public Service Commission (PSC) and the Public Utilities Regulatory Authority (PURA). The companies are required to provide customers with information sheets regarding their electricity service, and must state which company is the energy supplier. The sourcing of the energy supplied and its environmental impact and associated emissions must also be reported periodically.

In Brazil, the distribution companies are required by industry regulations to use either printed invoices or specific notices to provide specific communications regarding reclassifications, service outages, suspensions of supply, compensation for electrical damage, claims and regulatory changes, among other things. The group's distributors comply with the specific legislation governing the electricity industry, pursuant to the provisions of Resolution 414/2010 of the National Electric Power Agency (ANEEL).

Finally, such additional information as may be of help to consumers for making more rational, efficient and safe use of these products is set forth at the beginning of the "Access to adequate information" section.

The following table lists incidents relating to information and labelling that occurred during financial year 2019, in which none occurred.

417-2

Incidents relating to information and labelling (No.)

	2019	2018	2017
Resulting in a fine	0	0	2
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	0
Total incidents	0	0	2

Furthermore, in the United States one complaint was received from a customer regarding a possibly illegal discriminatory practice.

Health and safety of customers and of the general population

GRI 416

For Iberdrola, the safety of the users of the network is of the utmost importance. For this reason, it makes information and training available to the various emergency services and security forces in order to explain the conflicts that they may encounter during the performance of their work and how to act in situations involving electrical risks.

All stages of the life-cycles of electricity and gas are highly regulated because these products are essential to the development of a country's economy and entail an improvement in the quality of life of the people.

Thus, during the *planning* stage for the facilities, the community participates through its social and political representatives in broad discussions concerning the energy model to be adopted in the country. During the *approval* stage, citizens can participate during public information periods, taking into consideration economic, environmental and health and safety aspects, as well as the reliability of supply, generating public policies that lay the groundwork for the companies within the Iberdrola group to adopt investment strategies that are consistent therewith.

In the countries in which Iberdrola engages in electric power *production activities*, there are extensive environmental and labour regulations aimed at ensuring that existing risks to human health and safety remain within the limits established thereby. The companies thus provide the information required to verify that the operating conditions established in the regulations and in the technical specifications for generation plants are observed in their construction, operation and maintenance.

Likewise, the electricity and gas *transmission and distribution* stages are subject to extensive regulations governing the construction, operation and maintenance of these facilities, and therefore the companies provide the human, physical and financial resources needed to minimise electricity risks and those associated with the handling of natural gas.

During the *marketing* stage, the company believes that the most effective way to protect public health and safety in the use of electricity and gas consists of providing consumers with training and information. There are also gas maintenance operating procedures to ensure safety in Spain. In the United Kingdom, devices have been developed to improve the safety of customers, such as carbon dioxide alarms, fire alarms and devices preventing hypothermia. In the United States, the evaluation and control of electrical risks for customers is thoroughly regulated at the state level. Very detailed regulations exist for identifying and controlling the health and safety risks of the electricity sold to customers and for ensuring that safe and reliable service is provided.

As a complement to the foregoing, the Iberdrola group voluntarily adopts various measures to improve aspects relating to product safety. Specific internal regulations have been developed at distribution networks in this regard and there are also training seminars for third parties so that they understand electricity-related risks (fire brigade, Guardia Civil, Civil Protection, Military Emergency Unit, students, etc.).

Last, Iberdrola has a variety of mechanisms for informing and training the public through activities and programmes that are explained in greater detail in the "Access to adequate information" section of this chapter. There are also direct channels of communication with customers, as described in the "Stakeholder engagement" section.

416-1

All processes required for the supply of electricity and gas at all stages as described above ensure that said products arrive at the consumer with an appropriate level of assurance for their health and safety. The impacts on health and safety of all categories of major products and services are evaluated in order to make improvements.

The following table lists the incidents regarding the impacts of products and services on the health and safety of customers during 2019, of which there were 0 incidents.

416-2

Incidents stemming from non-compliance with regulations or voluntary codes regarding health and safety (No.)

	2019	2018	2017
Resulting in a fine	0	0	6
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	2
Total incidents	0	0	8

EU25

Furthermore, as described above, the construction, operation and maintenance of electric infrastructure involves certain risks, which may at times give rise to incidents affecting people outside of the company. In most of the cases detected, the incidents are related to third parties working without safety measures in the areas around the distribution facilities, as well as accidental contacts with the network.

The following table shows the accidents of this kind that occurred during 2019. Among the persons who suffered accidents, 10 were in Spain, 11 in the United Kingdom, 15 in the United States and 150 in Brazil. Of the accidents that involved fatal injuries, 5 occurred in Spain, 1 in the United States and 66 in Brazil.

Accidents involving persons not belonging to the company (No.)

	2019	2018	2017
Accident victims	186	229	333
Fatalities	72	41	50

The claims listed in the table below have been filed against companies of the group on these and other similar grounds not resulting in injuries and are following the relevant legal procedures applicable in each jurisdiction. As at the end of 2019, 64 legal proceedings were resolved or pending in Spain, 59 in the United States and 122 in Brazil.

Annual legal proceedings (No.)

	2019	2018	2017
Resolved and pending, stemming from those accidents	245	234	408

Electromagnetic fields

Historically, the possible influence of electrical and magnetic fields on human health has been the subject of a certain amount of public debate. However, the various studies performed in this regard show that there has been no identification of detrimental effects on human health with respect to the maximum emission figures established by the applicable law. Iberdrola, inspired by the precautionary principle, applies the rules in this regard and is willing to work with the public authorities in adopting such preventive or mitigating measures as may be deemed appropriate to avoid risks or harm to health.

There are differences in the practices relating to this issue in the various countries in which the company does business:

In Spain, the levels of the electromagnetic fields of the facilities - whether transformer centres, power lines, or electrical substations - are substantially below the levels set by law, which in turn were fixed, with an extremely broad safety margin, by the Recommendation of the Council of European Communities dated July 12, 1999 (1999/519/CE), which was transposed in Spain by RD 1066/01 of September 28, and which was also ratified in Spain by the Ministry of Health and Consumer Affairs and by the Royal Spanish Academy of Sciences (*Real Academia de Ciencias Exactas, Físicas y Naturales*).

The figures for the electrical and magnetic fields emitted by the facilities are analysed periodically through two reports, which are audited by AENOR. The study concludes that all of the distribution facilities emit electrical and magnetic fields below the maximum public exposure limits mandated by law.

In 2019 measurements were taken of the electrical and magnetic fields at the Beniculi and Torrevieja transformer substations. The measurements were taken in accordance with the provisions of EC Regulation No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93. The measurements were taken with equipment that was calibrated and certified by ENAC, and the figures that were obtained at both transformer substations were below the recommended limits for general public exposure. In 2019 a new measurement was also taken at a transformer centre (Cifuentes-Azuquera), where the values were also found to be below the regulatory maximum figures, with the conclusion that the mandatory regulatory requirements are being met in all cases.

In the United Kingdom and the United States, the facilities comply with applicable regulations and measurements are not taken at the facilities unless requested by the customer. However, they offer an advisory service and perform surveys that gather the concerns of customers.

In Brazil, the law requires that a new measurement be taken and that electromagnetic fields be simulated at those facilities with a voltage level greater than or equal to 138 kV and that have been expanded in any way.

There were no incidents of this kind, nor any complaints in this regard, during 2019.

Access to adequate information

Contribution to SDGs of the performance described by the indicators of this section



Apart from commercial information, the safety of users of the electricity grid or the promotion of the efficient use of energy is an ongoing concern at the companies of the group. To progress in these areas, information and training plans, programmes and activities are being developed in the various geographic areas.

Accessibility of information

The Iberdrola group's distribution and supply companies engage in various initiatives to make communication with customers having specific difficulties, whether idiomatic or sensory, simpler and more agile. With these services, Iberdrola puts into practice its policy of ensuring equal opportunity, non-discrimination and universal accessibility, within the framework of its focus on sustainable development, particularly with regard to disadvantaged groups. This initiative is also due to the company's commitment to offering individualised services that cover the needs of all customers.

Iberdrola continues to offer a pioneering sign-language video-interpretation service in its customer service area, thanks to the collaborative initiative with Fundación CNSE that began in 2012 and that was renewed in 2019. In this way, persons who are deaf or hard of hearing can contact the company through sign-language interpreters using an application available on the customer website and also included in a [tool](#) for the exchange of written messages, thus covering the needs of all deaf persons, regardless of their

degree or type of disability, and whether or not they know sign language. Furthermore, both the public website and the private website (My Customer Area) are available in Spanish, Basque (Euskera) and English, and the website is also available in English. Communications (invoices, letters, policies, etc.) are issued in ten languages: Spanish, English, Italian, German, French and Portuguese, and the regional languages: Valencian, Basque (Euskera), Gallego and Catalán.

The Accessibility Certificate issued by Ilunion Tecnología y Accesibilidad was renewed for the corporate website in 2017, attesting to its commitment and to the work of auditing, consulting and certification of the website (see [Accessibility Certificate](#)). Thus, it complies with the Web Content Accessibility Guidelines 2.0 of the World Wide Web Consortium (W3C), as well as with the requirements for satisfying the UNE 139803:2012 standard governing the degree of accessibility applicable to the websites of public utility companies. Audits are performed twice a year to ensure that the website meets the requirements, and there will be work in 2020 toward the renewal of the certificate. Ilunion has also given Iberdrola an additional award for its efforts in the area of universal accessibility and service to disabled persons (see [Accessibility Diploma](#)). The Iberdrola group continues to encourage compliance with the accessibility guidelines for the other corporate websites, and in 2019 ScottishPower obtained the [WCAG 2.0 Double-A certificate](#) from Ilunion Tecnología y Accesibilidad for www.scottishpower.com.

Furthermore, to facilitate communications, the website now includes a customer-service tool (Unisono) that lets customers adapt their telephone in order to be contacted, thereby offering much closer and more human communications and interaction. In addition, in the My Customer Area, a webchat has been launched that offers direct and efficient real-time customer service during online navigation. This tool helps to reduce calls and emails received at the Contact Center, is available at no additional cost to the customer and increases their level of satisfaction and loyalty. For the same purpose, the app now includes the option of allowing customers to contact us directly via Whatsapp (a simple application that is very well known to users).

In 2019 a new Iberdrola Customers app was launched that improves the experience of the *Android* and *iPhone* versions of the Iberdrola Customers app. The new functionalities include improvements in the user experience, such as payment via *Bizum* and the management of Products and Services.

Last, Iberdrola promotes information and training on safety and energy-saving measures amongst disabled and underprivileged groups or those at risk of social exclusion, in order to contribute to the equality of these persons by removing barriers to communication.

In the United Kingdom, ScottishPower has an interpreting service to facilitate communications in cases where customers have difficulty expressing themselves in English. Also, for customers who choose Welsh as the language in which they wish to receive service, invoices are offered in this language, and these customers are ultimately offered the mechanisms they require in order to communicate effectively. In addition, the *Customers Requiring Additional Support* programme offers additional services to customers who are visually or hearing impaired or who suffer from chronic illness, or who are over sixty years old. This service includes the provision of bills in Braille, in large print, on compact discs or on audio tape. ScottishPower offers multiple alternatives so that customers with hearing or speech impairments can communicate without needing to call: changing account details through the website or by using the website's chat function, Facebook Messenger for private communications, e-mail, Twitter, etc. With the new *Next Generation Text Services* (NGTS) initiative, the company also offers a range of tools and services that can help customers with difficulties to communicate by text using a smart phone, tablet or computer.

In the United States, the U.S. companies CMP, NYSEG, RG&E, UI, SCG, CNG and BGC, which are all subsidiaries of Avangrid, have a special communications service for hearing-impaired people called *Telecommunications Device for the Deaf* (TDD/TTY), which facilitate communication through written messages, and *Telecommunications Relay Service for the Hearing Impaired 711*, through which users can make 711 calls from any telephone in each state of the United States without needing to remember area codes. These companies also have interpreters to serve customers who don't speak English. NYSEG and RG&E also provide special printed invoices for visually impaired customers, as well as an option called *Third Party Notification* to designate a third party to receive important notices.

Avangrid also has a service to help people with special needs and advise them on choosing services that might be useful. The company also has customer service for Spanish-speaking customers through the *In-house Spanish Speaking Representatives* service. CMP and RG&E also make available to customers employees who know other languages for those persons who request information in a language other than English (Bilingual Employee List).

In Brazil, Neoenergia makes improvements in physical accessibility at customer service locations and preferential treatment for persons with diverse abilities. They also implement programmes to provide service, information and access to billing to persons with visual and hearing impairments, which include: accessible websites, bills in Braille, dedicated phone lines for service to those with hearing or speech difficulties, special documentation and signage, and the availability of employees trained in sign language.

Query and complaint mechanisms

As provided by Iberdrola's By-Laws, the corporate website (www.iberdrola.com) is a permanent channel of communication in service of the *Stakeholder Relations Policy*. For this reason, the website contains the main channels for responding to potential claims, as set out below:

- From any page on the corporate website, one can use the new navigation menu for direct access to pages dedicated to customers and to the distribution networks of the countries in which Iberdrola does business.
- The "[Iberdrola group](#)" link in this menu also offers a complete map from which one can access all of the websites of the various country subholding companies and heads of business companies of the group, as well as those of the Foundations of each country.
- The navigation menu can also be used to access the "[Contact](#)" section, in which the following appear in an organised and accessible form:
 - The main contact channels (Corporate Communications, Brand, Social Responsibility, Investor Relations Office, Shareholders' Office, CDI and ADR Holders, Sustainability and the Environment, Supplier Service Centre, Employment Channel, etc.).
 - The addresses of the Iberdrola group's offices in the various countries.
 - Customer service centres in the various countries.
 - Subject-specific query mailboxes.

Last, the [Corporate structure of the group](#) section within Corporate Governance shows the corporate organisation chart with the corresponding links to all of the country subholding companies and heads of business companies of the group.

The company's Stakeholders have the channels described above, which are handled in the various countries, businesses and corporate areas, to make their complaints and suggestions regarding business activities with a specific impact on the environment, labour relations, human rights, local communities, competition or market power, and such complaints will be attended to following established internal procedures.

The ethics mailboxes are the specific mechanisms used by the group to identify and investigate potential improprieties or situations involving fraud or corruption. There are three types of mailboxes: the employees' ethics mailbox, the shareholders' ethics mailbox and the suppliers' ethics mailbox, through which

employees, shareholders and suppliers can channel grievances, queries or complaints with the assurances of resolution and confidentiality that these mechanisms require in order to be effective.

Education in the safe use of electricity

Iberdrola uses the group's websites to provide recommendations and information to consumers regarding the safe use of electricity and gas, as well as guidelines to follow in case of an electrical accident. Informational booklets are also published regarding the potential risks of electricity that affect the proper use of this resource.

In Spain, campaigns are underway for establishing emergency response groups, such as the Fire Brigade, the National Police Force, the Civil Guard and the 112 Emergency Services Coordinators. Also noteworthy is the Christmas Lights (*Ilumina la Navidad*) campaign, which includes safety aspects aimed at municipalities and the issuance of tri-fold leaflets regarding safety, cranes and transport equipment.

In Spain, Iberdrola also promotes informational and educational campaigns on safety measures and energy saving directed toward the general public. It also offers its customers products and services that provide additional safety in the home or place or business, such as Electrical Emergency services, Gas Maintenance Service, Gas Protection, Assistance for SMEs, Home Assistance, Electrical Appliance Protection, Home Electrical Protection, Home Electrical Protection Plus, Air Conditioning Protection or the Iberdrola Gas Comfort service, or Home Electrical Appliance Protection 10. It also works with consumer associations and special groups in order to contribute to communication on matters relating to safety, training and education. Iberdrola also distributes informational messages regarding safety and energy savings via its customer profile on Twitter (@Tulberdrola).

Iberdrola's suppliers are also required to comply with strict safety measures, even sealing off facilities that pose clear risks to people and their property. In addition, upon the passage of 15 days after issuance of the notice regarding the sealing of a facility, the company requires gas maintenance suppliers to visit again in order to verify whether the problem has been remedied and the facility is in proper condition and operational, thus avoiding dangerous situations or irresponsible actions by customers.

In the United Kingdom, ScottishPower has maintained its PowerWise website program regarding electrical safety for parents, teachers and students, with 3,035 visits in 2019. It has also continued its extensive campaigns to promote electrical safety, with programmes such as children's visits to DangerPoint in Northern Wales and to The Risk Factory in Edinburgh, with a total of 12,409 visits. Further, 5,970 children

attended the Crucial Crew safety event; 195,400 attended the Royal Highland Show; 70,000 came to the Cheshire Show; and 56,000 visited the Anglesey Show, which were dedicated especially to agricultural workers and their families.

It should also be noted that ScottishPower is a partner of the *Stayenergysafe* service, which was launched by Crimestoppers to enable the public to report energy-related crimes, where the risk of manipulation of meters might pose risks to property and life. ScottishPower also offers emergency-related information, not only in its welcome packages for new customers but also online, in addition to publishing pamphlets, arranging safety-related seminars and posting safety-related tweets.

In the United States, information and recommendations are provided regarding how to act in an emergency, such as adverse weather conditions, poisoning or health risks, as well as [safety advice](#) in case of storms or outages causing the collapse of lines or other equipment. The *Storm Safety Information* publication provides safety information regarding potential public safety risks. CMP also has an Outreach Campaign directed toward at-risk groups such as schoolchildren, safety teams, contractors and emergency personnel.

In Brazil, Neoenergia provides information about the proper use of electricity and about safety, doing so not only on the bill but also in the customer service areas, at conferences, via its digital channels and social networks, and while calls are on hold waiting for customer service, so as to reach all consumers, in addition to conducting awareness-raising campaigns. More than 500 safety awareness activities directed toward all sectors were conducted in 2019 by the companies in the Neoenergia group: farmers, children, industrialists, freelance construction professionals, etc. There is also a training programme for volunteer employees who want to help disseminate safety alerts relating to the electrical power grid in their social environments, such as, for example, primary schools, community meetings, etc. All of the distributors have citizen safety awareness-raising programmes. For example, Coelba has a programme called *Friendly Energy in Schools (Energia Amiga nas Escolas)*, the goal of which is to conduct educational activities at government schools in various towns and cities in Bahía. Celpe has a *Learning with Celpe (Aprendo Com a Celpe)* programme, aimed at independent professionals in the civil-engineering field, and Elektro hosts *Safety D-Day* where the companies and participating entities organize various activities for raising awareness about the safety of electricity.

In Italy, Iberdrola's offerings have been expanded with solutions for self-employed individuals and small companies, through various versions of the *Tuttofare PRO* service, which provides rapid assistance and access to a broad network of professional technicians who facilitate the continuity of the businesses in the event of a power failure. The PLUS version also includes maintenance of air-conditioning systems and

gas installations. In the residential market, the following services continue to be provided for the home: *Tuttofare*, *Tuttofare Maintenance* and *Tuttofare Plus* which prevent breakdowns, through maintenance visits together with fast responses for performing repairs, thus providing improved safety for customers.

The Products and Services offered in Portugal were expanded with the commercial launch of *Proteção Climatização*, which ensures the proper functioning of the installation and of the air-conditioning equipment. Together with the *Proteção Eléctrica Lar* package, this service forms the *Proteção Eléctrica Lar Plus* product, which expands our protection to cover more household appliances.

It should also be noted that our offering in the French residential market was expanded in 2019 with two additional emergency assistance services for use in case of an electrical failure or a gas leak, the *Atout Prix Electricité* and *Atout Prix Gaz* services include sending a technician within 3 hours after a failure is reported, and extend the coverage guarantee to include refrigerators and gas heaters. Furthermore, the *Atout Confort Electricité* and *Atout Confort Gaz* services remain focused on diagnosis, maintenance of installations and assistance with electrical and gas failures, respectively.

Innovation and digital transformation projects

Contribution to SDGs of the performance described by the indicators of this section



Iberdrola today is the utility company of the future thanks to its innovative strategy, which permeates all of its business units and operating areas. Thanks to its ongoing commitment to innovation, Iberdrola is the most innovative Spanish utility company, ranking second in this area in Europe and third worldwide, according to the classification published by the European Commission – a position that the company has reached through the talent, experience and efforts of 34,000 people in more than 40 countries.

In 2019 Iberdrola invested a total of 280 million euros in R&D, a 5% increase over 2018. The R&D efforts within the Iberdrola group are organized around five main pillars, namely:

- **Disruptive technologies** that are increasingly efficient, sustainable and environmentally friendly, and that allow for optimisation of the operation of facilities and processes.
- **New products and competitive services** that respond to customer needs, with more personalised content and offers.

- **Digitisation and automation** in all businesses and processes, with the introduction of new technologies such as blockchain, big data, the Internet of Things, virtual reality, artificial intelligence, etc.
- **Innovation with start-ups, entrepreneurs and suppliers**, in order to develop partnerships and new disruptive business models, favour the exchange of knowledge and serve as a driving force among its partners.
- **Culture of innovation and talent.** Iberdrola promotes a culture of innovation through the transfer of knowledge, the attraction of talent and the encouragement of the entrepreneurial spirit. The Universities Project involves the development of various initiatives with the academic world, such as endowed chairs, R&D projects, student training, in-house training and young entrepreneurs.

In 2019 Ignacio Galán, the chairman & CEO of the Iberdrola group, received the National Innovation Award in the Innovative Career category from the Ministry of Science, Innovation and Universities.

Some of the innovative initiatives are set out below, classified by major category:

Renewable energy:

- Improved efficiency at wind farms, photovoltaic plants and hydroelectric facilities. Launch of the European ENERXICO project, the goal of which is to adapt computational fluid dynamics (CFD) models for use by future exascale supercomputers. Continuation of work on the ROMEO project for reducing the operating and maintenance costs of offshore wind farms, on the ASPA project for developing new models and tools for the early detection of failures based on artificial-intelligence and big-data techniques, and on the Doctor PV project, the goal of which is to reduce the costs of photovoltaic plants. The YO SOY INNOVADOR (I AM AN INNOVATOR) initiative was commenced in order to launch internal and external challenges, and work continued on the *Renewables Digital Evolution Plan (2018-2022)* and the *Renewables Accelerator* project for the promotion of new ideas to encourage greater efficiency and the global competitiveness of renewable energy sources.
- **In the hydroelectric power area**, there is the HIDRODEMAND project, aimed at the implementation of efficient operating procedures, and the HIDROSMART project for the development of new technologies for operation of the Cuenca Operation Centres (COCs).
- **Innovation relating to offshore wind projects** includes construction being completed on the East Anglia One offshore wind farm in the United Kingdom, where various initiatives have been implemented like the development of tools for modelling and predicting movements of the seabed. Formal steps have commenced for the construction in the coming years of the East Anglia Hub, which will combine three projects with a total installed capacity of 3,100 MW: *East Anglia One North*, *East Anglia Two* and *East Anglia Three*. Noteworthy in the Baltic Sea is the coming construction of the Baltic Eagle offshore wind farm, where a new monopile design will be implemented due to

seabed conditions. The Saint-Brieuc offshore wind farm is implementing an innovative onshore-pile project that will increase efficiency after its future installation at sea. At Wikinger Sud, the installation of a new type of foundation that reduces installation times and costs is being evaluated. Last, there is the FLAGSHIP project – an initiative of the H2020 program – for the design, manufacture and operation of a new semi-submersible floating platform in the waters off Norway.

Clean generation technologies

In 2019, efforts in the generation area focused on operational flexibility and efficiency, reduction of environmental impact and improved safety at the facilities:

- **In the nuclear area**, there was the completion of the Open Phase Detection (OPD) project, which led to the successful implementation of a system for detecting open-phase conditions in the start-up transformers of nuclear power plants.
- **In the thermal power generation area**, work was completed on the OCTAVE project (a continuation of the ambitious GT-CONTROLFLEX project), with satisfactory accomplishment of the initially proposed goals in terms of flexibility, while also contributing to the integration of intermittent generation of renewable energy into the generation mix. The REDEMIS project, to improve environmental performance of combined cycle plants during the start-up and shut-down phases, as well as during load variations, has also commenced.

Retail - New projects and services

Innovation is essential in retail activities, in order to be able to offer customers the products and services best suited to their needs. Thus, in 2019 Iberdrola worked on:

- **New initiatives to improve the customer's experience:**
 - In Spain, a new app was launched with a more innovative modular design that makes it simpler and intuitive, and *Bizum* was implemented as a payment method. Multiple functionalities were also added to the apps in Italy, France, and Portugal, including the management of fixed instalment payments, automatic lighting and gas reading, direct-deposit payments, etc. The website was also restructured, with an innovative design that offers an excellent experience to users regardless of the device they are using and the information they wish to obtain.

- **New products and functionalities:**

- In 2019 an innovative product was launched for home energy management: the Iberdrola Smart Assistant, which allows unbundling of the energy consumed by household appliances.
- This year a new *Smart Home* product was launched for the management of cooling and heating air-conditioning systems, and the sale of smart LED lighting products was boosted. We continued to develop the *Energy Wallet* product, through which customers can select the renewable energy generation plant from which they receive their power from a list of available wind and hydroelectric facilities.
- In 2019 the *Smart Solar* distributed-generation solution for self-consumption was launched in Italy, and work continued on improving the functionalities of the product in Spain and Portugal, where customers can monitor generation, self-consumption and injection into the grid from their solar panels.
- *Smart Mobility* includes the deployment of a network of recharging stations, integrated with third-party equipment (interoperability with recharging stations made by other companies), with access through the Iberdrola Public Recharge app. Users can already manage their home recharging station through the Iberdrola Customers app. In Brazil and the United Kingdom, various initiatives are also being implemented to strengthen the deployment of electric vehicles (through new charging stations, rates for 100% renewable energy sources, etc.).

Iberdrola also participates in R&D projects in the area of electric mobility, including the REMOURBAN project, which is developing a public charging network in the city of Valladolid (Spain), and the CIRVE project, through which it has participated in the development of rapid charging corridors that allow for electric mobility, Spain's connection with France and Portugal, and participation in a working group for the creation of a state interoperability platform for public charging stations.

Smart grids

R&D within the group for electrical energy distribution particularly focused on improving customer service, maintaining and expanding the smart and digital grid model and advancing toward greater integration of renewable energy in the grid, electric vehicles and storage systems, at both the Spanish and European level.

At the European level, the COORDINET project began with the participation of various players in the value chain in the electric power industry, with the goal of offering a favourable framework for facilitating the participation of all players. In 2019 the European Commission also approved the ATELIER project, the goal of which is to develop Positive Energy Districts (PEDs) in eight European cities, including Bilbao.

In Spain, there was the continued implementation of the LAYCA project (which won the *Quality Innovation Award*), to develop a system for locating failures and identifying faults in medium-voltage networks. The LIDAR project also completed the deployment throughout Spain of a new system for the inspection of overhead power lines.

Efforts in the United Kingdom were highlighted by the launch of Zero Carbon Communities, which is the first in-depth plan designed to show how local communities can play their role in achieving zero-emissions goals. The campaign, which began in Liverpool, will be extended to other areas with different energy requirements, such as Edinburgh and Glasgow, or to the rural communities of Anglesey and Cheshire. Notable in the United States is the Aries project, the goal of which is to provide a solution based on LiDAR technology for the assessment of damages during meteorological events. The result will be a significant reduction in the amount of time required for diagnostics, with better customer service. The *Energy Smart Community* programme includes the implementation of pilot electric vehicle quick-charge projects, as well as pilot projects for energy storage using batteries on the grid.

Noteworthy in Brazil are the DSO Atibaia project which calls for the installation of a new automated system, smart meters and a telecommunications network, and the Transmission Networks project in which new alloys, fibers, structures and digital solutions will be studied.

Regarding *Iberdrola Innovation Middle East* (the company's technology centre in Qatar), R&D projects with a high degree of digitisation and significant commercial potential have been launched in various areas, including smart grids, the integration of renewable energy sources and energy management.

Iberdrola Ventures – Perseo

Iberdrola Ventures - PERSEO is the start-up programme created by Iberdrola in 2008 with the goal of encouraging the development of a dynamic ecosystem of start-ups and entrepreneurs in the energy sector. The program focuses on technologies and business models that are based on broader electrification and economic decarbonisation. Since its creation, the programme has enabled investments of more than 65 million euros in start-ups in the energy sector worldwide. The main achievements in 2019 include:

- **Recognition by the European Commission** within the framework of the *Start-up Europe Partnership* initiative. For the third consecutive year, Iberdrola was named as one of the top 12 European companies that work best with start-ups, and also received the “*Start-up Procurement Award*”.
- There are more than 15 pilot projects with start-ups in technological areas like artificial intelligence, big data, the Internet of Things (IOT) and blockchain, the goal of which is to improve both the

planning and management of assets, while optimising operations and maintenance. The *Iberdrola Challenges* programme was launched to capture innovative solutions that can be applied in order to overcome the challenges faced by the company.

- An investment was made in Wallbox, which is dedicated to the development of electric mobility solutions, and in Balantia, which develops solutions for improvements in the area of energy efficiency. These investments are an important component of the group's support of the electric mobility and energy efficiency areas.

More information about the R&D projects in which the Iberdrola group participates can be found in the [Innovation](#) section of the corporate website.

II.5. Contribution to the well-being of our communities

- Access to energy
- Protection of human rights
- Support to local communities
- Contributions to society
- Corporate volunteering programme
- Foundations
- Iberdrola and the Global Compact



Priorities of the Sustainable Development Plan



Access to energy

Contribution to SDGs of the performance described by the indicators of this section



The *Sustainable Development Policy* approved by the company's Board of Directors assumes the promotion of universal access to power supply, with environmentally sustainable, economically assumable and socially inclusive models, to be a basic principle of conduct in the creation of sustainable value. In addition, it pays attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to electric power and gas supply according to the policies established by the competent government administrations in each case.

Access to energy for off-grid customers

EU26

For the companies of the Iberdrola group in Spain, the United Kingdom and the United States, the electrification level covers practically the entire population. In Brazil, in the Neoenergia distribution area (around 835,000 km², with a local population of slightly more than 33.8 million people), 201,649 people do not have electricity, representing around 0.6% of the total population within the area of the Neoenergia group companies.

The companies of the Neoenergia group have continued to develop rural electrification programmes, undertaken jointly with government authorities, with the goal of extending the electricity infrastructures in order to facilitate economic and social development and minimise inequalities among the various regions and between rural and urban areas. These programmes represent a fundamental component for development of the most disadvantaged sectors of Brazil's population.

In 2019 the aggregate funds allocated to rural electrification programmes in Brazil (Neoenergia) represented a total of 40.1 million euros on a consolidated basis for the group.

Some populations with difficulties accessing the network, such as indigenous populations or *quilombolas*, also receive various assistance programmes from Neoenergia and the installation of off-grid photovoltaic systems and other actions to ensure universal access to the distribution network.

Electricity for All programme

The Sustainable Development Goals (SDGs) 2015-2030, to which Iberdrola has linked its business strategy, define universal access to energy as essential and frame sustainable energy as an opportunity that transforms life, the economy and the planet. Energy plays a central role in meeting the challenges and opportunities currently faced by the world, whether by helping with employment, safety, climate change or food production or by increasing income.

A lack of access to the supply of energy is an obstacle to human and economic development. The *Electricity for All* programme is Iberdrola's response to the call of the international community to ensure universal access to energy services that are accessible, reliable and modern, focused on sustainable electrification activities, linking the purpose thereof to SDG 7.1.

Upon launching the programme, the company set itself the goal of reaching four million beneficiaries of the *Electricity for All* programme by 2020. Iberdrola announced this goal at the UN SE4ALL Forum held in New York in May 2015. This objective was revised in 2018 within the framework of the Iberoamerican Conference on the Sustainable Development Goals held in Salamanca, Iberdrola launched an ambitious 2030 goal of providing access to electricity to 16 million persons without it in emerging countries. The *Electricity for All* 2014-2019 programme reached 7 million beneficiaries within its 3 primary areas of activity:

- Funding of projects through equity investments, using the PERSEO investment fund. Iberdrola has invested in Sunfunder and in Iluméxico within the framework of this programme.
- Activities with a social impact: investments promoted by businesses in the countries in which Iberdrola has a presence. This is the case with the *Light for All* Programme of the distribution companies in north-eastern Brazil and their rural customers.
- Development of projects with a high social component, through NGOs and corporate volunteers.

And there are 2.5 million beneficiaries of its fourth line of activity:

- Access for vulnerable persons in developed countries through various agreements and projects to assist vulnerable customers.

Access for vulnerable customers

The companies of the group have procedures to protect customers at risk of exclusion or in vulnerable situations to facilitate access for the most disadvantaged groups, including the following:

- In Spain, there is application of the *Vulnerable Customer Protection Procedure*, which allows for an increase in collection periods, making payment terms more flexible, and providing personalised advice. Iberdrola has also encouraged the signing of agreements with various public institutions and other organisations, establishing mechanisms to prevent the suspension of electric and/or gas supply due to non-payment of the invoice by economically disadvantaged citizens, and to ensure the immediate restoration of service if already suspended. The company also has a free exclusive telephone service line for customers in vulnerable situations: 900 100 708. The [agreements signed](#) by the company protect 100% of Iberdrola's residential customers in Spain that might be in situations of vulnerability.
- There are also subsidised electricity rates (known as *Bono Social*) that apply lower electricity prices to electricity consumers considered to be vulnerable on the basis of certain social, consumption and purchasing power characteristics. To facilitate access to subsidised rates, Iberdrola has implemented a broad communication plan to get information to all people, like the creation of a new website of the retailer, where customers can obtain all information through the website <https://www.curenergia.es/social-bonus>. It has also sent information to more than 1,500 Consumer heads, and has had meetings with consumer associations. The company has made available to customers an inbox for queries, 512 onsite service points with more than 1,000 agents, and 24-hour telephone service with personnel specifically trained to serve customers with respect to the "*Bono Social*". At the end of 2019, Iberdrola had 559,630 customers with subsidised *Bono Social* rates.
- In the United Kingdom, ScottishPoweris has signed the *Energy UK Safety Net for Vulnerable Customers* agreement, which includes a commitment to not disconnect those customers who have been declared vulnerable due to reasons of age, health, disability or other serious reasons, and to reconnect them, if necessary, on a priority basis. It has also signed the *Energy UK Prepayment Principles* containing 10 principles designed to address issues related to domestic customers who are or might be at risk of disconnection. There is a continuation of the *Warm Home Discount* scheme for households at risk of poverty, implemented by the government in 2011 and scheduled to end in 2021.
- In the United States, agreements have been signed with the government to help customers at risk of exclusion and vulnerable customers, and offering customers qualifying as "low income customers" a credit on their electricity bills. There are energy assistance programmes for these groups at the federal level, such as the *Home Energy Assistance Program (HEAP)*, CMP's

Electricity Lifeline Program (ELP) (with credits to pay bills based on income and consumption) and the *Energy Assistance Program (EAP)* with two levels of assistance: *Basic Energy* (monthly bill credit) and *Limited Benefit* (to cancel amounts due for late payments). At CMP, the *ELP* programme also guarantees a connection for people with limited resources who depend on an oxygen tank or ventilator.

- In Brazil, the group's subsidiaries have a special different rate for low-income customers (TSEE) and advantageous prices and special terms for persons in difficulty. In 2019, the National Electric Energy Agency (*Agência Nacional de Energia Elétrica*) (ANEEL) continued with an update of the registry, selecting beneficiaries who meet the low-rent criteria of the consumer units determined by the Brazilian regulator.

Information regarding disconnection for non-payment and subsequent reconnections in accordance with the *Electric Utilities Sector Supplement* of the Global Reporting Initiative (GRI) is shown in the following table:

EU27

Residential disconnections for non-payment (No.)

	2019	2018	2017
Paid up to 48 h after disconnection	1,185,356	1,270,849	1,304,986
Paid between 48 h and one week after disconnection	211,859	253,559	236,436
Paid between one week and one month after disconnection	229,173	239,246	226,654
Paid between one month and one year	195,071	197,422	181,141
Paid after more than one year	26	8	7
Outstanding and unclassified ¹²⁶	107,337	0	0
Iberdrola total	1,928,822	1,961,084	1,949,224

Residential reconnections following payment of unpaid bills (No.)

	2019	2018	2017
Less than 24 h after payment	1,575,039	1,640,500	1,612,578
Between 24 h and one week after payment	146,630	162,744	184,780
More than one week after payment	125,925	124,722	116,395
Unclassified ¹²⁷	84,719	0	0
Iberdrola total	1,932,313	1,927,966	1,913,753

Information on disconnections and reconnections in the various countries is described in Annex 1 Supplementary Information.

Protection of human rights

Contribution to SDGs of the performance described by the indicators of this section



Iberdrola's commitment

GRI 407 **GRI 408** **GRI 409** **GRI 412**

The group has a firm commitment to the defence of human rights, and has a set of tools that ensure and promote the protection of and respect for people, in order to prevent, mitigate and repair any possible impact on human rights. The company's practices are thus in line with the principles underlying the *United Nations Global Compact*, the *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework (hereinafter the GPHR)*, the *OECD Guidelines for Multinational Enterprises*, the *Tripartite Declaration of Principles Concerning Multinational Enterprises* and the *Social Policy* of the International Labour Organization.

Iberdrola has a *Policy on Respect for Human Rights* approved by the Board of Directors in 2015 and last revised in 2019, the principles of which must be followed by all professionals of the group, regardless of the place in which they carry out their activities. With this policy, apart from publicly formalising its

¹²⁷ Represents customers of distributors in the United States during the implementation of new IT systems

commitment, Iberdrola wants to transmit to all of its Stakeholders the importance of respecting the human and labour rights recognised by domestic and international law.

The company has adopted the measures necessary to comply with this policy in all countries in which it operates. And it has made the following commitments, among others:

- To respect the human and labour rights recognised in domestic and international legislation, as well as compliance with international standards in those countries in which human rights legislation has not reached an adequate level of development.
- To reject child labour and forced or compulsory labour, and to respect freedom of association and collective bargaining, as well as non-discrimination, the right to freely circulate within each country, and the rights of ethnic minorities and of indigenous peoples in the places in which it carries out its activities.
- To advance a culture of respect for human rights and promote awareness-raising in this field among its professionals at all companies within the group, and especially at those where there may be a higher risk of violation of such rights.

During 2019, the company updated its risk and business/country map using an internal methodology that makes assessments based on the countries ratifying or joining the following international conventions and treaties:

- Forced Labour (C029, C105), Right to Organise and Collective Bargaining (C087, C098), Child Labour (C138, C182) and Non-discrimination (C100, C111).
- Convention C169 on Indigenous and Tribal Peoples.
- The 2019 report of the International Labour Organization (ILO) entitled *Report of the Committee of Experts on the Application of Conventions and Recommendations*.
- International Covenant on Civil and Political Rights.
- International Covenant on Economic, Social and Cultural Rights.
- American Convention on Human Rights signed at the Inter-American Specialized Conference on Human Rights (Treaty B-32).
- European Social Charter (Turin, 18 October 1961).

The position of countries on the following indexes and studies has also been taken into account:

- UNDP Human Development Index (2018 data, the latest available during the study).
- Transparency International (*Corruption Risk*, 2018 data, the latest available during the study).
- Countries involved in armed conflict (*Report on Conflicts, Human Rights and Peace-building. 2019 Alert*. School for a Culture of Peace).

Once the risk map was updated, the data were cross-checked against the analysis of identification by the businesses of the significant locations of operation in 2019, in order to know which of them might have a possible risk of violating human rights.

Of the 158 significant locations of operation (detailed information in the “Key figures” section) covered by analysis or impact evaluations in the area of human rights (100% of the significant locations), 73 of them (46%) are in Brazil and Mexico, countries considered to be at risk for violation of these rights.

As a result of this analysis, the United States and Canada could be considered countries at risk, as they have not yet ratified or joined several of such labour conventions. However, given the socio-political characteristics of these two countries and taking into account the internal procedures defined for the American subsidiary Avangrid, the company does not believe there is a risk of violation of these rights.

Human rights due diligence system

412-1 407-1 408-1 409-1

During 2018, Iberdrola began a new approach to human rights due diligence, further developing its *Policy on Respect for Human Rights*, based on the advice of the Guiding Principles (principle 18.a of the UNGP) and, to that end, it has drawn on the advice of experts who are internationally recognised in this area.

During 2018 and 2019, a project was carried out to improve the implementation of the UNGP in line with the size of the company and the diversity and particularities of the facilities in the various countries.

The Human Rights due diligence system at Iberdrola is supported by its Corporate Governance system as well as its Control Model, which is based on three lines of defence.

The project focused on identifying possible breaches or possible opportunities for improvement in human rights management, reviewing compliance with the *Policy of Respect for Human Rights* and with the other corporate procedures and policies relating to matters concerning the mitigation of impacts and human rights, even if they are not included within a specific human rights framework.

In summary, the methodology applied adopts the recommendations of the UNGP at three successive levels of refinement and depth in the identification of human rights impacts:

1. *Potential impacts* for the industry, affected by country risk (principle 17).
2. *Significant impacts* for the company, based on the severity, possibility of remediation and linkage of impacts (principle 19.b).
3. *Priority impacts* for the Action Plan, giving preference to the elimination of due diligence gaps, if any (principle 19.a).

The greatest progress in the methodology used to date has been in the considerable increase of the number and quality of the sources for the identification of actual and potential impacts on the activities of the company and in the boost given to the full and detailed review of due diligence mechanisms.

At present, there is a two-fold process to identify human rights issues:

- On the one hand, a business/country risk map is prepared, which is updated on an annual basis (since 2011), and which was last updated in January 2020.
- On the other hand, the identification of impacts following the new *Integrated Human Rights Management Model* aligned with the recommendations of the Guiding Principles and based on the control model of the three lines of defence of the Iberdrola group, which assigns clear prevention, monitoring and assessment responsibilities. The ultimate objective is to better integrate all issues relating to human rights into a single comprehensive due diligence system.

Progress and results

The potential impacts on the electric power industry have been identified, thus defining, extensively but precisely, the area with respect to which Iberdrola must be vigilant as regards human rights. To facilitate analysis in the resulting inventory of potential impacts, these impacts have been classified into categories that include those that share the same aspect relating to the organisation and operations of the company

- Impact on local communities (Including minorities and indigenous populations)
- Small-scale environmental impact
- Large-scale environmental impact
- Public insecurity
- Labour practices

- Quality of supply and services
- Universal access
- Privacy and data protection
- Ethics and integrity

This has made it possible to enlarge the focus of what the *Policy on Respect for Human Rights*, the *Code of Ethics* and other corporate documents have considered to date were human rights issues following the advice of the UNGP to take the entire spectrum of internationally recognised human rights into account (principle 12).

Following more than 80 conversations with representatives of different areas, a survey addressed at the main locations of activity and a review of many corporate documents, it was determined that Iberdrola has complex and robust due diligence systems in place for the management of human rights issues, although they are not necessarily identified under this category. Environmental management, safety and occupational health management and privacy and data protection management are good examples of the way Iberdrola manages its potential impacts on human rights.

Furthermore, there are occasions when various areas of corporate activity manage matters relating to human rights issues but that were not included (at least not explicitly) due to issues of simple terminology or strategic formulation. It is therefore important to emphasise that the project has contributed to progress being made in raising sensitivity on human rights in employees across the entire company.

Since the project focuses on people, specifically on the relationship of the company with all its stakeholders, it is essential for the Company to know their needs first-hand (principle 18.b of the UNGP); accordingly, concurrently with the human rights due diligence project, Iberdrola has developed a Stakeholder relations model that ensures there are appropriate communication channels for each of them, making it possible to better identify significant matters and facilitating both prevention and mitigation of possible impacts, helping the Company to respond as expeditiously as required.

Following its review, Iberdrola has defined its human rights expectations in different areas:

- **Employees:** the professionals of the group must exhibit strict respect for human and labour rights recognised in domestic and international law in the conduct of their activities, as well as compliance with the *Policy on Respect for Human Rights* and the other corporate procedures and policies referring to matters relating to the mitigation of impacts and respect for human rights. Professionals

of the group must act as a first line of defence of respect for human rights, reporting to second lines on any possible impact on them or on any departure from group policies.

- **Suppliers:** suppliers must also exhibit strict respect for human and labour rights recognised in domestic and international law in the conduct of their activities. In this connection, we believe suppliers are a key ally, with shared responsibility with the group for compliance with the *Policy on Respect for Human Rights* and with the other corporate procedures and policies referring to matters relating to the mitigation of impacts and respect for human rights. Suppliers and their employees are expected to comply with the Suppliers' Code of Ethics, pursuant to which they have the duty to promote activities and adopt such measures as may be needed in their organisation in order to eliminate all forms or types of forced or compulsory labour, to expressly reject the use of child labour in their organisation, to respect their workers' freedom of trade association and right to collective bargaining, to reject all discriminatory practices in connection with employment and labour, affording their employees fair treatment based on dignity and respect, and to pay their workers as provided by applicable wage laws, including minimum wages, overtime and social security benefits.
- **Investment partners:** We expect our investment partners to be committed to respect for the human and labour rights recognised in domestic and international law. They will be advised of the group's commitment to manage its business and investments in accordance with the *Policy on Respect for Human Rights* and the other corporate procedures and policies that refer to matters relating to the mitigation of impacts on and respect for human rights.

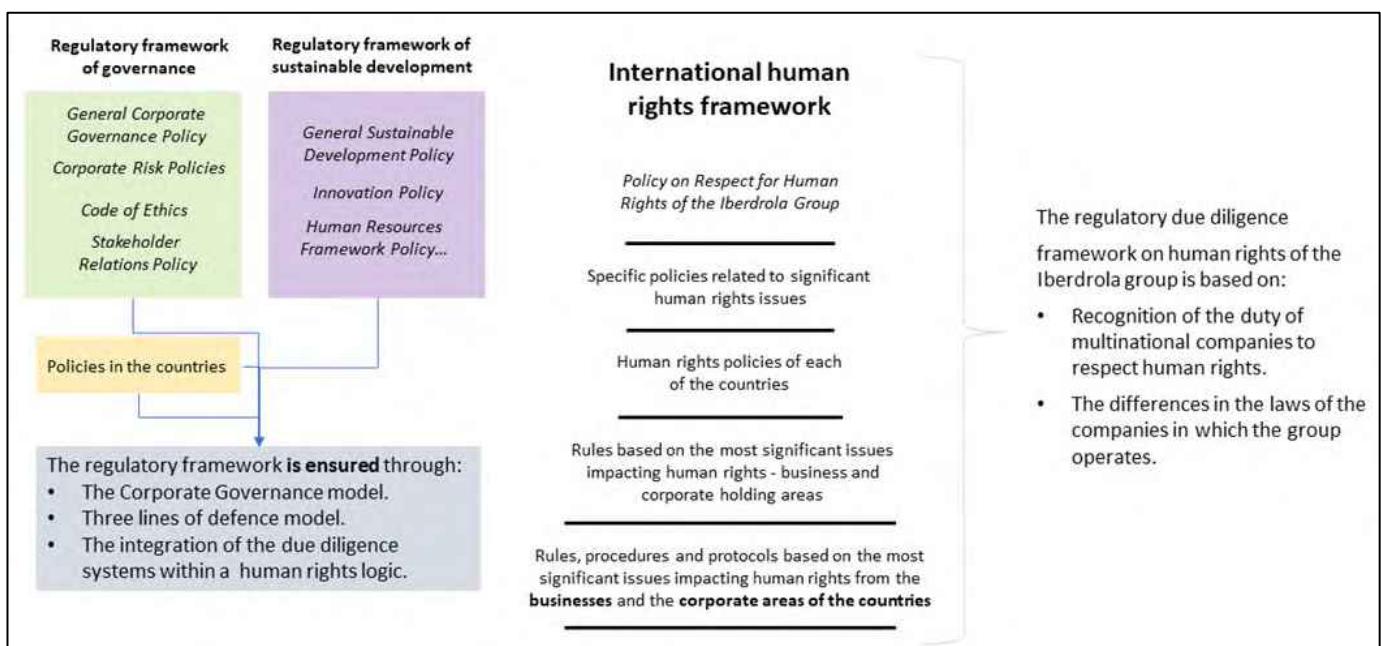
At a second level, an in-depth study has been undertaken to determine which of such potential impacts the company is specifically generating or runs the risk of generating. This study is carried out taking into account the particular characteristics of different contexts and, for that reason, a specialised team has visited work centres and facilities in Spain, Brazil, Mexico, the United Kingdom and the United States. In addition, a survey directed at the heads of the 158 main locations of operation of the group was prepared to complete the compilation of information.

During the visits made, the significance of the human rights impacts specific to each country was assessed based on standards of frequency, severity, scope, possibility of remediation and connection.

It should be noted that a general human rights due diligence framework has been determined that is in line with existing management mechanisms:

- The Iberdrola group's corporate governance model provides for local operation of the various companies of the group while ensuring consistency regarding their commitment to human rights.
- The group's control model, based on three lines of defence, which assigns clear prevention, monitoring and assessment responsibilities, thus allowing for an ongoing improvement model.
- The regulatory framework for sustainable development, which is the basis for policies to guide the responsible management of the business and provide due diligence guidelines across the entire group:
- Integration of the due diligence systems within a human rights rationale.
- Review of the grievance channels of the *Code of Ethics*.

The following diagram illustrates the foregoing:



Progress has been made in documenting existing commitments, procedures and controls, including both those that have been formally established and those that are customary practices and informal management methods.

This process has allowed the company to undertake a gap analysis, which will be the basis for the process to prioritise actions to prevent and mitigate possible impacts. Thanks to this analysis, the formalisation of management procedures and the mitigation of impact on local communities, along with the strengthening of human rights due diligence in the supply chain, particularly in outsourcing, have been determined to be

a priority in our short-, medium- and long-term action plan. Our long-term expectations are aimed at joint management (shared responsibility) with suppliers in human rights due diligence.

Some significant human rights issues for our stakeholders

Below are some examples of how Iberdrola is managing specific human rights issues that are significant for its Stakeholders.

Labour practices

Non-discrimination was an issue that was particularly significant for Stakeholders in relation to labour practices.

GRI 406

The principles of non-discrimination and equal opportunity applied at the Iberdrola group are contained in both the Code of Ethics and in the global policies and procedures that have been approved and implemented (Recruitment and Selection Policy, Equal Opportunity and Reconciliation Policy, etc.), and its mission is to avoid any discrimination for reasons of race, colour, gender, language, religion, political opinion, national origin, social status, membership in an indigenous community, disability, health, marital status, pregnancy, sexual orientation or other condition of the person that bears no relationship with the requirements to perform their work. It also has collective bargaining agreements and local policies, including:

- Equality and Reconciliation Plan and Anti-Harassment Action Plan for companies of the *7th Collective Bargaining Agreement* in Spain.
- Policies on equal opportunity and reconciliation, anti-age discrimination, people with disabilities, equal pay, harassment and flexible working policies, as applied in the United Kingdom.

By applying all of these instruments, Iberdrola ensures that the selection processes are based solely on the merits of the candidates and that the promotion of equality within the group as regards access to employment, professional training and promotion and working conditions is guaranteed.

Group employees can report behaviour that may constitute labour discrimination both through the ethics mailbox and through their respective supervisors/Human Resources.

During 2019, the group received 33 grievances regarding labour discrimination through the various channels. 9 of them are being reviewed and the other 24 have already been closed. Of the grievances that have already been closed, only 6 ended confirming the existence of improper action in the human

rights area. Those 6 led to a written reprimand. The Human Resources area is in charge of taking appropriate disciplinary action.

406-1

Reported incidents of discrimination (No.)

	2019	2018	2017
Iberdrola total	33	26	12

In addition to the foregoing, Legal Services in the United States received two reports relating to possible unlawful discriminatory practices in the labour area.

Iberdrola has not received any complaint during financial year 2019 regarding other aspects relating to human rights through the channels established for this purpose, nor is it aware of court claims that might have a specific social impact.

Impact on local communities and the rights of indigenous peoples

GRI 411 411-1

The issue of relations with indigenous peoples has been a significant issue for our Stakeholders in relation to local communities.

In applying the *Code of Ethics* and its corporate policies (especially the *Policy on Respect for Human Rights*), Iberdrola and its employees undertake to respect both ethnic minorities and the internationally recognised rights of indigenous peoples, in accordance with applicable law and the obligations set out in Convention 169 of the International Labour Organization (ILO).

Employees belonging to indigenous communities

During 2019, the Renewables Business of Iberdrola Mexico employed personnel belonging to an indigenous community; specifically 13 people at the la Ventosa wind farm and 3 at the El Espinal wind farm.

In Brazil, at the Belo Monte hydroelectric plant, in which Neoenergia has a 10% interest, outside labour has been hired from the various indigenous communities (5 Juruna, 1 Arara, 1 Pataxò, 1 Kuruaya and 4 Xipaya) in implementation of the Medio Xingu Territorial Protection Plan (*Plano de Proteção Territorial do Médio Xingu*) (PPTMX).

Furthermore, in the United States, Avangrid Renewables has 6 employees who voluntarily self-identify as belonging to ethnic or racial groups.

There is no evidence of employees belonging to indigenous communities at the other companies of the Iberdrola group.

It should be noted that there were no incidents relating to the violation of the rights of employees from indigenous communities in the group during 2019.

Incidents detected relating to local communities

There are two legal actions against the Brazilian electricity distribution company Coelba relating to indigenous rights. In both actions, compensation is claimed from Coelba for the impact of the layout of the electric power line that, in one case, traverses the Tuxá de Banzaé community and in the other, the land of the Kiriris Indians. Both actions are in the investigation stage, waiting for judgement to be rendered.

Presence of the company in indigenous territory

The company, with a presence in 3 countries where there are indigenous communities (Brazil, Mexico and the United States) encourages business activities to be carried out with respect for different cultural identities, traditions and environmental wealth, as many times these communities depend on natural resources for their subsistence. Therefore, it establishes pathways of dialogue with the participation of the government and of the various organisations representing these communities, in order to report on the projects with due transparency and integrity. However, there may occasionally be direct or indirect impacts on these communities at some facilities, which is why there is an attempt to promote ethical practices with the goal of preventing conflicts and generating mutual benefit, which in the long term is the foundation of social value.

Below is a description both of the activities performed in indigenous territories and of the incidents detected:

- In Brazil, in August 2017 Iberdrola became the majority shareholder of Neoenergia, S.A., a company that already holds 10% of Norte Energia, S.A., which is the company responsible for the construction and operation of the Belo Monte hydroelectric plant, where there have been impacts on the indigenous communities occupying the region of Medio Río Xingu, in the state of Pará, affecting a total of 9 ethnicities (around 3,857 indigenous persons).

In order to mitigate, offset and/or prevent these impacts, Norte Energia, S.A. prepared an ethnological study, and based on that study prepared a Basic Environmental Plan for the Indigenous Component (*Projeto Básico Ambiental-Componente Indígena*) (PBA-CI) made up of nine programmes: i) Environmental Supervision Programme; Indigenous Territory Management Programme; ii) Works and Infrastructure Programme; iii) Productive Activities Programme; iv)

Integrated Indigenous Health Programme; v) Indigenous School Education Programme; vi) Institutional Strengthening Programme; vii) Tangible and Intangible Cultural Heritage Protection Programme; viii) Relocation and Resettlement Programme; and ix) Indigenous and Non-Indigenous Communication Programme. It also prepared the Medio Xingu Territorial Protection Plan (*Plano de Proteção Territorial do Médio Xingu*) (PPTMX) based on the relocation of “riparian” populations (*riberinhos*). The actions to protect the riparian population are included in the General PBA, now linked to the Rural Resettlement Project.

- The PBA-CI will be developed during the period of the concession, i.e. 35 years. During this period, the investment committed in socio-environmental impact mitigation programmes will total 6,500 million reais (approximately 1,365 million euros), equal to 14% of the total cost of the project, of which 5,300 million reais (1,148 million euros) had already been invested as of September 2019. The plan will be reviewed every 5 years in order to update it and thus ensure that indigenous rights are respected. For more information regarding all programmes submitted to obtain the environmental permit programmes of Below Monte, see <https://www.norteenergiasa.com.br/pt-br/sustentabilidade/licenciamento-ambiental>
- Neoenergia, S.A. also holds 50.1% of Companhia Hidrelétrica Teles Pires, responsible for the construction and operation of the Teles Pires hydroelectric plant, located on the border of the states of Pará and Mato Grosso, on the Teles Pires river, an affluent of the Tapajós river, next to the municipalities of Jacareacanga and Paranaíta. This plant is located 60 km from the border of the nearest indigenous lands. Although there is no direct impact, under Brazilian law there must be socio-environmental studies and programmes, for which reason the company has established a joint dialogue with the National Indigenous Foundation (*Fundación Nacional del Indio*) (FUNAI), the Federal Public Ministry and indigenous leaders of each ethnicity affected by the project in order to respond to the demands and desires of each community. The Basic Environmental Plan for the Indigenous Component (PBA-CI) was jointly prepared and approved along with 19 socio-environmental programmes to sustainably encourage the cultural, social and economic activities of the ethnicities of the area.

The plan, approved by FUNAI, is being implemented according to schedule. For more information on the indigenous components of the Teles Pires environmental action plan, see:

- [Basic Apiaká Indigenous Environmental Plan](#)
 - [Basic Kayabi Indigenous Environmental Plan](#)
 - [Basic Munduruku Indigenous Environmental Plan](#)
- As regards Network activities, various distributors of the Neoenergia group have a presence in indigenous land areas in Brazil. On 27 September the distributor Celpe renewed the terms of the agreement executed with the Fulni-ô indigenous community for the substation and transmission lines in the municipality of Águas Belas (Pernambuco), which will be in effect through 2024.

- The distributor Elektro has a sub-transmission line that is at the environmental permit stage. Studies are being carried out to determine whether the project has any interference in indigenous communities, because the line is close to some indigenous lands; however, the project is still at the planning and study stage.
- In the United States the company continues to work with the Tribes of the Kumeyaay Nation and the Bureau of Land Management (BLM) on the design and content of the cultural resources booths near the Tule Wind Project (Tule Wind or the Project), which became operational in 2018. The company agreed to fund the installation of the booths as part of the mitigation efforts negotiated with the Kumeyaay, who were affected during the construction of the Project. A consultant specialising in cultural resources was hired to design a District Nomination request pursuant to the provisions of Section 106 of the National Historic Preservation Act in order to document and help to preserve the cultural resources discovered near the project site.
- In Mexico, the “Lights of Hope” project is being developed with indigenous communities, whereby solar systems have been installed to provide electricity to the following communities in Tamazunchale: Xicullapa, Tesilo, El Jobo, El Zaino and El Saucito. Additionally, in the area served by the Topolobambo III combined-cycle plant in Sinaloa, an indigenous ceremonial centre, San Zapotitlán, in the municipality of San Miguel, is being remodelled. The La Ventosa and Dos Arbolitos wind farms are located in the La Ventosa community in Oaxaca, a community identified with the presence of Zapotecas indigenous groups.

The table below shows the facilities in territories occupied by indigenous communities:

Country	Facility	Indigenous Community
Mexico	Topolobambo II combined cycle	Téroque Viejo, El Carricito, La Ladrillera, El Bajío, Choacahui, Zapotillo Uno, Las Higueras de los Natoches, Bajada de San Miguel, La Loma 5, El Chalate, El Ranchito, 2 de Abril, La Cruz, La Tea, Nuevo San Miguel, La Línea, Júpare (El Mezquital), Juricahui
	Dos Arbolitos wind farm	Zapoteca
	Bii Nee Stipa wind farm	Zapoteca
	Mexico Ecological Parks	Zapoteca

The “Local Communities” section below provides a detailed description of the development programmes, social impact assessments, consultation processes and displacement management.

Citizen insecurity and labour practices in the hiring of security services

GRI 410

The *Security Policy* approved by Iberdrola's Board of Directors and the specific procedures adopted by the Corporate Security Division for each situation and country are compatible both with international human rights provisions and with the laws of the countries where the Company is present.

The action protocols have been defined and implemented in all activities and services provided by the Corporate Security Division, and there is a Quality Management System, certified since 2003 to the ISO 9001 standard, which is externally reviewed on an annual basis by Aenor in those countries where it has been implemented, to ensure compliance with the requirements of this standard, as well as with the standards of the management system.

The hiring of security and monitoring services providers is carried out in accordance with the Purchasing Policy, model and procedures in effect. The Corporate Security Division is responsible for setting the technical specifications and standards to be met by such suppliers in order to be hired, in terms of physical security, resources, training and cybersecurity, as well as the assessment thereof during the performance of their contract, which is performed on an annual basis in order to identify items to be improved.

Both the company's and subcontracted personnel are qualified for their duties and strengthen their knowledge with a rigorous Training Plan, which entails ongoing assessment and monitoring thereof.

410-1

Security personnel trained in human rights

		2019	2018	2017
Own personnel	Own personnel (No.)	155	173	140
	Own personnel trained in human rights (No.)	149	172	139
	Own personnel trained in human rights (%)	96	99	99
Subcontracted personnel	Subcontracted personnel (No.)	1,353	1,448	1,483
	Subcontracted personnel trained in human rights (No.)	837	909	1,240
	Subcontracted personnel trained in human rights (%)	62	63	84

It should be noted that the reduction in both company and subcontracted security personnel is due to the sale of the conventional generation business in the United Kingdom.

Employee training on human rights

Due to the importance that respect for human rights has for the company, there are various training initiatives to inform the entire organisation of the social and labour rights affecting the activities of the company and to train all employees on the prevention of risks in the operations of the company, mitigation and the remediation of any violation of human rights.

Iberdrola believes that all employees must become involved in compliance activities and in the dissemination and reporting of any violation in connection with this aspect, and that the entire team is responsible for ensuring that respect for human rights is a reality.

412-2

Employee¹²⁸ training on human rights

	2019	2018	2017
Spain	106,570	109,595	73,244
United Kingdom	90,232	102,510	30,561
United States ¹²⁹	109,570	15,238	49,247
Brazil	187,179	16,533	23,316
Mexico	28,387	20,832	25,901
IEI	1,772	N/Av.	N/Av.
Iberdrola total	523,710	264,708	202,270

Aware that internal awareness-raising alone is not enough, Iberdrola has also acted as a motivating lever for its suppliers, preparing an awareness-raising module regarding human rights, and intends to make it available to other Stakeholders.

It is worth noting that in 2019, as part of the training and ongoing information programme developed by the Board of Directors that includes both meetings and specific materials that are posted on the directors' website, a specific course was given on respect for human rights in the corporate environment, in order for them to know and be able to address the challenges to which the companies are currently exposed.

¹²⁸ Number of employees in terms of Full Time Equivalents (FTEs); 33,772 in financial year 2017, 33,747 in financial year 2018 and 35,120 in financial year 2019.

¹²⁹ Virtual training was added in 2019.

Investment agreements and contracts that include human rights clauses

412-3

The policies, codes and procedures governing the operation of the company are applied in all of Iberdrola's activities, including investments. Specifically, the *Purchasing Policy*, which contains the general contracting terms of the Iberdrola group, includes a specific section on respect for human rights. Specific human rights clauses are also included in the United Kingdom by application of the Modern Slavery Act approved in 2015. During financial year 2019 there were 17 projects with significant investments:

- In Spain, the networks business agreed in October 2019 to supply intelligent network equipment, entailing an investment of approximately 174 million euros over the next 3 years.
- In the United Kingdom, in the networks business, two significant investment agreements were signed for the development of distribution lines of the ScottishPower Distribution and ScottishPower Manged distribution companies for a total of 260 million pounds sterling (309 million euros). Also in the United Kingdom, five significant agreements were signed in the total amount of 134.4 million pounds (149.3 million euros), two relating to onshore wind power (92.2 million pounds/109.7 million euros) and 3 to battery storage (42.2 million pounds/50.2 million euros).
- In the United States, eight significant investment agreements have been signed relating to the La Joya (295.6 million dollars/266.3 million euros), Tatanka (177 million dollars/159.5 million euros), Roaring Brook (135.3 million dollars/121.9 million euros) and Klondike 2 Repower (68.5 million dollars/61.7 million euros) renewable facilities.
- Last, in Mexico, in December 2019, a significant investment agreement was signed for 350 million dollars (315.3 million euros) for the expansion of the Tamazunchale combined-cycle plant, completion of which is scheduled for May 2021.

Significant investment means one that requires more than 100 million euros or one that is considered to be significant for the company even though it requires a smaller investment due to the format or strategic importance thereof.

Support to local communities

Contribution to SDGs of the performance described by the indicators of this section



GRI 413

Iberdrola maintains a strong involvement in the communities in which it operates. The companies of the group make significant contributions to society, primarily as a result of all the activities necessary to provide the supply of an essential product like energy, significant investments in basic infrastructure, promotion of local supplier networks, creation of qualified job positions, etc.

In addition, Iberdrola strengthens its commitment to the local communities where it has a presence through social activities in partnership with governments, institutions and civil society organisations, as well as through sponsorships and patronage. The programmes focused on social and economic development of the surroundings are especially significant.

These programmes and activities are implemented by various organisations, subsidiaries and institutions in various complementary ways:

- From Iberdrola, through its Institutional Relations Division.
- From subsidiaries or affiliates (i.e. investee companies, i.e. those in which the company has an equity interest), in their respective areas of activity.
- Sponsorship and patronage activities through [Fundación Iberdrola España](#), [ScottishPower Foundation](#) in the United Kingdom, [Avangrid Foundation](#) in the United States, [Instituto Neoenergia](#) in Brazil and [Fundación Iberdrola México](#).

Development programmes for local communities

Iberdrola takes various types of actions to minimise, mitigate and offset socioeconomic impacts that might be caused by its facilities. Local communities benefit from these actions, which are usually established and agreed on with local authorities, for example, opening communication processes with the various Stakeholders, protection of biodiversity and recovery of spaces, improvements in communication

infrastructure, water supply or roadways, public lighting, creation of direct and indirect employment, professional training courses and activities to support entrepreneurs, among other measures.

Iberdrola has created Energy Classrooms to foster an understanding by society of renewable production technologies, which involve the development of an educational programme with visits to facilities to acquire knowledge about energy, especially about renewable energy sources, and to promote an efficient stance towards the use of energy and thus contribute to energy saving.

In Brazil, in partnership with the government of the state of Bahia, the distributor Coelba created an electricians' school in 2019, which is exclusively for women, offers 100 positions and was very well received, as shown by the more than 15,000 applications received. In addition, the first Electricians' School in Salvador de Bahía, in partnership with the National Industrial Learning Service (*Serviço Nacional de Aprendizagem Industrial*) (SENAI/BA), has trained 24 new professionals in a free course on electric power distribution grids.

A more detailed description of these activities can be found in "Economic/financial impact" section of chapter II.1 and in the "Iberdrola's contribution to the community" and "Foundations" sections of this chapter.

Social impact assessments

413-1 413-2

In each of the countries in which the group operates, environmental impact assessment studies are performed at Iberdrola's locations of operation in accordance with applicable law prior to the construction of facilities, which include a social impact assessment. Activities addressing its Stakeholders are also performed, including social development programmes and participation in local communities. Almost 100% of the company's locations of operation are subject to these types of activities, focused on meeting the needs of its Stakeholders, especially in local communities, and engaging in the most appropriate activities in all those areas that most directly affect them. The principal activities are described in greater detail below:

Iberdrola believes that the impacts of the start-up of electric power generation plants on human rights, including environmental rights, are especially significant. In the countries in which the company builds and operates these types of facilities, applicable laws require the performance of studies assessing the impact

on the environment and the community, and such studies must be approved by the competent public authorities.

These studies include the possible impact on human rights, both by means of an evaluation of the environment providing a review of environmental impacts such as emissions, effluent, waste, changes in land use, changes in landscape aesthetics and quality, restriction of access to water and forestry resources, etc., and through an assessment of the social and economic environment, which analyses demographic aspects like changes in population in neighbouring municipalities, and historic and cultural heritage, along with the growth in job demand in certain sectors, impairment or promotion of basic infrastructure like motorways or railway networks, etc.

In addition to the social impact assessments, Iberdrola has designed a robust human rights due diligence model, as described in the “Protection of human rights” section of this chapter.

Applicable law ensures consultation with and participation of both the affected government administrations and interested parties during the performance of these impact studies, and part of the project documentation is subject to public review for a period of time that varies according to applicable law in each country. The viewpoints of the Stakeholders consulted are thus taken into account in defining the future project.

These impact studies also contemplate the preventive and corrective measures required to mitigate the aspects identified.

To conclude the process, programmes are implemented to monitor the various aspects identified and government authorities are informed. Iberdrola reviews the effectiveness of such programmes by means of internal and external audits, as well as by those conducted by the Community Eco-Management and Audit Scheme (EMAS).

Iberdrola prepares information and plans for the closure and decommissioning of facilities in accordance with applicable law and informs the workers’ representatives thereof.

Iberdrola believes that these studies and assessments are appropriate to safeguard the rights of communities, as they include the most significant issues for the affected areas. It should be noted that the various facilities cause similar impacts, regardless of the country in which they are located, and none of them stands out as having significant negative impacts.

Consultation processes with local communities

Energy planning (energy sources, technology and long-term needs) is carried out by governmental authorities; this is the institutional area in which the various Stakeholders can participate in accordance with the mechanisms established in each country. Once the most appropriate infrastructure is selected, the viewpoints of the affected communities are taken into account through consultation processes, which vary depending on the country and the type of facility.

Iberdrola plays an active role in the participation of local communities during the planning and construction of projects, expressing its points of view and making its knowledge and experience available to the government authorities. All these processes, which are included in the facilities' impact assessment studies, are regulated, and they are determining factors in order to secure the construction and operating permits for the power plants; in addition, they are completed with processes voluntarily performed by the company, like human rights assessments.

In every project, relations are established with local authorities, communities and any other groups that may be relevant to the project. Dialogue channels are established with the main Stakeholders and information concerning the planned development is presented through newsletters, exhibitions, presentations, meetings, the group's websites, etc. There are also e-mail addresses to allow local communities to communicate with the company during the process, and public information days are occasionally held for this purpose.

It should also be noted that channels have been incorporated into the Environmental Management System so that Stakeholders can send their concerns, complaints, requests for information or any other kind of request to minimise impacts in the area.

Set out below are some of the activities conducted by Iberdrola in this field for projects currently under development:

- In the Wholesale and Retail Business in Mexico, there have been studies of the social impact of the projects currently under construction, specifically at the Topolobampo III (in Ahome, Sinaloa) and Tamazunchale II (in San Luis Potosí) combined cycle plants. Based on these studies, the Secretary of Energy of the Mexican government issues a resolution setting out recommendations and actions in the social area to benefit the community: paving, improvements to educational and social centres, etc. In Brazil, there has been a socio-economic evaluation of the area around

Termopernambuco, analysing demographic aspects, surroundings, influence area of the Suape Port, basic infrastructure, cultural heritage and generation of employment.

- In the Networks Business, pursuant to procedures for the management of social impact, there is public dissemination regarding projects of a certain size, in all cases complying with the regulations of each country. Both the project and the size thereof are especially taken into account regarding the impact on road infrastructures, as well as potential impacts on the landscape.
- In the Renewables Business, since the commencement of the Tâmeiga River hydroelectric project in Portugal, there has been an impact assessment process with the participation of Stakeholders through public consultations in the affected municipalities. In 2019 quarterly meetings continued with the Environmental Monitoring Commission (*Comissão de Acompanhamento Ambiental*) (CAA), made up of Iberdrola and various local and national entities, the objective of which is to supervise environmental aspects and socio-economic impact, which is completed with site visits. In the United States, there are social evaluations regarding community development during the planning and construction phases for potential projects. There were various consultations with communities around potential project areas in Illinois, New York, South Dakota, Oregon, Washington and Texas in 2019. The fishing fleets of Massachusetts and Rhode Island are also in the process of consultation for the Vineyard Wind offshore wind project. In Mexico, in the construction expanding the La Ventosa plant, the affected area has been restored in accordance with the ruling of the National Commission on Natural Protected Areas (*Comisión Nacional de Áreas Naturales Protegidas*). Finally, in Brazil, work is taking place at the Serra de Santana windfarm complex (under construction) on a preliminary proposal for economic activation of family farming in accordance with the nature of the region. The new facilities of Neoenergia in Brazil are committed to promoting local development activities for both urban and rural populations: projects to generate income, technical support for affected rural families, health units, schools and social centres.

During the operation phase for facilities, Iberdrola engages in different processes of participation with the various Stakeholders that it relates to and that are described in detail in the “Stakeholder engagement” section of this report.

Management of population displacements

As a prevention measure, during the planning phase for new projects, Iberdrola evaluates the land that will potentially be occupied, choosing that which involves lesser displacement of people who either reside in the immediate area or whose economic activities are affected. If this ultimately occurs, Iberdrola and the relevant government authorities review the economic, environmental and social consequences of such

projects, and jointly hold consultations with the local communities to adopt suitable corrective measures. In addition, in the case of indigenous communities, it establishes pathways of dialogue with the participation of the Government and of various organisations representing these communities, to report on the projects with the required transparency and integrity.

The company believes that such processes ensure the protection of general interests in the countries where these impacts occur. The measures adopted in projects of this nature currently being developed by Iberdrola are described below.

EU22

The construction of Wholesale and Networks assets have not affected the real property of people because they are built on land acquired or assigned, and are also small in size. No person was physically or economically displaced during 2019 in the businesses mentioned above.

As regards the Renewables Business, Iberdrola is currently developing various plants that involve displacements of population:

- In the construction of the Támeiga hydroelectric complex (Portugal), detailed socio-economic studies have been conducted for several years on the possible affected dwellings with a prior assessment, taking into account the needs of each of them and assessing possible relocations with similar characteristics. A total of 59 dwellings was ultimately identified, of which only 50% were permanent residences. The displacements that have been identified as necessary and the respective financial compensation have been provided in accordance with the law on expropriations in Portugal and in accordance with the methodology implemented regarding the management and definition of displacements and potential economic damages. In addition, in cooperation with the Portuguese Government and the municipal Chambers, financial compensation has been determined in addition to the compensation provided in the expropriation process, so as to make it possible to improve the relocation conditions of the affected families and maintain their habits and traditions.
- In Brazil, in the construction of the Baixo Iguazu hydroelectric complex, a total of 141 families (564 persons) were identified and relocated during the exercise, where support actions were planned and with due compensation in accordance with the established programmes. In addition, a socio-economic monitoring of the population committed to the undertaking was carried out, where 432 families (1,728 persons) were financially compensated in 2019 for impacts on their economic activities. The mitigation plans that were implemented are described in the “Protection of human rights” section.

Contributions to society

Iberdrola has selected the *London Benchmarking Group* (LBG) model to measure and assess business contributions to the community due to its wide international recognition. It is regarded as the most highly-valued standard for measuring the results and impacts of social programmes, both for the company and for the community. This standard only recognises projects that involve voluntary contributions for social or environmental protection ends, for non-profit purposes and that are not restricted to groups related to the company.

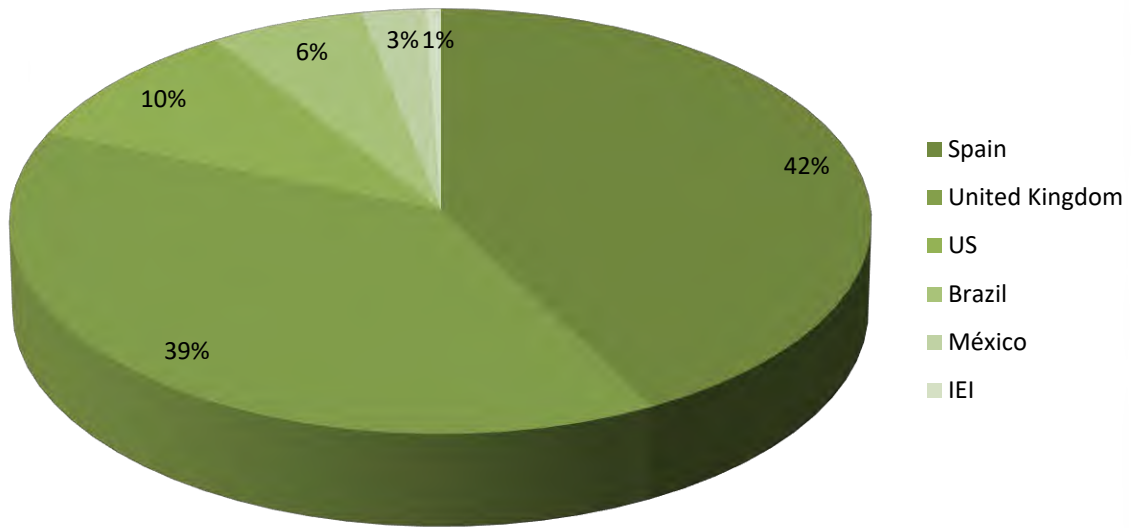
Iberdrola has used the LBG model as a basis to report its contributions to society in this *Statement of non-financial information. Sustainability Report* for financial year 2019.

Contribution to the community in 2019

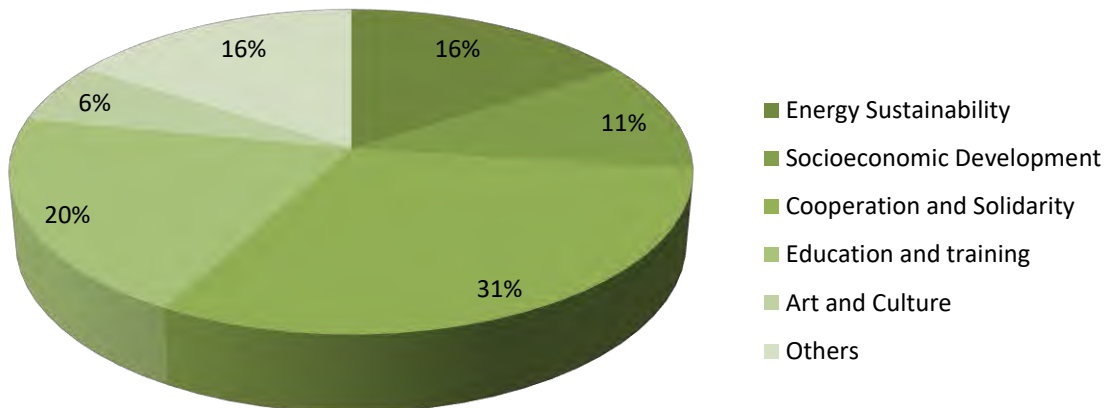
By category	
• Specific contributions	7,111,127
• Community investment	31,235,731
○ Socioeconomic development of the community	
○ Energy sustainability	
○ Art and culture	
○ Education and training	
○ Cooperation and community service	
• Commercial initiatives in the community	10,588,424
• Management costs	3,357,240
By type of contribution	
• Cash contributions ¹³⁰	48,690,681
• Staff time	148,601
• In-kind contributions	95,999
• Management costs	3,357,240
Total contribution to the community	52,292,522

¹³⁰ Contributions made mostly to non-profit organisations and foundations but also to universities, government administrations, etc. provided that they meet the aforementioned LBG Model standards.

IBERDROLA'S CONTRIBUTION BY REGION



IBERDROLA'S CONTRIBUTION BY PROGRAMME

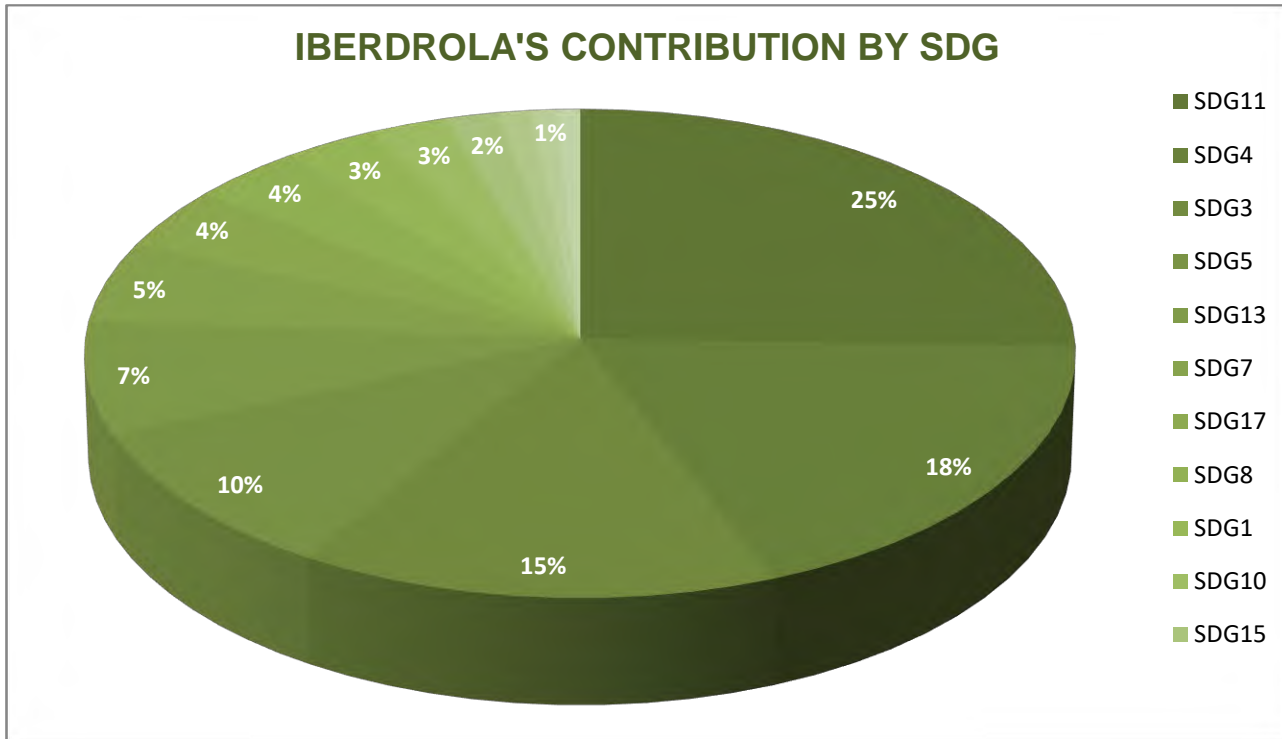


Also, for the third year in a row, Iberdrola has evaluated the SDGs and targets to which each of its social initiatives contribute, as shown in the following table:

Contribution to the community in 2019

By Sustainable Development Goals (SDGs) ¹³¹	
• 1. End poverty	1.5
• 2. Zero hunger	0.2
• 3. Good health and well-being	7.0
• 4. Quality education	8.8
• 5. Gender equality	4.8
• 7. Affordable and clean energy	2.5
• 8. Decent work and economic growth	1.8
• 9. Industry, innovation and infrastructure	0.5
• 10. Reduced inequalities	1.3
• 11. Sustainable cities and communities	12.1
• 12. Responsible consumption and production	0.2
• 13. Climate action	3.6
• 14. Life below water	0.4
• 15. Life on land	0.9
• 16. Peace, justice and strong institutions	0.4
• 17. Partnerships for the goals	2.0
Total monetary contributions	48.0

¹³¹ The breakdown of contributions to the community by SDG covers 98.2% of the figure reported, as it is not in all cases possible to establish a link between the initiatives and their contribution to an SDG.



The 10 targets for which the most contribution has been made through social actions in 2019 are described below:

<p>TARGET 11-4</p> <p>PROTECT THE WORLD'S CULTURAL AND NATURAL HERITAGE</p>	<p>TARGET 17-17</p> <p>ENCOURAGE EFFECTIVE PARTNERSHIPS</p>	<p>TARGET 7-1</p> <p>UNIVERSAL ACCESS TO MODERN ENERGY</p>	<p>TARGET 1-4</p> <p>EQUAL RIGHTS TO OWNERSHIP, BASIC SERVICES, TECHNOLOGY AND ECONOMIC RESOURCES</p>	<p>TARGET 4-A</p> <p>BUILD AND UPGRADE INCLUSIVE AND SAFE SCHOOLS</p>
<p>TARGET 4-4</p> <p>INCREASE THE NUMBER OF PEOPLE WITH RELEVANT SKILLS FOR FINANCIAL SUCCESS</p>	<p>TARGET 3-D</p> <p>IMPROVE EARLY WARNING SYSTEMS FOR GLOBAL HEALTH RISKS</p>	<p>TARGET 4-7</p> <p>EDUCATION FOR SUSTAINABLE DEVELOPMENT AND GLOBAL CITIZENSHIP</p>	<p>TARGET 5-5</p> <p>ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING</p>	<p>TARGET 13-3</p> <p>BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE</p>

Corporate volunteering programme

The Iberdrola group offers its workforce various volunteer opportunities within the framework of its Corporate Volunteering Programme, in which more than 7,489 volunteers participated during 2019. Created in 2006, it is today a global and international project aligned with the values of the group and its *Sustainability Policy*, which is intended to channel the employees' spirit of community service (solidarity) and motivate them to participate in social projects aimed at the integration of vulnerable groups, improving the environment and sustainable development.

The Programme is aligned with the Sustainable Development Goals defined by the United Nations for the 2015-2030 horizon, and especially focused on goals 3 (good health and well-being), 4 (quality education), 7 (affordable and clean energy), 10 (reduced inequalities) and 13 (climate action). The programme was recognised in 2018 with an Innovation Award during the IMPACT2030 summit, held at the United Nations Headquarters in New York in September 2018, recognising the innovative approaches of companies that make the most of their human capital, through corporate volunteering programmes, to move forward in achieving the Sustainable Development Goals (SDGs). Specifically, Iberdrola was selected for being a company that innovates to educate, inspire and unite employees around the SDGs in their community, and provides opportunities for them to be agents for change and achieve an impact, as well as for its exceptional commitment to move volunteers to action on the SDGs.

Iberdrola is also part of the governing board of Voluntare, the most important Spanish-speaking international corporate volunteering network, with a presence in both Spain and in Latin America. Our company strengthens its commitment to Corporate Volunteering as a Social Responsibility tool.

The company continues to be linked to the main international volunteering working groups and associations such as Voluntare, EVEN (Employee Volunteering European Network), IMPACT 2030, and IAVE, participating in international conferences where we share our good volunteering practices.

In 2019 we were part of the jury for the selection of the European volunteering capital, held in Brussels, the only company to be represented, together with members of the European Parliament, the Economic and Social Committee, the Council of Europe and the Committee of the Regions.

Other noteworthy [corporate volunteering](#) initiatives carried out last year were the following:

- The eighth edition of the **global INVOLVE (International Volunteer Vacation for Education) project**, which has offered training in new technologies to youths at risk of exclusion, with a two-week stay over the summer in Brazil or Mexico, respectively, of an international team of 34 volunteers from Spain, the United Kingdom, the United States, Brazil and Mexico, supported by local volunteers as an intercultural link.
- National and international volunteer days were organised, including **International Volunteer Day** held simultaneously in Spain, the United Kingdom, the United States, Brazil and Mexico which, under the motto *Together we build the world that we want! (¡Juntos construimos el mundo que queremos!)*, brought together more than 2,200 participants in more than 80 simultaneous initiatives in Spain, the United Kingdom, Mexico, the United States and Brazil and, for the first time, in Portugal, directed towards the fight against climate change, the inclusion of vulnerable groups and raising awareness about diversity. Volunteer Days were also held in Spain, inclusive environmental days with games and sports to encourage the normalisation and integration of persons with functional diversity.
- Iberdrola also launched the **“SDG to school”** initiative, a multi-company volunteering proposal to share the Sustainable Development Goals and the 2030 Agenda with schools to promote social commitment and active participation and citizenship by students. Some 3,500 children have already received training at various educational centres in Spain through the volunteers who participate in this initiative. In addition, we cooperate with the Department of Education (*Consejería de Educación*) of the Community of Madrid to provide material for this project to the educational community of this city, so that, by January 2020, Iberdrola will provide in-person training to teachers/professors at the five Territorial Innovation and Training (CTIF) centres in the Community of Madrid.
- In addition to disseminating and promoting the SDGs, 400 volunteers participated in forming a human wave representing the 17 SDGs at the Cibeles square in Madrid.
- Cooperation initiatives for development in African countries, within the framework of the **“Electricity for All”** programme, and its public-private partnership project to improve electric power supply at several refugee camps in Ethiopia.
- **“Iberdrola with Refugees”** has continued with its volunteering activities, giving support to the Integration Schools, promoted by Fundación para el Fomento del Desarrollo y la Integración (FDI) and in cooperation with the Spanish Commission for Assistance to refugees (CEAR), where 92 refugees have been able to take advantage of digital tools workshops, in addition to training in the Spanish language and adjustment to the environment, among other subjects.
- Professional volunteering materialised with initiatives such as **“Lights... and Action!”** together with Fundación Tomillo to provide energy efficiency training and develop the employability of youths from underprivileged environments, which has been updated to offer content that focuses

more on students' training itineraries, such as a new mentoring project for students of this programme by women Iberdrola employees to kindle a technical vocation in women. English classes have also been included, in cooperation with ScottishPower employees, to give it an international perspective. **"Know your Laws"** has favoured the integration of immigrants through courses offered by company employees with legal training.

- Climate action continued with global projects such as **"Fight against climate change"** in Spain, Mexico, and Brazil to raise awareness among youth on this problem through talks at school centres; since its inception, more than 17,200 children have been reached through more than 560 workshops given by Iberdrola Volunteers. In the United Kingdom, a training pack was developed for elementary school teachers and training was provided to 100 teachers in Western Scotland.
- Environmental care activities, cleaning of invasive species and reforestation in various cities in Spain, the United Kingdom, the United States, Brazil and Mexico, such as the 12th annual Tree Day in Spain, which has allowed for recovery of the Urdaibai (Biscay) Biosphere Reserve and thus continue with the "Iberdrola Forest" project, "The forest of life" in Navarra, cleaning of invasive plants in the Cies Islands. Reforestation in the Ribera de la Contraparada (Murcia), cleaning and reforestation of the Dunas de Gavá (Barcelona), repopulation at Palmés Santa Comba de Naves (Orense), clean-up of the banks of the Arlanzón River in Burgos, waste and micro-plastics clean-up in Azkorri (Bilbao) and on the Somo (Asturias) beach, and reforestation, maintenance and adaptation of the Paraje Natural Ermitorio de la Magdalena, in Castellón. Reforestation, maintenance and adaptation at Talamanca del Jarama (Madrid). "Reviviendo Tafalla" (Reviving Tafalla) where we carried out several activities to revive this area of Navarra that was devastated by the 2016 fire, "Reviving Fermoselle", maintenance and reforestation of this area devastated by a fire in 2018 (Zamora).
- Initiatives to free the environment of waste and garbage, such as "LIBERA", of SEO/BirdLife together with Ecoembes, with its great collaborative gathering of litter at various places in Spain to raise awareness concerning nature without trash. In addition, to commemorate Oceans Day, we held a microplastics clean-up day at the La Patacona (Valencia) Beach, together with groups of schoolchildren.
- Projects to offer a new life for unused objects, such as **"Solidarity Recycling"**, combining solidarity and environmental ends, such as collecting plastic caps or winter clothes at different international corporate offices.
- Provision of three IT schoolrooms in underprivileged communities in Brazil, Mexico and Equatorial Guinea that will allow for the education of the youths of these areas.
- International food collection campaigns, which have allowed for the collection of more than 20 tons of basic foodstuffs and children's products globally in 2019. One activity that was completed in Spain, Brazil and Mexico, with volunteer food distribution activities to families at risk with a goal of

Zero Hunger in mind, and with the distribution of kits with essentials in the United States and the United Kingdom.

- In Spain, the company participated in various sports competitions aimed at the integration of vulnerable groups, such as the **“Capacities Race”** (*Carrera de las Capacidades*), in favour of persons with disabilities, **“Run for Syria”** (*Corre por Siria*) in favour of Syrian refugees or **“Global 6k for Water”** for the construction of wells in Ghana. In Mexico, the race for the benefit of children and youths held by Fundación Mosaico Down to raise awareness concerning inclusion, the 5th One Kilo of Help with cause Race (*5ª Carrera Un Kilo de Ayuda con causa*) and the First International Day of People with Disabilities (*1er Día Internacional de gente con discapacidad*) in cooperation with Special Olympics. In the United Kingdom we participated, as we do every year, in the popular Race for Life events, where volunteers ran an obstacle course race in support of Cancer Research UK. In the United States, we participated in the Race in the Workplace Workshop with WomENergy for the Black History Month Speaker Series, and in Over the Edge, rappelling down a building in Connecticut to raise funds for the development of young people with Wakeman’s Boys & Girls Club.
- Activities to promote women’s independence and empowerment, such as the **Feminine personal defence workshops** held on **International Women’s Day** and on the **International Day for the Elimination of Violence against Women**: these workshops were held with two different groups: refugee women and women with intellectual disability. In addition, the **“In the fight against gender violence we all count”** (volunteering activity was carried out, based on the campaign Iberdrola conducted together with the Interior Ministry **“Don’t look away”**). The initiative was aimed at teenagers of the Tomillo foundation.
- We continued to be **“Future Builders”** (*Constructores de futuro*) of Children’s Villages for another year and continue to develop childhood support initiatives such as the donation of Christmas presents through the Red Cross in the **“Your rights at stake”** (*Sus derechos en juego*) campaign, **“A Smile for Christmas”** (*Una Sonrisa por Navidad*) together with Children’s Villages in Spain or **“Solidarity Tree”** (*Árvore da Solidariedade*) which has offered support for Brazilian institutions to assist the minors and old people who are part of their programmes. In Mexico, the donation of toys for cancer patients, co-existence activities with low-income children and youths with Down syndrome and intellectual disability with Fundación Mosaico Down. In the United Kingdom, support for charitable activities organised by British social entities such as Oor Wullies Big Bucket Trail, which helps hospitalised children in Scotland. In the United States, by donating toys to various family support organisations in the Giving Trees activity, as well as building houses with Habitat for Humanity in Massachusetts. Last, donations of warm clothes in the south and southeast of Brazil.
- Participation in the International Corporate Volunteering Week which, under the **“Give & Gain”** motto, offers visibility and promotes the role of corporate volunteering as an agent for social change.

- The *Volunteer Portal* continues to be the meeting point for all professionals of the group interested in social and community service actions, using a global and trilingual website. The *Volunteerism Newsletter* (*Boletín de Voluntariado*) has provided weekly information on activities.

Foundations

[ScottishPower Foundation](#), [Avangrid Foundation](#), [Fundación Iberdrola México](#), [Instituto Neoenergía](#) and [Fundación Iberdrola España](#) represent Iberdrola's commitment to sustainable development in the countries in which it does business. Pursuant to the Master Plan, the foundations have updated their mission, vision and values to include contribution to the Sustainable Development Goals (SDGs) among their purposes and principles. The 2030 Agenda, promoted by the United Nations General Assembly, provides a unique opportunity for global transformation leading to more inclusive development models. Along these lines, the foundations prioritise their focus on human development in order to define objectives linked to programmes and specific aims under the SDGs and to contribute to fostering positive changes for the most vulnerable people and for the planet. It should also be noted that they engage in specific partnerships with other cultural, social, scientific and cooperation institutions in all of the countries.



Iberdrola uses various indicators to measure the results achieved through its community support programmes. In its Master Plan for the 2019-2021 period, Iberdrola's foundations include in their guidelines the development of evaluation mechanisms that include a methodology adapted from LBG to measure outputs and impacts for its most important programmes and projects, which include direct contributions to the SDGs.



The results and achievements by country are available in Annex 1 Supplementary Information.

Training and Research Area

Its activities focus on young students, supporting their undergraduate studies, technical training or language studies. Education is a useful tool to promote sustainable development and these initiatives offer opportunities to youths with good academic backgrounds who do not have financial resources to engage in their studies. These projects contribute to the achievement of SDG 4 ("Quality education") with an investment of 3.5 million euros.

Support programme for studies

The foundations Master Plan takes a fresh approach in order to advance equality of opportunity for access to education by means of a new Support Programme for course studies that includes the following projects:

In the United States:

- *KVCC Lineworkers* (Maine) in the training of electricians, through scholarships in the *CMP Lineworker Technology Programme*, to train specialists while prioritising the inclusion of young women in the energy sector.
- *Monroe Community College Foundation – Salute to Excellence* (Rochester): scholarships for underprivileged students, giving them the opportunity to complete their higher education and overcome barriers to complete their university studies.
- Yale University School of Architecture (Connecticut) – through this programme, undergraduate architecture students can build and design focusing on the social action and community justice area. There are currently 30 homes in New Heaven as a result of this project.
- *BlueHub Capital – Working Communities Challenge & The Federal Reserve Bank of Boston* – In partnership with private, public and non-profit sectors, this is a programme focusing on research, design and implementation of assistance to enable communities to improve the quality of life of low-income residents, focusing on sustainable development, the increase of the economy, social inclusion and the reduction of poverty.

In Mexico:

- There is a programme of partnership with the Monterrey Technological University at its Altamira campus for the education of low-income youth in bachelor's and engineering degrees.
- Fundación Iberdrola México has awarded a total of 6 scholarships to underprivileged students at the Altamira Technical Training centre with the aim of achieving the inclusion of these vulnerable youths.

In Spain:

- Initiatives for linguistic immersion in English: the aim is to teach English to school students in their 3rd and 4th years of Compulsory Secondary Education. The selection of the students is made by the Education Departments of several Autonomous Communities that participate in the programme, according to objective criteria of academic excellence and financial resources. The programme promotes and facilitates the participation of students in rural areas, given that this is the profile of student that finds it most difficult to access this kind of training. Iberdrola offers its facilities over the summer and Easter periods as a venue for these courses. A total of 80 students and 22 teachers have participated in the summer courses in Castile and León, Extremadura and the Valencian Community.

Scholarships and research grants:

- Fundación Iberdrola España has awarded a total of 41 scholarships and grants, 20 of which focus on energy and environmental research. A call for scholarships has also been launched through Fundación Carolina to pursue energy and environment master's degrees at Spanish universities. And 3 Fulbright scholarships have been awarded for energy and environment master's degrees.
- Instituto Neoenergia in Brazil, through the CIEDS project, seeks to reduce educational inequalities among children and young people, directly supporting Municipal Education Plans. The initiative seeks to consolidate a network for the dissemination of innovative ideas and solutions through the standardisation of teaching practices that are in line with the ten General Skills of the National Common Curricular Base. In 2019, 1,111 teachers and educational directors from cities in the interior of Bahia and Sao Paulo participated in the training.

Biodiversity and Climate Change Area: conservation of birds, habitats and ecosystems

There were various partnerships with public institutions and entities engaged in environmental protection, contributing to the achievement of specific targets of the SDGs 13 ("Climate Action") and 15 ("Life On Land"), with an investment of 1.3 million euros.

In Spain, particularly noteworthy is the *Migra* project, aimed at monitoring the movements of migratory birds, in collaboration with the Spanish Ornithology Society, SEO/BirdLife. At the end of 2019, the programme had 388 birds tagged from 18 different species. Finally, several days were devoted to papers on the White Stork and the Bulwer Petrel.

Another important initiative is the partnership with Fundación para la Conservación del Quebrantahuesos (Bearded Vulture Conservation Foundation) with a view to studying the influence of climate change on this and other alpine birds. In 2019, several specimens of this species were released in the Picos de Europa National Park. This project makes it possible to strengthen the Cantabrian natural colonisation front and create a new stable reproductive nucleus outside of the Pyrenees to reduce the risk of extinction in the medium term. Species connectivity is also fostered to restore the Iberian population of the [Nature 2000 Network](#), which coincides with the colonisation front of the bearded vulture in the north of the peninsula.

The LIFE project with SEÖ Birdlifeproject, known as *Wetlands for Future*, consists of the restoration of 3 wetlands in the Community of Valencia, in Cantabria and in Castile-Leon and has a duration of 4 years (it will begin in September 2020 and end in August 2024). Currently, it has currently successfully concluded phase I, presented in June 2019. Stage II will be presented in February 2020.

The “Thermal stress linked to climate change and conservation of endangered predatory birds” project is being carried out in partnership with Fundación Aquila. This initiative has a two-year duration. To date, the results of the first year concerning the affected immunological defence capacity of predatory birds has been disseminated through scientific magazines and talks at schools of veterinary sciences of several universities (Valencia, Murcia, Cáceres and Madrid).

Also worth noting is the Iberdrola Forest Defence (*Bosque Defensa Iberdrola*) project, consisting of the reforestation of and military practice and firing ranges. To date, only the Renedo-Cabezón (Valladolid) Firing Range has been inaugurated, but there are two other ranges in process (Cádiz and Albacete), which will be opened in 2020.

In the United Kingdom, Sussex Wildlife Trust, is carrying out an educational and environmental project at a small natural reserve in Brighton in order to improve the natural habitat at Deneway Natura Reserve, supporting and improving the diversity of species and sustainable development.

In the United States:

- Riverkeeper (New York): the purpose of this project is to protect the environment and the recreational and commercial activities of the Hudson river and its tributaries, in addition to protecting the drinking water of the 9 million residents of New York and the Hudson Valley.
- Wildlife Works – Wildlife Protection Program (Pennsylvania): a scholarship granted by the Avangrid Foundation that allows Wildlife Works to purchase state-of-the-art technology. These new computer systems will make it possible to improve communications and meet business management needs.
- Oregon Zoo Foundation (Oregon): a project to carry out restoration activities and improvements at the Oregon Zoo California.
- Trust for Public Land (Connecticut): for the purpose of scheduling, designing and building a waterfront promenade some 20 miles long along the entire North coast of Bridgeport.
- Will Steger Foundation – Climate Change Generation (Minnesota): outreach to people and communities to participate with solutions to mitigate climate change.
- Gulf of Maine Research Institute or Other Offshore Investment (Maine): multi-annual agreement with the GMRI focussing on the “Advancing Ocean-Climate Research: Strengthening community capacity for science-based decision-making.” This assistance will support scientists who are part of the GMRI and who are doing research on resistance to climate change in the fishing and other coastal industries.
- Connecticut Public Broadcasting (Connecticut): in partnership with CT Public Broadcasting, Sustainable CT and the Tremaine Foundation, people and communities will be informed, educated

and made more aware in order to enable them to use teamwork to create and maintain sustainable communities.

- Red Creek Wildlife – Wildlife Protection Program (Pennsylvania): the goal of this project is to finance the construction of an outside complex for small birds of prey, including: American Kestrels, Screech Owls, Saw Whet Owls, Merlin Falcons, Sharp Shinned and, especially, Cooper Hawks, which require special cages.

In Mexico:

- On land located near the Industrial Port zone of Altamira, a project continues that is devoted to the conservation of felines, which aims to ensure the survival of a number of jaguars, jaguarondis, ocelots and bobcats that inhabit the region. Progress has been made in the creation and demarcation of biological corridors facilitating the safe passage of these animals in danger of extinction.
- The conservation of the Mangrove, another project developed by Fundación Iberdrola México, is intended to ensure the survival and encourage the increase of flora and fauna in the mangrove ecosystem through constant monitoring, research and demarcations that ensure permanence there. Another initiative is the conservation project Parque Estatal Cañón de Fernández, in partnership with PRONATUR, to protect biological and ecological processes in the area and provide environmental services in the ecosystems of the state park.

In Brazil:

- Of note is the *Flyways* project for the conservation of wader birds and endangered species. In collaboration with *Save Brazil*, support is also given to a project devoted to the conservation of endangered birds in the area of Río Grande do Norte.
- The CORALIZAR project of Instituto Neoenergia developed by WWF-Brazil is intended to generate and share knowledge concerning the restoration of coral, as well as promoting innovative initiatives to enlarge the coral restoration agenda.

Art and Culture Area: programmes for lighting, restoration and support to museums

This area partners with cultural entities, prestigious museums, public institutions and religious entities to promote culture, as well as to restore and preserve the artistic heritage, favouring local development. This directly impacts SDGs 8 (“Economic growth”) and 11 (“Sustainable cities and communities”) with an investment of 1.7 million euros.

The Lighting Programme of the foundations of Iberdrola is mainly focused on improving the interior and/or exterior lighting of remarkable buildings, to showcase the historical-artistic heritage.

The use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75% more than conventional bulbs) and reducing maintenance expenses. The most significant projects in 2019 were the following:

- In the United States, Avangrid Foundation has sponsored lighting and restoration projects at the Barnum Museum Foundation (Connecticut), completing restoration stages IV and V. Another project was carried out in Wadsworth, with the lighting and restoration of monuments such as the statue of Nathan Hale, providing educational resources concerning the sculpture and its restoration process.
- Fundación Iberdrola México champions the MUNAL Programme to light halls in Mexico's National Museum of Art (MUNAL), improve energy efficiency and play a role in conserving its works of art.
- Fundación Iberdrola España has launched and completed major projects: lighting of Salamanca Cathedral, of the Fonseca School, of Ávila Cathedral and of the Grand Staircase of the General Navy Headquarters. Work continues on the projects of the Santiago Cathedral, the Palencia Cathedral, the CESEDEN façade, the Talavera de la Reina Basilica, the Supreme Court in Madrid, the Main Altarpiece of the Old Salamanca Cathedral, Valdepeñas Church and the Guadalupe Monastery.
- Through its lighting programme, Instituto Neoenergia carried out the lighting of the Façade of the Memorial Cámara Cascudo, in Natal, focusing on local development and sustainable tourism.

Also in Spain, the Iberdrola Museum Programme collaborates with the Restoration Workshops of the Prado Museum and the Bilbao Museum of Fine Arts for the conservation of paintings, sculptures and works of art on paper at their art galleries. The Bilbao Fine Arts Museum has also promoted the *Art to Touch* Programme for persons with disabilities, especially those who are visually handicapped.

The following projects have been completed within the exclusive scope of the Restoration Programme: Their Majesties' Retiring Room (Prado Museum), the Villamentero de Campos Altarpiece (Palencia), the Library of the San Millán de la Cogolla Monastery and the Salamanca University Chapel.

Another significant restoration initiative is the **Atlantic Romanesque Plan** involving church buildings in Spain and Portugal. Fundación Iberdrola España, together with the Ministry of Culture of Portugal and the Governing Council of Castile-Leon, carries out an ambitious restoration project of a set of Romanesque art monuments in both countries, which will affect 24 churches located in the north of Portugal and Salamanca and in Zamora, near the Duero and Támega rivers. Specifically, it will act on 13 temples in Portugal and 11 in Spain. The Plan also includes other activities supplementing strict measures regarding

heritage. These are educational, cultural and tourism projects with which the Plan builds a network of synergies and contributes to the achievement of a number of other aims, such as the implementation of R&D projects, the creation of networks for research and the exchange of experiences and the strengthening of a common European identity.

In the Exhibitions Programme, the most significant exhibition in 2019 was ***The Prado in the Streets***. This was an educational exhibition consisting of fifty actual-size photographic reproductions of the most emblematic paintings of the Prado Museum held in Elche, Éibar, Cartagena, Palencia, Jerez de la Frontera, Zamora and, currently, in Albacete. Other exhibitions were also held at the Sorolla Museum: *Sorolla Tireless Illustrator (Sorolla dibujante sin descanso)* and *Sorolla in small scale (Sorolla en pequeño formato)*. The Art and Culture Outreach Programme has the ScottishPower Foundation as a benchmark. The following initiatives were supported in 2019:

- *SEND a Message (Llangollen International Musical Eisteddfod)*, is based on previous work to promote art education, reduce inequality of opportunity and make Eisteddfod a truly inclusive event. This project will improve the skills and confidence of participants that face difficult circumstances and will result in the creation of a unique music and dance presentation that celebrates diversity. The project will also enhance the dimension of culture, beliefs and community commitment, and will promote respect and understanding.
- *The Takeover Team (The Customs House)*. Financing will make it possible to hold a festival of more than one week for young people to allow them to develop and demonstrate their corporate skills.

The projects implemented by Avangrid Foundation include the following: The *International Festival of Arts & Ideas* (Connecticut) aimed at creating and producing plays with a special focus on community and education, and the Rochester International Jazz Festival (New York), which is internationally acclaimed, attracts a large and diverse audience. Finally, through Barrington Stage Company (Massachusetts), Avangrid Foundation develops the *Playwright Mentoring* theatre programme, which offers teenagers at risk (13 to 19) a safe place where they can talk about the serious challenges in their daily life, using their own life stories as a basis for creating original plays. Also worth noting is Geva Theatre Center (New York), devoted to the creation and production of plays and the implementation of programmes and services aimed at outreach and education.

Cooperation and Solidarity Area

There were several partnerships with non-profit institutions, foundations and development agencies to promote social and humanitarian projects aimed at the most vulnerable persons and which contribute to

the achievement of specific aims of SDGs 1 (“No poverty”), 3 (“Good health and well-being”), 5 (“Gender equality”), 7 (“Affordable and clean energy”) and 10 (“Reducing inequality”), with an investment of 4.8 million euros.

Iberdrola’s foundations consolidate their *Social Programme* in order to contribute to improving the quality of life of the most underprivileged groups, with a special focus on infants, youth and women. The programme works with non-profit institutions devoted to eradicating child poverty, fostering education as a useful tool for youths, promoting the social inclusion of persons with disabilities and improving the quality of life of persons who are seriously ill and their families.

Spain:

In 2019, there were 60 alliances with non-profit social organisations and local institutions to promote 32 finalist projects, with a positive impact on 65,000 beneficiaries, and an investment in excess of one million euros, which has entailed the creation of one hundred direct jobs. The programme works along three lines of action, including the following partnerships:

Projects to eradicate child poverty

Fundación Balia por la Infancia	“Balia” classrooms for boys and girls at risk of social exclusion
Save the Children Foundation	Fight against child poverty and social and labour insertion focused children, teenagers and families at risk of social exclusion at the Save the Children intervention centre in Illescas.
Fundación ADSIS	Transition to adult life services
Fundación Aldaba - Proyecto Hombre (FAPH)	Forum Game: Learning and service programme to promote youth recreation
Asociación Ciudad Joven	School, leisure and free time for social inclusion of minors, children and teenagers in vulnerable situations
Candelita	Training and Employment
Fundación Altius Francisco de Vitoria	Youths in the kitchen. Social and occupational inclusion of 250 unemployed youths at risk of exclusion
Fundación Tomillo	Training in energy efficiency aimed at vulnerable youths as drivers of social change
Fundación Amigó	Living together: prevention of violence among teenagers and their families in Euskadi and Madrid
FUNDACIÓN ANAR	Intervention regarding minors who are victims of gender violence through the ANAR phone line
Fundación Ayuda en Acción	<i>Re-Ilumina</i> : equal opportunities for a quality education
Fundación Ilundain Haritz Berri	Bizi-Baso, the forest of life
Fundación Etorikintza	Integration and young enterprise
ASOCIACIÓN COLUMBARES	Comprehensive care for socially vulnerable minors

Projects focused on the autonomy of persons with disabilities:

Fundación Upacesur Atiende	Development of personal and psychosocial autonomy of children and young people with cerebral palsy through medical and functional rehabilitation
Asociación Síndrome de Down de Asturias	Labour training and integration project
Fundación Solidaridad del Henares Proyecto Hombre	Treatment and reinsertion programme for persons with alcohol addiction problems
Fundación Síndrome de Down de Madrid	Social entrepreneurship as a component of personal development and the occupational inclusion of youths.
Asociación El Despertar	We take care of you (<i>Te cuidamos</i>)
AMAMEC-Asociación de mujeres afectadas por el cáncer de mama de elche y comarca	Much to live for (<i>Mucho por vivir</i>): psychological, physical and social care
Asociación para a Atención e Integración de Personas con Discapacidad Intelectual-Autismo (AMICOS)	<i>Amigos</i> : training for people with disabilities
Asociación Promotora de Personas con Discapacidad Intelectual y del Desarrollo Adultas (ASPRODEMA)	Support resource centre building bridges with the community
ASOCIDE-Asociación de Sordociegos de España	Guides-interpreters for deaf and blind people: communication is possible
ANFAS-Asociación Navarra en favor de las Personas con discapacidad intelectual o del desarrollo	Implementation of the "Model focused on families and natural contexts" in the service of early attention (3-6)
GUERAK INKLUSIO FUNDAZIOA	New Steps: labour inclusion
ASIDO Cartagena	I want to live my own life (<i>Quiero vivir mi propia vida</i>)

Projects focused on the autonomy of seriously ill persons

Fundación Alcándara PH Salamanca	Therapeutic intervention for comorbidity, addictions and psychiatric disorders
ASPANION-Asociación de padres de niños con cáncer	Psycho-social and financial support for children with cancer and their families
Fundación Noray-Proyecto Hombre Alicante	Psycho-social and financial support in the treatment of persons affected by addictions
AECC-Asociación Española Contra el Cáncer	Emergency social support for families at risk of social exclusion due to oncological illness.
Fundación Menudos Corazones	Integration through leisure and free time programme for children, teenagers and young people with heart disease
Asociación Bizitegi	Temporary housing for homeless women

In the United Kingdom:

- **Bangor University:** The ReachingWider association focuses on higher education for vulnerable people in Wales. Its Bright Sparks initiative aims to encourage and inspire students and help them achieve their potential in the science, technology, engineering and mathematics (STEM) schools across the six regions in North Wales.
- **Adventure for All:** The Bendrigg Trust is an outdoor education centre working specifically for disabled people. Its goal is to help them integrate into society, achieve independence and become healthier through adventure activities and spending time away from home.

- **Theatr Clwyd Development Trust:** the “Crime Prevention Pathway” programme combines 3 different criminal justice educational programmes: “Justice in a Day”, “Connor’s Time” and “Junior Justice”. The programme uses professional actors to dramatise situations, to thus achieve greater realism and impact. Each project explores the typical areas of concern affecting young people in connection with the criminal justice system in an interactive manner. The entity has held “Junior Justice” workshops for more than 500 students and teachers in North Wales, from Wrexham to Caernarfon. Participants have described these workshops as highly interesting and motivational.

In the United States:

- **Operation Fuel:** Ensures that struggling families have access to year-round energy in more than one hundred towns across Connecticut. Local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such as distribution of food, clothes, etc.
- **RAINN – National Partner:** an initiative committed to protecting vulnerable persons, including victims of sexual violence. One of the most important social projects in the United States.
- **Habitat for Humanity – National Partner:** National partnership to support the construction of social housing as well as their owners, providing efficient and sustainable energy to the most needy communities.
- **Working Cities Challenge:** support for the most underprivileged persons.
- **National Building Museum – “Evicted” Exhibit**

Mexico:

- **Education with Energy:** training workshops for the most vulnerable children, teachers and heads of household to improve the quality of education. There were more than 45,000 beneficiaries in 2019, and more than 2,000 heads of household, teachers and students were educated.
- **Educational Infrastructure:** construction and equipping of suitable educational infrastructure spaces.
- **Social and Community Support:** support to public institutions and civil associations that have a positive impact on the local communities in which we have a presence.
- **Urological Brigades in the south southeast:** complex urological surgery brigades for low-income women in the state of Oaxaca. Collaboration event with the Oaxaca Health Secretariat, Highly Specialised Regional Hospital in Oaxaca and Fundación Miguel Litton. In 2019 there were:
 - 60 complex surgeries.
 - A lecture cycle and workshops for physicians, nurses and students.
 - 6 international scholarships in 5 years (3 months’ stay).

- **Lights of hope:** offer electrification solutions with solar energy to rural communities without access to electric power in Huasteca Potosina, San Luis Potosi. The following were achieved in phase 1 of this project:
 - Electrify 5 communities in Tamazunchale and San Martín Chalchicuautia.
 - 500 beneficiaries
 - Environmental education workshops in the electrified communities in alliance with ConcentrArte A.C.
- **Build to Educate:** alliance with Instituto de Energías Renovables of the Universidad Nacional Autónoma de México and with Universidad Tecnológica de los Valles Centrales de Oaxaca to motivate the women of Oaxaca to study technical careers and engineering.

Brazil:

- **DroPS:** the goal of DroPS is to present the social ecosystem for 50 ideas and projects with an impact and provide training on relevant matters for the maturing thereof.
- **Impactô:** the aim of the programme is to promote initiatives, projects and social businesses for the development of its management processes and to boost social impact through lectures and courses. The initiative is developed in an alliance with the Ekloos institute, an expert on the subject.

International Cooperation Programme for Human Development

The International Cooperation Programme addresses humanitarian crises and promotes multi-sector alliances in order to foster sustainable development and overcome situations of extreme poverty through the electrification of basic social infrastructures (schools, health centres and community areas, etc.), providing education and technical training components that will lead them to carry out productive and local development actions, with particular attention on the provision of help in emergency humanitarian crises.

The most significant alliances are:

- **Shire Alliance.** Access to energy for refugee population and host communities”, an alliance formed by the companies Iberdrola and Signify, Fundación acciona.org, Centro de Innovación en Tecnología para el Desarrollo Humano of the Technical University of Madrid (itdUPM) and Agencia Española de Cooperación internacional para el Desarrollo (AECID), in partnership with ACNUR, with a view to finding sustainable solutions for access to energy for the refugee or displaced population.
- In the United States, the company continues to work with the Red Cross (American Red Cross Disaster Relief) to help victims and contribute to reconstruction in the affected areas of Puerto Rico.

Iberdrola and the Global Compact

Iberdrola has been a member of the Global Compact since 2002, undertaking to support, promote and disseminate its ten principles regarding human rights, labour practices, the environment and the fight against corruption, both internally and within its area of influence. The company has continued to further develop the policies proposed by the Compact, which it has made public through its annual *Statement of Non-Financial Information. Sustainability Report* and its corporate website.

Since 2004, as a founding member, the company has belonged to the *Red Española del Pacto Mundial* (Spanish Global Compact Network), and has prepared progress reports on compliance with the principles of the Compact, which are publicly available both on the website of the *Red Española del Pacto Mundial* and on the UN Global Compact website

During 2019, Iberdrola took the following actions in connection with the Global Compact:

- Submission of the Progress Report 2019 on compliance with the principles of the Compact, rated at the highest level for this type of report (“GC Advanced”).
- Attendance at the 2019 General Assembly of the Red Española.
- Iberdrola participated with the Global Compact on numerous initiatives to promote and develop the SDGs, which can be seen in the “Iberdrola’s contribution to the SDGs” section of chapter I.
- Participation in the main proceedings of the United Nations Climate Action Summit in September 2019 in New York; worthy of note was our leadership in the area of mitigation of climate change.
- Within the framework of the Chile Climate Summit – COP25 – held in Madrid (Spain) in December 2019, Iberdrola promoted all climate action activities of the organization; particularly noteworthy was the collaboration within the framework of the *Moving for Climate NOW* initiative and participation in a high-level event (“High Level Meeting Caring for Climate”), with the presence of the UN Secretary General and world leaders of governments, companies and international organisations.
- The company was identified as a LEAD company for its high levels of commitment as Participants in the United Nations Global Compact.
- It also participates actively in the main platforms and initiatives at the global level, including: the climate action platform (“*Caring for Climate*”) (where Iberdrola has been the main partner since its inception), the “*Business Ambition for 1.5°C - Our Only Future*” declaration in support of a zero emissions goal by 2050, the SBTi (*Science Based Target initiative*), *CEO Water Mandate*, etc.

As mentioned above and shown both in these joint activities and in its daily work, Iberdrola has incorporated the SDGs within its business strategy and By-Laws and actively works with the Global Compact to contribute to the achievement thereof, within its scope of activities.

In 2020 Iberdrola will continue to actively participate in the activities of the Red Española del Pacto Mundial in a manner similar to the past years.

II.6. Promotion of Socially Responsible Practices in the Supply Chain

- Description of the supply chain
- Sustainable management of the supply chain



Priorities of the Sustainable Development Plan



Description of the supply chain

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

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

Both processes are guided by the same principles emanating from the corporate policies and the Code of Ethics. However, each of them has specific characteristics in their various phases: registration and classification of suppliers, bidding process, execution of contracts, monitoring of contractual terms, and quality control.

Procurement of material and equipment and contracting of works and services

The mission of the group's Purchasing and Insurance Division is to establish the strategy and procedures for and to supervise the purchasing of equipment and material (other than fuel), as well as works and services contracts and insurance programmes (other than life and casualty, health and pension insurance) for the entire Iberdrola group, meeting the strategic goals established by the Board of Directors and respecting at all times the company's Corporate Governance System:



“Efficiency in costs, strategic alignment with the Iberdrola group and ethics guide our activity of purchasing, contracting and management of operational risks”

The group's high purchasing volumes are a driver of growth for those countries in which the company engages in procurement, favouring their business, industrial and social development through the creation of employment at service providers and their auxiliary industries.

Iberdrola placed orders with approximately 22,000 suppliers during 2019. A breakdown of the economic and geographic volume is set out in the following table:

General supply of equipment, materials, works and services (€ millions)

	2019 ¹³²	2018	2017
Spain	1,815	1,564	1,406
United Kingdom	2,014	1,775	1,663
United States	2,583	1,945	2,467
Brazil	1,622	1,335	1,500
Mexico	510	957	902
IEI	173	177	676
Total	8,716	7,753	8,614

These figures were significantly affected in 2019 by the volumes invoiced by suppliers relating to offshore wind energy projects in the United Kingdom, onshore wind in the United States and photovoltaic solar in Spain.

Procurement of fuel

Iberdrola dedicated more than 3,200 million euros to the procurement of natural gas (including both natural gas and liquefied natural gas) and uranium in 2019. Uranium is procured in Spain and only through Empresa Nacional del Uranio (Enusa). Natural gas is procured on the international market, mainly through long-term commercial relationships with approximately 10 large domestic and international suppliers and market operators (producers and traders). There were no purchases of coal during 2019, as the facilities are in the process of closure.

¹³² Volume billed during the financial year. Amount awarded in 2019: €12,823 M

With respect to gas procurement under long-term contracts, in June 2019 Iberdrola reached an agreement for the sale of its portfolio of long-term contracts for the supply of liquefied natural gas to the company Pavilion Energy, effective from 1 January 2020.

Procurement of fuel (millions of euros)

	2019	2018	2017
Coal	0	44	104
Natural Gas	3,210	3,249	3,274
Uranium	70	36	54
Coal	0	44	104

Spending on local suppliers

Iberdrola follows a local supplier strategy for its strategic contracting that has allowed for the creation of indirect employment and the maintenance of a strong industrial fabric in the geographical areas in which it does business.

The following table shows the percentage volume of purchasing from local suppliers:

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Procurement or contracting of materials, equipment, works and services from local suppliers¹³³ (%)

	2019	2018	2017
Spain	79	85	88
United Kingdom	84	71	85
United States	98	97	98
Brazil	99	100	100
Mexico	76	69	60
IEI	50	65	76
Total	89	85	88

¹³³ Suppliers registered in the main countries in which Iberdrola does business are considered to be local based on the Tax ID assigned to the supplier.

Sustainable management of the supply chain

Contribution to SDGs of the performance described by the indicators of this section



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Promotion of sustainability and social responsibility

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

2019 has been a key year for the improvement and digitisation of Iberdrola's Purchasing Division. The transformation of the purchasing and supplier management platform has started, with significant changes: the technological change in the bidding tool to an SAP-ARIBA cloud solution and the design and launch of a new Supplier Management System through a new global platform.

The launch of this new platform will involve the gradual replacement of the Iberdrola group's previous supplier registration and classification systems in different geographical areas.

More information is available at <https://www.iberdrola.com/suppliers/tenders>

Factors evaluated for supplier classification

Iberdrola looks for sustainable, transparent, fair and ethical suppliers and providers. We therefore evaluate suppliers during the purchasing process in order to identify potential risk. We confirm that their modus operandi is aligned with the group's policies, principles and responsibilities.

The following factors are evaluated for supplier classification:

REQUIREMENTS

TO BE QUALIFIED AS A SUPPLIER

**SUPPLIER'S ACCEPTANCE OF THE CODE OF ETHICS**

This contains the ethical principles that they must accept before entering into their contractual relationship.

COMPLY WITH THE LEGISLATION OF EACH COUNTRY IN WHICH IT OPERATES

Compliance with the applicable legislation in each of the countries in which the Iberdrola Group carries out its activities.

**STABILITY**

Evidence of a stable financial situation, that there is no credit risk.

SUSTAINABILITY

Environmental performance, Human rights, ethics, SDGs, etc.

**THIRD PARTY LIABILITY**

For certain contracts, a third party liability insurance policy appropriate to the needs will be required.

New supplier sustainability evaluation model:

During 2019, the Purchasing Division designed, tested and launched a new supplier sustainability evaluation model to replace the previous *CSR Scoring* model.

This new model has been adapted to the international reality of the Iberdrola group and is organized based on three fundamental pillars of sustainability, which together comprise the acronym ESG: Environmental, Social and Governance.

The supplier evaluation is more detailed and demanding than in the previous scoring model, as it includes supplier performance in areas with a significant driving effect: identification of targets related to the Sustainable Development Goals (SDGs), management of climate change risks, circular economy strategy, human rights due diligence, etc.

The supplier must provide supporting evidence and documentation for its statements and performance.

The model has been agreed upon with internal stakeholders: Social Responsibility, Compliance, Sustainability and Environment Divisions, as well as having been validated by Forética, a specialist external entity with expertise in the area.

The following information is assessed as part of the three dimensions analysed:



Following the analysis, suppliers are classified within one of the following four levels:

Classification of suppliers based on ESG profile

Range 0:100	Level	Actions to be implemented
< 25 points	Low sustainability performance	Establishment of improvement and monitoring plan
25:50 points	Medium level, scope for improvement	Feedback to supplier with key points to be implemented
50:75 points	Medium-high level, above-average performance	Reinforcement measures
>75 points	Exceptional level, best practices	Reinforcement measures

The information required to classify suppliers representing over 5,000 million euros of purchases was gathered in the same year as the design, development and launch of the new model.

Improvement goals have been established throughout the Purchasing Division team for 2020 relating to the increase in purchases from analysed suppliers and the introduction and monitoring of improvement plans for suppliers obtaining scores of less than 35 points.

Consequently, the supplier is motivated to improve its profile by actions promoting excellence in business management, as well as the Purchasing Division being incentivised through quantifiable objectives to choose those companies showing good performance in social responsibility or making a commitment to improve.

There were 186 social audits of suppliers during the year. Suppliers with non-conformities in the process have a specific period within which to correct the deficiencies found. The goal of on-site audits is to be confident that the supplier has complied with all the requirements to be able to minimise risks in the areas of human resources, environment, quality assurance, occupational risks and corporate social responsibility.

Fuel purchasing is also subject to the general principles of Iberdrola's sustainable development policies, which are intended to encourage suppliers to engage in activities that are socially responsible, respectful of the environment and preventive of occupational risks.

For this purpose, Iberdrola carries out an internal evaluation of its main fuel suppliers in accordance with economic, logistical, environmental and social standards. The following aspects are assessed: the existence of an environmental policy, information regarding CO₂ emissions, emission reduction initiatives, energy efficiency, biodiversity conservation, occupational health and safety, equal opportunity, human rights and ethical behaviour (anti-bribery and anti-corruption practices).

When establishing supply contracts, apart from agreeing on contractual elements that respect the law applicable in the countries involved in the transaction, Iberdrola negotiates the inclusion of clauses regarding social responsibility, and all contracts for imported coal and uranium currently have these types of clauses. The inclusion of these clauses will be negotiated for the new natural gas contracts.

Although it is not currently a member, until the end of 2018 Iberdrola belonged to the international BetterCoal platform, which includes some of the leading European coal-purchasing energy companies. The aim of this platform is to set a standard for ethical, environmental and social conduct; evaluate the conduct of producers through audits; create a database with the results of such evaluations; and improve producers' actions. It is important to note that in 2019 Iberdrola ceased to belong to the platform as it has no intention to remain in the coal market after the proposed closure of its last two coal-fired plants.

The company received no external complaints through authorised channels with respect to its supply chain during 2019, and it has not cancelled any supply contract or order upon grounds relating to human rights, corruption, labour practices or environmental practices.

Supplier environmental assessment

GRI 308 308-1 308-2

Alignment in Purchasing and in supplier management with respect for the environment and sustainability:

Internal Procurement Mechanisms		External Supplier Mechanisms	
Purchasing Policy	Sets out principles on the environment that suppliers must follow and sustainable and responsible management in the Iberdrola group's supply chain	Code of Ethics	Includes environmental principles. Must be accepted by the Group's suppliers and is attached to orders and contracts
Supplier Registration and Classification	Environmental certification weighted in the overall assessment of the supplier. Must accept Iberdrola's Environmental Policy	Specificity	Environmental clauses that suppliers must comply with during the term of the contract.
Bid Process	The environmental assessment of the supplier is included during the TECI (offer evaluation) phase and in the PA (proposed award) for purposes of the contract.	Stimulus Campaign	As a business driver, we proactively promote the environmental certification of the suppliers, supporting them in the search for excellence and generating a multiplier effect.
Annual Improvement Plans	Innovative aspect: annual improvement goals directly relating to improvement in sustainability of suppliers established for the Purchasing team and linked to variable remuneration.	Green Payment Mechanism	Regular supplier greenhouse gas measurement campaign.
Vendor Environmental System	The Procurement Division is part of Iberdrola's Global Environmental System Committee: monitoring of environmental guidelines, established goals and related indicators. Audits.	Sustainability Evaluation Map	Includes environmental aspects: biodiversity, circular economy, risks of climate change, etc. Evaluation of suppliers, quantifying their relative position based on their management.
Reporting	Contribution to Sustainability infographic and Annual Procurement and Supplier Management Report, published on the corporate website.	Supplier of the Year Award	Environmental category: this promotes the environmental responsibility of suppliers and publicly recognises those who stand out in this area.

At the end of 2019, purchases from suppliers with an environmental management system represented around 73% of all procurement orders issued (general suppliers). Fuel suppliers with an environmental management system represented 80% of those evaluated.

100% of suppliers (both new and existing) of general supplies and significant suppliers of fuel are evaluated according to environmental and sustainability criteria.

The main environmental risks are considered to be managed through the current management systems and periodic audits.

No supplier with a significant negative environmental impact has been detected. Furthermore, Iberdrola does not have major suppliers located in areas with water stress.

Supplier social assessment

GRI 414 414-1 414-2 407-1 408-1 409-1

The contracting terms of the group for purchasing equipment, material, works and services, as well as the coal contracts, include specific supplier corporate social responsibility clauses based on the UN Universal Declaration of Human Rights, the conventions of the International Labour Organization, the principles of the Global Compact and compliance with the Code of Ethics. In the case of other fuels, the company's goal is to include such clauses as it enters into the new contracts.

During the term of the contract, the supplier must allow Iberdrola to review the level of compliance with the principles established in the contracts, and if non-compliance is detected and corrective plans are not adopted, the company reserves the right to cancel the contracts.

100% of the suppliers of general supplies (both new and existing) and major suppliers of fuel (the majority under long-term contracts that are still in effect) are evaluated following such management approach, and their significant risks for labour practices and human rights in relation to their impacts on society are managed through the quality processes that have been implemented and through regular audits.

23% of general purchasing has been made in countries in which there might be a risk of human rights violations, according to the sources consulted. In 2019, the percentage with respect to fuel procurement was 53%. In addition, as described in the "Ethics and integrity" section of chapter II.7, the company believes that the calculation should exclude purchases of fuel in Mexico and Brazil because they are made in strongly regulated environments that require contracting with state-owned companies. Excluding both countries from the calculation, the percentage of fuel purchases in at-risk countries would decrease to 13%. The standards used to identify countries at risk are the same as those described in the "Protection of human rights" section of chapter II.5.

There was no identification in 2019 of any contracting with suppliers that has generated incidents relating to freedom of association, collective bargaining, or the use of child or forced or compulsory labour, nor is there evidence of receiving complaints on these grounds. Nor have suppliers been detected with a material negative social impact, or incidents reported through the channels established for such purpose, resulting in the cancellation of orders or of contracts with group suppliers due to negative social impacts.

Alignment in supplier management using human rights standards

Internal Mechanisms		External Supplier Mechanisms	
Purchasing Policy	Promote strict compliance by suppliers with contractual terms and conditions..., with special attention on the principles established in the Policy on Respect for Human Rights.	Code of Ethics (Suppliers' Clause)	LABOUR PRACTICES: respect the protection of internationally recognised fundamental human and workers' rights within their sphere of influence (forced labour, child labour, etc.)
Supplier Registration and Classification	Acceptance of Suppliers' Code of Ethics Weighting of status regarding CSR, labour practices and respect for human rights.	Specific T&Cs	Specific contract clauses relating to supplier social responsibility based on the UN Universal Declaration of Human Rights, the ILO Conventions and the principles of the Global Compact
Sanction List Screening	Blocking and remediation plan if a supplier has been sanctioned or there are indications of human rights violations in their activities	Stimulus Campaigns	As a business driver, suppliers are stimulated in areas of common interest as a vehicle to ensure reliable and responsible conduct throughout the supply chain
Annual Improvement Goals	Innovative aspect: annual improvement goals directly relating to supplier CSR improvement established for the Purchasing team and linked to variable remuneration	Modern Slavery Act (United Kingdom)	Classification protocols and audit of suppliers in accordance with contractual clauses in significant contracts
CSR Committee and Plan	The Purchasing Division is part of the group's CSR Committee: guidelines, established goals and related indicators	Sustainability Evaluation Model	Specific section to evaluate supplier performance in observing and respecting human rights
Transparency & Reporting	Purchasing indicator in at-risk countries <i>Contribution to Sustainability</i> infographic and <i>Annual Purchasing and Supplier Management Report</i> published on the corporate website	Supplier of the Year Award	Promoting supplier commitment and improvement and publicly recognising those whose performance stands out

Evaluation of supplier risks

Suppliers are considered a strategic stakeholder for the Iberdrola group and the Purchasing function designs, proposes and implements several policies and mechanisms to ensure transparent, comprehensive and responsible supply chain management and to mitigate risks:

- *Code of Ethics*: principles of conduct that bind the group in its relations with third parties and that contain specific principles of conduct for suppliers that match the principles and values of the group. The code is attached to orders and contracts.
- Purchasing policy and procedure: global framework for the control and management of risks and opportunities arising from purchasing.
- Purchasing terms and conditions. Contract clauses:
 - Require the parties to act within the most stringent levels of safety, occupational risk prevention and environmental protection.
 - They include specific clauses on supplier corporate social responsibility and respect for human rights.
 - They include the rejection of any fraudulent practice or corruption.

The purchasing process guarantees the evaluation of counterparty risks in decision-making during a bidding and tender process.

Evaluation of supplier risks, set out in the *Purchasing Policy*

Credit Risk “In significant Purchases or tenders, a **Supplier credit risk assessment** shall be required in order to ask for sufficient contractual guarantees to ensure obligations are met”.

Fraud Risk “Depending on the nature and amount of the object of the tender, a **Supplier fraud risk assessment** must be carried out, the result of which shall determine the level of approval required to start the relationship”.

Cybersecurity Risk “Processes shall be included to identify and establish **cybersecurity requirements** that would mitigate the risks associated with access by Suppliers and their potential subcontractors to information or to IT systems and services and communications of the group”.

CSR Risks “[...] priority will be given to those Suppliers that have **advanced management systems**, certified by a third party and, in particular: (i) Environmental Management System; Quality Management System; (iii) Occupational Risk Prevention System; (iv) Corporate Social Responsibility Action Plan; and (v) Internal Code of Ethics.

Risks relating to human resources “[...] Suppliers shall be requested to state in their bid the work they propose to subcontract, as well as the names of **potential subcontractors**, for purposes of analysis in the context of evaluating the bid”.

Tax Risk “No contract may be entered into with a supplier that is not current in the payment of its **tax obligations**, tax-related obligations or any other kind of obligations as a result of which the group might incur any secondary liability”.

Review of the provision of general supplies in countries presenting a risk of corruption

In order to analyse the risk of corruption in procurement, the company uses the *Transparency International Corruption Perceptions Index 2019 (TI CPI 2019)* as a source to classify countries according to their level of risk.

The volumes of purchasing in countries classified according to said index based on their level of risk of corruption are set out in the following table:

Corruption risk ¹³⁴	% of 2019 general supply purchases in countries on the CPI Index 2019
Purchasing in countries classified as low-risk	76.3
Purchasing in countries classified as medium-risk	0.3
Purchasing in countries classified as high-risk	23.4

Brazil and Mexico are the main countries classified as having a high risk of corruption by the aforementioned TI CPI 2019 and in which there have been purchases from registered suppliers. The purchasing volume is directly related to Iberdrola's presence and investment efforts in these countries.

Iberdrola has not made any significant purchase of general supplies from suppliers located in tax havens.

Analysis of the provision of fuel supplies in countries presenting a risk of corruption

An analysis of the purchases of fuel shows the following ratios in 2019:

Corruption risk ¹³⁵	% provisions of fuel in 2019 in countries included in the CPI 2019 index
Provisions of fuel in countries classified as low-risk	46.1
Provisions of fuel in countries classified as medium-risk	0
Provisions of fuel in countries classified as high-risk	53.9

¹³⁴ Low-risk: country index ≥ 60 / Medium-risk: 59-50 / High-risk: < 50 on a scale from 0 (perception of high levels of corruption) to 100 (perception of low levels of corruption).

¹³⁵ Low-risk: country index ≥ 60 / Medium-risk: 59-50 / High-risk: < 50 on a scale from 0 (perception of high levels of corruption) to 100 (perception of low levels of corruption).

According to the aforementioned TI CPI 2019, Mexico and Brazil are the main countries with a high risk of corruption in which fuel has been purchased from registered suppliers. However, the company believes that the calculation should exclude these two countries because these purchases are made in strongly regulated environments that require contracting with state-owned companies. Excluding both countries from the calculation, the percentage of fuel purchasing in at high-risk countries would decrease to 13%.

Transparency in the process of purchasing general supplies

In applying the company's policies, the Purchasing Division, within its area of responsibility, encourages equality of opportunity, applying standards of objectivity and impartiality in supplier relations, promoting publicity of and participation in selection processes, within management efficiency criteria.

The purchasing process is periodically audited both internally and by external entities, with no non-conformities having been identified during the financial year. Recommendations and opportunities for improvement that arise during these reviews are analysed and put into place in order to maintain continuous improvement in the processes.

Dialogue with and satisfaction of suppliers

The purchasing division carries out a supplier satisfaction survey every two years. Its scope is global, with the participation of suppliers from all geographical areas.

Supplier satisfaction survey

	6th Survey (2018)	5th Survey (2016)	4th Survey (2014)	3rd Survey (2012)	2nd Survey (2009)	1st Survey (2007)
Rating (out of 10)	8.18	8.06	8.00	7.74	7.57	7.56

The 7th edition will be carried out in 2020 in order to compile supplier perceptions regarding relations with their contacts during the purchasing process, assessment of the tools supporting the process, how they rate the Iberdrola group and what being a supplier to the company represents.

Main initiatives with suppliers of materials, equipment, works and services during 2019

Supplier of the Year Awards 2019: Joined by our values

Five local events were held at each country subholding company in 2019.



Approximately 1,000 supplier representatives attended the five events.

An award for best CSR performance delivered at each of them.

In 2020, there will be a single Global Award for the Supplier of the Year.

More information is available in the [Joined by our values](#) section of the website.

A journey through human rights and your business


Human rights are relevant to businesses because they can have an impact on the human rights of all their Stakeholders during the course of their operations. Iberdrola provides an online awareness module on human rights, which is accessible to all suppliers.

More information is available in the [Human rights and business](#) section on the corporate website.

Supplier diversity

Avangrid has a Supplier Diversity Program, which establishes a commitment to include the following within the supplier network and increase purchasing therefrom:

- Minority-Owned Business Enterprises (MBE)
- Women-Owned Business Enterprises (WBE)
- Lesbian, Gay, Bisexual and/or Transgender-Owned Business Enterprises (LGBTBE)
- Veteran-Owned Business Enterprises (VET)
- Service-Disabled Veteran-Owned Business Enterprises (SDVET)
- Small Disadvantaged Businesses (SDB)
- Historically Underutilized Business Zone Enterprises (HUBZone)



There was approximately 93 million euros of contracting volume with these groups in 2019.

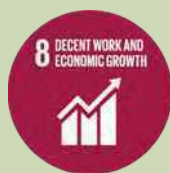
During 2019, the contracting volume with Special Employment Centres in Spain (in order to assist and work with persons with disabilities) totalled 2.3 million euros.

Transparency and reporting

Further information on Iberdrola's relations with and management of its suppliers can be found in the [*Purchasing and Supplier Management Activities Report*](#) and in the [*Contribution to Sustainability*](#) section of the corporate website.

II.7. Good Governance, Transparency and Stakeholder Engagement

- Corporate Governance
- Stakeholder engagement
- Ethics and integrity
- Fiscal responsibility
- Anti-competitive behaviour
- Public policy
- Cybersecurity and information privacy
- Socioeconomic compliance



Priorities of the Sustainable Development Plan



Corporate governance

Contribution to SDGs of the performance described by the indicators of this section



Iberdrola's Corporate Governance System, described in chapter I.1, is inspired by and based on the commitment to ethics, transparency and the application of best international practices on good governance. As a result of the company's focus on the concept of the social dividend, in 2019 reforms were made to the System in order to deepen the integration of the Sustainable Development Goals therein.

The following keys define the vision of the company's future, its international scope and the establishment of channels of participation and relations with shareholders:



An independent and plural Board of Directors

The Board of Directors focuses its activities on the supervision of the general guidelines and the strategy of the group, as well as on the establishment of its corporate policies.

71% of the directors are independent. Women represent 43% of the members of the Board of Directors and hold positions of the highest significance, including the vice chairmanship of the Board and the chairmanship of two consultative committees.

102-34

For more detailed information regarding the composition, operation and activities carried out by the governance bodies of the company, see the [Activities Report of the Board of Directors and of the Committees thereof](#) for financial year 2019. This report describes issues of crucial interest dealt with during the year.

Selection and appointment of the members of the highest governance body

102-24

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, whereat the shareholders confirm the appointments or elect the persons who should replace directors who are not ratified, or the vacant positions are withdrawn.

To such end, the Board of Directors has approved a [Board of Directors Diversity and Member Selection Policy](#), which ensures that proposals for the appointment of directors are based on a prior and objective analysis of the needs of the Board of Directors.

The [Appointments Committee](#) advises the Board of Directors regarding the most appropriate configuration of such body and on aspects like the size of and balance among the various classes of directors existing at any time and the personal requirements that the candidates must fulfil. For such purpose, the Committee will review the structure of each body on a regular basis, including when vacancies occur within such bodies. Furthermore, independent directors are appointed on the basis of a proposal of the Appointments Committee, while the other appointments require a report of such Committee.

In any event, the Board of Directors, and the Appointments Committee within the scope of its powers, will endeavour to ensure that the candidates submitted to the shareholders at a General Shareholders' Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties, while at the same time endeavouring to ensure gender diversity in the composition of the Board of Directors.

The members of the Board of Directors must be irreproachable professionals, whose professional conduct and background 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*.

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.

In addition, the selection of candidates shall endeavour to ensure that a diverse and balanced composition of the Board of Directors as a whole is achieved, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its power. 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 Board has entrusted to the Appointments 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, particularly due to gender.

Collective knowledge of highest governance body

102-27 102-21

The Company has a programme to provide directors with information and updates in response to the need for professionalisation, diversification and qualification of the Board of Directors.

A Board of Directors under constant renewal, adjusting to the needs of the businesses and markets in which the group operates.

Therefore, the directors receive training regarding significant issues relating to the group and its Businesses, as well as the environment in which it operates, presentations are made to the directors regarding the businesses of the group, which are supplemented by reports, articles and other publications of interest made available to the directors through the directors' website (a software application that has a specific section dedicated to training).

This website also facilitates the performance of the directors' duties and the exercise of their right to information, incorporating information deemed appropriate to prepare for meetings of the Board of Directors and the committees thereof based on the agenda, as well as the materials from the presentations made during the meetings.

In addition, at each meeting of the Board of Directors, a space is used to present financial, legal or socio-political issues of interest to the group.

During financial year 2019, the directors' website was also used to provide the directors with various training sessions deemed to be of interest for the performance of their duties:

- Analysis of the results of the Katowice Climate Change Conference (COP 24) within the framework of the Climate Agenda 2018.
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement in the area of listed companies.
- Impact of Spanish taxation of the exit of the United Kingdom from the European Union.
- Respect for human rights within the Iberdrola group and its contribution to the Sustainable Development Goals (SDGs).
- Business secrets law.
- Recharging of electric vehicles.
- Climate commitments in the area of adaptation and mitigation.
- Reform of the Corporate Governance Code for private companies in the United Kingdom.

For their part, the consultative committees have developed their own on-site training programmes during the year.

- *Trends and Best Practices in Remuneration Transparency.*
- *CNMV Technical Guide on Nominating and Remuneration Committees.*
- *International Recommendations on Director Remuneration*
- *Remuneration of directors of non-listed companies after the Supreme Court decision of 26 February 2018.*

A Board of Directors made up of 14 directors with a diversity of nationalities and professional profiles

Evaluating the highest governance body's performance

102-28

Pursuant to the provisions of the *Regulations of the Appointments Committee*, this Committee coordinates the evaluation of the Board of Directors and of the committees thereof and submits to the full Board the results of said evaluation together with a proposed plan of action.

Within the framework of the evaluation process of financial year 2019, Iberdrola has decided to draw on the help of *PricewaterhouseCoopers Asesores de Negocios, S.L.*

This process is based on the review of a large number of quantifiable and measurable indicators that are objectively updated every year based on the latest trends. As a result of this process, the company develops and adopts ongoing improvement plans designed to implement the specific measures that may help to further perfect corporate governance practices.

Identifying and managing economic, environmental and social impacts

102-29 102-31

The Board of Directors of Iberdrola, S.A. is structured as described in chapter I.1, and is supported by the consultative committees thereof in its work of supervising the management of the economic, social and environmental performance of the company. This includes both the supervision of the risks and opportunities generated by the group's activities and compliance with international principles, codes and standards applicable to the tasks for which it is responsible. The Board of Directors and its consultative committees perform periodic evaluations of the aforementioned aspects of the group's performance, drawing for such purpose on external information of interest thereto, with the assistance of external independent advisers, and on information provided to them by the rest of the organisation itself, primarily through periodic appearances of the group's officers.

These appearances are reported in the *Activities Report of the Board of Directors and of the Committees thereof* for financial year 2019, available on the corporate website.

The *Sustainable Development Committee* has supervised the company's conduct in the area of sustainability, corporate reputation, corporate governance and compliance. The director of the Compliance Unit has appeared on a recurring basis. The secretary of the Board of Directors, the director of Legal Services and the heads of the following areas have also been invited to make presentations at certain meetings:

- Innovation, Sustainability and Quality
- Energy policies, risks and opportunities deriving from Climate Change
- Human Resources and General Services
- Investor Relations and Communication
- Corporate Social Responsibility and Reputation
- Stakeholders
- Corporate Governance

Finally, the director of Fundación Iberdrola España also appeared at a meeting of this Committee.

Remuneration policies

102-35 102-36

The current [Director Remuneration Policy](#) for the years 2018, 2019 and 2020 was approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018.

As provided in the [By-Laws](#) and the [Regulations of the Board of Directors](#) of Iberdrola, S.A., the Board of Directors, at the proposal of the Remuneration Committee, is the body with power to set the remuneration of directors within the overall limit set by the By-Laws and in accordance with law, except for such remuneration as consists of the delivery of shares of Iberdrola or of options thereon or which is indexed to the price of the shares of Iberdrola, which must be submitted to the shareholders for approval at the General Shareholders' Meeting. The [Remuneration Committee](#) is a consultative committee chaired by and made up mostly of independent directors.

The Remuneration Committee is responsible for evaluating the level of attainment of the targets to which variable annual and multi-annual remuneration is linked and for submitting it to the Board of Directors for approval. To such end, in financial year 2019 it drew on the advisory services of *PricewaterhouseCoopers Asesores de Negocio, S.L.*

Section C.1.20 of the *Annual Corporate Governance Report* for financial year 2019 describes the business relations of the Company with this entity during the financial year.

Pursuant to the *By-Laws* and the [Director Remuneration Policy](#), the limit to the amounts that Iberdrola, S.A. may annually allocate to the directors each year as an expense, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the company in connection with pensions, payment of life insurance

premiums and payment of severance to former and current directors, is 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders equivalent to at least 4% of the share capital. As stated, for the purpose of establishing such limit, the quoted price of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the separate approval of the shareholders at a General Shareholders' Meeting.

The *Director Remuneration Policy* implements, among other things, the structure of the remuneration of the directors for their activities as such and the structure of the executive directors' remuneration for the performance of their executive duties, based on a series of parameters that are in line with the standard remuneration of comparable companies. Said reference parameters are contained in the current Director Remuneration Policy and cover economic/financial, operational and sustainability aspects. Each Annual Remuneration Report specifies the objectives to which the annual variable remuneration of executive directors is tied. For its part, the Board of Directors has proposed to the shareholders at the 2020 General Shareholders' Meeting to be held on 2 April 2020 a new long-term remuneration plan (Strategic Bonus 2020-2022) linked to both economic/financial performance (changes in Net Profit, Financial Strength and Shareholder Return) and contribution to the UN 2030 Agenda and the Sustainable Development Goals (SDGs). In relation to this last item, these are objectives referring to the fight against climate change, the drive for sustainability in the supply chain and the wage and salaries equality among men and women, which contribute to SDGs 3, 5, 6, 7, 13, 14 and 15.

It should be noted that the annual variable remuneration of the Iberdrola group's management team takes into account parameters linked to financial and sustainability aspects.

Stakeholders' engagement in remuneration

102-37

The *Director Remuneration Report* for financial year 2018 was submitted to a consultative vote of the shareholders at the General Shareholders' Meeting held on 29 March 2019, which had a quorum of 74.12%, and was approved with the favourable vote of 93% of the shares represented in person and by proxy.

The *Annual Director Remuneration Report* for financial year 2019 will be submitted to a consultative vote of the shareholders at the General Shareholders' Meeting called to be held on 2 April 2020.

Annual total compensation ratio and annual total compensation percentage increase ratio

102-38 102-39

Iberdrola's Corporate Governance Model provides for the existence of a holding company, Iberdrola S.A., and for country subholding companies in the main countries in which it does business, as shown in the "Corporate and governance structure, ownership and legal form" section of the chapter and described on the company's website.

The main countries in which the Iberdrola group does business are Spain, the United Kingdom, the United States, Brazil and Mexico, and the remuneration ratios are set forth in the table below.

Country ¹³⁶	Highest level of remuneration	Annual total compensation ratio ¹³⁷ (102-38)			Percentage increase in annual total compensation ratio ¹³⁵ (102-39)		
		2019	2018	2017	2019	2018	2017
Spain	Director	21.75	20.42	21.08	1.72	-0.41	-1.15
United Kingdom	CEO	19.04	15.73 ¹³⁸	12.09	3.39	1.28 ¹³⁶	1.6
United States	CEO	18.95	23.67	22.22	-3.02	0.89	4.54
Brazil	Director	14.72	21.54	22.43	-1.40	0.53	N/A
Mexico	Director	7.12	6.32	7.63	1.28	0.19	1.48

¹³⁶ Country composition:

Spain: Iberdrola, S.A.; Iberdrola España; Iberdrola Energía Internacional (Spain).

United Kingdom: ScottishPower.

United States: Avangrid, Inc.

Brazil: Neoenergia.

Mexico: Iberdrola Mexico.

¹³⁷ Annual total compensation includes fixed salary, cash salary supplements and variable remuneration. Does not include long-term incentives or benefits.

¹³⁸ Data recalculated with respect to the data published in 2018.

Shareholder engagement

Iberdrola is a pioneer in defining one of the fundamental pillars of its corporate governance strategy to be the engagement of its shareholders, with the [General Shareholders' Meeting](#) being their main channel for participation in corporate life.

The idea is to thus allow the Board of Directors to become acquainted with the opinions and concerns of the shareholders and to keep them in mind when establishing the agenda, drawing up proposed resolutions and deciding on other aspects relating to the holding of the General Shareholders' Meeting.

The Board of Directors also actively promotes the informed participation of the shareholders at the General Meeting. On the one hand, all of the [documents for the General Shareholders' Meeting](#) are published on the corporate website in both Spanish and English, as well as in a format accessible by persons with visual limitations, including a [Shareholder's Guide](#) that describes all of the facilities offered by the Company to attend, grant a proxy or cast an absentee vote. For the call to the 2020 General Meeting, this guide will be transformed into an AI-based virtual guide or assistant that is programmed to respond to questions, facilitate the download of documentation and open any software application relating to the General Meeting. On the other, certain *Implementing Rules for the General Shareholders' Meeting* are approved for each Meeting incorporating the latest technological advances in electronic participation, always in accordance with the guarantees required by law and by the Corporate Governance System. Along these lines, apart from the traditional forms of participation, in person, by post or through the shareholder service desks, which Iberdrola continues to offer to its shareholders in order for them to have all of the alternatives for participating in the General Meeting, shareholders can also give their proxy and cast an absentee vote electronically (from any device with access to the internet) and by phone (introduced in 2018). For the first time, shareholders attending the General Meeting held on 29 March 2019 registered on the list of attendees using an auto check-in system, scanning their national identity document at digital kiosks installed at the entrance, which considerably sped up the authentication process.

Constructive, continuous, effective and transparent dialogue with the shareholders, encouraging their engagement and promoting their active participation through various channels like the interactive [On Line Shareholders \(OLS\)](#) system and the [Shareholders' Club](#), among others.

Other proactive actions are also carried out to foster the maximum possible participation of the shareholders. The company has implemented several specific channels of communication to promote accessibility, the understanding of information, and ultimately the engagement of the shareholders, including the following:

- a) **Shareholders' Office.** From the call to the General Shareholders' Meeting through the end thereof, the shareholders can rely on the support of the Shareholders' Office (*Oficina del Accionista*), which has a specific site for such purpose at the premises of the meeting in order to resolve any issues that the attendees may raise prior to the commencement of the meeting, as well as to serve and provide information to the shareholders who wish to use the floor.
- b) Furthermore, the Shareholders' Office is in permanent contact with those shareholders who have voluntarily entered their names in its database, and provides a specific service to minority shareholders for the organisation of presentations and events prior to the General Shareholders' Meeting.
- c) **Shareholders' Club.** This is an open and permanent participation channel between the company and the financial community and shareholders who voluntarily join such Club and are interested in monitoring the evolution of the company on an ongoing basis.
- d) **Investor Relations Office.** This responds on a regular and personalised basis to the questions of analysts and institutional and qualified investors in equities, fixed-income securities and socially responsible investments.
- e) **Interactive OLS - On-Line Shareholders** system. Activated on the corporate website, it has an interactive system that allows shareholders (who can access the system with their user name and password) to ask questions of interest either publicly or confidentially, access frequently asked questions regarding various topics, and, with respect to the General Shareholders' Meeting, request information or clarifications or ask questions regarding the items on the agenda, as well as to view the live proceedings.
- f) **Relations with shareholder associations and institutional shareholders.** Both shareholder associations and institutional shareholders may request meetings with representatives of the company through the Investor Relations and Communication Division. Long-term engagement plans are also developed with those shareholders who express their intention to have a stable and continuous presence in the company's shareholder base, and appropriate mechanisms for dialogue may be established regarding the performance of the company.
- g) Last, the Corporate Governance System makes provision for the ability of the Board of Directors or its chairman & CEO to empower the lead independent director or other directors to engage in dialogue with specific shareholders on certain issues relating to the corporate governance of the company.

In this section, it is noteworthy that in 2019 Iberdrola updated its *Shareholder Engagement Policy* in order to establish a permanent dialogue with its shareholders, and its *Stakeholder Relations Policy* in order to promote a framework of relationships that favours the inclusion of Stakeholders in the Businesses and activities of the group.



First Spanish company and one of the pioneers worldwide in formalising a *Shareholder Engagement Policy*, which is one of the main pillars in the corporate governance strategy.

Iberdrola's General Shareholders' Meeting, a sustainable event

Iberdrola was the first Ibex-35 company to certify its General Shareholders' Meeting as a sustainable event (2016), and in 2019 was the first to renew this certificate in accordance with the international ISO 20121 standard. This means that all the processes of the General Shareholders' Meeting (from its planning to its subsequent holding) follow criteria of sustainability, inclusivity and accessibility, with the final goal of optimising Iberdrola's contribution to the local economy, to improving the environment and to its social commitments. New improvements were proposed for the 2019 General Shareholders' Meeting and the more than 70 initiatives already launched were maintained to promote the sustainability of the event, including:

- Hiring of local suppliers.
- Hiring of persons in vulnerable situations.
- Measures aimed at improving energy efficiency.
- Advancement of sustainable transport.
- Actions to guarantee accessibility for groups with different abilities.
- Use of recyclable and reusable materials.
- Collaboration with local NGOs.
- Childcare service as a measure to promote work-life balance.

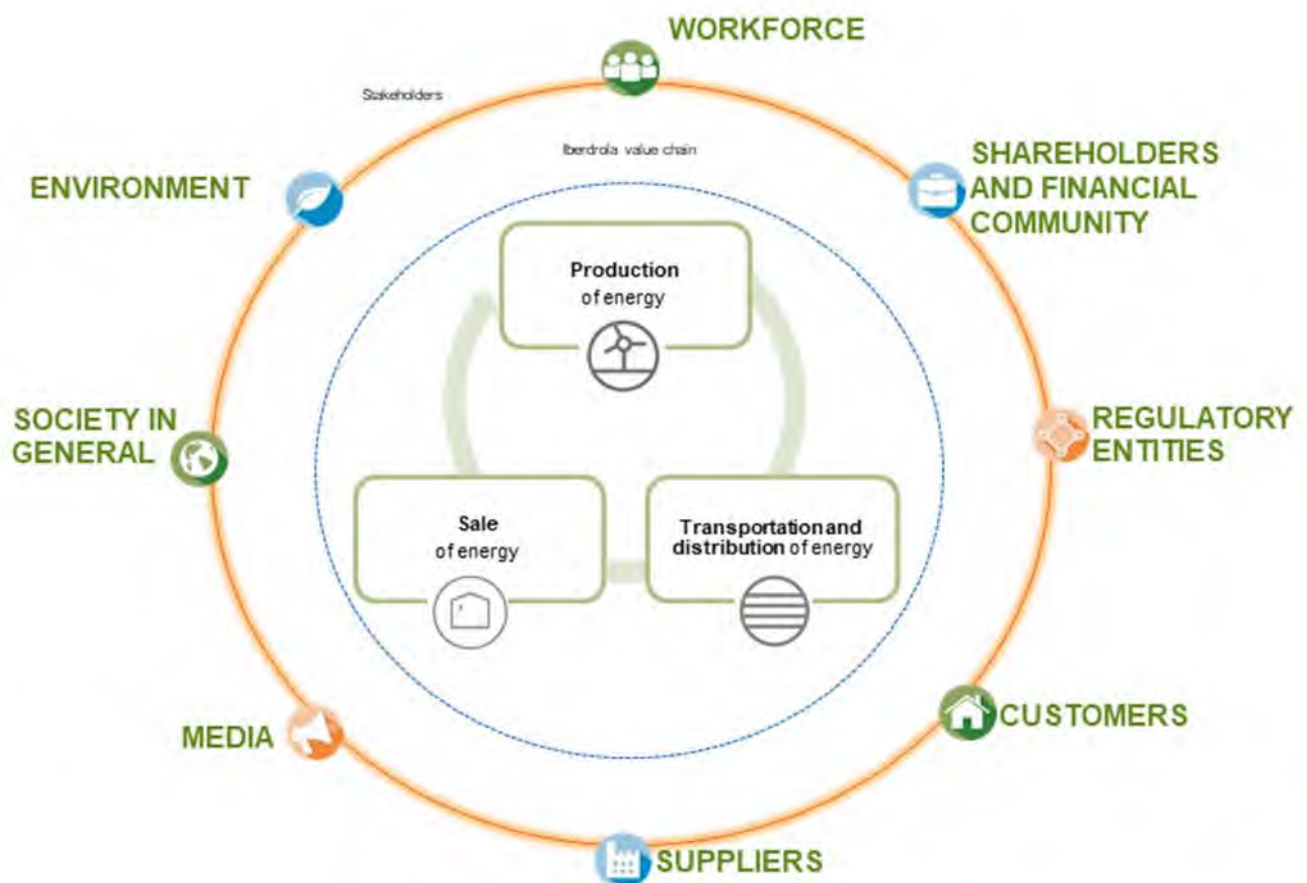
It should be noted that once again in 2019 Iberdrola has received the "Erronka Garbia" environmental certificate in acknowledgement of best environmental practices in the organisation of its Shareholders' Meeting.



Stakeholder engagement

Iberdrola's *Stakeholder Relations Policy* (approved by the Board of Directors in February 2015 and updated in February 2019) explicitly states that the company believes "that its relations with those groups that may influence or that are affected by the decisions or the value of the Company and the group are significant". The value chain comprised of Iberdrola's businesses means that there is a large number of these groups, for which reason the company has decided to group them into eight different categories that constitute its Stakeholders:

102-40



The initial identification and selection of the Stakeholders of Iberdrola was carried out through processes of internal reflection conducted by the management team. Subsequently, in 2015, the *Stakeholder Relations Policy* ratified the Stakeholder categories described in the preceding section.

102-42

On this basis, for the proper management of each of the Stakeholders, the various areas and businesses identify different Sub-Stakeholders that they deem relevant for more specific treatment.

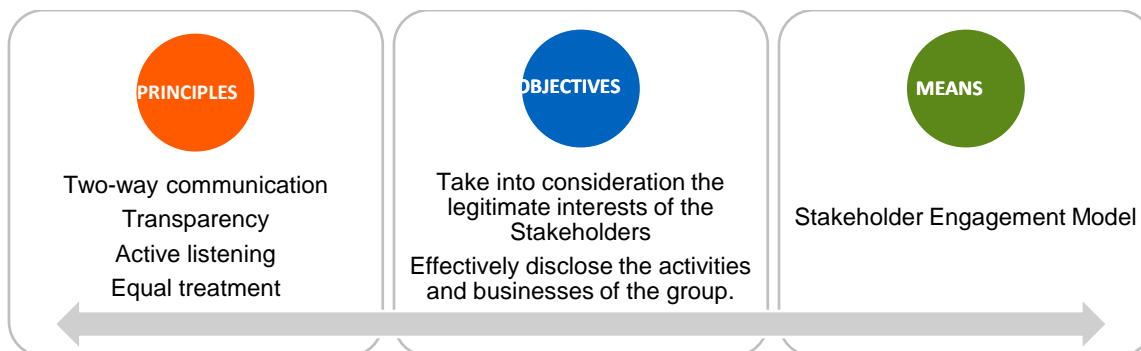
Approach to Stakeholder engagement

102-43

Iberdrola has a responsible and sustainable business model, which puts Stakeholders at the centre of its strategy. The company's objective is thus to build relations of confidence with the various Stakeholders, as well as to deepen their participation, engagement and sense of belonging to Iberdrola.

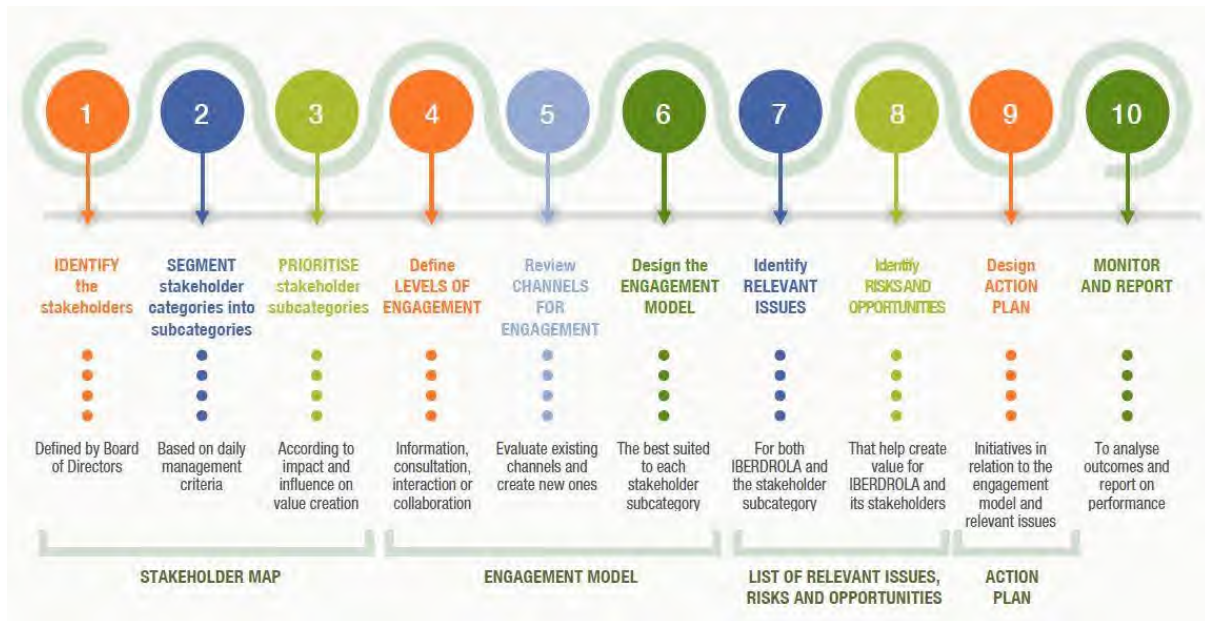
The By-Laws themselves include a specific article dedicated to Stakeholder relations, establishing the principles and objectives that govern these relations.

Iberdrola has decisively driven compliance with its *Stakeholder Relations Policy* (mentioned above), through a Global Stakeholder Engagement Model based on the AA1000 Stakeholder Engagement Standard (AA1000SES) 2015 standard and in its three requirements of inclusiveness, materiality and responsiveness¹³⁹.



Among other objectives, this Model seeks to systematise Stakeholder relations throughout the Iberdrola group, in all countries and businesses; and to create a corporate culture with respect to the significance of dialogue with the Stakeholders for more sustainable performance by the company. It constitutes a process of continuous improvement in and of itself, as shown below:

¹³⁹ Iberdrola has been continuously applying Assurance Standard AA1000 for the last thirteen years. In 2016 Iberdrola's Operating Committee approved a new *Global Stakeholder Engagement Model* (referred to in this report) that was digitised in 2019.



This process is implemented in the management of Iberdrola’s eight Stakeholder groups in the five main countries and at most of the Wholesale and Renewables facilities, as well as in the various geographic areas of the Networks business.

Relationship channels and significant issues

102-44

Iberdrola keeps the relationship channels¹⁴⁰ with its Stakeholder groups updated and makes continuous efforts to identify the issues that are most important to each of them. An analysis of these issues shows that, while there are issues exclusive to each geographical area, most are common to Iberdrola’s five main countries.

Set out below is a summary of the most important Stakeholder relationship channels and the main global issues detected in 2019:

¹⁴⁰ The By-Laws state that “the Company’s corporate website, its presence on social media and its digital communication strategy generally are channels of communication serving the *Stakeholder Relations Policy*”.



WORKFORCE

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, web (intranet), meetings
- ✓ Events, surveys, bulletins, newsletter, information screens, posters
- ✓ Commissions, committees
- ✓ Volunteer Channel and Unique Employment Channel
- ✓ Ethics mailbox

SIGNIFICANT ISSUES

- ✓ Management and retention of talent (career plan, training, quality and maintenance of employment)
- ✓ Values of the Company and behavioural principles
- ✓ Occupational risk prevention and health and safety training
- ✓ Employee benefits and pension plans



DISTRIBUTION CUSTOMERS

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, customer website, meetings
- ✓ Satisfaction surveys
- ✓ Claims systems, awareness-raising campaigns
- ✓ Social media, mobile (apps, chat, etc.)

SIGNIFICANT ISSUES

- ✓ Communication during supply incidents
- ✓ Complaint management
- ✓ Service quality



SHAREHOLDERS AND FINANCIAL COMMUNITY

RELATIONSHIP CHANNELS

- ✓ Telephone, post, email inbox, shareholders' website, meetings and exclusive OLS channel.
- ✓ General Shareholders' Meeting, Shareholders' Club, Shareholders' Bulletin
- ✓ Road shows, Capital Markets Day, Investor Relations App, Corporate reports
- ✓ Shareholders' Ethics Mailbox

SIGNIFICANT ISSUES

- ✓ Economic and ESG performance of the Company
- ✓ Strategy and future plans
- ✓ Political and regulatory situation in the markets in which Iberdrola is present
- ✓ Share price and dividends
- ✓ Sustainable financing



RETAIL CUSTOMERS

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, customer website, meetings and visits
- ✓ Satisfaction surveys
- ✓ Customer service desks, pop-ups
- ✓ Social media, mobile (apps, chat, etc.)

SIGNIFICANT ISSUES

- ✓ Overall customer experience: channels, service, product offerings and complaints
- ✓ Optimisation of power and consumption and impact on billing
- ✓ Service quality
- ✓ Smart products: Green recharge, Smart Solar
- ✓ Vulnerable customers



REGULATORY ENTITIES

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, letters, corporate website, meetings
- ✓ Workshops, events, debates
- ✓ Queries, procedures, information capsules

SIGNIFICANT ISSUES

- ✓ Transition to an economy neutral in emissions (decarbonisation of the electric industry, electrification, energy efficiency, etc.)
- ✓ Present and future regulatory framework of the energy sector
- ✓ Remuneration to the businesses



MEDIA

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, corporate website, meetings
- ✓ Press releases
- ✓ Events, visits to facilities
- ✓ Social media

SIGNIFICANT ISSUES

- ✓ Financial results and company strategy
- ✓ Operational and corporate governance performance and social impact of the activity
- ✓ Present and future industry regulation



SUPPLIERS

RELATIONSHIP CHANNELS

- ✓ Registry and classification of suppliers, Supplier of the Year Award, Satisfaction Survey, stimulus campaigns
- ✓ Bidding software system and Supplier Service Centre
- ✓ Telephone, mail, supplier website, meetings
- ✓ Suppliers' ethics mailboxes

SIGNIFICANT ISSUES

- ✓ Digital transformation: New IT tools in Purchasing
- ✓ Iberdrola's role in the supply chain (ethics and CSR, stimulus campaigns, fostering of innovation)
- ✓ Regulatory measures in each country
- ✓ Commercial relations with suppliers (communication of strategy, award standards, contracting terms, payments and billing)



SOCIETY IN GENERAL

RELATIONSHIP CHANNELS

- ✓ Telephone, mail, corporate website, meetings
- ✓ Partnership agreements
- ✓ Reports, events, working groups, visits to projects
- ✓ Social media, digital media and blogs
- ✓ Stakeholders Panel

SIGNIFICANT ISSUES

- ✓ Iberdrola engagement in the development of the communities in which it is present (investment, innovation, collaboration programmes and social projects)
- ✓ Relationship and contribution of the company in institutions and other representatives of society
- ✓ Awareness-raising, disclosure and training on specific industry issues and other issues of social interest
- ✓ Engagement of Stakeholders in operations.
- ✓ Gender and age diversity



ENVIRONMENT

RELATIONSHIP CHANNELS

- ✓ Telephone, audio conferences, mail, corporate website, meetings, reports
- ✓ Sustainability surveys
- ✓ Inspections, audits
- ✓ Alliances, collaborations, events, conferences, roadshows

SIGNIFICANT ISSUES

- ✓ Environmental performance of the company and its facilities (environmental investments, biodiversity, environmental footprint, circular economy and water management)
- ✓ Climate change and energy transition
- ✓ Report and transparency of non-financial information (sustainability indexes and Sustainable Development Goals)

Iberdrola's Wholesale, Networks and Renewables facilities mainly manage three Stakeholder groups: Regulatory entities, Society and Environmental¹⁴¹. The most significant issues of interest refer to regulatory compliance; the economic and social impact of the facilities on local communities; and environmental impacts and the mitigation thereof.

Iberdrola's response to all of these significant issues is set out not only in the various indicators of this *Statement of Non-Financial Information. Sustainability Report*, but also in the *Integrated Report* and in the various specific reports, including: *Annual Financial Report*; *Annual Corporate Governance Report*; *Shareholder Engagement Report*; *Report on Procurement Activities and Supplier Management and the Contribution thereof to the Group's Sustainability*; *Innovation Report*; *Corporate Footprint Report*; *Biodiversity Report*; and Sustainability Balance Sheet. Likewise, the [corporate website](#) and the websites of the businesses and the foundations contain information in this regard.

In recent years, Iberdrola has launched numerous measures to strengthen internal culture regarding the importance of stakeholder engagement throughout the group. These measures include the creation of a global working group called the Iberdrola Stakeholders' Hub and the internal dissemination of ten guidelines on how to relate to and engage with its Stakeholders.

The methodology described in the preceding sections enables the company to identify material issues through direct sources. Such review is completed with that made through indirect sources, such as the *Dow Jones Sustainability Index*, the *Carbon Disclosure Project*, the *Materiality Analysis*, etc., described in the "Defining report content" section.

Considering all of the foregoing, Iberdrola has a complete Stakeholder management system, subject to a process of continuous improvement, which allows it to increasingly engage all of the groups with which it relates and to encourage their participation in all of the company's decisions¹⁴².

¹⁴¹ In the case of the cogeneration plants, the main Stakeholder group is 'Customers', for whom the most significant issue is compliance with contracts.

¹⁴² Iberdrola prepares an annual *Management Report on Iberdrola's Stakeholder Relations*, which summarises issues of interest detected within the various communication channels, as well as the company's response through action plans.

Drive towards direct dialogue with Stakeholders

In 2019 Iberdrola created a **Stakeholder CSR Panel** made up of 10 outside panelists (50% women and 50% men), all of whom are major opinion leaders in this field. The objective of the panel is to know the opinion of CSR experts, global trends and significant issues relating to the Social Responsibility of companies, to use as a benchmark for guidance when Iberdrola designs strategies and makes decisions in this area. The panelists speak with 10 executives of Iberdrola most related to CSR (7 corporate executives and 3 from the businesses).

External panelists:

(In alphabetical order)

- Ángel Alloza, CEO and General Secretary of Fundación Corporate Excellence - Centre for Reputation Leadership.
- Carmen Alsina, head of Communication, Institutional Relations and Sustainability of CEOE.
- Alberto Andreu, Associate Professor of the School of Economics and Business Administration of Universidad de Navarra.
- Marta Colomina, Managing Director of Fundación PwC.
- Joan Fontrodona, professor and director of the Business Ethics Department of IESE. Holder of the CaixaBank Chair of Corporate Social Responsibility and director of the Center for Business in Society.
- María José Gálvez, Vice President of Spainsif and Director of Sustainability at Bankia.
- Germán Granda, General Manager of Forética.
- Carlos Mataix, Director of the Innovation and Technology for Development Centre at the Technical University of Madrid (itdUPM).
- Cristina Sánchez, Executive Director of Red Española Pacto Mundial (Spanish Global Compact Network).
- Elena Valderrábano, President of the Asociación Española de Directivos de Responsabilidad Social (DIRSE) and Global Director of Corporate Ethics and Sustainability at Telefónica.

To ensure the independence of the Panel, it is galvanised by Jaime Silos, Director of Corporate Development of Forética a leading organisation in Europe on CSR and the representative in Spain of CSR Europe and of the World Business Council for Sustainable Development (WBCSD).

Ethics and integrity

Contribution to SDGs of the performance described by the indicators of this section



GRI 205

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The Iberdrola group's compliance system

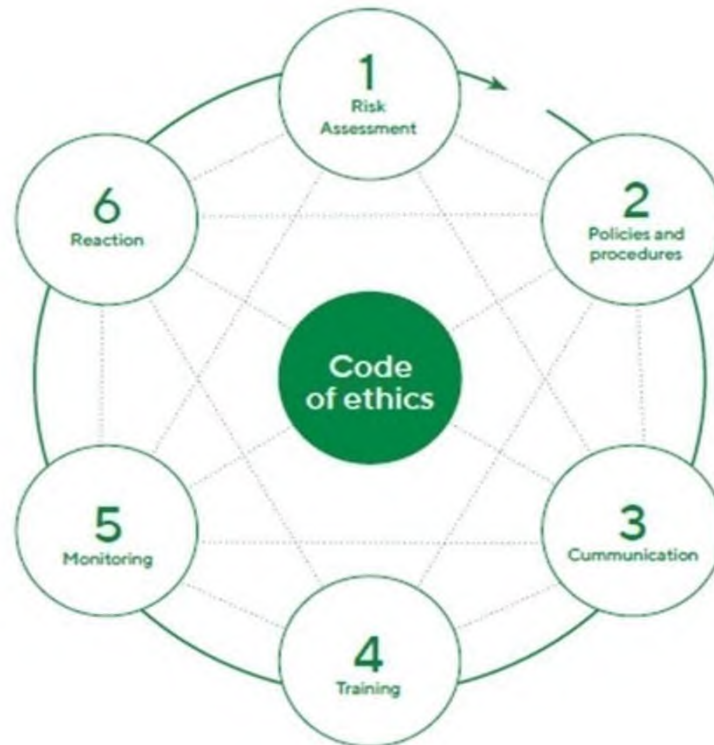
The *General Compliance System Framework of the Iberdrola group* establishes the foundations for the operation of this system following best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

The group's compliance system is defined as a set of substantive rules, formal procedures and material actions intended to prevent, avoid and mitigate the risk of conduct that is improper or contrary to ethics or the law that may be committed by professionals of Iberdrola within the organisation, and to ensure that the conduct is in accordance with ethical principles and applicable law (the "**Compliance System**"). The bodies and divisions directly entrusted with the implementation and further development thereof also form part of this Compliance System.

Iberdrola has created a Compliance Unit (the "**Unit**"), a collective, internal and permanent body linked to the Sustainable Development Committee of the Company's Board of Directors. There is also a compliance division linked to the Audit and Compliance Committees at each subholding company and/or head of business company. The duties of all of them include promoting a culture of ethical behaviour and zero tolerance for fraud and the commission of unlawful acts, as well as management of the Compliance System.

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

Within this context, the *Code of Ethics* is the “cornerstone” on which the Compliance System is based and permanently functions as an element “inspiring” the other elements of the System, as described in the following chart:



1.- Evaluation of risks

205-1

One of the main elements of the Compliance System is the regular and continuous identification and evaluation of compliance-related risks in each of the corporate areas and functions and in the businesses of the group. The purpose of this evaluation is to be able to establish the measures required to neutralise or mitigate them based on the probability thereof and the seriousness of the consequences thereof. Various areas in which this risk evaluation occurs are described below.

Crime prevention programmes

Within the framework of the Compliance System, various activities are carried out to encourage the organisation to act in accordance with the most stringent ethical standards and in accordance with applicable laws and regulations. To further develop the *Crime Prevention Policy*, the companies of the group have implemented a set of measures making up the *Crime Prevention Programme*. This programme is directed towards the prevention and detection of and reaction to possible crimes and other frauds, administrative infractions and serious irregularities, all within the framework of the process of review and adjustment to the most recent changes to the Spanish Criminal Code following the introduction of criminal

liability for legal entities, without prejudice to the legal provisions applicable in any other jurisdiction in which the company does business.

To implement these *Crime Prevention Programmes*, there is a regular evaluation of the risks of committing criminal acts that might ultimately be alleged against the various companies of the group based on their activities, as well as an identification of existing controls and the establishment of new controls for the prevention thereof.

The criminal risk evaluation process follows the methodology described below:

- Meetings are held with the heads of the various areas (corporate and business) of each company in order to analyse the specific activities they perform within their area of responsibility.
- Based on the activities performed by each area, conduct that might entail the risk of committing a crime is identified.
- The risks identified are classified based on the probability of occurrence thereof and are included in a criminal risk map that reflects the divisions, departments or areas of activity within each company where there is a risk of the commission of each crime.
- For each of the crimes, there is an identification of the controls applicable to the various areas that allow for the limitation, prevention and mitigation of each of the criminal risks identified; and in those cases in which an insufficiency is observed, the specific measure necessary to strengthen prevention is adopted, e.g. implementing additional controls or modifying existing ones.
- A control map is thus developed assigning each of the controls to the crime or crimes it is intended to avoid, and identifies a person responsible for each control, who must ensure the proper operation thereof with a predetermined frequency. The person responsible for each control has the powers, experience, training and authority level appropriate for supervision of the effectiveness thereof.
- The persons responsible for the controls issue annual certifications regarding the appropriate operation thereof.

Money laundering

Although Iberdrola, S.A., Iberdrola España, S.A.U and their head of business companies are not subject to *Law 10/2010 on the prevention of money laundering and terrorist financing* (the “**Money Laundering Act**”), this risk is contemplated as part of the *Crime Prevention Programme* of such companies, given the breadth of the definition of the crime and taking into account that this type of crime can be committed by careless action. The general controls related to these crimes include i) the *Code of Ethics* itself, ii) the *Purchasing Policy*, iii) the *Protocol for Social Contributions, Donations and Sponsorships*, iv) the *Master Plan for Sponsorships, Donations and Partnership Agreements*, and v) the *Protocol for Management of*

the Risk of Third-Party Fraud and Corruption. These companies also have a number of specific controls for these types of crimes that have also been identified in the aforementioned Programme.

However, due to the nature of its activities, Iberdrola Inmobiliaria, S.A.U. is subject to the Money Laundering Act. Therefore, this company, in addition to having the preventive controls mentioned above, has specific additional controls mainly intended to prevent these types of crimes. By way of example, the company has rules like the *Procedure to Prevent Money-Laundering and Terrorist Financing* and *Contract Approval Countersigning*, the *Contract Approval Endorsements*, the *Leased Assets Billing Procedure* and control of *Payment Order Validation*.

2.- Policies and protocols

Once the risks are identified and duly evaluated, the company must approve the required internal rules (policies, protocols or procedures) to which decisions and activities will be subject in order to prevent and mitigate said risks.

Along these lines, the Iberdrola group has approved (as an integral part of its Corporate Governance System) a number of general internal policies and rules in the compliance area mainly intended to serve as a guide for the conduct of its professionals in a global, complex and changing environment. This general rulemaking includes the *Code of Ethics*, the *Crime Prevention Policy* and the *Anti-Corruption and Anti-Fraud Policy*, which have been approved by the Company's Board of Directors and are called upon to further develop the *Purpose and values of the Iberdrola group*.

Apart from the higher-level rules mentioned above, the Unit in the exercise of its powers approves procedures and protocols in the compliance area required for the further development thereof. These lower-level rules attempt to regulate and mitigate certain specific identified risks and must in any case be in consistent with the provisions of the Corporate Governance System.

In particular, in the area of the fight against corruption, specific rules have been developed pursuant to which there is an analysis and evaluation of the risk of fraud and corruption of the third parties with which Iberdrola is related. In this context, they include:

- 1) **Third parties generally.** The *Protocol for Management of the Risk of Third-Party Fraud and Corruption* is configured as a rule specifically intended to prevent the risks of fraud and corruption arising from the relationship of the companies of the group with any third party related thereto. It establishes a number of procedures and analyses related to the process of selection and contracting thereof for this purpose.

This protocol was initially approved by the Compliance Unit in 2018. The scope of application of this protocol excludes the third-party types referred to in the rules set out in the sections below.

- 2) **Government administrations and public officials.** The *Protocol for Conduct in Professional Relations with Government Administrations* applicable to the entire group, governs employee relationships with government administrations, authorities, public officials and other persons who participate in the exercise of public office, as well as political parties, federations, coalitions or electoral groups. Apart from establishing certain main principles of conduct that must be observed by all of the professionals, this protocol establishes certain requirements to report to the corresponding Compliance Division prior to the formalisation of any contract, agreement or pact with public officials or government administrations.

This protocol was initially approved by the Unit in 2017 and was last amended in 2019.

- 3) **Corporate transactions.** The *Corporate Transactions Protocol* establishes the actions to take regarding risks associated with compliance in the case of mergers and acquisitions, joint ventures and other types of corporate transactions contemplated in the area of application thereof. This protocol establishes the obligation to engage in a compliance review and analysis for any corporate transaction that is going to be formalised. Likewise, the Compliance function also engages in a prior analysis of investment and divestment projects from the standpoint of fraud and corruption risk.

This protocol was initially approved by the Unit in 2013 and was last amended in 2018.

- 4) **Donations, sponsorships and social welfare activities.** The *Protocol for Social Contributions, Donations and Sponsorships*, the object of which is to evaluate any compliance risks associated therewith and the terms and conditions for such transactions, as well as the beneficiaries thereof.

This protocol was initially approved by the Unit in 2016 and was last amended in 2018.

This internal rule, which is regularly reviewed by the Unit and the compliance divisions to the actual activities of a dynamic organisation, as well as to a changing environment, is disseminated and made available to all employees.

3.- Communication

The Unit and the compliance divisions establish an internal and external communication plan in relation to the Compliance System each year. Communication actions are established based on an evaluation of risks, strategic priorities, defined objectives and identified ethics and compliance requirements.

The Communication Divisions, working with the Unit and/or the various compliance divisions, as applicable, are responsible for implementing and monitoring the communication plans.

The various available tools and channels have been used for the communication activities selecting those that are most effective based on the particularities of each case. The main communication activities performed at the group by the various compliance divisions are the following:

- **Email campaign:** The Unit and the various compliance divisions prepare and send emails in relation to the various issues relating to the *Code of Ethics*, compliance rules and the Compliance System generally. In 2019, this included communications regarding (i) the results of the 2018 ethical culture survey, ii) the communication developed with the Company's Human Resources Division regarding the process of municipal, autonomous community and European elections in 2019, iii) communications received in group's various ethics channels during 2018, and iv) the dissemination of a training video on conflicts of interest.
- **Employee portal.** The new version of the employee portal of the Iberdrola group has updated and revised the information relating to compliance and ethics appearing therein. In particular, the employee portals of the Iberdrola group in Spain have been updated to include, among other things, the current versions of all compliance regulations, as well as the *Crime Prevention Programmes* of each company.

The employee portal also makes available information regarding: i) communications received in the various ethics channels of the group during 2018, and ii) the project with the startup Flexiado that Iberdrola has led to develop "CryptoTrust", a platform using blockchain technology, the goal of which is to facilitate the evaluation of third parties, speeding up and providing reliability to these exchanges of information in the area of compliance.

- **Publications in external media.** Apart from the information published on the group's corporate website www.iberdrola.com, for purposes of Iberdrola's inclusion for the sixth consecutive year in the list of the "*World's Most Ethical Companies*" published each year by the Ethisphere Institute, there have been publications in this regard in various media, thus contributing to the dissemination of the group's commitment to ethics, honesty and integrity in all of its activities.

- **Events.** The compliance directors have participated in various ethics and compliance events and seminars, including the Corporate Integrity Forum organised by Transparency International, Compliance Officer Day organised by the Spanish Compliance Association (ASCOM), the domestic and international compliance conference organised by Thompson Reuters, the One Day Barcelona Compliance Campus organised by *Cumplen* and the compliance sessions organised by the National Markets and Competition Commission.
- **Project with ASCOM.** In partnership with ASCOM, Iberdrola has developed a programme for compliance systems intended to help small- and medium-sized businesses (SMEs) and public and non-profit entities that lack sufficient knowledge and resources to establish and develop these systems. Although the programme was launched in 2018, Iberdrola has continued to lead it throughout 2019 to reach more than 60 entities in Navarre, the Basque Country, Valencia, Murcia and Madrid. Iberdrola promotes this programme to disseminate a culture of compliance among the third parties with which it relates in order to achieve both a higher level of ethical commitment from all organisations and improvement in the competitiveness thereof, highlighting the competitive advantage that compliance systems offer to those who implement them.
- **BECAS Programme.** In 2018 Iberdrola also launched the Post-graduate Studies in Ethics and Compliance Programme to help people interested in engaging in these types of studies. Over the course of 2018-2019, 20 people have received scholarships thanks to this programme, which continues in effect for the 2019-2020 academic year.

4.- Training related to anti-corruption rules

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The Unit and the various compliance divisions establish specific annual ethics and compliance training plans, which are defined taking into account (i) the areas in which a higher level of risk in this area has been identified, (ii) changes in applicable rules, and (iii) changes in internal rules. The Human Resources Division is available to assist with the implementation of these specific annual plans.

The initiatives carried out during the year include:

Training for governance bodies

In 2019, as part of the training programme for directors of Iberdrola, various training materials relating to new developments in the area of market abuse introduced by Royal Decree-Law 19/2018 of 23 November and Organic Law 1/2019 of 20 February were made available to the members of the Board of Directors through the directors' website.

Training for employees of the group

- In coordination with the various country subholding companies and/or head of business companies, the Unit develops and regularly updates training programmes on the *Code of Ethics* and the other legal provisions on compliance directed towards all group professionals. Such programmes foster knowledge of the action standards required at the group and promote ethical values and the principle of "zero tolerance" towards the commission of unlawful acts and situations of corruption and fraud. Various initiatives have been developed, including:
 - On-site training and awareness-raising sessions on the Code of Ethics and anti-corruption provisions given by the various compliance directors of the group's Spanish companies.
 - During the month of September there was a global training programme in collaboration with the law firm Baker & McKenzie regarding international sanctions for those employees who might be affected by these types of risks due to the nature of the duties they perform.
 - In order to continue expanding ethical culture within the organisation, in 2019 Iberdrola launched various training and communication campaigns directed towards all employees of the group's companies in Spain. The purpose was to (i) remind and insist upon the need to report conflicts of interest in which the professionals might be involved, and (ii) bring the compliance function closer to the employees and courage the use of the anonymous mailbox, through a marketing campaign that consisted of sending certain materials to the employees' workstations to try to catch their attention.
 - The members of the compliance function in Spain received specific training in 2019 on managing interviews in the context of investigations being carried out in relation to complaints received.

- Specific local training:
 - In the United Kingdom, this includes various specific training initiatives in the area of separation of activities, code of ethics, crime prevention, etc.
 - In the United States, there is a new online course regarding the *Code of Ethics*.
 - There have been onsite training sessions in Mexico to strengthen knowledge on compliance and the Code of Ethics.
 - There have also been on-line and in-person training courses in Brazil regarding the *Code of Ethics*, fraud and corruption.

Employee anti-corruption training in 2019¹⁴³

	Number of employees trained	Percentage of total workforce
Spain	2,669	27.8%
United Kingdom ¹⁴⁴	15	0.003%
United States ¹⁴⁵	6,755	102.4%
Brazil	96	0.8%
Mexico	528	40.9%
IEI	60	11.6%
Iberdrola total	10,123	28.6%

There have been onsite training sessions in all countries except the United States, where training was virtual.

5.- Monitoring

The main activities performed by the group within the Compliance System are monitored quarterly by the Compliance Unit through the report in which the Compliance Divisions of each country subholding and/or head of business company report on changes in a number of indicators regarding the principal elements making up the compliance programs of the respective companies.

¹⁴³ The standard of calculation changed in 2019, for which reason the 2018 information is not comparable.

¹⁴⁴ The training campaign was carried out in 2018.

¹⁴⁵ The percentage is above 100% because the employees trained exceed the workforce total at year-end.

Grievance mailboxes of the group

One of the basic elements of the Compliance System is to establish detection and/or monitoring mechanisms to verify the effectiveness of the controls and prevention activities carried out at the group. Such mechanisms include the ethics mailboxes, which constitute tools to report conduct that could entail an irregularity or an act contrary to the law or to the rules of conduct set forth in the *Code of Ethics* or other internal rules or procedures. All professionals who have reasonable indications of the commission of an event of this kind must report it through the aforementioned mailboxes. In addition to potential grievances, queries may also be made through these channels on matters relating to the interpretation of and compliance with the *Code of Ethics* and the other internal rules in this area.

All communications received are deemed confidential information, and may be anonymous in those jurisdictions in which the law so allows. In any event, there is an express commitment of the group, reflected in the *Code of Ethics*, in the *Anti-Corruption and Anti-Fraud Policy* and in the other internal procedures and rules in this area, not to take measures against those using the aforementioned mailboxes, with the logical exception of cases of bad faith.

The group also has suppliers' ethics mailboxes. These mailboxes are communication channels to enable the suppliers of the group, as well as any companies that they hire to provide services or supplies, their respective employees and the companies that have participated in a tender for services or supplies to become suppliers, to report conduct that could entail (i) infringement by any group professional of the Corporate Governance System, the *Code of Ethics* or applicable law, or (ii) the commission by a supplier, its subcontractors or their respective employees of any act contrary to the law or to the provisions of the supplier ethical commitments section of the *Code of Ethics* within the framework of their business relations with the group. These mailboxes are available in the purchasing portal of the website. This mailbox has also had the option of reporting anonymous grievances since 2018.

The group also has a shareholders' ethics mailbox. This mailbox represents a channel of communication through which shareholders can report conduct that might involve a breach of the company's Corporate Governance System or the commission by any professional of the group of an act contrary to the law or to the rules of conduct of the *Code of Ethics*. This mailbox is available on the group's corporate website, specifically within the interactive system provided for the shareholders known as "OLS – On-Line Shareholders".

Ethics Mailboxes

	Related email addresses	Employees	Suppliers	Shareholders	Other local options (employees and third parties)
Spain	codigoetico@iberdrola.es codigoeticoiberdrolaespana@iberdrola.es codigoetico.renovables@iberdrola.es codigoetico_iberdrolageneracion@iberdrola.es codigoetico@i-de.es codigoeticoingenieria@iberdrola.es codigoetico@iberdrolainmobiliaria.com				Not applicable
United States	corporatecompliance@avangrid.com			Ethics Mailbox available in the OLS On-Line Shareholders section of the Iberdrola group's corporate website.	Internet: avangrid.com/speakup Helpline: Help Line: 1-877-606-9171
United Kingdom	compliancedivision@scottishpower.com	Available on the Employee Portal of the Iberdrola group	Available in the supplier section of the Iberdrola group's corporate website	Shareholders section of the Iberdrola group's corporate website.	Internet: https://wrs.expolink.co.uk/scottishpower Helpline: 0800 374 199 Local suppliers: https://www.scottishpower.com/pages/suppliers_ethics_mailbox.aspx
Brazil	neoenergia@canaldedenuncia.com.br				Internet: http://www.canalparadenuncia.com.br/neoenergia Helpline: 0800 591 0857
Mexico	codigoeticoiberdrolamexico@iberdrola.es codigoetico.generacionmx@iberdrola.com codigoetico.renovablesmx@iberdrola.com				Not applicable
IEI	ethics.international@iberdrola.com				

Internal reviews of the compliance system

During financial year 2019, internal audit performed a review of the *Crime Prevention Programmes* of the companies of the Iberdrola Spain subgroup, focusing on the following crimes:

- Crimes against land-use and urban development regulations
- Crimes against natural resources and the environment
- Catastrophic risk
- Crimes against public health
- Withdrawal from market of raw materials or essential goods, and
- Billing of higher amounts for products or services whose cost or price is measured by automatic devices

As a result of audits performed, a number of recommendations have been made that have been implemented or in the process of implementation, none of which were classified as high level.

External reviews of the compliance system

- In 2018, as a result of the external audit performed by the [Ethisphere Institute](#) regarding Iberdrola's Compliance System, the company renewed the Compliance Leader Verification certification, which this institute gives to those companies that show they have an ethical culture implemented within all of their businesses and activities as well as a robust and effective compliance system.
- Iberdrola has been included by the Ethisphere Institute for the sixth consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies 2019* ranking. [Iberdrola is once again](#) the only Spanish company with this classification.
- After the annual follow-up audit in 2019, Aenor has evaluated Iberdrola's system and has renewed the certifications according to (1) the UNE-ISO 37001 standard regarding the anti-bribery management system, and (2) the UNE19601 standard regarding criminal management systems.
- Also in 2019, (i) the country subholding company Iberdrola España, S.A.U. and its head of business companies, and (ii) Iberdrola Inmobiliaria, S.A.U., after the audit by Aenor, have renewed the ISO37001 and UNE19601 certifications mentioned in the preceding paragraph.
- The law firm Uría Menéndez has issued a report evaluating the effectiveness of the *Crime Prevention Programmes* implemented at the various companies of the group. As a result of the review for 2018, it was concluded that these programmes are in compliance with best international practices, are effective and are useful to significantly reduce the risk of commission of the crimes sought to be prevented.

6.- Response and remediation plans

205-3

As laid down in the [Regulations of the Compliance Unit](#), it falls upon the Compliance Unit to handle communications made through the ethics mailboxes, except in cases where the report affects an employee of a country subholding company or head of business company that has its own Compliance Division.

The right to confidentiality, to a defence and to the presumption of innocence of the persons under investigation are guaranteed in all investigations.

In addition to the work of investigation, in view of the results of the investigation or grievance processes, the Compliance Unit or Divisions may identify potential corrective actions and make suggestions to the corresponding areas to improve the control, prevention and mitigation systems.

As regards the communications received through the ethics mailboxes established in the group, a total of 1,497 communications were received in financial year 2019, of which 804 were queries and 693 were complaints. Of the 693 complaints received, 463 were accepted for processing. In 11% of the cases of complaints allowed to proceed, some type of disciplinary action was taken upon a showing that there had been improper conduct or conduct contrary to the *Code of Ethics* or any other applicable rule.

Information regarding the existence of cases of corruption during the financial year

The company has not been informed of any case of corruption through the ethics mailboxes that has been confirmed during the year. Nor has the company become aware through the corresponding legal channels of its Legal Services, of any specific court decisions regarding cases of corruption during the reporting period. There were also no incidents reported through the mailboxes established for such purpose resulting in the cancellation of orders or of contracts with group suppliers.

The Iberdrola group is working with the courts to clarify the circumstances relating to the hiring of the company Cenyt in order to enforce any liabilities that arise and to defend its good name and reputation.

A review and analysis of the internal processes performed with the help of independent experts and pursuant to the group's Corporate Governance System and Compliance System has not revealed any violation of the internal control systems or of the *Code of Ethics* or of any other rules or procedures. The impact of these events, if any, would thus be limited to the reputational area.

This issue is discussed in more detail in section E3 of the Annual Corporate Governance Report.

Proceedings from prior years with an impact on the financial year

On 22 December 2017, the European Investment Bank (the “EIB”), Iberdrola Ingeniería y Construcción, S.A.U. and Iberdrola S.A. (in its capacity as owner of all of the share capital of Iberdrola Ingeniería y Construcción, S.A.U. through the country subholding company Iberdrola Participaciones, S.A.U.) signed a settlement agreement (the “Agreement”) within the framework of the EIB’s investigation relating to the Riga TEC-2 project to rebuild a thermal plant in Riga (Latvia), which was awarded to Iberdrola Ingeniería y Construcción, S.A.U. on 8 December 2005 and financed by this institution.

Among the obligations agreed to with the bank under the Agreement, Iberdrola Ingeniería y Construcción, S.A.U. and Iberdrola, S.A. have committed to develop, finance and implement a specific programme to sponsor activities in the area of compliance by taking actions and measures in favour of the fight against corruption and fraud for a period of four years from the signing of the Agreement. Within this context, the company has performed approximately 56% of the agreed activities during 2019.

Fiscal responsibility

The fiscally responsible behaviour of all companies of the Iberdrola group forms part of the General Sustainable Development Policy which contemplates basic principles of conduct that must be respected. The taxes that the group pays in the countries and territories in which it operates are the main contribution of the companies of the group to sustaining public expenditures, and is thus one of their contributions to society.

In 2010 the Board of Directors approved a Corporate Tax Policy, which was last updated on 18 December 2018. This Policy contains the tax strategy of Iberdrola, S.A. and its commitment to the application of good tax practices, and is applicable to all companies of the group in all of the countries in which it operates.

The *Tax Policy* defines a number of principles, including:

- “The prevention and reduction of significant tax risks, ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the group’s business risks”.
- “The strengthening of the relationship with tax authorities based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity, and good faith, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions”.

- “Envisaging the taxes that group companies pay in the countries and territories in which they operate as the principal contribution to sustaining public expenditures, and therefore one of their contributions to society”.

And by application of these principles, the group assumes the following good tax practices, among others:

- *“Not to use artificial structures unrelated to the Company’s business for the sole purpose of reducing its tax burden nor, in particular, enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories”.*
- *“Avoid opaque structures for tax purposes, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved”.*
- *“Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired”.*
- *“Follow the recommendations of the good tax practices codes implemented in the countries in which the companies of the group do business, taking into account the group’s specific needs and circumstances”.*

Applying the maximum standards of tax transparency, Iberdrola, S.A. has adhered to the *Code of Good Tax Practices* approved on 20 July 2010 by the full Forum of Large Businesses (*Foro de Grandes Empresas*), established on 10 July 2009 at the behest of the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*). Iberdrola’s commitment to compliance with, further development and implementation of the Code will extend to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in the *Corporate Tax Policy*.

In addition, in order to strengthen its commitments in this area, Iberdrola, S.A. has submitted to the Spanish tax authorities the “Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code” on an annual basis since 2017.

In 2018, it began a new path through the preparation of a document regarding the global tax contribution of the Iberdrola group. In 2019 a “Report on Tax Transparency of the Iberdrola group / Financial Year 2018. Our commitment to society”, setting out all significant issues from a tax standpoint, was published for the first time, and will be prepared again in 2020.

Furthermore, aware of the significance today of tax havens and non-cooperative jurisdictions, it should be noted that the Iberdrola group does not include within its controlled affiliates and assets any that are

resident in tax havens pursuant to the laws in this regard (Royal Decree 1080/1991 of 5 July and respective updates thereof) or in territories classified by the European Union in its black list as non-cooperative jurisdictions for tax purposes.

The group also pays special attention to the state of Delaware due to the interest it raises, even though it is not considered a tax haven or non-cooperative jurisdiction. In this regard, various companies forming part of the Iberdrola group were incorporated in this state. In fact, in the United States, it is customary practice to incorporate companies in the State of Delaware, due to the development of its commercial law and strong jurisprudence. This combination provides strong legal security in the commercial arena.

However, the tax domicile of these companies (which determines the tax system applicable thereto and where they should register for such purpose and pay taxes) is determined by the place where the administration and management of the businesses of the companies is concentrated, regardless of the place of incorporation. Thus, the companies of the Iberdrola group incorporated in Delaware as well as in any other state of the United States have their tax domicile and pay taxes in the states in which the locations of operation of the consolidated tax group of which they form a part are located, which does not include Delaware. In summary, the companies of the Iberdrola group are incorporated according to objective business standards and not to tax engineering structures.

Iberdrola is fully aligned with the principles and actions proposed by the OECD's BEPS Plan. Specifically, as regards Transfer Pricing, the group assesses related-party transactions at arms'-length prices in line with the OECD Guidelines in this area. Furthermore, all existing related-party transactions of the group are duly documented on the terms provided by the legal provisions of the various countries. The group is also committed to the preparation and presentation in due time and form of the Country-by-Country Report upon the terms provided by the law of its parent company, Spain. Information regarding the activities of the group was disclosed in these annual reports, as was information regarding all taxes paid and collected by the companies of the group in the various tax jurisdictions in which it is present.

Iberdrola was ranked for the third consecutive year as one of the leading companies on the tax transparency ranking of Ibex 35 companies prepared by Fundación Compromiso y Transparencia, in recognition of its good tax practices and its transparency.

In 2019 Iberdrola also became the first Spanish company to obtain the AENOR certificate for its Tax Compliance Management System in accordance with the requirements set forth in the UNE 19602 standard.

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

The taxes paid are presented in the following table:

Tax contribution (€ millions)			
	2019	2018	2017
Company contributions	2,941	3,096	2,723
Contributions due to third-party payments	5,215	4,843	4,388
Iberdrola consolidated total	8,156	7,939	7,111

More than 98% of taxes paid (total contribution) by the group occur in the five most relevant countries. A detailed breakdown by geographic area can be found in Annex 1 Supplementary Information.

Competition

Contribution to SDGs of the performance described by the indicators of this section



GRI 206

Pursuant to the *Code of Ethics*, the group undertakes to compete fairly in the market and not to engage in advertising that is misleading or denigrates its competitors or third parties.

The group also undertakes to obtain information from third parties lawfully, to promote free competition for the benefit of consumers and users, and to promote transparency and free market practices, as provided in the group's [General Sustainable Development Policy](#).

In relation to the foregoing, and specifically pursuant to the provisions of the [Anti-Corruption and Anti-Fraud Policy](#), the companies of the group promote a transparent environment, maintaining appropriate internal channels to favour the communication of possible irregularities, including the ethics mailboxes, which allow professionals of the group, suppliers and shareholders of the company to communicate conduct that may entail a breach of the company's Corporate Governance System or the commission by a professional of the group of an act contrary to the law or to the rules of the [Code of Ethics](#).

At the country level, each of the country subholding companies endeavours to ensure strict compliance with legal provisions on separation of activities. In many countries like Spain, where a [Code for the Separation of Activities of the Companies of the Iberdrola group in Spain with Regulated Activities](#) applies, applicable internal rules go beyond what is required by law, significantly strengthening the measures to prevent any anti-competitive practices deriving from a lack of separation between the liberalised and regulated businesses.

The liberalised head of business companies also have specific controls to avoid any type of anti-competitive practices, particularly in areas like advertising campaigns directed towards individuals and price manipulation.

In Spain, the generation head of business company has access to Autocontrol, a private entity that works for truthful, legal, honest and trustworthy advertising, which among other activities provides a consulting service to advise on the ethical and legal adequacy of campaigns before they are launched. It has also implemented internal processes to ensure compliance with *Regulation (EU) 1227/2011 of the European*

Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency and the legal provisions in further development thereof, which establish rules prohibiting abusive practices that affect the wholesale energy markets. In other jurisdictions, the liberalised head of business companies have equivalent internal policies and rules.

In the United Kingdom, ScottishPower has implemented internal processes to ensure compliance with REMIT, the EU regulation on the integrity and transparency of the energy market. REMIT provides a specific regulatory framework for wholesale energy markets that defines market abuse (including manipulation or attempted manipulation of the market, use of inside information, explicit prohibition against market abuse, etc.). The regulator Ofgem supervises compliance with such regulations on integrity and transparency of the electricity and gas market, monitoring, investigating and sanctioning violations of REMIT.

In the practical application of applicable law, the complexity thereof might give rise to interpretations that are not shared by other market players or by the regulatory authority itself, giving rise to situations such as those described below requiring the intervention of the competent courts.

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Pending cases

In 2017, a class action lawsuit was filed with the United States District Court of Massachusetts on behalf of New England customers against the company and Eversource, alleging that certain of their respective subsidiaries that provide natural gas transmission services using the Algonquin Gas Transmission (hereinafter, "AGT") pipeline, which for the company would be its indirect subsidiaries SCG and CNG, engaged in natural gas pipeline capacity scheduling practices with respect to AGT that resulted in an artificial increase in electricity prices in New England. The plaintiffs sought to recover damages, disgorgement, redress in the form of restitution, injunctive relief and an award of costs. The company filed a motion to dismiss all claims in January 2018, and in February 2018 the Federal Energy Regulatory Commission (hereinafter, "FERC") released the results of a staff inquiry into the gas pipeline capacity scheduling practices involving the AGT. The FERC stated that the inquiry did not uncover any evidence of anticompetitive withholding of natural gas pipeline capacity on the AGT and that it would not take any further action on the matter. In April 2018 the company filed a motion to dismiss all claims based on federal pre-emption and lack of any evidence of antitrust behaviour, citing, among other reasons, the results of the inquiry conducted by FERC staff. The plaintiffs filed opposition to the motion to dismiss in May 2018, and the U.S. District Court of Massachusetts held a hearing on the motion to dismiss in August 2018. In September 2018 the U.S. District Court upheld the motion filed by the company and dismissed all of the claims. In October 2018 the plaintiffs filed an appeal. In January 2019 the plaintiffs filed a brief in support

of appeal and in April 2019 the Company and Eversource filed a joint brief in opposition. In May 2019 the plaintiffs filed a reply to the opposition. In September 2019 the First Circuit Court of Appeals affirmed the district court's dismissal of the plaintiff's claims. The plaintiffs filed a motion seeking en banc review in October 2019. In November 2019 the First Circuit Court of Appeals denied the motion for en banc review.

In addition, in August 2018, PNE Energy Supply LLC, a competitive energy supplier located in New England that purchases electricity in the day-ahead and real time wholesale electric market, filed a civil antitrust action, on behalf of itself and those similarly situated, against Avangrid and Eversource alleging that their respective gas subsidiaries illegally manipulated the supply of pipeline capacity in the "secondary capacity market" in order to artificially inflate New England natural gas and electricity prices. The plaintiff claimed to represent entities which purchased electricity directly in the wholesale electricity market that it claimed was targeted by the alleged anticompetitive conduct of Eversource and the company. In September 2018, the company filed a motion to dismiss all of the claims based on federal pre-emption and lack of any evidence of antitrust behaviour, citing, among other reasons, the results of the FERC staff inquiry and the dismissal of the claim by the same Court in September. The district court heard oral arguments on the motion to dismiss in January 2019. In April 2019, the Company filed a brief in support of its motion to dismiss and in June 2019 the district court granted the Company's Motion to Dismiss and dismissed all claims. In July 2019 the plaintiffs filed notice of appeal in the U.S. Court of Appeals for the First Circuit and in October 2019 filed a brief in support of appeal. In January 2020 the Company and Eversource filed a joint motion in opposition. The company cannot predict the outcome of this class action lawsuit.

No cases related to monopoly practices or anti-competitive behaviour have been recorded at the other companies of the Iberdrola group during the financial year. Nor do any cases filed in prior years remain open.

Public policies

Contribution to SDGs of the performance described by the indicators of this section



GRI 415

Relations with regulatory entities and social institutions Iberdrola has two kinds of relationships with regulatory entities:

- Relationships geared towards contributing to the enactment of efficient regulatory provisions allowing for the development of a competitive market in activities that are not subject to a natural monopoly, and sufficient remuneration for regulated businesses. To that end, there is a continuous and constructive dialogue where information, knowledge and positions are exchanged. Iberdrola is thus acquainted with the concerns and proposals of regulatory entities and provides them with its own positions in the legitimate defence of its interests and those of its shareholders and customers. The company also actively participates in “public hearings” held by regulatory entities in order to ascertain the opinions of the players involved in the processes prior to the revision of regulations or the determination of domestic and European energy policies. It also participates in the official processes of enactment of the laws and regulations and the monitoring of the application thereof.
- Provision of all information required by regulatory entities, whether in connection with the normal conduct of its business or as a result of any transitory issue.

In addition to its direct relationships with regulatory entities, Iberdrola and the companies in its group participate in the regulatory process through the various domestic and international trade associations of which they are members.

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Domestic and international associations

International	World Energy Council	WindEurope
	Energy Networks Association	Electric Power Research Institute (EPRI)
	Solar Power Europe	European Distribution System Operators (EDSO)
	Union of the Electricity Industry EURELECTRIC	Global Wind Energy Council (GWEC)
	CSR Europe	NUGENIA
	International Electrotechnical Commission/European Committee for Electrotechnical Standardisation (IEC/CENELEC)	European Network of Transmission System Operators for Electricity (ENTSOE)
	International Emissions Trading Association (IETA)	World Association Nuclear Operator (WANO)
	Agência para a Energia em Portugal (ADENE)	European Utilities Telecom Council-EUTC
	Institute of Electrical and Electronics Engineers (IEEE)	International Conference on Electricity Distribution (CIRED)
	European Round Table (ERT)	International Council on Large Electric Systems (CIGRE)
	European Network of Cybersecurity (ENCS)	European Association for Storage of Energy (EASE)
	Prime Alliance	European Technology Platform Smart Grids
	World Nuclear Association	European Utilities Technology
	European Technology Platform Integration – Batteries (ETIP-Batteries)	Device Language Message Specification User Association (DLMS – UA)
	SNETP	Associazione Italiana Energia Libera
Spain	Associação Portuguesa de Empresas de Gás Natural (AGN)	Associazione Italiana di Grossisti di Energia e Trade (AIGET)
	Foro de la Industria Nuclear Española	Unión Española Fotovoltaica (UNEF)
	Asociación Española del Gas (SEDIGAS)	Red Española del Pacto Mundial
	Plataforma Española de Redes Eléctricas (FUTURED)	Confederación Española de Organizaciones empresariales (CEOE/Cepyme)
	Asociación Española de la Industria Eléctrica (AELEC)	Círculo de empresarios
	Instituto Tecnológico de la Energía (ITE)	Cámara de Comercio de España
	Asociación Española de Normalización (AENOR)	Club de Excelencia en Sostenibilidad
	Fundación COTEC para la Innovación	Club Español de la Energía
	Asociación Empresarial para el Desarrollo e Impulso del Vehículo Eléctrico	Asociación empresarial Eólica (AEE)
Corporate Excellence	Asociación de Directivos de Responsabilidad Social Empresarial (DIRSE)	
United Kingdom	Scottish Fuel Poverty	Aviation Investment Fund Company Limited
	The Scottish Renewables Forum	Energy UK - Energy Efficiency Group
	Energy UK-Efficiency Group	National Skills Academy for Power
	Energy Networks Association	Business Disability Forum
	Renewables UK	Energy Institute
	Energy & Utility Skills	Energy Action Scotland
	Irish Wind Energy Association (IWEA)	Offshore Wind Accelerator
	Scotland's Towns Partnership	Joint Environment Programme
	Institute of Customers Service	Smart DCC Limited
	Institute of Engineering & Technology	Gas Storage Operators Group
	National Energy Action	Energy Efficiency Group

	Welsh Rugby UnionLTD & Glasgow Warriors	British Hydro Association
	Distribution Connection and Use of System Agreement (DCUSA)	Glasgow Chamber of Commerce
	NEA Business Supporters Group	OFGEM
United States	Business Council of New York State	American Wind Energy Association (AWEA)
	The Wind Coalition (TWC)	Center for Energy Workforce Development (CEWD)
	Maine Better Transportation Assn	The Nature Conservancy-Maine (TNC)
	NY State Economic Development Council	Clean Grid Alliance
	Greater Binghamton Chamber of Commerce	E2Tech
	American National Standards Institute (ANSI)	Operations Technology Development (OTD)
	Northeast Gas Association (NGA)	Rochester Business Alliance
	Industrial Asset Management Council (IAMC)	The Wind Coalition (TWC)
	Gas Technology Institute (GTI)	American Gas Association (AGA)
	Edison Electric Institute (EEI)	Wind on the Wires (WOW)
	Interwest Energy Alliance	Alliance for Clean Energy - New York (ACE-NY)
	Center for Energy Efficiency and Renewable Technologies (CEERT)	Independent Energy Producers Association of California (IEP)
	Northeast Underground Committee (NEUC)	New England Power Pool
	National Electrical Safe Code	New England-Canada Business Council
	Mid-Atlantic Renewable Energy Coalition (MAREC)	Center for Energy Efficiency (CEERT)
	North American Electric Reliability Corporation (NERC)	Northeast Transmission Group (NETG)
	ISO New England (ISO-NE)	Energy Council of the Northeast (ECNE)
	Connecticut Energy Workforce Development Consortium (CTEWDC)	North American Transmission Owner and Operator Forum (NATF)
	Call Before You Dig, Connecticut	Association of Edison Illuminating Companies
Brazil	Associação Brasileira de Distribuidoras de Energia Elétrica (ABRADEE)	Associação Brasileira da Infraestrutura e Indústrias de Base (ABDIB)
	Associação Brasileira dos Comercializadores de Energia (ABRACEEL)	Federação das Indústrias do Estado da Bahia (FIEB)
	Associação Brasileira dos Contadores do Setor de Energia Elétrica (ABRACONE)	Associação Brasileira das Empresas Geradoras de Energia Elétrica (ABRAGE)
	Associação Brasileira de Energia Solar (ABSOLAR)	American Chamber of Commerce (AMCHAM)
	Associação Brasileira de Geradoras Termelétricas (ABRAGET)	Associação Brasileira de Energia Eólica (ABEEOLICA)
	Associação Brasileira das Empresas de Transmissão de Energia Elétrica (ABRATE)	Associação Brasileira de Relações Institucionais e Governamentais (ABRIG)
	Instituto Acende Brasil	Centro de Pesquisas de Energia Elétrica (CEPEL)
	Associação brasileira de Comunicação Empresarial (ABERJE)	Associação Brasileira dos Produtores Independentes de Energia Elétrica (APINE)
Mexico	Asociación Mexicana de Energía Eólica (AMDEE)	Cámara Española de Comercio, A.C. (CEE)
	Asociación Mexicana de Energía, A.C (AME)	Consejo Coordinador empresarial A.C
	Confederación Patronal de la República Mexicana (Coparmex)	Cámara de Comercio del Canadá en México (CANCHAM)
	Cluster Agroalimentario A.C.	Asociación Mexicana de Parques Industriales (AMPIP)
	Cámara de la Industria de Transformación de Nuevo León (CAINTRA)	Consejo Ejecutivo de empresas Globales, AC
	Cámara de Comercio Franco-Mexicana	Centro Mexicano para la filantropía (CEMER)
	Empre-Bask México, A.C	

For more details on the company's commitment to the above, its participation within various committees, the contributions it makes or its strategic involvement, please consult public information or visit the websites of these organisations.

Transparency of regulatory positions

As a general rule, Iberdrola endorses the principles of good regulation: proportionality, effectiveness and efficiency, responsibility and independence, consistency and credibility and, finally, transparency and clarity.

A project for the dissemination of regulatory positions has been developed as part of Iberdrola's transparency policy. The company has made publicly available a compilation of [Global Regulatory Positions](#), valid for all countries and businesses. The goal is for the regulatory positions advanced by Iberdrola to be transparent and well-known.

Iberdrola firmly believes that the transition to an economy neutral in emissions is possible and makes economic sense, and supports the goal of achieving net zero emissions by 2050. Reaching this goal will require evolving, at the lowest possible cost, towards more efficient and non-emitting energy vectors and final uses.

Due to its ability to integrate renewables, electricity is the vector most favourable for decarbonisation that is currently available, and is the one that allows for an actual increase in energy efficiency. In this regard, our vision is that the energy transition should happen in two steps:

First, **decarbonise the electricity sector** through the mass integration of renewable energy. This requires certain actions:

- 1) Promote renewable energy, incentivising competitive mechanisms, establishing objectives and monitoring compliance therewith using intermediate milestones.
- 2) Develop and digitise the network infrastructure to integrate clean generation at the lowest cost possible within a stable and predictable regulatory framework.
- 3) Establish capacity mechanisms that ensure the firmness and flexibility the system requires in a sustainable manner.

Second, **electrify other energy uses**, mainly light transport and construction. This requires the placement of foundations for creating a balanced playing ground between energies:

- 1) Establishing tax homogeneity, such that all energies assume their environmental cost, based on the principle of "polluting party pays".

- 2) Eliminating barriers to electrification, cleaning the electricity tariffs of costs outside of supply. There must be a clear price signal that gives the consumer a sufficient incentive to choose the most sustainable energy option.
- 3) Promoting electric end uses:
 - In light transport, setting ambitious goals for penetration of electric vehicles and ensuring the deployment of a basic recharging network on public roadways.
 - In construction, establishing the objectives of decarbonised solutions like heat pumps in new and existing buildings.

There are exceptions, as for those niche sectors that cannot be electrified at this time (like aviation, the maritime industry or the high temperature industry). R&D must be promoted to find emission-free solutions in these cases.

Existing and mature alternative technologies (renewable energy, electric vehicles and heat pumps) could allow for theoretical decarbonisation above 80% of final energy demand in Europe. The niche sectors that are difficult to decarbonise represent approximately 16% of consumption and 18% of emissions in the EU and must be decarbonised in the future, as potential technologies (biofuels, biogas, biomethane and green hydrogen) are still immature.

External initiatives to which the organisation subscribes or which it endorses

102-12

The company has subscribed to or endorsed external initiatives aligned with sustainable development and encouraged its affiliated companies to adhere to them. Iberdrola supports or subscribes to:

- Iberdrola is fully aligned with the Sustainable Development Goals (SDGs), including them in its business strategy and its Sustainable Management Policy.
- World Economic Forum (WEF) –CEO Climate Leaders–.
- World Business Council of Sustainable Development (WBCSD)
- EV100 (The Climate Group)
- UN Global Compact LEAD.
- European Round Table of Industrialists.
- The Prince of Wales's Corporate Leaders Group.
- Green Growth Platform
- Carbon Pricing Leadership Coalition.
- REDS, Red Española de Desarrollo Sostenible.

- SE4ALL.
- European Climate Foundation.
- Bruegel.

Iberdrola joined the Global Compact in 2002. Iberdrola has also engaged in other initiatives in partnership with this organisation, as described in the “Iberdrola and the Global Compact” section of chapter II.5.

Items of note in the Spanish context are a very active collaboration with the Spanish Office of Climate Change and Iberdrola’s participation in the Spanish Green Growth Group, of which it is vice-president. Iberdrola has also become a Spanish Member of the Spanish Paralympic Committee and a supporter of the Women’s Universe (*Universo Mujer*) programme of the Higher Council for Sport (*Consejo Superior de Deportes*) (CSD), supporting 16 Spanish female federations to promote the participation of women in sports and equal opportunities. This information is described in more detail in chapter II.2.

In the United Kingdom, ScottishPower has created a team dedicated to coordinating activities with the Cancer Research association, and all joint actions carried out since it joined an initiative in 2012 in order to procure funds to investigate this illness. Since then, they have amply achieved their goals, reaching a figure of 25 million pounds, and there have been countless initiatives by ScottishPower employees helping to raise awareness of the treatment of this illness: *Race for Life*, *Stand up to Cancer*. It also has a specific rate called *Help Beat Cancer Fixed Price*, which when purchased commits the company to work with this organisation.

Along these lines, within the framework of collaboration with the Spanish Cancer Association (*Asociación Española Contra el Cáncer*) (AECC), the *Together against cancer (Juntos contra el cáncer)* initiative was launched in Spain in October 2016, offering the opportunity to make small monthly donations via one’s electricity bill with a commitment from Iberdrola to double the amount donated by its customers. More than 86,000 customers have already joined to collect funds in 2019. The company also participates in the proceedings of World Cancer Day and World Cancer Research Day.

Furthermore, in the United Kingdom ScottishPower is a member of a forum collaborating against energy poverty in Scotland that works closely with the advisory panel of the Scottish government to review the conditions of Scottish homes and advise on energy policy.

In the United States, Avangrid participates in *Reforming Energy Vision (REV)* to promote a more efficient use of energy and greater penetration of renewables in the country. It is also a member of *The Partnership on Climate Resilience* of the U.S. Department of Energy to combat the effects of climate change and

modernise energy infrastructures for the future. And it is also a signatory of the *American Business Act Climate Pledge* to support the fight against climate change.

Finally, in Brazil Iberdrola works with *Centro Clima–Centro de Estudos Integrados sobre Meio Ambiente e Mudanças Climáticas (COPPE/UFRJ) 2019* to contribute to the fight against climate change.

Lobbying activities and contributions to political parties or to related institutions

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As regards lobbying activities, Iberdrola is registered with the Transparency Register created by European institutions to provide adequate transparency to the relations of such institutions with companies, NGOs, citizens' associations, think tanks, etc. The register was created by the European Parliament and the European Commission, and the Council of the European Union supports the initiative. [Iberdrola's record](#) in such register can be found on the EU's website. In its activities to influence public policies, Avangrid has made the financial contributions shown in the [US register](#).

Iberdrola has a neutral position from a political standpoint. In financial year 2019, none of the group's companies, except in the United Kingdom and the United States, contributed to the financing of political parties or to organisations controlled by them.

Contribution to political parties (€)

	2019	2018	2017
United Kingdom	44,412	27,696	26,266
United States	32,152	35,129	14,997
Federal level	0	0	0
State level	32,153	35,129	14,997
Other countries	0	0	0
Total	76,565	62,825	41,263

In the United Kingdom, ScottishPower contributed a total of 44,412 euros, distributed among various parties across the political spectrum, to sponsor lectures and events, pursuant to the *Political Parties, Elections and Referendums Act (2000)*. These occasions are an important opportunity for the group to present its viewpoints to representatives of all political options on a non-partisan basis. The contribution does not involve supporting any particular party.

In the United States, the Renewables Business of Avangrid contributed a total of 17,416 euros to candidates and political parties in 2019, and reported such contributions in accordance with applicable law. The contributions are those made by the company and do not include additional voluntary contributions made by employees. The Networks Business has made various contributions to the *Public Action Committee*, in the total amount of 14,737 euros.

Cybersecurity and information privacy

Contribution to SDGs of the performance described by the indicators of this section



In order to ensure appropriate protection of the group's assets, cyber-infrastructure and information, Iberdrola has a [Cybersecurity Risk Policy](#), approved by the Board of Directors, which establishes the global principles for the control and management of the cybersecurity risks applicable to all the companies of the group.

In particular, it refers to the risks arising from vulnerabilities and threats to information, information technology and communications systems, applications, services, devices, facilities and any other asset that forms part of the group's cyber-infrastructure. Supported by the Policy, the Global Cybersecurity Framework establishes the guidelines for the cybersecurity management model common to the entire group, based on the existence of a Global Cybersecurity Committee and on the development of global rules and standards to be applied within all the businesses and corporate functions. Iberdrola has appointed a chief information security officer (CISO) to lead and supervise the deployment of the global cybersecurity strategy, as well as information security officers at the various country subholding companies to ensure the implementation thereof in each country, taking into account the regulations and legislation applicable in their territory.

The group's Global Cybersecurity Committee, led by the global CISO, and on which all businesses and corporate functions are represented, promotes and supervises the deployment of the cybersecurity strategic plan and rules throughout the organisation, based on an analysis and management of the risks

and on the application of technical and organisational measures for appropriate protection and resilience of assets and services based on the critical nature thereof. It also promotes and establishes training and awareness-raising for the entire workforce, cybersecurity by design, including in the supply chain, and the management of threats and incidents, contemplating collaboration with government authorities and services specialising in cyber-monitoring, as well as to defend the brand and the company's customers against potential risks and fraud through social engineering.

GRI 418

Iberdrola pays special attention to ensuring the privacy of the personal information of the group's Stakeholders. For this purpose, the company has a *Personal Data Protection Policy*, approved by the Board of Directors, and conforming to the European *Global Data Protection Regulation*. Its purpose is to guarantee the right to the protection of data of all individuals dealing with companies belonging to the group, ensuring respect for the right to dignity and privacy in processing of the personal data, and particularly to establish the common principles and guidelines to govern the group regarding the protection of data, guaranteeing compliance with applicable law on this topic in all countries in which the group is present.

To further develop this policy, the *Global Personal Data Protection Framework* of the Iberdrola group establishes the general standards and the global governance model on personal data protection and defines the coordination mechanisms and responsibilities in this area. Responsibility for the protection of personal data lies with the businesses and corporate functions, organisations that process this data, under the coordination and supervision of the Corporate Security Division, with the support of the Legal Services.

The Iberdrola group has appointed a Global Corporate Data Security Protection Coordinator, also the Data Protection Officer of Iberdrola, S.A., who will rely on a network of Local Data Protection Coordinators at each of the country subholding companies of the countries in which the group does business, and which ensures the implementation in each country of the global personal data protection strategy, taking into account the particularities of their territory.

Iberdrola has chosen to handle privacy with a holistic focus, the goal of which is to integrate privacy and data protection within the management system and the culture of the company. For these reasons, it has launched a Data Protection Compliance Model in order to ensure compliance with the General Data Protection Regulation (GDPR) within the Iberdrola group in a consistent and systematic manner that continues over time. This model is continuously enriched with best practices, and is being deployed in all countries in which the group does business, prioritising the countries of the European Union. Common standards have been applied that are applicable in all of Iberdrola's businesses and corporate areas, which have been deployed using a set of rules, procedures, methodologies and tools that facilitate the proper

application thereof. Iberdrola's compliance model is based on a tremendous awareness-raising and training effort at all levels, such that any employee is fully prepared to comply with the highest standards demanded by the company when dealing with personal data.

The table below shows substantiated complaints regarding breaches of violations of privacy and losses of customer data.

418-1

Incidents relating to privacy (No.)

	2019 ¹⁴⁶	2018	2017
From regulatory entities	106	173	163
From other sources, substantiated	109	191	29
Total substantiated complaints	215	364	192

Of the incidents arising from regulatory entities, 61 occurred in the United Kingdom, 40 in Spain and 5 in Portugal. Of those having another origin there were 101 in the United Kingdom, 7 in Spain and 1 in Portugal.

There were no cases of loss or breach of customer data in 2019.

¹⁴⁶ Does not include data from France, Germany or Ireland, where commercial activity was just beginning in 2019.

Socioeconomic compliance

Contribution to SDGs of the performance described by the indicators of this section

(according to SDG Compass www.sdgcompass.org)



GRI 419

Iberdrola aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System, but also to ethical principles and generally accepted principles of sustainable development. In this connection, the Code of Ethics of the Iberdrola group provides that:

- Group professionals shall comply strictly with the laws in force in the jurisdiction of their workplace, heeding both the spirit and the purpose of such legal provisions, and shall observe the provisions of the *Code of Ethics*, the other rules of the Corporate Governance System and the basic procedures governing the activities of the group and of the company in which they provide their services. They shall also fully observe all obligations and commitments assumed by the group in its contractual relations with third parties, as well as the usage and good practice of the countries in which they carry out their activities.
- The members of management of the group's companies must have particular knowledge of the laws and regulations, including internal ones, affecting their respective areas of activity, and must ensure that the professionals reporting to them receive the required information and training to enable such professionals to understand and fulfil the legal and regulatory obligations, including internal ones, applicable to their position.
- The group shall respect and abide by all court and/or governmental decisions or resolutions that may be issued, but reserves the right to file such appeals as may be appropriate against any such decisions or resolutions when it believes that they do not conform to the law and are contrary to its interests.

419-1

The following table shows violations of laws and regulations in the social and economic area, i.e. all violations of any kind (whether labour, tax, competition, related to distribution or retail sale of energy and gas, etc.) of the Iberdrola group, other than violations of environmental regulations, which are set out in chapter II.3.

Significant fines and non-monetary sanctions in the social and economic area¹⁴⁷

	2019	2018	2017
Fines imposed (€)	107,589,713	59,544,962	58,891,707
Non-monetary sanctions (No.)	0	17	1
Cases being resolved through arbitration or similar mechanisms (No.)	636	301	465

Of the total amount, in Spain fines in the amount of 380,363.29 euros have been imposed, of which 39,494.29 euros correspond to fines relating to advertising and marketing, 91,000 euros to violations of personal data provisions, and 249,869 euros to fines regarding unauthorised facilities. As regards cases processed by means of arbitration, there has been one (1) arbitration relating to the decision of Iberdrola Renovables to apply penalties and terminate a contract for a dam and hydroelectric plant, and there have been 313 consumer arbitration awards for the retail sale of energy.


In Brazil, fines in the amount of 106,143,880.44 euros have been imposed relating to the calculation of corporate income taxes (*Imposto da Renda das Pessoas Jurídicas*) (IRPJ) and social contributions on net profits (*Contribuição Social sobre o Lucro Líquido*) (CSLL), as well as various federal, state and municipal taxes, all appealed to the corresponding courts. And fines in the amount of 1,026,467 euros on the Networks Business for other product reasons not related to health or safety, marketing or customer information, which have also been appealed. There have also been 2 arbitration cases. In addition, 7 labour fines received in 2019 have been imposed, 3 at Coelba, 1 at Celpe, 2 at Cosern and 1 at Elektro. Two of them are for cases relating to supervision to meet hiring quotas for disabled persons and the other relating to labour issues generally.

In the United States, a fine in the amount of 6,090.22 euros has been imposed relating to the health or safety of customers.

In Portugal (Iberdrola Energía Internacional), a sanction of 9,750 euros has been received for the violation of marketing rules. And there have been 319 arbitral awards.

In Germany (Iberdrola Energía Internacional), there was one arbitral award pending enforcement in 2019, which derives from the purchase of a wind project by Iberdrola in that country.

¹⁴⁷ Arbitration mechanisms are not included in the labour area.



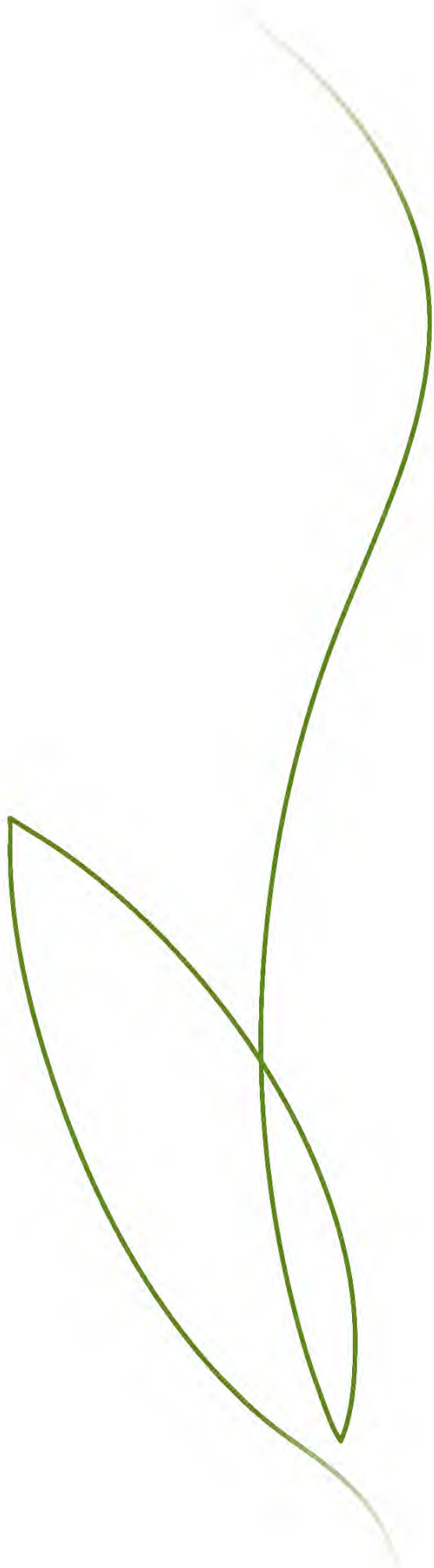
No fines were imposed during 2019 in the other countries in which the company operates.

Nor have any non-monetary penalties been received during the year.

Labour practices grievance mechanisms

Using the standard that class actions on the same matter are deemed to be a single grievance, the companies of the group received 1,296 grievances about labour practices in 2019¹⁴⁸; of these, 246 were resolved in that same year. In addition, 1,585 other grievances pending from previous years have been resolved.

¹⁴⁸ The grievances received correspond to Spain, the United Kingdom, the United States, Brazil and Other Countries. In Spain, the United Kingdom, Brazil, Mexico and Other Countries, this includes the grievances that reach the courts, while in the United States grievances include those filed with the various state and/or federal commissions on human rights and equality.



III. About this Report

III.1. Scope of Information

Introduction

Iberdrola has followed the GRI recommendations for defining the boundary of this report, taking into account the entities in which it has control, those in which it has significant influence, and those activities that are significant for the group from the economic, environmental and social standpoint.

For purposes of this report, the following terms have the meanings set forth below:

- “Iberdrola” or the “company”: the Spanish company Iberdrola, S.A., parent company of the Iberdrola group.
- “Iberdrola group” or the “group”: Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola has the power of control or joint control.
- “Affiliated companies” or “affiliates”: the group of companies in which Iberdrola has a percentage interest but not the power to exercise control. At these affiliated companies Iberdrola promotes the policies approved within the group through the decision-making bodies of such companies and includes information on those considered significant in terms of sustainability.

The companies in which Iberdrola owns a direct or indirect equity interest are listed in the document *Consolidated Annual Financial Statements and Audit Report* for financial year 2019.

Information boundaries of this report

Time scope

102-50 102-51 102-52

2019: The report is published on an annual basis.

Organisational scope

102-6 102-45

The presentation of the company’s public information is subject to the following external factors:

- The scope and basis of presentation of financial information must comply with established statutory requirements.
- The environmental and social information is presented in accordance with the new legal requirements as to content, leaving open the reporting framework to be used. This is the reason why Iberdrola has voluntarily elected to use the GRI Standards in the preparation of this report.

To reconcile these factors, Iberdrola has established two quantitative information boundaries: global boundary and report boundary.

Global boundary (Iberdrola Total)

This includes all of the activities carried out by the group, its subsidiaries and its affiliates.

The economic information that is included in this *Statement of Non-Financial Information. Sustainability Report 2019* comes from the *Annual Financial Report* for financial year 2019.

Other non-financial information stated as within the “global boundary”, such as operating information of the group, results from adding to the “report boundary” the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report (as they are minority interests in companies dedicated to non-strategic activities for the group and whose employees do not belong thereto), which are included under the heading “Other”.

Report boundary

Made up of Iberdrola, S.A. and its subsidiaries and minority-owned companies that are significant for purposes of sustainability that do business in the countries indicated in the table below and engage in the activities described therein.

Significant countries and activities for the Iberdrola group in terms of sustainability⁽¹⁾ and included in the 2019 reporting boundary

	Group office	Electricity production		Transmission and/or Distribution of electricity or gas	Electricity and/or gas supply (2) (3)		Gas storage	Real estate
		Conventional	Renewable (4)		Wholesale market	Retail market		
Spain (5)	X	X	X	X	LIB	LIB/REG		X
United Kingdom	X		X	X	LIB	LIB	X	
United States	X	X	X	X	LIB	REG		
Brazil	X	X	X	X	LIB	REG		
Mexico	X	X	X		LIB	LIB		X
Portugal	X		X		LIB	LIB		
Germany	X		X		LIB	LIB		
Canada	X						X (7)	
Greece	X		X(6)					
Hungary	X		X					
Romania	X		X					
France	X		X(8)		LIB	LIB		
Italy	X				LIB	LIB		
Republic of Ireland	X		X		LIB	LIB		
Other countries (9)	X							

- 1) The countries set out herein are those in which the company does business, with facilities and employees. Countries in which the company makes purchases of general supplies and procures fuel are not included. The workforce reported is as at year-end.
- 2) Types of sales activities:
 - LIB: activities in liberalised markets, independent of distribution activities.
 - REG: activities in regulated markets, together with distribution activities. The supply to these markets has not been considered as an activity in the wholesale market.
- 3) Environmental information on sales activities in Germany, France, Italy and the Republic of Ireland is not consolidated, because it is not yet integrated into the corporate systems as at the date of preparation of this report. It will be included in future reports to the extent the systems collect this information.
- 4) Includes the activities of hydroelectric, wind and solar generation. No social or environmental information is included on facilities in which the company has an interest of less than 50% in Spain, the United Kingdom or the United States. Environmental information on construction projects in Portugal and France is not included, except in the area of biodiversity.
- 5) Any reference to the 7th Collective Bargaining Agreement includes the following companies at 31 December 2019: Iberdrola, S.A., Iberdrola España, S.A.U., Iberdrola Generación, S.A.U., Iberdrola Generación España, S.A.U., Iberdrola Generación Nuclear, S.A.U., Iberdrola Clientes, S.A.U., Iberdrola Operación y Mantenimiento, S.A.U., i-DE Redes

Eléctricas Inteligentes, S.A. (Sociedad Unipersonal), Iberdrola Infraestructuras y Servicios de Redes, S.A.U., Iberdrola Renovables Energía, S.A.U. and Iberdrola Ingeniería y Construcción, S.A.U.

- 6) Renewables activities in Cyprus are included in Greece.
- 7) Activities are not significant from the environmental standpoint. Labour information is included in the information for the United States.
- 8) Activities related to the Saint Briec offshore wind farm: Under development, and in the final phase of purchasing of the various main packages.
- 9) Other countries: Algeria, Australia, Belgium, Bulgaria, Egypt, Latvia, Montenegro, Qatar and South Africa. Employees in these countries represent only 0.05% of the employees of the group. Environmental information on these activities is not included as it is not deemed relevant in terms of sustainability.

At affiliate nuclear plants, the percentage interest held by Iberdrola in each of them is used to consolidate environmental performance data: Vandellós (28%), Almaraz (52.69%); Trillo (49%) and Ascó (15%). For social information, on the other hand, because of the structure of the available information systems, nuclear plants are consolidated according to the percentage interest held by Iberdrola in the economic interest grouping created for that purpose; such interest is 51.44% in the case of Trillo-Almaraz and 14.59% in the case of Ascó-Vandellós. A 50% share of the environmental and social data corresponding to the activities of Nuclenor, S.A. is applied according to consolidation by the equity method.

Summary of the information boundaries by country

Following the GRI recommendation, the information in this report is structured by country. The table below shows the structure of information by country applied to the boundaries described above:

Structure of information by country in this report

<p>Report boundary = Iberdrola, S.A., subsidiaries and affiliates considered to be significant for sustainability purposes.</p>	<p>Spain United Kingdom United States Brazil Mexico Other Countries (Portugal, Germany, Canada, Greece, Cyprus, Hungary, Romania, France, Italy, Republic of Ireland, Algeria, Australia, Belgium, Bulgaria, Egypt, Latvia, Montenegro, Qatar and South Africa)</p> <p>Report boundary</p>
<p>Global boundary = report boundary plus the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report.</p>	<p>Other</p> <p>Iberdrola total</p>

Limitations on the scope of information

Based on the standards set forth above, Iberdrola believes that this report reflects the economic, environmental and social performance of the company in a reasonable and balanced manner. Existing limitations and differences between both boundaries, described in the preceding sections, have a limited influence on aggregate overall data, which, in the opinion of Iberdrola, would not affect a reader's assessment of the company's performance.

In the future, quantitative information may be included with respect to other activities of subsidiaries or affiliates to the extent that such information contributes to an understanding of the activities carried out by Iberdrola.

Significant changes to the organisation and its supply chain

102-10

Changes in activities and/or in operations

In the course of their business, the various subsidiaries and affiliates of Iberdrola have carried out transactions that change the composition of their assets in 2019, including the following:

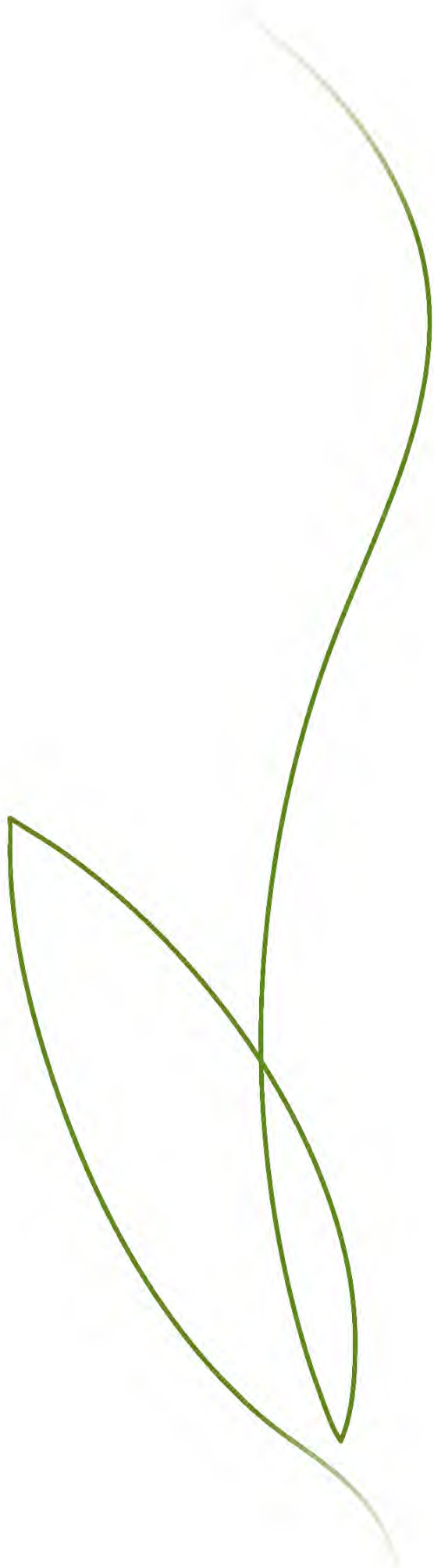
- In the United Kingdom, Iberdrola finished the sale of a 40% interest in the East Anglia One offshore wind farm to Green Investment Group, which forms part of the Australian Macquarie investment fund.
- In Mexico, the Topolobampo II (911 MW) and El Carmen (866 MW) combined cycle plants were placed into commercial operation.
- New wind facilities have been included in Spain (e.g. Ballesta, Casetonas, Pradillo and Cavar), adding a total of 235 MW.
- Iberdrola has concluded the construction of the largest photovoltaic plant in Europe, in Nuñez de Balboa (Extremadura), with 500 MW.
- Commercial presence has increased in Portugal, Italy, Germany, France and Ireland, reaching a portfolio of 1.5 million customer contracts.

Changes in capital structure

The shareholders acting at the General Shareholders' Meeting of Iberdrola held on 29 April 2019 approved two increases in capital by means of a scrip issue in order to once again implement the *Iberdrola Flexible Dividend* system, implementing the first increase in capital in July 2019 and the second in January 2020.

Changes in supply chain

There were no significant changes in the company's supply chain during the financial year.



III.3. Defining Report Content. Materiality Analysis

102-46

Iberdrola directly identifies its material aspects by preparing a *Materiality Study* with the advice of an independent outside firm, with the aim of identifying the specific aspects of interest related to the company's activity by consulting in-house and outside sources. Iberdrola uses this process to identify economic, social, environmental and ethics issues that are significant to its focus on sustainable development.

Iberdrola also takes into account the Topics of the *GRI Sustainability Reporting Standards* (and prior versions) as well as the *Electric Utility Sector Supplement* in this analysis. These guidelines are the result of a process in which various Stakeholders throughout the world have participated, with representatives from business, unions, civil society, the financial markets, auditors and specialists from various disciplines in the business area, regulators and governmental bodies from various countries.

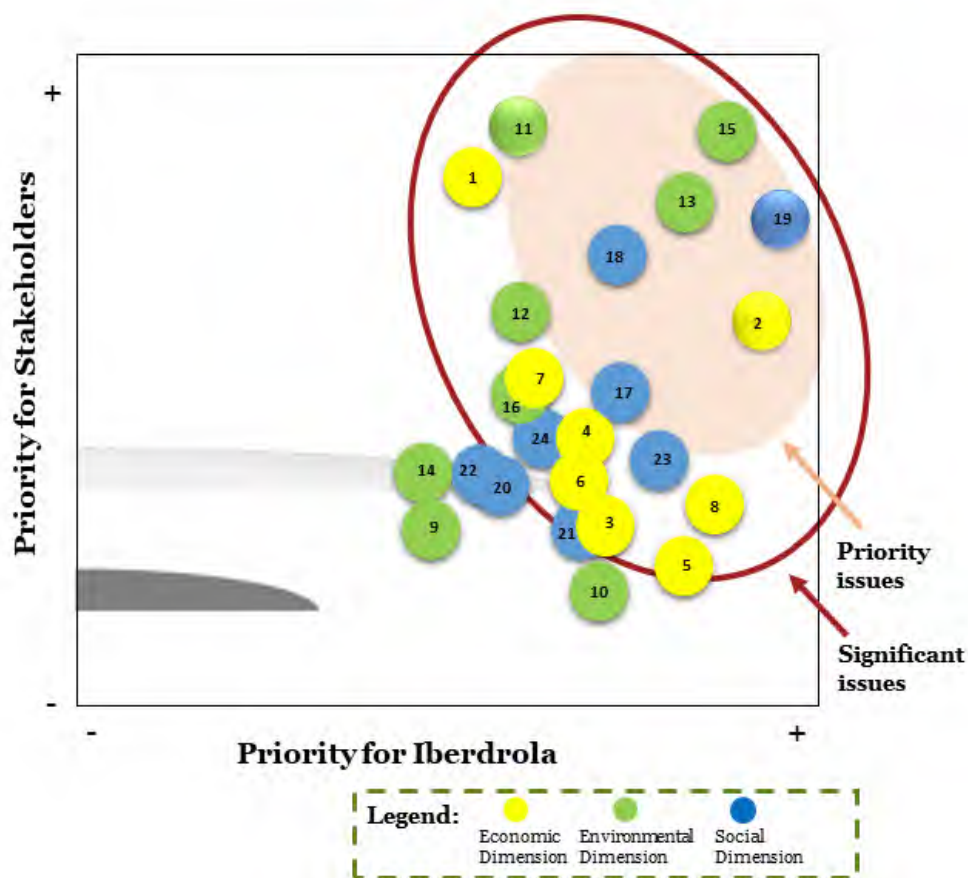
Together with these global processes of identification of and response to material issues, the company also has a *Global Stakeholder Engagement Model*, based on the *AA1000 Stakeholder Engagement Standard (AA1000SES) 2015* standard and on its three requirements of inclusiveness, materiality and responsiveness¹⁴⁹, as described in the "Stakeholder engagement" section of chapter II.1.

The company, with a presence in countries on various continents, conforms to the various regional socioeconomic development models and has developed systems and processes to obtain the information needed to meet legal requests on matters of sustainability made by GRI, with its recommendations, and also by other areas of heightened awareness such as the Dow Jones Sustainability Index or the Carbon Disclosure Project. Iberdrola uses its *Statement of Non-Financial Information. Sustainability Report* to provide an annual report on these issues, adhering to the materiality requirements, following macro-trends in sustainable development and generally meeting Stakeholder expectations.

¹⁴⁹ Iberdrola has been continuously applying Assurance Standard AA1000 for the last eleven years. In 2016 Iberdrola's Operating Committee approved a *Global Stakeholder Engagement Model*, which was implemented for the first time in 2017.

All topics reported are specifically identified in the GRI Content Index that is included in this chapter of the report. In its commitment to transparency with its Stakeholders, apart from the topics of the GRI Standards identified as material in the table below, Iberdrola also reports on other topics included in such Standards, providing continuity with information for previous financial years.

The analysis for 2019 prioritises those matters of interest identified through the analysis in accordance with their significance both to Stakeholders as well as to the company's strategy. In this way, 7 topics, shown in the following chart, have been identified as "material":



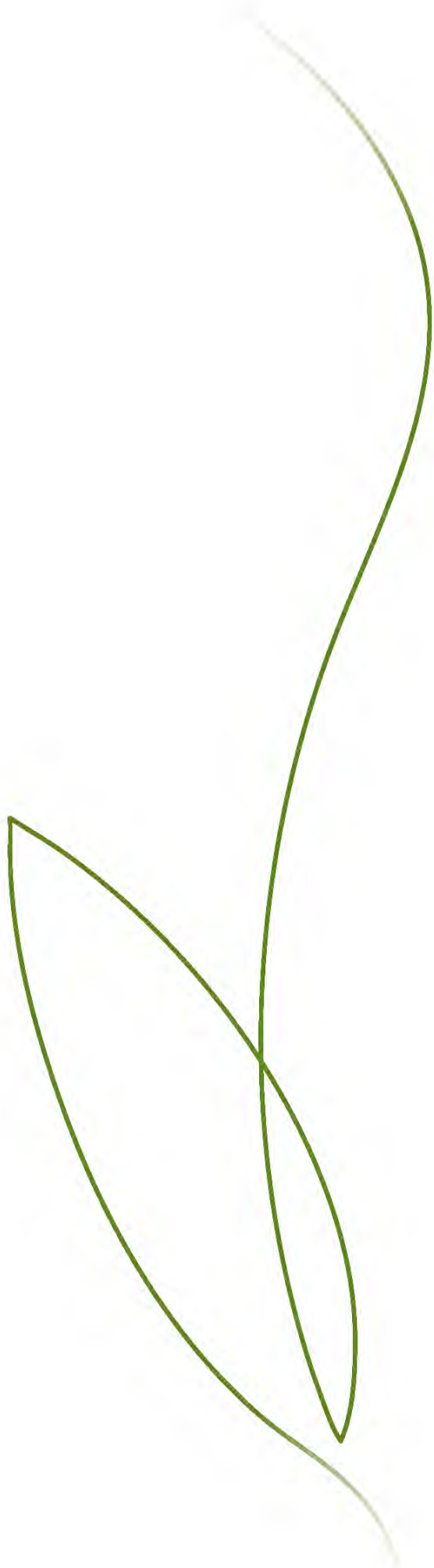
Internal Issues	Stakeholder Issues	External Issues
15. Energy transition	1. Socially responsible investment	22. Vulnerable customers
13. Climate change	12. Integration of renewable energy within the electric system	14. Management of biodiversity
19. Occupational safety and health	7. Smart grids and supply quality	9. Management of natural capital
18. Diversity and equal opportunity	16. Availability and management of water	10. Circular economy
11. Innovation and new business models	4. Ethics and integrity (anti-corruption and free competition)	
2. Economic and financial performance	24. Connectivity, Digitisation and Cybersecurity	
17. Customer satisfaction	23. Attraction, Development and Retention of Human Capital	
	6. Public policy	
	8. Green financing	
	3. Transparency	
	21. Human Rights	
	5. Responsible supply chain	
	20. Impact on local communities	

The coverage of the material topics; that is, whether the topics are significant within the organisation (internal impact on the company or its employees) or outside it (impact outside the company, outside its scope of control or on outside Stakeholders) is reflected in detail in the various sections of this report.

The various sections of this report offer a concrete response to the aspects identified, as shown in the following table:

102-47

Priority issues	Description	Iberdrola's response
Energy transition	Transition towards a low-carbon economy. Regulatory changes to encourage greater inclusion of renewable energies in the "mix". Energy efficiency to reduce the industry's energy requirements. Improvements in the systems for inclusion of renewable production within the grid. Nuclear plant decommissioning.	"Key figures" section of chapter I. "Business model" section of chapter II. "Energy transition and supply costs" section of chapter II.2. "Efficiency in energy consumption" section of chapter II.3.
Climate change	Science-based goals for reduction of emissions, carbon footprint, emissions trading, CO ₂ storage systems, available adaptation and mitigation mechanisms, economic impacts from climate change, evaluation of risks and opportunities, awareness-raising and sensitisation, etc.	"Business model" section of chapter I. "Economic/financial performance" section of chapter II.2. "Introduction", "Emissions reduction" and "Efficiency in energy consumption" section of chapter II.3. "Products and services" section of chapter II.4.
Occupational health and safety	Management of health and safety of employees and contractors, prevention policies and plans Establishment of goals and performance in accident and absenteeism rates. Employee, supplier and subcontractor training and awareness-raising.	"A safe work environment" section of chapter II.2.
Diversity and equal opportunity	Non-discrimination against women in the labour world and especially in management positions. Merit- and skill-based selection, salary and promotion equality.	"Diversity and equal opportunity" section of chapter II.2. "Non-discrimination" section of chapter II.5. Contribution to the well-being of our communities.
Innovation and new business models	Electric vehicle, more decentralised generation models, self-consumption, increase in clean energy and energy storage.	"Sustainable mobility" section of chapter II.3. "Products and services" section of chapter II.4.
Economic and financial performance	Action plans to guarantee results in uncertain environments. Economic value generated and distributed. Tax policy and strategy, cooperation with tax authority, tax contributions. Indirect economic impacts and creation of social value.	"Business model" section of chapter I. "Economic/financial performance" section of chapter II.1. "Iberdrola's contribution to the community" section of chapter II.5.
Customer satisfaction	Evaluation of customer satisfaction and establishment of improvement objectives. Accessibility and transparency of information Digitisation. Management of information security and privacy, grievances and claims and other matters related to meter reading, billing, rates and contracts.	"Products and services", "Digital transformation" and "Innovation projects" sections of chapter II.4.



III.4. Disclosures from the Statement of Non-Financial Information

The table below sets out the pages of this document in which you can find the information required by Law 11/2018 of 28 December on Non-Financial Information and Diversity:

Disclosures from the Statement of Non-Financial Information

	Related GRI Disclosures	SNFI pages
Description of the group's business model		
business environment	102-1	9, 24, 25, 29, 31, 34, 394, 406
organisation and structure	102-2	
markets in which it does business	102-3	
objectives and strategies	102-4	
main factors and trends that might affect its future progress	102-6 102-7 102-14	
Description of policies that the group applies regarding such issues		
due diligence procedures applied to identify, evaluate, prevent and mitigate significant risks and impacts and for verification and control	103	61, 62, 63, 64, 65, 66, 69, 70
Measures adopted		
Results of policies		
key indicators of relevant non-financial results that allow for monitoring and evaluation of progress and that favour comparability among companies and industries, in accordance with the domestic, European or international reference frameworks used for each topic	GRI content index	
Main risks relating to these issues in connection with the group's activities		
when relevant and appropriate, the commercial relations, products or services thereof that might have negative impacts in these areas, and how the group manages these risks, explaining the procedures used to detect and evaluate them in accordance with leading domestic, European or international frameworks for each area	102-15 205-1 413-1 407-1 408-1 409-1	61, 71, 72, 279, 293, 329, 353, 358
information on the impacts detected, providing a breakdown thereof, particularly regarding the main short-, medium- and long-term risks.		
Key indicators of non-financial results that are relevant regarding the specific business activity and that meet the standards of comparability, materiality, relevancy and reliability	102-54	Global Reporting Initiative Standards (GRI content index)
I. Information regarding environmental surveys		
Detailed information regarding the current and expected effects of the company's activities on the environment and, if applicable, on health and safety	102-11 201-2 308-1 308-2	75, 79, 180, 185, 224, 328
environmental evaluation or certification procedures		
resources dedicated to the prevention of environmental risks		
application of the precautionary principle		
amount of reserves and coverage for environmental risks		
Specifically:		
– Pollution:		
measures to prevent, reduce or repair carbon emissions that seriously affect the environment, taking into account any form of atmospheric pollution specific to an activity	305-5 305-6 305-7	206, 211, 209, 437
including noise and light pollution.	Non-material indicator for the company, as described in the Materiality Analysis 2019 (page 319).	
– Circular economy and waste prevention and management:		

measures for the prevention, recycling, reuse, other forms of recovery and elimination of waste	301-2 301-3 306-2	190, 219, 411, 439
actions to combat food waste.	Non-material indicator for the company, as described in the Materiality Analysis 2019 (page 319).	
– Sustainable use of resources:		
water consumption and supply in accordance with local limitations	303-1	
consumption of raw materials and measures adopted to improve the efficient use thereof	303-2 303-3	
direct and indirect consumption of energy	301-1 301-2	190 -195, 198, 199, 212, 213,
measures taken to improve energy efficiency and the use of renewable energy	302-1 302-2 302-3 302-4 302-5	216, 433, 434
– Climate change:		
important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of property and services that produce it	305-1 305-2 305-3 305-4	75, 79, 200,
measures adopted to adapt to the consequences of climate change	305-5 201-2	202, 205, 206,
voluntarily established medium- and long-term targets established to reduce greenhouse gas emissions and the means implemented to such end	305-5	436
– Protection of biodiversity:		
measures taken to preserve or restore biodiversity	304-3 306-5	218, 225, 230,
impacts cause by activities or operations in protected areas	304-1 304-2	234
II. Information regarding social issues and personnel		
– Employment:		
total number and distribution of employees by gender, age, country and professional classification	102-8 405-1	32, 38, 120, 407, 441-450, 474, 475, 476, 477, 478,
total number and distribution of types of employment contracts		
annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification,		
number of dismissals by gender, age and professional classification	103	127, 456
average remuneration and evolution thereof broken down by gender, age and professional or similar classification;	103	125, 126, 175
salary gap	405-2	174, 175
remuneration of same or average job positions of the company	103	125-126
average remuneration of directors and officers, including variable remuneration, attendance fees, severance pay, payment into long-term savings benefit systems and any other remuneration broken down by gender	102-35 102-36 102-38 102-39	Note 47 from the Annual Financial Report 2019
implementation of labour disengagement policies	103	168
employees with disabilities	405-1	177
– Organisation of work:		
organisation of work time	103	133
number of hours of absenteeism	403-2	138, 464
measures to facilitate enjoyment of reconciliation and encouragement of the responsible co-exercise of responsibility by both parents	103	165
– Health and safety:		
occupational health and safety conditions	103	135
occupational accidents, particularly the frequency and seriousness thereof broken down by gender	403-2	138, 464
occupational diseases; broken down by gender	403-3	143
– Social relations:		
organisation of social dialogue, including procedures to inform and consult with staff and negotiate with them	407-1	279, 329
percentage of employees covered by collective bargaining agreements by country	102-41	129, 451
balance of collective bargaining agreements, particularly in the field of workplace health and safety	403-4	144
– Training:		
policies implemented in the field of training	103	155
total hours of training by professional category	404-1	162, 471, 472
– Universal accessibility of disabled persons	103	176
– Equality:		
measures adopted to promote equality of treatment and opportunities between women and men	405	38, 120, 474, 475, 476, 477, 478

equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men)	405	170-172
protocols against sexual and gender-based harassment	405	172, 176
measures adopted to promote the employment, integration and universal accessibility of disabled persons	405	176
policy against all types of discrimination and, if applicable, management of diversity	405	169-176
III. Information regarding respect for human rights		
application of human rights due diligence procedures	102-16 102-17 412-3 412-2 410-1 412-1	22, 63, 65, 279, 289, 290, 291, 357
prevention of the risks of violating human rights and, if applicable, measures to mitigate, manage and repair possible abuses	412	277, 279, 290, 291
complaints of human rights violations	406-1	285
promotion of and compliance with the provisions of the basic treaties of the International Labour Organization regarding respect for the freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour	407-1 406-1 409-1 408-1	279, 285, 329
IV. Information regarding the fight against corruption and bribery:		
measures adopted to prevent corruption and bribery	102-16 102-17 205-1 205-2 205-3	22, 63, 65, 357, 353, 363, 368
measures to combat money laundering	205-2	363
contributions to non-profit foundations and entities	103	176, 482
VI. Information about the company:		
– Commitments of the company to sustainable development:		
impact of the company's operations on employment and local development	203-1 203-2 413-1	97, 99, 293
impact of the company's operations on local communities and on the land	203-1 203-2 411-1 413-1 413-2	92, 94, 285, 293
relations with local players and types of dialogue therewith	102-43 413-1	351, 285, 293
association or sponsorship activities	102-12 102-13	378, 381
– Subcontracting and suppliers:		
inclusion of social, gender equality and environmental issues in the purchasing policy	102-9 308-1 414-1	Purchasing Policy 321, 324, 328, 329, 479
consideration of social and environmental responsibility of suppliers and subcontractors in relations with them	414-1 414-2	329, 479
supervision and auditing systems and results thereof	414-1 414-2	329, 479
– Consumers:		
consumer health and safety measures	416-1	256
grievance systems, complaints received and resolution thereof	416-2	257
– Tax information:		
profits per country	201	432
taxes on profit paid	201	432
public subsidies received	201-4	96

III.5. GRI content index

102-54 102-55 102-56

This report has been prepared in accordance with the GRI Standards: Comprehensive option.

Independent External Assurance

Iberdrola obtains independent external assurance of its annual information, the annual accounts and management reports (individual and consolidated with those of its subsidiaries) by KPMG Auditores, S.L. and the *Statement of Non-Financial Information. Sustainability Report* by PricewaterhouseCoopers Asesores de Negocio, S.L. Annex 3 hereto includes the external independent assurance report on this document.

Electric Utilities Sector Supplement: this index incorporates the topics and disclosures required by such supplement, published by GRI in 2014. They symbol * indicates those general standard disclosures and topics of the of GRI Standards where specific sector information is requested.

GRI Content Index

GRI Standard	Description	SNFI page	External assurance	Relationship with SDGs	Relationship with SASB
GRI 100 UNIVERSAL STANDARDS					
GRI 101 Foundation 2016 (Note: does not require disclosure of information)					
GRI 102 General disclosures 2016					
1.- Organisational profile *					
102-1	Name of the organisation	Iberdrola S.A.	✓		
102-2	Primary activities, brands, products and services	25	✓		
102-3	Location of headquarters	The registered office of Iberdrola, S.A. is: Plaza Euskadi número 5 48009 Bilbao, Biscay, Spain	✓		
102-4	Location of operations	24	✓		
102-5	Ownership and legal form	43	✓		
102-6	Markets served	25, 29, 394	✓		

GRI Standard	Description	SNFI page	External assurance	Relationship with SDGs	Relationship with SASB
102-7	Scale of the organisation	31, 34, 426	✓		
102-8	Information on employees and other workers	Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety	✓	8	
102-9	Supply chain	321, 324	✓		
102-10	Significant changes to the organisation and its supply chain	396	✓		
102-11	Precautionary Principle or approach	180, 185, 224	✓		
102-12	External initiatives to which the organisation subscribes or which it endorses	381	✓		
102-13	Main memberships of associations	378	✓		
EU1*	Installed capacity	27, 420	✓	7	IF-EU-000 D
EU2*	Energy output	28, 423	✓	7, 14	IF-EU-000 D
EU3*	Electricity users and producers	29, 424	✓		IF-EU-000 A
EU4*	Transmission and distribution lines	30, 425	✓		IF-EU-000 B
EU5*	Allocation of CO ₂ emissions allowances or equivalent	209	✓	14, 15	
2.- Strategy					
102-14	Statement from senior decision-maker	9	✓		
102-15	Key impacts, risks and opportunities	61, 71, 72	✓		IF-EU-240a.4
3.-Ethics and integrity					
102-16	Values, principles, standards and norms of behaviour	22, 63, 65	✓	16	
102-17	Mechanisms for advice and concerns about ethics	357	✓	16	
4.- Governance					
102-18	Governance structure	37	✓		
102-19	Delegating authority	40	✓		
102-20	Executive-level positions with responsibility for economic, social and environmental topics	69	✓		
102-21	Processes for consultation between Stakeholders and the Board of Directors	340	✓	16	
102-22	Composition of the highest governance body and its committees	38, 40	✓	5, 16	
102-23	Chair of the highest governance body	38	✓	16	
102-24	Selection and nomination of the members of the highest governance body	341	✓	5, 16	

GRI Standard	Description	SNFI page	External assurance	Relationship with SDGs	Relationship with SASB
102-25	Processes for the highest governance body to avoid conflicts of interest	Section D.6 of the <i>Annual Corporate Governance Report</i> for financial year 2019 describes the mechanisms used to detect, determine and resolve potential conflicts of interest between Iberdrola and its directors, officers and significant shareholders.	✓	16	
102-26	Role of highest governance body in setting purpose, values and strategy	22, 63	✓		
102-27	Collective knowledge of highest governance body	340	✓	4	
102-28	Evaluating the highest governance body's performance	342	✓		
102-29	Identifying and managing economic, environmental and social impacts	342	✓	16	
102-30	Effectiveness of risk management processes	74	✓		
102-31	Review of economic, environmental and social topics	342	✓		
102-32	Highest governance body's role in sustainability reporting	Iberdrola's Board of Directors is the body responsible for reviewing the <i>Statement of Non-Financial Information. Sustainability Report 2019</i> , which was approved on 24 February 2020 (following a report from the Sustainable Development Committee), the date of preparation of the company's annual accounts for financial year 2019. This report will be submitted to the shareholders for approval at the General Shareholders' Meeting to be held on 2 April 2020:	✓		
102-33	Communicating critical concerns	68	✓		
102-34	Nature and total number of critical concerns	339	✓		
102-35	Remuneration policies	343	✓		
102-36	Process for determining remuneration	343	✓		
102-37	Stakeholders' involvement in remuneration	344	✓	16	
102-38	Annual total compensation ratio	345	✓		
102-39	Percentage increase in annual total compensation ratio	345	✓		
5.-Stakeholder engagement					
102-40	Stakeholder groups engaged by the organisation	350	✓		
102-41	Collective bargaining agreements	129, 451 Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety	✓	8	
102-42	Identifying and selecting stakeholders	351	✓		
102-43	Approach to stakeholder engagement	351	✓		

GRI Standard	Description	SNFI page	External assurance	Relationship with SDGs	Relationship with SASB
102-44	Key topics and concerns raised	352	✓		
6.-Reporting practice					
102-45	Entities included in the consolidated financial statements and in the boundary of this report	392	✓		
102-46	Defining report content and scope and topic boundaries	398	✓		
102-47	List of material topics	401	✓		
102-48	Restatements of information provided in previous reports	It was not considered necessary to reformulate the information from prior reports during financial year 2019. If a specific indicator requires reformulation, it will be specifically explained in the indicator itself.	✓		
102-49	Significant changes in scope and topic boundaries	There were no changes deemed significant in the scope, coverage or methods of valuation used in the report in financial year 2019, keeping the ability to compare the group's key figures with those of prior years.	✓		
102-50	Reporting period	392	✓		
102-51	Date of most recent report	392	✓		
102-52	Reporting cycle	392	✓		
102-53	Contact point for questions regarding the report	502	✓		
102-54	Claims of reporting in accordance with the GRI Standards	406	✓		
102-55	GRI content index	406	✓		
102-56	External assurance	406	✓		
GRI 103 Management approach 2016					
	General management approach, applicable to all aspects of this report.	61, 62, 63, 64, 65, 66, 69, 70	✓	1.5, 8, 12, 13, 14, 15, 16	

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
GRI 200 ECONOMIC DIMENSION						
A. Topics of the GRI Standards						
- GRI 201 Economic performance 2016	Management approach (103-1, 103-2 and 103-3)	94		✓	2, 5, 7, 8, 9, 13	
	201-1	96, 428		✓		
	201-2	75, 79		✓		
	201-3	131		✓		
	201-4	96 The Iberdrola group is not aware of government participation in the shareholding structure.		✓		
- GRI 202 Market presence 2016	Management approach (103-1, 103-2 and 103-3)	116		✓	1, 5, 8	
	202-1	125		✓		
	202-2	124		✓		
- GRI 203 Indirect economic impacts 2016	Management approach (103-1, 103-2 and 103-3)	92		✓	1, 2, 3, 5, 7, 8, 9, 10, 11, 17	
	203-1	99		✓		
	203-2	97		✓		
- GRI 204 Procurement practices 2016	Management approach (103-1, 103-2 and 103-3)	319		✓	12	
	204-1	323		✓		
- GRI 205 Anti-corruption 2016	Management approach (103-1, 103-2 and 103-3)	357		✓	16	
	205-1	358		✓		
	205-2	363		✓		
	205-3	368		✓		
- GRI 206 Anti-competitive behavior 2016	Management approach (103-1, 103-2 and 103-3)	374		✓	16	
	206-1	375		✓		
B. Specific topics of the electric utilities sector supplement						
- Availability and reliability	Management approach (103-1, 103-2 and 103-3)	108		✓	7	
	EU10	108		✓		
- System efficiency	Management approach (103-1, 103-2 and 103-3)	196		✓	7, 8, 12, 13, 14	
	EU11	197, 434		✓		
	EU12	197		✓		
- Demand-side management	Management approach (103-1, 103-2 and 103-3)	105		✓		
- Research and development	Management approach (103-1, 103-2 and 103-3)	265		✓		

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
- Nuclear plant decommissioning	Management approach (103-1, 103-2 and 103-3)	117		✓		IF-EU-540a.1 IF-EU-540a.2
C. Specific topics of the Iberdrola group						
- Supply costs		113		✓		
- Green financing		100		✓		
- Fiscal responsibility		370		✓		
- Cybersecurity		384		✓		IF-EU-550a.1
- Privacy of the personal information of Stakeholders		384		✓		

GRI 300 ENVIRONMENTAL DIMENSION

A. Topics of the GRI Standards

- GRI 301 Materials * 2016	Management approach (103-1, 103-2 and 103-3)	190		✓	8, 12	
	301-1	190, 191		✓		
	301-2	190		✓		
	301-3	Iberdrola's main activity is the sale of electricity and gas, a product that cannot be reused and that does not generate packaging waste in the final use thereof.		✓		
- GRI 302 Energy 2016	Management approach (103-1, 103-2 and 103-3)	191		✓	7, 8, 12, 13	
	302-1	193, 194, 433		✓		
	302-2	199		✓		
	302-3	192		✓		
	302-4	195		✓		IF-EU-420a.3
- GRI 303 Water * 2018	Management approach (103-1, 103-2 and 103-3)	212		✓	6, 8, 12	
	303-1	212, 434		✓		IF-EU-140a.1
	303-2	212		✓		
	303-3	213		✓		
- GRI 304 Biodiversity * 2016	Management approach (103-1, 103-2 and 103-3)	222		✓	6, 14, 15	
	304-1	230		✓		
	304-2	225		✓		
	304-3	234		✓		
	304-4	233, 234, 435		✓		
	EU13	227		✓		

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
- GRI 305 Emissions * 2016	Management approach (103-1, 103-2 and 103-3)	199		✓	3, 12, 13, 14, 15	
	305-1	202, 436		✓		IF-EU-110a.1
	305-2	204, 437		✓		
	305-3	205		✓		
	305-4	200		✓		IF-EU-110a.3
	305-5	206		✓		
	305-6	211		✓		
	305-7	209, 437		✓		IF-EU-120a.1
- GRI 306 Effluents and waste * 2016	Management approach (103-1, 103-2 and 103-3)	212, 218		✓	3, 6, 12, 13, 14, 15	IF-EU-140a.3
	306-1	217		✓		IF-EU-140a.1
	306-2	219, 439		✓		IF-EU-150a.1
	306-3	242		✓		
	306-4	Iberdrola does not directly transport, import or export hazardous waste covered by the Basel Convention in any of the countries in which it engages in its activities.		✓		
	306-5	218		✓		
- GRI 307 Environmental compliance 2016	Management approach (103-1, 103-2 and 103-3)	243		✓	12, 13, 14, 15, 16	
	307-1	243, 244		✓		
- GRI 308 Supplier environmental assessment 2016	Management approach (103-1, 103-2 and 103-3)	328		✓		
	308-1	328		✓		
	308-2	328		✓		

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
GRI 400 SOCIAL DIMENSION						
A. Topics of the GRI Standards						
- GRI 401 Employment * 2016	Management approach (103-1, 103-2 and 103-3)	119		✓	5, 8	
	401-1	121, 452		✓		
	401-2	131, 460		✓		
	401-3	175, 461		✓		
- GRI 402 Labour/management relations* 2016	Management approach (103-1, 103-2 and 103-3)	119		✓	8	
	402-1	130		✓		
	EU15	132, 462		✓		
	EU17	121		✓		
	EU 18	The group's contracting conditions, available in the group's contracting bases section of the website , specify the requirements requested to firms that wish to participate in a tender process. In addition, the particular conditions regarding occupational risk prevention are included in documents of specific requirements in each country, which are also contractual documents. As a consequence, the company considers that 100% of the employees of subcontracted companies, whatever their category, have received adequate training in health and safety.		✓		
- GRI 403 Occupational health and safety * 2018	Management approach (103-1, 103-2 and 103-3)	135		✓	3, 8	
	403-1	135, 464		✓		IF-EU-320a.1
	403-2	138, 464		✓		
	403-3	143		✓		
	403-4	144		✓		
	403-5	146		✓		
	403-6	147		✓		
	403-7	149		✓		
	403-8	136		✓		
	403-9	151, 153		✓		
	403-10	154		✓		
- GRI 404 Training and education 2016	Management approach (103-1, 103-2 and 103-3)	155		✓	4, 5, 8	
	404-1	162, 471, 472		✓		
	404-2	159		✓		
	404-3	163, 473		✓		

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
- GRI 405 Diversity and equal opportunity 2016	Management approach (103-1, 103-2 and 103-3)	164		✓	5, 8, 10	
	405-1	38, 120, 474, 475, 476, 477, 478		✓		
	405-2	175		✓		
- GRI 406 Non-discrimination 2016	Management approach (103-1, 103-2 and 103-3)	284		✓	5, 8, 16	
	406-1	285		✓		
- GRI 407 Freedom of association and collective bargaining* 2016	Management approach (103-1, 103-2 and 103-3)	277		✓	8	
	407-1	279, 329		✓		
- GRI 408 Child labour 2016	Management approach (103-1, 103-2 and 103-3)	277		✓	8, 16	
	408-1	279, 329		✓		
- GRI 409 Forced or compulsory labour 2016	Management approach (103-1, 103-2 and 103-3)	277		✓	8	
	409-1	279, 329		✓		
- GRI 410 Security practices 2016	Management approach (103-1, 103-2 and 103-3)	289		✓	16	
	410-1	289		✓		
- GRI 411 Rights of indigenous peoples 2016	Management approach (103-1, 103-2 and 103-3)	285		✓	2	
	411-1	285		✓		
- GRI 412 Human rights assessment 2016	Management approach (103-1, 103-2 and 103-3)	277		✓		
	412-1	279		✓		
	412-2	290		✓		
	412-3	291		✓		
- GRI 413 Local communities * 2016	Management approach (103-1, 103-2 and 103-3)	292		✓	1, 2	
	413-1	293		✓		
	413-2	293		✓		
	EU22	297		✓		
- GRI 414 Supplier social assessment 2016	Management approach (103-1, 103-2 and 103-3)	329		✓	5, 8, 16	
	414-1	329, 479		✓		
	414-2	329, 479		✓		
- GRI 415 Public policy 2016	Management approach (103-1, 103-2 and 103-3)	377		✓	16	
	415-1	383		✓		
- GRI 416 Customer health and safety *2016	Management approach (103-1, 103-2 and 103-3)	255		✓	16	
	416-1	256		✓		
	416-2	257		✓		
- GRI 417 Marketing and labelling 2016	Management approach (103-1, 103-2 and 103-3)	252, 253		✓	12, 16	
	417-1	253		✓		
	417-2	255		✓		
	417-3	253		✓		

- GRI 418 Customer privacy 2016	Management approach (103-1, 103-2 and 103-3)	385		✓	16	
	418-1	386		✓		
- GRI 419 Socioeconomic compliance 2016	Management approach (103-1, 103-2 and 103-3)	387		✓	16	
	419-1	387		✓		

Material topics	Reporting on management approach and corresponding disclosures	SNFI page	Omissions	External assurance	Relationship with SDGs	Related SASB indicator
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B. Specific topics of the electric utilities sector supplement















- Disaster/emergency planning and response	Management approach (103-1, 103-2 and 103-3)	240		✓		
	Management approach (103-1, 103-2 and 103-3)	273		✓	1, 7	
- Access to electricity	EU26	273		✓		
	EU27	276, 480		✓		IF-EU-240a.3
	EU28	250		✓		
	EU29	251		✓		
	EU30	113, 440		✓		
- Access to adequate information	Management approach (103-1, 103-2 and 103-3)	259		✓		

C. Specific topics of the Iberdrola group

- Iberdrola and the Global Compact		318		✓		
- Iberdrola's contribution to the community		482		✓		
- Iberdrola, promoting women's sport		173		✓		

III.6. Content Index in Relation to the Principles of the Global Compact

The table below shows the GRI indicators of this report that offer more relevant information on compliance with the 10 Principles of the Global Compact, as well as the content of the management approaches to each GRI aspect. Using the table's index, each Stakeholder can assess the level of Iberdrola's advancement with respect to each of such principles:

Content Index in Relation to the Principles of the Global Compact			
Issue	Global Compact Principles	Most relevant GRI Standards Indicators	Related SDGs
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	410-1 to 412-1, 412-2, 413-1, 413-2	 
	Principle 2. Businesses should make sure they are not complicit in human rights abuses.	412-3, 414-1, 414-2	         
Labour Rules	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	102-41, 407-1, 402-1	 
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	409-1	
	Principle 5. Businesses should uphold the effective abolition of child labour.	408-1	

	<p>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>102-8 202-1, 202-2 401-1, 401-3, 404-1, 404-3, 405-2, 406-1</p>	
<p>Environment</p>	<p>Principle 7. Businesses should support a precautionary approach to environmental challenges.</p>	<p>201-2, 301-1, 302-1, 303-1, 305-1 to 305-3, 305-6, 305-7</p>	
	<p>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</p>	<p>301-1 to 308-2</p>	
	<p>Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>	<p>302-4, 302-5, 305-5</p>	
<p>Anti-corruption</p>	<p>Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>102-16, 102-17, 205-1 to 205-3, 415-1</p>	

IV. Annexes

- Annex 1: Information Supplementary to the Sustainability Report
- Annex 2: Iberdrola's Contribution to the SDGs and targets of the 2030 Agenda
- Annex 3: External Independent Assurance Report on the Sustainability Report

IV.1. Annex 1: Information Supplementary to the Sustainability Report 2019

Key figures¹⁵⁰

EU1

Installed capacity by region and energy source (MW)

		2019	2018
Spain	Renewables	16,526	15,789
	<i>Onshore wind</i>	6,005	5,770
	<i>Offshore wind</i>	0	0
	<i>Hydroelectric</i>	9,715	9,715
	<i>Mini-hydro</i>	306	303
	<i>Solar and others</i>	500	0
	Nuclear	3,177	3,177
	Gas combined cycle	5,695	5,695
	Cogeneration	353	353
	Coal	874	874
	Total	26,624	25,887
United Kingdom	Renewables	2,520	2,100
	<i>Onshore wind</i>	1,906	1,906
	<i>Offshore wind</i>	614	194
	<i>Hydroelectric</i>	0	0
	<i>Mini-hydro</i>	0	0
	<i>Solar and others</i>	0	0
	Nuclear	0	0
	Gas combined cycle	0	0
	Cogeneration	0	0
	Coal	0	0
	Total	2,520	2,100
United States	Renewables	7,521	6,739
	<i>Onshore wind</i>	7,259	6,466
	<i>Offshore wind</i>	0	0
	<i>Hydroelectric</i>	118	118
	<i>Mini-hydro</i>	0	0
	<i>Solar and others</i>	143	155
	Nuclear	0	0
	Gas combined cycle	204	212
	Cogeneration	636	636
	Coal	0	0
	Total	8,361	7,586
Brazil	Renewables	3,546	2,935
	<i>Onshore wind</i>	516	516
	<i>Offshore wind</i>	0	0
	<i>Hydroelectric</i>	3,031	2,419
	<i>Mini-hydro</i>	0	0
	<i>Solar and others</i>	0	0
	Nuclear	0	0

¹⁵⁰ Operating figures include figures corresponding to partially owned and uncontrolled companies, applying the percentage interest.

Installed capacity by region and energy source (MW)

		2019	2018
	Gas combined cycle	533	533
	Cogeneration	0	0
	Coal	0	0
	Total	4,079	3,467
Mexico	Renewables	860	674
	<i>Onshore wind</i>	492	306
	<i>Offshore wind</i>	0	0
	<i>Hydroelectric</i>	0	0
	<i>Mini-hydro</i>	0	0
	<i>Solar and others</i>	368	368
	Nuclear	0	0
	Gas combined cycle	1,946	1,035
	Cogeneration	346	346
	Coal	0	0
	Total own installed capacity	3,152	2,055
	Renewables	103	103
	<i>Onshore wind</i>	103	103
	Gas combined cycle	6,277	4,533
Total installed capacity for third parties	6,380	4,636	
Total	9,532	6,691	
IEI	Renewables	965	961
	<i>Onshore wind</i>	609	605
	<i>Offshore wind</i>	350	350
	<i>Hydroelectric</i>	0	0
	<i>Mini-hydro</i>	0	0
	<i>Solar and others</i>	6	6
	Nuclear	0	0
	Gas combined cycle	0	0
	Cogeneration	0	0
	Coal	0	0
Total	965	961	
Iberdrola total	Renewables	31,939	29,198
	<i>Onshore wind</i>	16,787	15,569
	<i>Offshore wind</i>	964	544
	<i>Hydroelectric</i>	12,864	12,252
	<i>Mini-hydro</i>	306	303
	<i>Solar and others</i>	1,018	529
	Nuclear	3,177	3,177
	Gas combined cycle	8,377	7,474
	Cogeneration	1,335	1,335
	Coal	874	874
	Total own installed capacity	45,702	42,058
	Renewables	103	103
	<i>Onshore wind</i>	103	103
	Gas combined cycle	6,277	4,533
	Total installed capacity for third parties	6,380	4,636
	Total	52,082	46,694

EU2

Net energy production, by region and source of energy (GWh)

		2019	2018
Spain	Renewables	22,191	25,973
	<i>Onshore wind</i>	12,491	11,654
	<i>Offshore wind</i>	N/A	N/A
	<i>Hydroelectric</i>	9,082	13,590
	<i>Mini-hydro</i>	618	670
	<i>Solar and others</i>	0	58
	Nuclear	23,737	23,535
	Gas combined cycle	9,697	4,092
	Cogeneration	2,586	2,472
	Coal	349	1,637
	Total	58,560	57,709
United Kingdom	Renewables	4,640	5,145
	<i>Onshore wind</i>	3,706	3,812
	<i>Offshore wind</i>	934	755
	<i>Hydroelectric</i>	0	577
	<i>Mini-hydro</i>	N/A	N/A
	<i>Solar and others</i>	N/A	N/A
	Nuclear	N/A	N/A
	Gas combined cycle	0	5,585
	Cogeneration	N/A	N/A
	Coal	N/A	N/A
Total	4,640	10,730	
United States	Renewables	17,480	17,261
	<i>Onshore wind</i>	16,953	16,650
	<i>Offshore wind</i>	N/A	N/A
	<i>Hydroelectric</i>	179	269
	<i>Mini-hydro</i>	N/A	N/A
	<i>Solar and others</i>	348	342
	Nuclear	N/A	N/A
	Gas combined cycle	3	8
	Cogeneration	3,477	2,713
	Coal	N/A	N/A
Total	20,960	19,983	
Brazil	Renewables	10,674	10,099
	<i>Onshore wind</i>	1,993	2,120
	<i>Offshore wind</i>	N/A	N/A
	<i>Hydroelectric</i>	8,680	7,979
	<i>Mini-hydro</i>	N/A	N/A
	<i>Solar and others</i>	N/A	N/A
	Nuclear	N/A	N/A
	Gas combined cycle	3,334	3,553
	Cogeneration	N/A	N/A
	Coal	N/A	N/A
Total	14,007	13,652	

Mexico	Renewables	1,424	817
	<i>Onshore wind</i>	693	805
	<i>Offshore wind</i>	N/A	N/A
	<i>Hydroelectric</i>	N/A	N/A
	<i>Mini-hydro</i>	N/A	N/A
	<i>Solar and others</i>	731	12
	Nuclear	N/A	N/A
	Gas combined cycle	8,940	7,229
	Cogeneration	2,834	2,834
	Coal	N/A	N/A
	Total own production	13,198	10,880
	Renewables	227	279
	<i>Onshore wind</i>	227	279
	Gas combined cycle	37,457	30,192
	Total third-party production	37,684	30,471
Total	50,882	41,351	
IEI	Renewables	2,665	2,180
	<i>Onshore wind</i>	1,379	1,284
	<i>Offshore wind</i>	1,277	887
	<i>Hydroelectric</i>	N/A	N/A
	<i>Mini-hydro</i>	N/A	N/A
	<i>Solar and others</i>	9	9
	Nuclear	N/A	N/A
	Gas combined cycle	N/A	N/A
	Cogeneration	N/A	N/A
	Coal	N/A	N/A
	Total	2,665	2,180
Iberdrola total	Renewables	59,074	61,474
	<i>Onshore wind</i>	37,216	36,326
	<i>Offshore wind</i>	2,211	1,642
	<i>Hydroelectric</i>	17,941	22,415
	<i>Mini-hydro</i>	618	670
	<i>Solar and others</i>	1,088	421
	Nuclear	23,737	23,535
	Gas combined cycle	21,973	20,467
	Cogeneration	8,897	8,020
	Coal	349	1,637
	Total own production	114,030	115,134
	Renewables	227	279
	<i>Onshore wind</i>	227	279
	Gas combined cycle	37,457	30,192
	Total third-party production	37,684	30,471
	Total	151,714	145,605

EU3

Electricity users (%)

		2019	2018	2017
Spain ¹⁵¹	Residential	79.2	93.0	92.8
	Industrial	2.0	1.5	1.7
	Institutional	1.1	1.1	1.1
	Commercial	17.7	4.4	4.4
	Other	0.0	0.0	0.0
	Total users (millions)	10.1	10.1¹⁵²	10.1¹³⁹
	Users that are producers of electricity (No.)	0	0	0
United Kingdom	Residential	94.0	93.8	93.9
	Industrial	2.0	2.0	2.1
	Institutional	0.1	0.1	0.1
	Commercial	3.9	4.1	3.9
	Other	0.0	0.0	0.0
	Total users (millions)	2.8	3.0	3.1
	Users that are producers of electricity (No.)	66,847	67,913	66,264
United States	Residential	88.1	88.2	88.2
	Industrial	0.3	0.3	0.3
	Institutional	0.0	0.0	0.0
	Commercial	10.8	10.6	10.6
	Other	0.9	0.9	0.9
	Total users (millions)	2.3	2.3	2.2
	Users that are producers of electricity (No.)	12,268	12,268	3,776
Brazil	Residential	87.9	87.6	87.4
	Industrial	0.3	0.3	0.3
	Institutional	1.2	1.2	1.2
	Commercial	7.0	6.6	6.6
	Other	3.6	4.3	4.5
	Total users (millions)	14.1	13.8	13.6
	Users that are producers of electricity (No.)	16,841	3,403 ¹⁵³	2,033
IEI	Residential	86.1	N/Av.	N/Av.
	Industrial	0.5	N/Av.	N/Av.
	Institutional	2.1	N/Av.	N/Av.
	Commercial	11.3	N/Av.	N/Av.
	Other	0.0	N/Av.	N/Av.
	Total users (millions)	0.6	N/Av.	N/Av.
	Users that are producers of electricity (No.)	869	N/Av.	N/Av.
Iberdrola total	Residential	85.5	90.2	90.1
	Industrial	1.0	0.9	1.0
	Institutional	1.0	0.9	1.0
	Commercial	10.7	5.9	5.8
	Other	1.8	2.1	2.1
	Total users (millions)	29.8	29.2	29.2
	Users that are producers of electricity (No.)	96,465	83,584¹³⁷	72,073

¹⁵¹ In 2019 there was a change in Spain in the classification between residential, commercial and industrial.

¹⁵² Data recalculated with respect to the data published in 2018.

¹⁵³ Data recalculated with respect to the data published in 2018.

EU4

Power lines (Km)

		Transmission			Distribution		
		2019	2018	2017	2019	2018	2017
Spain	Areas	0	0	0	162,062	161,754	155,589
	Underground	0	0	0	108,196	107,885	112,981
	Total	0	0	0	270,258	269,639	268,570
United Kingdom	Areas	3,759	3,752	3,636	38,553	38,599	38,679
	Underground	690	642	404	67,081	66,964	66,541
	Total	4,449	4,394	4,040	105,634	105,563	105,220
United States	Areas	13,402	13,334	30,620	140,288	139,962	122,884
	Underground	605	602	1,557	16,460	16,185	14,899
	Total	14,007	13,936	32,177	156,748	156,147	137,783
Brazil	Areas	679	679	13,832	639,023	622,625	594,322
	Underground	0	0	38	715	689	629
	Total	679	679	13,870	639,738	623,314	594,951
IEI	Areas	0	0	0	0	0	0
	Underground	0	0	0	0	0	0
	Total	0	0	0	0	0	0
Iberdrola total	Areas	17,840	17,765	48,088	979,926	962,940	911,474
	Underground	1,295	1,244	1,999	192,452	191,723	195,050
	Total	19,135	19,009	50,087	1,172,378	1,154,663	1,106,524

Locations of operation of the Iberdrola group

102-7

The group of companies that belong to the Iberdrola group carry out various activities in a large number of countries, and more than 1,200 sites or facilities have been identified.

For purposes of reporting under the *GRI Sustainability Reporting Standards*, in order to deal with such a large number of facilities, only those considered to be principal locations of operation have been included, by business and by country, adopting as a basic standard the number of persons performing their activities at a facility, and based thereon:

- In the countries deemed to be at low risk for the violation of human rights, the most important facilities are identified as principal locations of operation, assuming that the personnel at the smaller facilities are part of a functional or hierarchical reporting structure that assures their rights through the tools and procedures established at the organisation.
- In countries with a higher risk the standard is more restrictive: if there are several facilities of different sizes dedicated to similar activities, the largest facilities are included as principal locations of operation, with the smaller ones deemed to be dependent centres with the same basic guarantees; if the number of facilities is low or it is deemed that the risk is higher, such facilities are included as principal locations of operation, regardless of the number of persons working therein.

According to these standards, the principal locations of operation identified in 2019, by business and by country, are reflected in the following tables:

Significant locations of operation 2019 by country	
Spain	33
United Kingdom	22
United States	22
Brazil	54
Mexico	19
Other countries	8
Iberdrola total	158

Significant locations of operation 2019 by business	
Corporate	17
Wholesale and Retail Business	33
Networks Business	67
Renewables Business	41
Iberdrola total	158

Based on this data, the company has performed a study to identify the significant locations of operation at which there might be some risk of violation of human rights, which is described in detail in the "Protection of human rights" section of chapter II.5 of this report.

Economic dimension

Sales ¹⁵⁴ (net amount in € millions)	2019	2018	2017
Spain	14,513	14,282	13,733
United Kingdom	5,808	6,176	5,908
United States	5,335	5,325	5,016
Brazil	2,443	2,346	2,407
Mexico	6,848	5,717	3,430
Other	1,490	1,229	768
Iberdrola consolidated total	36,437	35,075	31,262

Operating costs (€ millions)	2019	2018	2017
Spain	8,945	9,510	8,412
United Kingdom	3,695	4,022	4,080
United States	2,387	2,534	2,545
Brazil	5,257	4,371	2,682
Mexico	1,567	1,790	1,999
Other	1,176	206	728
Iberdrola consolidated total	23,027	22,433	20,446

¹⁵⁴ Sales in accordance with the grouping for the segmentation of management.

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Economic value generated, distributed and retained¹⁵⁵ (€ millions)

		2019	2018	2017
Spain	Revenue (sales and other income)	15,080	15,310	13,564
	Operating costs	8,944	9,510	8,412
	Employee remuneration (excluding company social security costs)	858	806	912
	Payments to providers of capital	1,235	861	1,365
	Payments to government administrations	1,500	1,770	1,496
	Community investments (verified according to the LBG Model)	22	16	20
	Economic value retained	2,520	2,347	1,359
United Kingdom	Revenue (sales and other income)	5,881	6,351	6,077
	Operating costs	3,695	4,022	4,080
	Employee remuneration (excluding company social security costs)	398	427	468
	Payments to providers of capital	247	198	197
	Payments to government administrations	357	377	353
	Community investments (verified according to the LBG Model)	20	15	14
	Economic value retained	1,164	1,312	965
United States	Revenue (sales and other income)	5,538	5,381	5,337
	Operating costs	2,387	2,534	2,545
	Employee remuneration (excluding company social security costs)	873	812	879
	Payments to providers of capital	505	349	501
	Payments to government administrations	665	627	583
	Community investments (verified according to the LBG Model)	5	4	6
	Economic value retained	1,105	1,055	823
Brazil	Revenue (sales and other income)	7,099	6,003	3,628
	Operating costs	5,257	4,371	2,682
	Employee remuneration (excluding company social security costs)	326	291	201
	Payments to providers of capital	708	584	283
	Payments to government administrations	177	164	160
	Community investments (verified according to the LBG Model)	3	18	22
	Economic value retained	628	587	280

¹⁵⁵ The grouping by country corresponds to the registered office of each company and does not necessarily coincide with the segmentation of the information for management.

Economic value generated, distributed and retained¹⁵⁶ (€ millions)

		2019	2018	2017
Mexico	Revenue (sales and other income)	2,564	2,709	2,770
	Operating costs	1,567	1,790	1,999
	Employee remuneration (excluding company social security costs)	52	36	39
	Payments to providers of capital	201	268	217
	Payments to government administrations	221	136	100
	Community investments (verified according to the LBG Model)	1	1	1
	Economic value retained	522	478	414
Other countries	Revenue (sales and other income)	1,510	519	1,338
	Operating costs	1,176	206	728
	Employee remuneration (excluding company social security costs)	26	15	18
	Payments to providers of capital	20	142	353
	Payments to government administrations	21	22	31
	Community investments (verified according to the LBG Model)	1	0	0
	Economic value retained	266	134	209
Iberdrola total	Revenue (sales and other income)	37,673	36,273	32,714¹⁵⁷
	Operating costs	(23,027)	22,433	20,446
	Employee remuneration (excluding company social security costs)	(2,532)	2,387	2,517
	Payments to providers of capital	(2,916)	2,402	2,916
	Payments to government administrations	(2,941)	3,096	2,723
	Community investments (verified according to the LBG Model)	(52)	54	63
	Economic value retained	6,205	5,901	4,049

¹⁵⁶ The grouping by country corresponds to the registered office of each company and does not necessarily coincide with the segmentation of the information for management.

¹⁵⁷ Includes Sales in the amount of €31,263 million and Other revenue €1,451 million.

201-4

Financial assistance received (€ millions)

		2019	2018	2017
Spain	Capital subsidies	12	2	10
	Operating subsidies	3	3	6
	Investment tax credits ¹⁵⁸	0	0	0
	Production tax credits ¹⁵⁹	0	0	0
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	15	5	16
United Kingdom	Capital subsidies	0	0	0
	Operating subsidies	0	0	0
	Investment tax credits ¹⁵⁸	0	0	0
	Production tax credits ¹⁵⁹	0	0	0
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	0	0	0
United States	Capital subsidies	0	4	0
	Operating subsidies	0	0	0
	Investment tax credits ¹⁵⁸	0	8	30
	Production tax credits ¹⁵⁹	84	91	90
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	84	103	120
Brazil	Capital subsidies	0	0	0
	Operating subsidies	0	0	0
	Investment tax credits ¹⁵⁶	0	0	0
	Production tax credits ¹⁵⁷	0	0	0
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	0	0	0
Mexico	Capital subsidies	0	0	0
	Operating subsidies	0	0	0
	Investment tax credits ¹⁵⁸	0	0	0
	Production tax credits ¹⁵⁹	0	0	0
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	0	0	0
Other countries	Capital subsidies	0	0	0
	Operating subsidies	0	0	0
	Investment tax credits ¹⁵⁸	0	0	0
	Production tax credits ¹⁵⁹	0	0	0
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	0	0	0
Iberdrola total	Capital subsidies	12	6	10
	Operating subsidies	3	3	6
	Investment tax credits¹⁵⁸	0	8	30
	Production tax credits¹⁵⁹	0	91	90
	Assistance for other items included in the GRI Protocol	0	0	0
	Total	15	108	136

¹⁵⁸ Créditos fiscales a la inversión.

¹⁵⁹ Créditos fiscales a la producción.



Pre-tax profit¹⁶⁰ (millions of euros)	2019	2018
Spain	2,128	1,716
United Kingdom	566	846
United States	667	717
Brazil	555	398
Mexico	647	550
Other countries	156	70
Iberdrola consolidated total	4,729	4,297

¹⁶⁰ Includes consolidated results from continuing and discontinued activities.

Tax contribution (€ millions)

Corporate income tax paid	2019	2018	2017
Spain	367	589 ¹⁶¹	311
United Kingdom	101	74	50
United States	2	-13	11
Brazil	102	93	86
Mexico	214	130	95
Canada	1	0	0
Costa Rica	0	0	1
Greece	10	7	7
Hungary	1	1	0
Italy	0	0	7
Netherlands	2	1	3
Portugal	-3	5	4
Total	797	887	575

Global tax contribution (€ millions)

	2019	2018	2017
Spain	3,529	3,642	3,257
<i>Company contributions</i>	1,500	1,770	1,496
<i>Contributions due to third-party payments</i>	2,029	1,872	1,761
United Kingdom	639	612	521
<i>Company contributions</i>	357	377	353
<i>Contributions due to third-party payments</i>	282	235	168
United States	963	904	875
<i>Company contributions</i>	665	627	583
<i>Contributions due to third-party payments</i>	298	277	292
Brazil	2,570	2,433	2,157
<i>Company contributions</i>	177	164	160
<i>Contributions due to third-party payments</i>	2,393	2,269	1,997
Mexico	258	159	186
<i>Company contributions</i>	221	136	100
<i>Contributions due to third-party payments</i>	37	23	86
Other	197	189	115
<i>Company contributions</i>	21	22	31
<i>Contributions due to third-party payments</i>	176	167	84
Iberdrola consolidated total	8,156	7,939	7,111
<i>Company contributions</i>	2,941	3,096	2,723
<i>Contributions due to third-party payments</i>	5,215	4,843	4,388

¹⁶¹ The amount of Corporate Income Tax paid in 2018 is significant, due to the extraordinary payment arising from the recovery of State aid corresponding to financial goodwill.

Environmental dimension

Energy

Energy consumption within the organization

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Energy consumption within the organisation (GJ)	2019	2018	2017
Spain	232,905,175	230,023,199	236,355,590
United Kingdom	224,378	20,179,322	30,155,278
United States	14,200,580	10,799,405	10,547,765
Brazil	13,259,898	13,005,615	11,861,813
Mexico	166,425,015	126,533,470	159,609,431
IEI	5,527	17,545	17,587
Total	427,020,573	400,558,556	440,547,464

Energy consumption in buildings (GJ)	2019	2018	2017
Spain	177,009	193,679	157,422
United Kingdom	78,002	89,280	109,159
United States	383,982	416,507	346,431
Brazil	4,219	1,719	166,256
Mexico	N/Av.	8,606	554
IEI ¹⁶²	N/Av.	1,309	1,146
Total	643,212	711,101	780,969

¹⁶² Includes data from Greece, Romania and Hungary.

System efficiency

EU11

Average efficiency ¹⁶³ at thermal generating facilities (%)	Spain			United Kingdom			United States		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Combined cycle	52.07	49.67	49.55	N/A	52	51.10	N/A	N/A	N/A
Conventional thermal	34.34	34.28	34.38	N/A	N/A	0.00	N/A	N/A	N/A
Cogeneration	55.47	63.24	63.26	N/A	N/A	56.00	47.23	48.00	48.00

Average efficiency ¹⁶¹ at thermal generation facilities (%)	Brazil			Mexico			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Combined cycle	55	55	49	56	55	54	55	54	54
Conventional thermal	N/A	N/A	N/A	N/A	N/A	N/A	34	34	34
Cogeneration	N/A	N/A	0.00	54	57	50	56	56	54

Water

Total water withdrawal by source

303-1

Water use in thermal generation ¹⁶⁴ 2019 (hm ³)	Withdrawal			Discharge	
	Total withdrawal	Withdrawal process and standby services	Withdrawal for cooling	Evaporation of water used for cooling	Discharge into receptor environment
Spain	1,478,431	199,688	1,278,680	55,500	1,424,216
United Kingdom ¹⁶⁵	0	0	0	0	0
United States	3,946	3,823	¹⁶⁶	2,276	1,497
Brazil	331,413	187	331,058	0	331,042
Mexico	202,244	4,406	197,838	24,762	170,956
Total	2,016,110	208,104	1,807,463	82,538	1,927,711

¹⁶³ Average of efficiencies weighted by the annual production of each thermal power plant.

¹⁶⁴ Withdrawal of water at the thermal generation facilities (coal, combined cycle, nuclear and cogeneration)

¹⁶⁵ United Kingdom does not have thermal generation

¹⁶⁶ Water for cooling is not broken down, included in water from services.

Water consumption at offices and control facilities ¹⁶⁷ (m ³)	2019	2018	2017
Spain	61,111	55,489	94,239
United Kingdom	68,017	4,496	63,242
United States	66,797	1,181,165	183,256
Brazil	8,656	9,369	1,975
Mexico	N/Av.	2,002	36,604
IEI	N/Av.	2,775	5,132
Total	204,581	1,255,296	384,448

Biodiversity

Threatened species included in the IUCN Red List and national and regional lists

304-4

IUCN Red List Classification

	Critically endangered (CR)	Endangered (EN)	Vulnerable (VU)	Near threatened (NT)	Least concern (LC)
Spain	4	45	100	35	575
United Kingdom	0	2	4	4	31
United States - Canada	1	8	9	9	26
Brazil	12	31	86	11	15
Mexico	0	0	0	1	4
IEI	0	1	4	2	58
Total	17	87	203	62	709

¹⁶⁷ Includes offices, substations and control buildings at wind farms.

Emissions

Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

305-1

CO ₂ emissions (t)	2019	2018	2017
Spain	5,777,019	4,932,724	5,945,175
Generating plants	4,282,818	3,469,461	4,399,869
Cogeneration	1,494,201	1,463,263	1,545,306
United Kingdom	0	2,174,241	2,900,987
Generating plants	0	2,156,928	2,882,992
Cogeneration	0	17,313	17,995
United States	1,541,422	991,612	965,570
Generating plants	0	0	0
Cogeneration	1,541,422	991,612	965,570
Brazil	974,323	1,306,374	1,568,890
Generating plants	974,323	1,306,374	1,471,816
Cogeneration	0	0	97,074
Mexico	4,635,131	3,837,983	3,638,957
Generating plants	3,143,994	2,304,766	2,571,153
Cogeneration	1,491,137	1,533,217	1,067,804
Total	12,927,886	13,327,609	15,019,578
Generating plants	8,401,126	9,237,529	11,325,830
Cogeneration	4,526,760	4,090,080	3,693,748

Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

305-2

Emissions associated with the consumption of energy at offices CO ₂ (t)	2019
Spain	2,446
United Kingdom	3,080
United States	29,984
Brazil	88
Mexico	N/Av.
Other countries ¹⁶⁸	N/Av.
Total	35,598

¹⁶⁸ Not taken into account to calculate the Carbon Footprint as it entails less than 0.1% of the internal energy consumption of the group.


NO_x, SO_x and other significant air emissions¹⁶⁹

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NO _x emissions (t)	2019	2018	2017
Spain	6,131	7,149	12,490
Generating plants	2,136	2,623	4,394
Cogeneration	3,995	4,526	8,096
United Kingdom	0	1,141	989
Generating plants	0	1,141	989
Cogeneration	0	0	0
United States	183	629	18
Generating plants	0	0	0
Cogeneration	183	629	18
Brazil	205	221	233
Generating plants	205	221	233
Cogeneration	0	0	0
Mexico	44,247	3,612	2,422
Generating plants	40,128	2,565	1,997
Cogeneration	4,119	1,047	425
Total	50,767	12,751	16,152
Generating plants	42,469	6,549	7,613
Cogeneration	8,298	6,202	8,539

Sulphur dioxide (SO ₂) emissions (t)	2019	2018	2017
Spain	1,229	3,058	4,936
Generating plants	487	2,327	3,723
Cogeneration	742	731	1,213
United Kingdom	0	2	2
Generating plants	0	2	2
Cogeneration	0	0	0
United States	7	6	5
Generating plants	0	0	0
Cogeneration	7	6	5
Brazil	10	11	0
Generating plants	10	11	0
Cogeneration	0	0	0
Mexico	517	438	449
Generating plants	473	393	418
Cogeneration	44	45	31
Total	1,763	3,515	5,392
Generating plants	970	2,733	4,143
Cogeneration	793	782	1,249

¹⁶⁹ Own and third-party plants have been included in the calculation of emissions of NO_x, SO_x and particulates.



Particulate emissions (t)	2019	2018	2017
Spain	118	174	375
Generating plants	96	141	298
Cogeneration	22	33	77
United Kingdom	0	1	2
Generating plants	0	1	1
Cogeneration	0	0	1
United States	23	20	19
Generating plants	0	0	0
Cogeneration	23	20	19
Brazil	0	0	0
Generating plants	0	0	0
Cogeneration	0	0	0
Mexico	1,004	691	876
Generating plants	919	603	815
Cogeneration	85	88	61
Total	1,144	886	1,272
Generating plants	1,015	745	1,114
Cogeneration	129	141	158

Effluents and waste

Total weight of waste by type and disposal method

306-2 ^{170,171}

Hazardous waste generation (t)		Spain			United Kingdom			United States		
		2019	2018	2017	2019	2018	2017	2019	2018	2017
Managed	Recovered, recycled, reused	7,261	4,819	4,328	2,142	3,056	1,600	1,007	358	337
	Deposited and/or Incinerated	756	2,804	1,256	302	810	562	704	17	425
Produced		8,026	7,604	5,564	2,447	3,864	2,214	1,711	375	573

Hazardous waste generation (t)		Brazil			Mexico			IEI			Total		
		2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Managed	Recovered, recycled, reused	7,066	563	981	1	0	0	71	43	43	17,548	8,839	7,288
	Deposited and/or incinerated	106	316	593	143	186	171	8	27	15	2,020	4,161	3,023
Produced		7,174	1,069	614	144	186	171	58	70	58	19,560	13,169	9,193

Non-hazardous waste generation (t)		Spain			United Kingdom			United States		
		2019	2018	2017	2019	2018	2017	2019	2018	2017
Managed	Recovered, recycled, reused	44,556	74,618	109,727	170,812	70,265	304,434	414,694	16,817	34,097
	Deposited and/or incinerated	27,979	71,629	165,443	58,031	195,897	224,698	65,366	82,914	96,988
Produced		72,416	146,671	277,282	229,884	266,224	589,432	313,462	100,016	131,006

Non-hazardous waste generation (t)		Brazil			Mexico			IEI			Total		
		2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Managed	Recovered, recycled, reused	32,946	19,589	1,614	116	117	47	2	9	1	663,126	294,845	543,220
	Deposited and/or incinerated	1,044	23,630	38,516	5,030	17,660	17,573	14	18	2	158,034	247,256	449,920
Produced		34,758	49,525	38,370	5,158	17,661	17,578	17	18	3	655,695	549,146	1,053,671

¹⁷⁰ Liquid waste has been converted into kg using a density of 1.3 kg/m³.

¹⁷¹ The tables distinguish between waste sent to the waste manager and waste recorded as produced. The figures may not coincide as time passes between recording and completion of the management thereof.

Average plant availability

EU30

The availability of a plant (during a particular period) is the percentage of time within such period that the plant is able to produce energy. It is calculated using normalising indicators, for which reason, knowing the availability of each facility and the net installed capacity thereof yields the average availability factors of the group, as presented in the following table:

		Average availability factor (%)		
		2019	2018	2017
Spain	Combined cycle	87.47	91.94	91.87
	Conventional thermal	96.04	94.28	93.94
	Cogeneration	96.07	96.28	92.65
	Nuclear	90.12	89.31	89.29
	Hydroelectric	79.44	85.59	84.45
	Wind	97.3	97.30	91.87
United Kingdom	Combined cycle	N/A	89.67	88.30
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/A	N/A	1.70
	Nuclear	N/A	N/A	N/A
	Hydroelectric	N/A	82.95	87.23
	Wind	79.98	95.80	95.21
United States	Combined cycle	N/A	N/A	N/A
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	98.67	88.05	82.04
	Nuclear	N/A	N/A	N/A
	Hydroelectric	N/A	36.17	36.78
	Wind	96	95.40	95.58
Brazil	Combined cycle	91.76	90.95	85.41
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/A	N/A	N/A
	Nuclear	N/A	N/A	N/A
	Hydroelectric	96.86	94.75	95.66
	Wind	97.75	97.60	97.34
Mexico	Combined cycle	94.52	91.94	94.95
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	95.28	95.56	72.18
	Nuclear	N/A	N/A	N/A
	Hydroelectric	N/A	N/A	N/A
	Wind	97.01	97.10	96.22
IEI	Combined cycle	N/A	N/A	N/A
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/A	N/A	N/A
	Nuclear	N/A	N/A	N/A
	Hydroelectric	N/A	N/A	N/A
	Wind	94.34	97.5	97.61
Iberdrola total	Combined cycle	91.64	90.39	90.94
	Conventional thermal	96.04	94.28	93.94
	Cogeneration	97.07	92.17	82.75
	Nuclear	90.12	89.31	89.29
	Hydroelectric	89.27	86.92	86.02
	Wind	94.01	96.36	94.36

Social dimension

Employment¹⁷²

102-8

Total workforce by employment type, region and gender at year-end

		Full-time			Part-time		
		2019	2018	2017	2019	2018	2017
Spain	Men	7,633	7,852	8,309	0	0	4
	Women	1,954	1,970	1,981	0	0	2
	Total	9,587	9,822	10,290	0	0	6
United Kingdom	Men	3,692	3,670	4,032	53	51	62
	Women	1,325	1,306	1,329	567	584	644
	Total	5,017	4,976	5,361	620	635	706
United States	Men	4,723	4,601	4,664	1	1	1
	Women	1,862	1,838	1,886	11	9	10
	Total	6,585	6,439	6,550	12	10	11
Brazil	Men	9,615	7,746	8,048	0	1,050	112
	Women	2,131	1,924	1,749	0	29	187
	Total	11,746	9,670	9,797	0	1,079	299
Mexico	Men	1,043	909	779	0	0	0
	Women	248	203	164	0	0	1
	Total	1,291	1,112	943	0	0	1
IEI	Men	365	237	218	0	0	0
	Women	151	98	73	0	0	0
	Total	516	335	291	0	0	0
Iberdrola total	Men	27,071	25,015	26,050	54	1,102	179
	Women	7,671	7,339	7,182	578	622	844
	Total	34,742	32,354	33,232	632	1,724	1,023

¹⁷² As the percentage interests in certain companies may not be 100%, the sums added may not correspond to the total presented due to rounding.

Total workforce by contract type, region and gender at year-end

		Permanent contract			Temporary contract		
		2019	2018	2017	2019	2018	2017
Spain	Men	7,614	7,830	8,287	19	22	26
	Women	1,950	1,964	1,975	4	6	8
	Total	9,564	9,794	10,262	23	28	34
United Kingdom	Men	3,730	3,704	4,069	15	17	25
	Women	1,877	1,874	1,958	15	16	15
	Total	5,607	5,578	6,027	30	33	40
United States	Men	4,714	4,594	4,661	10	8	4
	Women	1,871	1,845	1,889	2	2	7
	Total	6,585	6,439	6,550	12	10	11
Brazil	Men	9,609	8,790	8,134	6	6	26
	Women	2,128	1,951	1,929	3	2	7
	Total	11,737	10,741	10,063	9	8	33
Mexico	Men	880	690	708	163	219	71
	Women	211	158	141	37	45	24
	Total	1,091	848	849	200	264	95
IEI	Men	343	232	214	22	5	4
	Women	143	98	73	8	0	0
	Total	486	330	287	30	5	4
Iberdrola total	Men	26,890	25,840	26,073	235	277	156
	Women	8,180	7,890	7,965	69	71	61
	Total	35,070	33,730	34,038	304	348	217

Total workforce by employment type, gender, age and region at year-end

		Full-time		Part-time	
		2019	2018	2019	2018
Spain	Men	7,633	7,852	0	0
	Up to 30 years old	448	341	0	0
	Between 31 and 50 years old	4,343	4,298	0	0
	More than 51 years old	2,842	3,213	0	0
	Women	1,954	1,970	0	0
	Up to 30 years old	124	100	0	0
	Between 31 and 50 years old	1,341	1,332	0	0
	More than 51 years old	489	538	0	0
	Total	9,587	9,822	0	0
	Up to 30 years old	572	441	0	0
Between 31 and 50 years old	5,684	5,630	0	0	
More than 51 years old	3,331	3,751	0	0	
United Kingdom	Men	3,692	3,670	53	51
	Up to 30 years old	673	590	3	2
	Between 31 and 50 years old	1,950	1,942	22	23
	More than 51 years old	1,069	1,138	28	26
	Women	1,325	1,306	567	584
	Up to 30 years old	197	173	23	19
	Between 31 and 50 years old	804	800	456	472
	More than 51 years old	324	333	88	93
	Total	5,017	4,976	620	635
	Up to 30 years old	870	763	26	21
Between 31 and 50 years old	2,754	2,742	478	495	
More than 51 years old	1,393	1,471	116	119	
United States	Men	4,723	4,601	1	1
	Up to 30 years old	623	515	0	0
	Between 31 and 50 years old	2,192	2,136	0	0
	More than 51 years old	1,908	1,950	1	1
	Women	1,862	1,838	11	9
	Up to 30 years old	178	155	0	0
	Between 31 and 50 years old	857	875	7	6
	More than 51 years old	827	808	4	3
	Total	6,585	6,439	12	10
	Up to 30 years old	801	670	0	0
Between 31 and 50 years old	3,049	3,011	7	6	
More than 51 years old	2,735	2,758	5	4	

Brazil	Men	9,615	7,746	0	1,050
	Up to 30 years old	2,644	2,187	0	301
	Between 31 and 50 years old	6,147	4,782	0	676
	More than 51 years old	824	777	0	73
	Women	2,131	1,924	0	29
	Up to 30 years old	688	611	0	19
	Between 31 and 50 years old	1323	1,194	0	9
	More than 51 years old	120	119	0	1
	Total	11,746	9,670	0	1,079
	Up to 30 years old	3,332	2,798	0	320
Between 31 and 50 years old	7,470	5,976	0	685	
More than 51 years old	944	896	0	74	
Mexico	Men	1,043	909	0	0
	Up to 30 years old	292	247	0	0
	Between 31 and 50 years old	669	587	0	0
	More than 51 years old	82	75	0	0
	Women	248	203	0	0
	Up to 30 years old	108	82	0	0
	Between 31 and 50 years old	136	117	0	0
	More than 51 years old	4	4	0	0
	Total	1,291	1,112	0	0
	Up to 30 years old	400	329	0	0
Between 31 and 50 years old	805	704	0	0	
More than 51 years old	86	79	0	0	
IEI	Men	365	232	0	5
	Up to 30 years old	49	16	0	3
	Between 31 and 50 years old	283	190	0	1
	More than 51 years old	33	26	0	1
	Women	151	98	0	0
	Up to 30 years old	30	17	0	0
	Between 31 and 50 years old	108	73	0	0
	More than 51 years old	13	8	0	0
	Total	516	330	0	5
	Up to 30 years old	79	33	0	3
Between 31 and 50 years old	391	263	0	1	
More than 51 years old	46	34	0	1	
Iberdrola total	Men	27,071	25,010	54	1,107
	Up to 30 years old	4,729	3,896	3	306
	Between 31 and 50 years old	15,584	13,935	22	700
	More than 51 years old	6,758	7,179	29	101
	Women	7,671	7,339	578	622
	Up to 30 years old	1,325	1,138	23	38
	Between 31 and 50 years old	4,569	4,391	463	487
	More than 51 years old	1,777	1,810	92	97
	Total	34,742	32,349	632	1,729
	Up to 30 years old	6,054	5,034	26	344
Between 31 and 50 years old	20,153	18,326	485	1,187	
More than 51 years old	8,535	8,989	121	198	

Total workforce by employment type, gender, professional category and region at year-end

		Full-time		Part-time	
		2019	2018	2019	2018
Spain	Men	7,633	7,852	0	0
	Management team	389	405	0	0
	Middle managers and skilled technicians	3312	3,348	0	0
	Skilled workers and support personnel	3932	4,099	0	0
	Women	1,954	1,970	0	0
	Management team	96	94	0	0
	Middle managers and skilled technicians	1374	1,348	0	0
	Skilled workers and support personnel	484	528	0	0
	Total	9,587	9,822	0	0
	Management team	485	499	0	0
Middle managers and skilled technicians	4,686	4,696	0	0	
Skilled workers and support personnel	4,416	4,627	0	0	
United Kingdom	Men	3,692	3,670	53	51
	Management team	102	108	0	0
	Middle managers and skilled technicians	2426	2,361	34	27
	Skilled workers and support personnel	1164	1,201	19	24
	Women	1,325	1,306	567	584
	Management team	29	30	3	3
	Middle managers and skilled technicians	891	835	260	236
	Skilled workers and support personnel	405	441	304	345
	Total	5,017	4,976	620	635
	Management team	131	138	3	3
Middle managers and skilled technicians	3,317	3,196	294	263	
Skilled workers and support personnel	1,569	1,642	323	369	
United States	Men	4,723	4,601	1	1
	Management team	41	41	0	0
	Middle managers and skilled technicians	1718	1,660	1	1
	Skilled workers and support personnel	2964	2,900	0	0
	Women	1,862	1,838	11	9
	Management team	11	13	0	0
	Middle managers and skilled technicians	838	757	8	6
	Skilled workers and support personnel	1013	1,068	3	3
	Total	6,585	6,439	12	10
	Management team	52	54	0	0
Middle managers and skilled technicians	2,556	2,417	9	7	
Skilled workers and support personnel	3,977	3,968	3	3	
Brazil	Men	9,615	7,746	0	1,050
	Management team	79	75	0	0
	Middle managers and skilled technicians	1804	1,641	0	11
	Skilled workers and support personnel	7732	6,030	0	1,039
	Women	2,131	1,924	0	29
	Management team	19	21	0	0
	Middle managers and skilled technicians	1187	1,094	0	3
	Skilled workers and support personnel	925	809	0	26
	Total	11,746	9,670	0	1,079
	Management team	98	96	0	0
Middle managers and skilled technicians	2,991	2,735	0	14	

Total workforce by employment type, gender, professional category and region at year-end

	Full-time		Part-time	
	2019	2018	2019	2018
Skilled workers and support personnel	8,657	6,839	0	1,065
Men	1,043	909	0	0
Management team	25	21	0	0
Middle managers and skilled technicians	590	488	0	0
Skilled workers and support personnel	428	400	0	0
Women	248	203	0	0
Management team	5	6	0	0
Middle managers and skilled technicians	215	173	0	0
Skilled workers and support personnel	28	24	0	0
Total	1,291	1,112	0	0
Management team	30	27	0	0
Middle managers and skilled technicians	805	661	0	0
Skilled workers and support personnel	456	424	0	0
Men	365	237	0	0
Management team	21	10	0	0
Middle managers and skilled technicians	279	164	0	0
Skilled workers and support personnel	65	63	0	0
Women	151	98	0	0
Management team	5	3	0	0
Middle managers and skilled technicians	137	87	0	0
Skilled workers and support personnel	9	8	0	0
Total	516	335	0	0
Management team	26	13	0	0
Middle managers and skilled technicians	416	251	0	0
Skilled workers and support personnel	74	71	0	0
Men	27,071	25,015	54	1,102
Management team	657	660	0	0
Middle managers and skilled technicians	10,129	9,662	35	39
Skilled workers and support personnel	16,285	14,693	19	1,063
Women	7,671	7,339	578	622
Management team	164.6603	167	3	3
Middle managers and skilled technicians	4,642	4,294	268	245
Skilled workers and support personnel	2,864	2,878	307	374
Total	34,742	32,354	632	1,724
Management team	822	827	3	3
Middle managers and skilled technicians	14,771	13,956	303	284
Skilled workers and support personnel	19,149	17,571	326	1,437

Total workforce by contract type, gender, age and region at year-end

		Permanent contract		Temporary contract	
		2019	2018	2019	2018
Spain	Men	7,614	7,830	19	22
	Up to 30 years old	444	336	4	5
	Between 31 and 50 years old	4,328	4,281	15	17
	More than 51 years old	2,842	3,213	0	0
	Women	1,950	1,964	4	6
	Up to 30 years old	123	98	1	2
	Between 31 and 50 years old	1,338	1,328	3	4
	More than 51 years old	489	538	0	0
	Total	9,564	9,794	23	28
	Up to 30 years old	567	434	5	7
Between 31 and 50 years old	5,666	5,609	18	21	
More than 51 years old	3,331	3,751	0	0	
United Kingdom	Men	3,730	3,704	15	17
	Up to 30 years old	672	586	4	6
	Between 31 and 50 years old	1,963	1,955	9	10
	More than 51 years old	1,095	1,163	2	1
	Women	1,877	1,874	15	16
	Up to 30 years old	212	189	8	3
	Between 31 and 50 years old	1,255	1,261	5	11
	More than 51 years old	410	424	2	2
	Total	5,607	5,578	30	33
	Up to 30 years old	884	775	12	9
Between 31 and 50 years old	3,218	3,216	14	21	
More than 51 years old	1,505	1,587	4	3	
United States	Men	4,714	4,594	10	8
	Up to 30 years old	618	509	5	6
	Between 31 and 50 years old	2,188	2,134	4	2
	More than 51 years old	1,908	1,951	1	0
	Women	1,871	1,845	2	2
	Up to 30 years old	177	154	1	1
	Between 31 and 50 years old	863	880	1	1
	More than 51 years old	831	811	0	0
	Total	6,585	6,439	12	10
	Up to 30 years old	795	663	6	7
Between 31 and 50 years old	3,051	3,014	5	3	
More than 51 years old	2,739	2,762	1	0	

Total workforce by contract type, gender, age and region at year-end

		Permanent contract		Temporary contract	
		2019	2018	2019	2018
Brazil	Men	9,609	8,790	6	6
	Up to 30 years old	2,642	2,486	2	2
	Between 31 and 50 years old	6,144	5,455	3	3
	More than 51 years old	823	849	1	1
	Women	2,128	1,951	3	2
	Up to 30 years old	685	628	3	2
	Between 31 and 50 years old	1,323	1,203	0	0
	More than 51 years old	120	120	0	0
	Total	11,737	10,741	9	8
	Up to 30 years old	3,327	3,114	5	4
	Between 31 and 50 years old	7,467	6,658	3	3
	More than 51 years old	943	969	1	1
	Mexico	Men	880	690	163
Up to 30 years old		216	141	76	105
Between 31 and 50 years old		589	485	80	103
More than 51 years old		75	64	7	11
Women		211	158	37	45
Up to 30 years old		81	54	27	28
Between 31 and 50 years old		126	100	10	17
More than 51 years old		4	4	0	0
Total		1,091	848	200	264
Up to 30 years old		297	195	103	133
Between 31 and 50 years old		715	585	90	120
More than 51 years old		79	68	7	11
IEI		Men	343	232	22
	Up to 30 years old	41	16	8	3
	Between 31 and 50 years old	273	190	10	1
	More than 51 years old	29	26	4	1
	Women	143	98	8	0
	Up to 30 years old	27	17	3	0
	Between 31 and 50 years old	105	73	3	0
	More than 51 years old	11	8	2	0
	Total	486	330	30	5
	Up to 30 years old	68	33	11	3
	Between 31 and 50 years old	378	263	13	1
	More than 51 years old	40	34	6	1
	Iberdrola total	Men	26,890	25,840	235
Up to 30 years old		4,633	4,074	99	127
Between 31 and 50 years old		15,485	14,500	121	136
More than 51 years old		6,772	7,266	15	14
Women		8,180	7,890	69	71
Up to 30 years old		1,305	1,140	43	36
Between 31 and 50 years old		5,010	4,845	22	33
More than 51 years old		1,865	1,905	4	2
Total		35,070	33,730	304	348
Up to 30 years old		5,938	5,214	142	163
Between 31 and 50 years old		20,495	19,345	143	169
More than 51 years old		8,637	9,171	19	16

Total workforce by contract type, gender, professional category and region

		Permanent contract		Temporary contract	
		2019	2018	2019	2018
Spain	Men	7,614	7,830	19	22
	Management team	389	405	0	0
	Middle managers and skilled technicians	3,304	3,338	8	10
	Skilled workers and support personnel	3,921	4,087	11	12
	Women	1,950	1,964	4	16
	Management team	96	94	0	0
	Middle managers and skilled technicians	1,372	1,343	2	5
	Skilled workers and support personnel	482	527	2	1
	Total	9,564	9,794	23	28
	Management team	485	499	0	0
Middle managers and skilled technicians	4,676	4,681	10	15	
Skilled workers and support personnel	4,403	4,614	13	13	
United Kingdom	Men	3,730	3,704	15	17
	Management team	101	108	1	0
	Middle managers and skilled technicians	2,446	2,371	14	17
	Skilled workers and support personnel	1,183	1,225	0	0
	Women	1,877	1,874	15	16
	Management team	32	33	0	0
	Middle managers and skilled technicians	1,140	1,058	11	13
	Skilled workers and support personnel	705	783	4	3
	Total	5,607	5,578	30	33
	Management team	133	141	1	0
Middle managers and skilled technicians	3,586	3,429	25	30	
Skilled workers and support personnel	1,888	2,008	4	3	
United States	Men	4,714	4,594	10	8
	Management team	41	41	0	0
	Middle managers and skilled technicians	1,719	1,661	0	0
	Skilled workers and support personnel	2,954	2,892	10	8
	Women	1,871	1,845	2	2
	Management team	11	13	0	0
	Middle managers and skilled technicians	846	762	0	1
	Skilled workers and support personnel	1,014	1,070	2	1
	Total	6,585	6,439	12	10
	Management team	52	54	0	0
Middle managers and skilled technicians	2,565	2,423	0	1	
Skilled workers and support personnel	3,968	3,962	12	9	

Brazil	Men	9,609	8,790	6	6
	Management team	78	75	1	0
	Middle managers and skilled technicians	1,803	1,650	1	2
	Skilled workers and support personnel	7,728	7,065	4	4
	Women	2,128	1,951	3	2
	Management team	19	21	0	0
	Middle managers and skilled technicians	1,186	1,096	1	1
	Skilled workers and support personnel	923	834	2	1
	Total	11,737	10,741	9	8
	Management team	97	96	1	0
Middle managers and skilled technicians	2,989	2,746	2	3	
Skilled workers and support personnel	8,651	7,899	6	5	
Mexico	Men	880	690	163	219
	Management team	25	21	0	0
	Middle managers and skilled technicians	498	381	92	107
	Skilled workers and support personnel	357	288	71	112
	Women	211	158	37	45
	Management team	5	6	0	0
	Middle managers and skilled technicians	185	140	30	33
	Skilled workers and support personnel	21	12	7	12
	Total	1,091	848	200	264
	Management team	30	27	0	0
Middle managers and skilled technicians	683	521	122	140	
Skilled workers and support personnel	378	300	78	124	
IEI	Men	343	232	22	5
	Management team	21	10	0	0
	Middle managers and skilled technicians	257	159	22	5
	Skilled workers and support personnel	65	63	0	0
	Women	143	98	8	0
	Management team	5	3	0	0
	Middle managers and skilled technicians	131	87	6	0
	Skilled workers and support personnel	7	8	2	0
	Total	486	330	30	5
	Management team	26	13	0	0
Middle managers and skilled technicians	388	246	28	5	
Skilled workers and support personnel	72	71	2	0	
Iberdrola total	Men	26,890	25,840	235	277
	Management team	655	660	2	0
	Middle managers and skilled technicians	10,027	9,560	137	141
	Skilled workers and support personnel	16,208	15,620	96	136
	Women	8,180	7,890	69	71
	Management team	168	170	0	0
	Middle managers and skilled technicians	4,860	4,486	50	53
	Skilled workers and support personnel	3,152	3,234	19	18
	Total	35,070	33,730	304	348
	Management team	823	830	2	0
Middle managers and skilled technicians	14,887	14,046	187	194	
Skilled workers and support personnel	19,360	18,854	115	154	

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Personnel covered by a collective bargaining agreement, by region

	2019		2018		2017	
	No. of Employees	%	No. of Employees	%	No. of Employees	%
Spain	8,380	87.41	8,582	87.38	9,109	88.47
United Kingdom	3,934	69.79	4,149	73.94	4,219	69.54
United States	3,234	49.02	3,112	48.26	3,146	47.95
Brazil	11,730	99.86	10,735	99.87	9,805	97.12
Mexico	323	25.02	294	26.44	203	21.50
Other countries	228	44.19	28	8.36	161	55.53
Total	27,829	78.67	26,900	78.94	26,643	77.78

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New hires by region, gender and age group

		Men			Women		
		2019	2018	2017	2019	2018	2017
Spain	By age group	278	221	252	101	114	64
	Up to 30 years old	134	104	116	32	45	31
	Between 31 and 50 years old	130	106	125	66	68	31
	More than 51 years old	14	11	11	3	1	2
	By age group (%)	3.64	2.82	3.03	5.19	5.81	3.23
	Up to 30 years old	29.91	30.55	35.26	25.81	45.12	41.89
	Between 31 and 50 years old	3.00	2.47	2.92	4.94	5.14	2.34
	More than 51 years old	0.48	0.34	0.3	0.61	0.19	0.34
	Total workforce	7,633	7,852	8,313	1,954	1,970	1,983
United Kingdom	By age group	307	270	464	125	138	177
	Up to 30 years old	163	135	141	70	69	59
	Between 31 and 50 years old	126	120	245	46	56	104
	More than 51 years old	18	15	78	9	13	14
	By age group (%)	8.20	7.26	11.33	6.61	7.30	8.97
	Up to 30 years old	24.11	22.80	23.46	31.82	35.94	30.41
	Between 31 and 50 years old	6.39	6.11	11.84	3.65	4.40	7.76
	More than 51 years old	1.64	1.29	5.48	2.18	3.05	3.2
	Total workforce	3,745	3,721	4,094	1,892	1,890	1,973
United States	By age group	566	380	322	204	137	148
	Up to 30 years old	265	149	114	74	44	54
	Between 31 and 50 years old	254	187	171	96	74	70
	More than 51 years old	47	44	37	34	19	24
	By age group (%)	11.98	8.26	6.9	10.89	7.42	13.81
	Up to 30 years old	42.54	28.93	23.17	41.57	28.39	24.86
	Between 31 and 50 years old	11.59	8.75	8.07	11.11	8.40	11.55
	More than 51 years old	2.46	2.26	1.8	4.09	2.34	1.62
	Total workforce	4,724	4,602	4,665	1,873	1,847	1,896
Brazil	By age group	1,222	1,583	1,127	324	272	174
	Up to 30 years old	643	840	550	177	169	108
	Between 31 and 50 years old	563	731	559	132	101	64
	More than 51 years old	16	12	18	15	2	2
	By age group (%)	12.71	18.00	7.81	15.20	13.93	8.99
	Up to 30 years old	24.32	33.76	34.39	25.73	26.83	18.15
	Between 31 and 50 years old	9.16	13.39	7.76	9.98	8.40	5.47
	More than 51 years old	1.94	1.41	2.87	12.50	1.67	1.17
	Total workforce	9,615	8,796	8,160	2,131	1,953	1,936
Mexico	By age group	181	184	323	59	51	74
	Up to 30 years old	101	114	73	38	39	37
	Between 31 and 50 years old	79	68	210	21	12	36
	More than 51 years old	1	2	40	0	0	1
	By age group (%)	17.35	20.24	41.46	23.79	25.12	44.85
	Up to 30 years old	34.59	46.15	42.69	35.19	47.56	61.67
	Between 31 and 50 years old	11.81	11.58	38.82	15.44	10.26	36.00
	More than 51 years old	1.22	2.67	59.7	0.00	0.00	20.00
	Total workforce	1,043	909	779	248	203	165

New hires by region, gender and age group

		Men			Women		
		2019	2018	2017	2019	2018	2017
IEI	By age group	85	35	66	29	28	19
	Up to 30 years old	27	9	18	15	11	6
	Between 31 and 50 years old	55	23	43	14	17	13
	More than 51 years old	3	3	5	0	0	0
	By age group (%)	23.29	14.77	30.28	19.21	28.57	26.03
	Up to 30 years old	55.10	47.37	60	50.00	64.71	66.67
	Between 31 and 50 years old	19.43	12.04	25.75	12.96	23.29	22.41
	More than 51 years old	9.09	11.11	23.81	0.00	0.00	0
	Total workforce	365	237	218	151	98	73
	Iberdrola total	By age group	2,639	2,673	2,554	842	740
Up to 30 years old		1,333	1,351	1,012	406	377	295
Between 31 and 50 years old		1,207	1,235	1,353	375	328	318
More than 51 years old		99	87	189	61	35	43
By age group (%)		9.73	10.23	9.74	10.21	9.30	8.17
Up to 30 years old		28.17	32.15	26.39	30.14	32.06	27.09
Between 31 and 50 years old		7.74	8.44	9.65	7.46	6.72	6.5
More than 51 years old		1.45	1.19	2.26	3.26	1.84	2.1
Total workforce		27,125	26,117	26,229	8,249	7,961	8,026

Persons leaving the company by region, gender and age group

		Men			Women		
		2019	2018	2017	2019	2018	2017
Spain	By age group	441	682	461	89	130	76
	Up to 30 years old	10	11	4	2	5	2
	Between 31 and 50 years old	46	48	99	36	31	36
	More than 51 years old	385	623	358	51	94	38
	By age group (%)	5.78	8.69	5.55	4.52	6.58	3.83
	Up to 30 years old	2.24	3.23	1.22	1.61	5.01	2.7
	Between 31 and 50 years old	1.06	1.12	2.31	2.66	2.30	2.72
	More than 51 years old	13.55	19.38	9.68	10.43	17.46	6.48
	Total workforce	7,633	7,852	8,313	1,954	1,970	1,983
United Kingdom	By age group	281	643	346	122	220	214
	Up to 30 years old	38	61	26	15	24	18
	Between 31 and 50 years old	91	194	75	48	86	85
	More than 51 years old	152	388	245	59	110	111
	By age group (%)	7.50	17.28	8.45	6.45	11.64	10.85
	Up to 30 years old	5.62	10.30	4.33	6.82	12.50	9.28
	Between 31 and 50 years old	4.61	9.87	3.62	3.81	6.76	6.34
	More than 51 years old	13.86	33.33	17.21	14.32	25.82	25.34
	Total workforce	3,745	3,721	4,094	1,892	1,890	1,973
United States	By age group	442	453	471	176	186	252
	Up to 30 years old	62	38	53	26	20	34
	Between 31 and 50 years old	162	127	137	72	60	61
	More than 51 years old	218	288	281	78	106	157
	By age group (%)	9.36	9.84	10.10	9.40	10.07	13.29
	Up to 30 years old	9.95	7.38	10.77	14.61	12.90	21.66
	Between 31 and 50 years old	7.39	5.95	6.47	8.33	6.81	6.76
	More than 51 years old	11.42	14.76	13.68	9.39	13.07	18.76
	Total workforce	4,724	4,602	4,665	1,873	1,847	1,896
Brazil	By age group	526	941	580	157	247	165
	Up to 30 years old	127	165	137	55	59	51
	Between 31 and 50 years old	266	403	269	79	119	84
	More than 51 years old	133	373	174	23	69	30
	By age group (%)	5.47	10.70	7.11	7.37	12.65	8.52
	Up to 30 years old	4.80	6.63	6.19	7.99	9.37	8.57
	Between 31 and 50 years old	4.33	7.38	5.56	5.97	9.89	7.18
	More than 51 years old	16.14	43.88	15.68	19.17	57.50	17.54
	Total workforce	9,615	8,796	8,160	2,131	1,953	1,936
Mexico	By age group	59	62	80	16	13	23
	Up to 30 years old	15	14	20	7	6	7
	Between 31 and 50 years old	37	38	47	9	6	16
	More than 51 years old	7	10	13	0	1	0
	By age group (%)	5.66	6.82	10.27	6.45	6.40	13.94
	Up to 30 years old	5.14	5.67	11.7	6.48	7.32	11.67
	Between 31 and 50 years old	5.53	6.47	8.69	6.62	5.13	16
	More than 51 years old	8.54	13.33	19.4	0.00	25.00	0
	Total workforce	1,043	909	779	248	203	165

Persons leaving the company by region, gender and age group

		Men			Women		
		2019	2018	2017	2019	2018	2017
IEI	By age group	23	45	14	10	20	7
	Up to 30 years old	2	4	2	1	3	1
	Between 31 and 50 years old	15	29	11	8	15	6
	More than 51 years old	6	12	1	1	2	0
	By age group (%)	6.30	18.99	6.25	6.62	20.41	18.92
	Up to 30 years old	4.08	21.05	5.88	3.33	17.65	33.33
	Between 31 and 50 years old	5.30	15.18	6.56	7.41	20.55	19.35
	More than 51 years old	18.18	44.44	4.76	7.69	25.00	0
	Total workforce	365	237	218	151	98	73
	Iberdrola total	By age group	1,772	2,826	1,952	570	816
Up to 30 years old		254	293	242	106	117	113
Between 31 and 50 years old		617	839	638	252	317	288
More than 51 years old		901	1694	1,072	212	382	336
By age group (%)		6.53	10.82	7.44	6.90	10.25	9.18
Up to 30 years old		5.37	6.97	6.31	7.86	9.94	10.38
Between 31 and 50 years old		3.95	5.73	4.55	5.00	6.50	5.88
More than 51 years old		13.28	23.27	12.8	11.33	20.04	16.45
Total workforce		27,125	26,117	26,229	8,249	7,961	8,026

Redundancies by region, gender and age group

		Men		Women	
		2019	2018	2019	2018
Spain	By age group	17	13	3	2
	Up to 30 years old	2	0	0	1
	Between 31 and 50 years old	6	7	2	0
	More than 51 years old	9	6	1	1
	By age group (%)	0.22	0.16	0.15	0.10
	Up to 30 years old	0.45	0.00	0.00	1.00
	Between 31 and 50 years old	0.14	0.16	0.15	0.00
	More than 51 years old	0.32	0.17	0.20	0.19
United Kingdom	By age group	10	8	4	1
	Up to 30 years old	0	4	0	1
	Between 31 and 50 years old	8	2	3	0
	More than 51 years old	2	2	1	0
	By age group (%)	0.27	0.21	0.21	0.05
	Up to 30 years old	0.00	0.68	0.00	0.52
	Between 31 and 50 years old	0.41	0.10	0.24	0.00
	More than 51 years old	0.17	0.17	0.22	0.00
United States	By age group	79	23	33	22
	Up to 30 years old	19	5	9	2
	Between 31 and 50 years old	45	12	13	15
	More than 51 years old	15	6	11	5
	By age group (%)	1.67	0.50	1.76	1.19
	Up to 30 years old	3.05	0.97	5.06	1.29
	Between 31 and 50 years old	2.05	0.56	1.50	1.70
	More than 51 years old	0.79	0.31	1.32	0.62
Brazil	By age group	345	617	67	141
	Up to 30 years old	61	81	16	20
	Between 31 and 50 years old	182	241	36	57
	More than 51 years old	102	295	15	64
	By age group (%)	3.59	7.01	3.14	7.22
	Up to 30 years old	2.31	3.26	2.33	3.17
	Between 31 and 50 years old	2.96	4.42	2.72	4.74
	More than 51 years old	12.38	34.71	12.50	53.33
Mexico	By age group	10	11	2	2
	Up to 30 years old	2	3	0	0
	Between 31 and 50 years old	6	8	2	2
	More than 51 years old	2	0	0	0
	By age group (%)	0.96	1.21	0.81	0.99
	Up to 30 years old	0.68	1.21	0.00	0.00
	Between 31 and 50 years old	0.90	1.36	1.47	1.71
	More than 51 years old	2.44	0.00	0.00	0.00

Redundancies by region, gender and age group

		Men		Women	
		2019	2018	2019	2018
IEI	By age group	4	0	2	0
	Up to 30 years old	0	0	0	0
	Between 31 and 50 years old	3	0	2	0
	More than 51 years old	1	0	0	0
	By age group (%)	1.10	0.00	1.32	0.00
	Up to 30 years old	0.00	0.00	0.00	0.00
	Between 31 and 50 years old	1.06	0.00	1.85	0.00
	More than 51 years old	3.03	0.00	0.00	0.00
	Iberdrola total	465	672	111	168
Up to 30 years old	84	93	25	24	
Between 31 and 50 years old	250	270	58	74	
More than 51 years old	131	309	28	70	
By age group (%)	1.71	2.57	1.35	2.11	
Up to 30 years old	1.78	2.21	1.85	2.04	
Between 31 and 50 years old	1.60	1.84	1.15	1.52	
More than 51 years old	1.93	4.24	1.50	3.67	

Redundancies by region, gender and professional category

		Men		Women	
		2019	2018	2019	2018
Spain	By professional category	17	13	3	2
	Management team	4	3	1	1
	Middle managers and skilled technicians	8	8	1	1
	Skilled workers and support personnel	5	2	1	0
	By professional category (%)	0.22	0.16	0.15	0.10
	Management team	1.03	0.74	1.05	1.06
	Middle managers and skilled technicians	0.24	0.24	0.07	0.07
	Skilled workers and support personnel	0.13	0.05	0.21	0.00
United Kingdom	By professional category	10	8	4	1
	Management team	0	0	0	0
	Middle managers and skilled technicians	5	2	1	0
	Skilled workers and support personnel	5	6	3	1
	By professional category (%)	0.27	0.21	0.21	0.05
	Management team	0.00	0.00	0.00	0.00
	Middle managers and skilled technicians	0.20	0.08	0.09	0.00
	Skilled workers and support personnel	0.42	0.49	0.42	0.13
United States	By professional category	79	23	33	22
	Management team	1	1	0	0
	Middle managers and skilled technicians	17	9	8	14
	Skilled workers and support personnel	61	13	25	8
	By professional category (%)	1.67	0.50	1.76	1.19
	Management team	2.44	2.44	0.00	0.00
	Middle managers and skilled technicians	0.99	0.54	0.95	1.83
	Skilled workers and support personnel	2.06	0.45	2.46	0.75
Brazil	By professional category	345	617	67	141
	Management team	4	9	3	1
	Middle managers and skilled technicians	78	142	32	78
	Skilled workers and support personnel	263	466	32	62
	By professional category (%)	3.59	7.01	3.14	7.22
	Management team	5.06	12.00	15.79	4.76
	Middle managers and skilled technicians	4.32	8.60	2.70	7.11
	Skilled workers and support personnel	3.40	6.59	3.46	7.43
Mexico	By professional category	10	11	2	2
	Management team	0	0	0	0
	Middle managers and skilled technicians	8	10	2	2
	Skilled workers and support personnel	2	1	0	0
	By professional category (%)	0.96	1.21	0.81	0.99
	Management team	0.00	0.00	0.00	0.00
	Middle managers and skilled technicians	1.36	2.05	0.93	1.16
	Skilled workers and support personnel	0.47	0.25	0.00	0.00

Redundancies by region, gender and professional category

		Men		Women	
		2019	2018	2019	2018
IEI	By professional category	4	0	2	0
	Management team	0	0	0	0
	Middle managers and skilled technicians	4	0	2	0
	Skilled workers and support personnel	0	0	0	0
	By professional category (%)	1.10	0.00	1.32	0.00
	Management team	0.00	0.00	0.00	0.00
	Middle managers and skilled technicians	1.43	0.00	1.46	0.00
	Skilled workers and support personnel	0.00	0.00	0.00	0.00
Iberdrola total	By professional category	465	672	111	168
	Management team	9	13	4	2
	Middle managers and skilled technicians	120	171	46	95
	Skilled workers and support personnel	336	488	61	71
	By professional category (%)	1.71	2.57	1.35	2.11
	Management team	1.37	1.97	2.39	1.18
	Middle managers and skilled technicians	1.18	1.76	0.94	2.09
	Skilled workers and support personnel	2.06	3.09	1.92	2.18



Average seniority of workforce by region (years)	2019	2018
Spain	17.44	19.64
United Kingdom	15.49	15.90
United States	13.40	14.07
Brazil	7.59	7.78
Mexico	5.34	6.05
Other countries	5.96	6.32
Iberdrola total	12.67	13.66

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Benefits offered ¹⁷³	2019					
	Life insurance	Medical insurance	Disability insurance	Maternity/paternity leave	Pension fund	Shares
Spain	All	All	All	All	All	N/A
United Kingdom	All	All	N/A	All	All	All
United States	All	All	Full-time	All	All	N/A
Brazil	All ¹⁷⁴	All	All	All	All	N/A
Mexico	Full-time	Full-time	All	All	Full-time	N/A

¹⁷³ All: Applies to both full-time and part-time employees.

¹⁷⁴ Valid for all employees (excluding non-executive employees of Elektro), including officers

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Leaves from and returns to work due to maternity/paternity, by region and gender

	Men			Women			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Employees entitled to parental leave									
Spain	7,633	7,852	8,313	1,954	1,970	1,983	9,587	9,822	10,296
United Kingdom	3,745	3,721	4,094	1,892	1,890	1,973	5,637	5,611	6,067
United States	4,724	4,602	4,665	1,873	1,847	1,896	6,597	6,449	6,561
Brazil	9,615	8,796	8,160	2,131	1,953	1,936	11,746	10,749	10,096
Mexico	1,043	909	779	248	203	165	1,291	1,112	944
Other countries	365	237	218	151	98	73	516	335	291
Total	27,125	26,117	26,299	8,249	7,961	8,026	35,374	34,078	34,255
Employees taking parental leave									
Spain	301	21	31	115	130	145	416	151	176
United Kingdom	46	36	39	125	147	130	171	183	169
United States	0	0	0	68	53	48	68	53	48
Brazil	426	370	274	100	98	105	526	468	379
Mexico	15	10	0	10	12	9	25	22	9
Other countries	1	4	1	6	4	3	7	8	4
Total	789	441	345	424	444	440	1,213	885	785
Employees that returned to work after parental leave ended									
Spain	297	21	29	116	126	114	413	147	143
United Kingdom	46	36	39	72	73	73	118	109	112
United States	93	76	0	63	53	48	156	129	48
Brazil	426	369	290	100	98	103	526	467	393
Mexico	15	10	4	9	12	10	24	22	14
Other countries	1	4	1	5	4	1	6	8	2
Total	878	516	363	365	366	349	1,243	871	712
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work.									
Spain	296	20	28	110	132	114	406	152	142
United Kingdom	33	40	28	73	68	80	106	108	108
United States	91	73	41	63	49	137	154	122	178
Brazil	421	230	226	94	76	74	515	306	300
Mexico	15	10	4	9	12	6	24	22	10
Other countries	0	0	1	1	0	0	1	0	1
Total	856	373	328	350	337	411	1,206	710	739
Return to work rate									
Spain	98.61	100	93.55	100.51	97.41	78.62	99.14	97.76	86.08
United Kingdom	100.00	100	100.00	57.60	49.66	56.15	69.01	59.56	78.08
United States	N/A	N/A	N/A	92.65	100.00	100.00	229.41	100.00	100.00
Brazil	100.00	99.73	105.84	100.00	100.00	98.10	100.00	99.57	101.97
Mexico	100.00	100.00	100.00	90.00	100.00	111.11	96.00	100.00	55.56
Other countries	100.00	100.00	100.00	83.33	100.00	33.33	85.71	100.00	66.67
Total¹⁷⁵	111.26	117.01	105.22	86.00	82.34	79.32	102.42	99.61	92.27

¹⁷⁵ In some cases may be greater than 100% because employees who were entitled to leave the prior year returned to work.

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Employees eligible to retire in the next 5 years

		By professional category			By professional category		
		(No.)			(%)		
		2019	2018	2017	2019	2018	2017
Spain	Management team	50	55	55	10.29	11.06	11.11
	Middle managers and skilled technicians	314	344	396	6.69	7.33	8.38
	Skilled workers and support personnel	599	658	850	13.56	14.22	16.74
	Total	963	1,057	1,301	10.05	10.76	12.64
United Kingdom	Management team	6	2	5	4.48	1.42	3.6
	Middle managers and skilled technicians	181	173	222	5.01	5.00	11.84
	Skilled workers and support personnel	220	224	286	11.63	11.14	13.83
	Total	407	399	513	7.22	7.11	10.32
United States	Management team	15	14	80	28.85	25.93	49.08
	Middle managers and skilled technicians	958	834	1,109	37.35	34.41	40.56
	Skilled workers and support personnel	1,580	1,573	1,553	39.70	39.61	42.39
	Total	2,553	2,421	2,742	38.70	37.54	41.79
Brazil	Management team	9	7	13	9.18	7.29	14.13
	Middle managers and skilled technicians	269	153	379	8.99	5.57	13.51
	Skilled workers and support personnel	377	222	571	4.35	2.81	7.93
	Total	655	382	963	5.58	3.55	9.54
Mexico	Management team	2	1	2	6.67	3.7	7.14
	Middle managers and skilled technicians	25	21	25	3.11	3.18	4.27
	Skilled workers and support personnel	5	5	4	1.10	1.18	1.21
	Total	32	27	31	2.48	2.43	3.28
IEI	Management team	2	2	2	7.69	15.38	18.18
	Middle managers and skilled technicians	5	2	2	1.20	0.8	0.95
	Skilled workers and support personnel	0	0	0	0.00	0	0
	Total	7	4	4	1.36	1.19	1.37
Iberdrola total	Management team	84	81	157	10.17	9.78	16.92
	Middle managers and skilled technicians	1,752	1,527	2,133	11.62	10.72	16.89
	Skilled workers and support personnel	2,781	2,682	3,264	14.28	14.11	17.50
	Total	4,617	4,290	5,554	13.05	12.59	16.22

Employees eligible to retire in the next 10 years

		By professional category (No.)			By professional category (%)		
		2019	2018	2017	2019	2018	2017
Spain	Management team	139	135	149	28.65	27.11	30.10
	Middle managers and skilled technicians	824	824	931	17.58	17.54	19.70
	Skilled workers and support personnel	1,481	1,607	1,845	33.53	34.73	36.34
	Total	2,444	2,566	2,925	25.50	26.12	28.41
United Kingdom	Management team	28	29	28	20.90	20.57	20.14
	Middle managers and skilled technicians	608	611	713	16.84	17.66	32.49
	Skilled workers and support personnel	498	518	646	26.32	25.76	31.95
	Total	1,134	1,158	1,387	20.12	20.64	26.22
United States	Management team	21	15	94	40.38	27.78	57.67
	Middle managers and skilled technicians	1,264	1,027	1,488	49.28	42.37	54.43
	Skilled workers and support personnel	2,008	1,984	2,032	50.45	49.96	55.46
	Total	3,293	3,026	3,614	49.92	46.92	55.08
Brazil	Management team	10	8	24	10.20	8.33	17.86
	Middle managers and skilled technicians	370	212	484	12.37	7.71	5.46
	Skilled workers and support personnel	444	318	959	5.13	4.02	6.06
	Total	824	538	1,467	7.02	5.01	6.04
Mexico	Management team	9	6	5	30.00	22.22	26.09
	Middle managers and skilled technicians	55	61	32	6.83	9.23	17.25
	Skilled workers and support personnel	25	22	20	5.48	5.19	13.32
	Total	89	89	57	6.89	8	14.53
IEI	Management team	5	4	1	19.23	30.77	9.09
	Middle managers and skilled technicians	12	10	4	2.88	3.98	1.90
	Skilled workers and support personnel	3	3	0	4.05	4.23	0.00
	Total	20	17	5	3.88	5.07	7.25
Iberdrola total	Management team	212	197	301	25.69	23.77	32.44
	Middle managers and skilled technicians	3,133	2,745	3,652	20.78	19.27	24.88
	Skilled workers and support personnel	4,459	4,452	5,502	22.89	23.42	29.50
	Total	7,804	7,394	9,455	22.06	21.70	27.60

Occupational Health and Safety

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Employees represented on health and safety committees, by region (%)	2019	2018	2017
Spain	98.52	97.50	96.88
United Kingdom	100.00	100.00	100.00
United States	99.86	100.00	100.00
Brazil	100.00	100.00	100.00
Mexico	99.77	100.00	100.00
IEI	43.22	31.94	37.46
Iberdrola total	98.80	98.61	98.53

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Number of accidents by region and gender

		2019	2018	2017
Spain	Men	89	88	69
	Women	10	5	13
	Total	99	93	82
United Kingdom	Men	41	47	61
	Women	5	11	31
	Total	46	58	92
United States	Men	188	161	176
	Women	20	13	33
	Total	208	174	209
Brazil	Men	54	66	69
	Women	3	7	0
	Total	57	73	69
Mexico	Men	3	1	1
	Women	0	0	2
	Total	3	1	3
IEI	Men	3	0	0
	Women	0	0	0
	Total	3	0	0
Iberdrola total	Men	378	363	376
	Women	38	36	79
	Total	416	399	455

Number of accidents by type, region and gender (own personnel)

Accident types	Men			Women			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Spain	Fatal	0	0	0	0	0	0	0	0
	With leave	28	23	24	3	1	0	31	24
	With high consequences	0	1	1	0	0	0	0	1
	Without leave	61	65	58	7	4	0	68	69
United Kingdom	Fatal	0	0	0	0	0	0	0	0
	With leave	9	6	3	0	0	0	9	6
	With high consequences	1	0	1	0	0	0	1	0
	Without leave	32	41	58	5	11	31	37	89
United States	Fatal	0	0	0	1	0	0	1	0
	With leave	30	35	40	3	3	3	33	38
	With high consequences	0	0	0	0	0	0	0	0
	Without leave	158	126	136	16	10	30	174	136
Brazil	Fatal	0	0	0	0	0	0	0	0
	With leave	8	11	34	0	1	0	8	12
	With high consequences	0	0	0	0	0	0	0	0
	Without leave	46	55	35	3	6	0	49	61
Mexico	Fatal	0	0	0	0	0	0	0	0
	With leave	0	0	0	0	0	0	0	0
	With high consequences	0	0	0	0	0	0	0	0
	Without leave	3	1	1	0	0	2	3	3
Other countries	Fatal	0	0	0	0	0	0	0	0
	With leave	2	0	0	0	0	0	2	0
	With high consequences	0	0	0	0	0	0	0	0
	Without leave	1	0	0	0	0	0	1	0
Iberdrola total	Fatal	0	0	0	1	0	0	1	0
	With leave	77	75	101	6	5	3	83	104
	With high consequences	1	1	2	0	0	0	0	0
	Without leave	301	288	265	31	31	76	332	341

Accident rate by region¹⁷⁶

		2019	2018	2017
Spain	Number of fatalities - company	0	0	0
	Number of fatalities - subcontractor	0	0	1
	Number of lost days	1,963	1,788	1,558
	Injury rate	2.11	1.65	1.77
	Severity index	0.13	0.12	0.11
United Kingdom	Number of fatalities - company	0	0	0
	Number of fatalities - subcontractor	1	0	1
	Number of lost days	560	154	214
	Injury rate	0.94	0.64	0.28
	Severity index	0.06	0.02	0.02
United States	Number of fatalities - company	1	0	0
	Number of fatalities - subcontractor	0	0	1
	Number of lost days	1,213	1,518	2,141
	Injury rate	2.57	2.97	3.27
	Severity index	0.09	0.12	0.16
Brazil	Number of fatalities - company	0	0	0
	Number of fatalities - subcontractor	3	3	10
	Number of lost days	85	469	461
	Injury rate	0.37	0.58	1.99
	Severity index	0.00	0.02	0.03
Mexico	Number of fatalities - company	0	0	0
	Number of fatalities - subcontractor	0	0	0
	Number of lost days	0	0	0
	Injury rate	0.00	0.00	0.00
	Severity index	0.00	0.00	0.08
Other countries	Number of fatalities - company	0	0	0
	Number of fatalities - subcontractor	0	0	0
	Number of lost days	58	0	0
	Injury rate	2.03	0.00	0.00
	Severity index	0.06	0.00	0.00
Iberdrola total	Number of fatalities - company	1	0	0
	Number of fatalities - subcontractor	4	3	13
	Number of lost days	3,879	3,929	4,374¹⁷⁷
	Frequency ratio	1.33	1.37	1.75
	Severity index	0.06	0.07	0.07

¹⁷⁶ Methodology for calculating the indicators:

- Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked
- Severity index = (calendar days lost per accident, as from first day of leave/hours worked) *1,000

¹⁷⁷ In 2017 there was a lower number of accidents with leave but a higher number of lost days.

Occupational diseases¹⁷⁸ 2019

		Own personnel	Subcontracted personnel
Spain	Number occupational diseases	1	0
	Occupational disease rate (ODR)	0.01	0.00
United Kingdom	Number occupational diseases	0	0
	Occupational disease rate (ODR)	0.00	0.00
United States	Number occupational diseases	0	0
	Occupational disease rate (ODR)	0.00	0.00
Brazil	Number occupational diseases	0	0
	Occupational disease rate (ODR)	0.00	0.00
Mexico	Number occupational diseases	0	0
	Occupational disease rate (ODR)	0.00	0.00
Other countries	Number occupational diseases	0	0
	Occupational disease rate (ODR)	0.00	0.00
Iberdrola total	Number occupational diseases	1	0
	Occupational disease rate (ODR)	0.00	0.00

There were no deaths from occupational diseases in 2019.

- ¹⁷⁸ Occupational disease rate (ODR) = (number of occupational disease cases/hours worked)*200,000

Work-related injuries (own employees)¹⁷⁹ 2019

		Men	Women	Total
Spain	Rate of fatalities	0.00	0.00	0.00
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	1.49	0.70	1.33
United Kingdom	Rate of fatalities	0.00	0.00	0.00
	Rate of high-consequence work-related injuries	0.03	0.00	0.02
	Rate of work-related injuries	1.24	0.34	0.96
United States	Rate of fatalities	0.00	0.05	0.02
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	4.18	1.04	3.24
Brazil	Rate of fatalities	0.00	0.00	0.00
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	0.62	0.14	0.52
Mexico	Rate of fatalities	0.00	0.00	0.00
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	0.28	0.00	0.23
Other countries	Rate of fatalities	0.00	0.00	0.00
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	0.86	0.00	0.61
Iberdrola total	Rate of fatalities	0.00	0.01	0.00
	Rate of high-consequence work-related injuries	0.00	0.00	0.00
	Rate of work-related injuries	1.58	0.51	1.33

¹⁷⁹ Rate of fatalities = Number of fatalities as a result of a work-related injury / number of hours worked x [200,000] Rate of high-consequence work-related injuries (excluding fatalities) = Number of high-consequence work-related injuries (excluding fatalities)/Number of hours worked x [200,000] Rate of recordable work-related injuries = Number of recordable work-related injuries x [200,000]

Work-related injuries (subcontracted personnel)¹⁸⁰ 2019

Spain	Rate of fatalities	0.00
	Rate of high-consequence work-related injuries	0.03
	Rate of work-related injuries	2.18
United Kingdom	Rate of fatalities	0.01
	Rate of high-consequence work-related injuries	0.00
	Rate of work-related injuries	1.75
United States	Rate of fatalities	0.00
	Rate of high-consequence work-related injuries	0.06
	Rate of work-related injuries	1.45
Brazil	Rate of fatalities	0.01
	Rate of high-consequence work-related injuries	0.01
	Rate of work-related injuries	0.70
Mexico	Rate of fatalities	0.00
	Rate of high-consequence work-related injuries	0.02
	Rate of work-related injuries	0.19
Other countries	Rate of fatalities	0.00
	Rate of high-consequence work-related injuries	0.95
	Rate of work-related injuries	7.09
Iberdrola total	Rate of fatalities	0.01
	Rate of high-consequence work-related injuries	0.02
	Rate of work-related injuries	1.12

¹⁸⁰ Rate of fatalities = Number of fatalities as a result of a work-related injury / number of hours worked x [200,000]

Rate of high-consequence work-related injuries (excluding fatalities) = Number of high-consequence work-related injuries (excluding fatalities)/Number of hours worked x [200,000]

Rate of recordable work-related injuries = Number of recordable work-related injuries/ number of hours worked x [200,000]

Absenteeism¹⁸¹ by region and gender (hours lost)

	Men			Women			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Spain	346,543	426,189	N/Av.	120,847	128,185	N/Av.	467,390	554,995	N/Av.
United Kingdom	177,845	193,746	N/Av.	113,372	126,185	N/Av.	291,217	319,931	N/Av.
United States	167,486	187,661	N/Av.	84,879	94,199	N/Av.	252,365	281,860	N/Av.
Brazil	109,702	293,472	N/Av.	50,766	202,656	N/Av.	160,468	496,128	N/Av.
Mexico	12,666	8,596	N/Av.	1,866	1,914	N/Av.	14,532	10,510	N/Av.
Other countries	577	0	N/Av.	982	0	N/Av.	1,559	0	N/Av.
Iberdrola total	814,819	1,109,664	N/Av.	372,712	553,760	553,800	1,187,531	1,663,424	N/Av.

¹⁸¹ The calculation of hours lost due to absenteeism includes leave arising from common illnesses and maternity in the United States (the hours lost due to occupational disease are calculated within the injury rates)

Training and education

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Total number of training hours by professional category, region and gender

Professional category	Men			Women			Total			
	2019	2018	2017	2019	2018	2017	2019	2018	2017	
Spain	Management team	11,805	11,875	12,752	4,776	3,165	2,952	16,581	15,040	15,704
	Middle managers and skilled technicians	192,021	171,725	150,887	84,556	69,776	52,992	276,577	241,501	203,879
	Skilled workers and support personnel	204,805	190,787	197,645	11,081	10,065	11,593	215,886	200,852	209,238
	Total workforce	408,631	374,387	361,284	100,413	83,006	67,537	509,044	457,393	428,821
United Kingdom	Management team	1,944	1,981	3,061	916	786	1,200	2,860	2,767	4,261
	Middle managers and skilled technicians	47,021	49,282	64,319	11,176	12,702	15,282	58,197	61,984	79,601
	Skilled workers and support personnel	101,012	93,238	88,230	7,801	2,683	6,141	108,813	95,921	94,371
	Total workforce	149,977	144,501	155,610	19,893	16,171	22,623	169,870	160,672	178,233
United States	Management team	582	574	1,036	153	269	540	735	843	1,576
	Middle managers and skilled technicians	41,090	31,256	42,425	16,716	14,168	13,524	57,806	45,424	55,949
	Skilled workers and support personnel	127,352	107,581	154,129	41,584	35,164	27,443	168,936	142,745	181,572
	Total workforce	169,024	139,411	197,590	58,453	49,601	41,507	227,477	189,012	239,097
Brazil	Management team	148	2,534	2,354	29	766	400	178	3,300	2,754
	Middle managers and skilled technicians	13,705	75,946	64,789	19,829	51,748	40,535	33,534	127,694	105,324
	Skilled workers and support personnel	613,016	481,863	412,476	92,797	63,551	50,193	705,812	545,414	462,669
	Total workforce	626,869	560,343	479,619	112,655	116,065	91,128	739,524	676,408	570,747
Mexico	Management team	1,113	2,433	1,968	132	883	117	1,245	3,316	2,085
	Middle managers and skilled technicians	50,321	42,641	28,982	17,672	15,620	8,542	67,993	58,261	37,524
	Skilled workers and support personnel	43,758	40,204	40,328	1,362	552	1,122	45,120	40,756	41,450
	Total workforce	95,192	85,278	71,278	19,166	17,055	9,781	114,358	102,333	81,059
IEI	Management team	664	107	306	20	2	16	684	109	322
	Middle managers and skilled technicians	8,465	1,077	4,436	5,281	237	1,198	13,746	1,314	5,634
	Skilled workers and support personnel	1,180	363	3,000	197	62	198	1,377	425	3,198
	Total workforce	10,309	1,547	7,742	5,498	301	1,412	15,807	1,848	9,154
Iberdrola total	Management team	16,256	19,504	21,477	6,026	5,871	5,225	22,283	25,375	26,702
	Middle managers and skilled technicians	352,623	371,927	355,838	155,230	164,251	132,073	507,853	536,178	487,911
	Skilled workers and support personnel	1,091,123	914,036	895,808	154,822	112,077	96,690	1,245,944	1,026,113	992,498
	Total workforce	1,460,002	1,305,467	1,273,123	316,078	282,199	233,988	1,776,080	1,587,666	1,507,111

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Average hours of training per employee trained, broken down by professional category, region and gender

Professional category	Men			Women			Total			
	2019	2018	2017	2019	2018	2017	2019	2018	2017	
Spain	Management team	33.09	29.98	14.83	52.68	34.77	36.44	37.06	30.88	16.69
	Middle managers and skilled technicians	57.55	51.80	42.96	62.72	52.26	40.42	59.04	51.93	42.27
	Skilled workers and support personnel	50.80	45.87	44.52	21.93	19.31	20.23	47.58	42.91	41.75
	Total workforce	52.90	47.57	41.00	51.65	42.62	34.37	52.65	46.59	39.79
United Kingdom	Management team	25.92	17.38	28.34	39.83	24.56	41.38	29.18	18.95	31.10
	Middle managers and skilled technicians	46.05	18.74	25.04	30.96	11.68	14.50	42.11	16.68	21.97
	Skilled workers and support personnel	54.25	69.89	60.39	14.80	3.41	6.82	45.55	45.18	39.95
	Total workforce	50.70	35.43	37.61	21.84	8.48	11.40	43.91	26.84	29.11
United States	Management team	13.54	12.75	9.17	12.76	14.95	10.19	13.37	13.38	9.49
	Middle managers and skilled technicians	22.42	17.60	20.30	18.29	17.51	11.65	21.04	17.57	17.21
	Skilled workers and support personnel	40.79	35.93	48.05	38.54	31.51	30.73	40.21	34.73	44.28
	Total workforce	33.82	28.95	36.52	29.15	25.53	19.70	32.48	27.97	31.80
Brazil	Management team	2.43	35.69	34.62	1.95	42.56	25.00	2.34	37.08	32.79
	Middle managers and skilled technicians	9.54	44.03	36.28	20.98	45.51	35.40	14.08	44.62	35.93
	Skilled workers and support personnel	87.45	66.17	65.37	125.40	73.38	62.43	91.07	66.94	65.04
	Total workforce	73.68	61.73	58.75	66.27	57.43	46.38	72.45	60.94	56.35
Mexico	Management team	44.52	90.11	70.29	26.40	126.11	29.25	41.50	97.54	65.16
	Middle managers and skilled technicians	91.33	93.72	69.17	84.56	94.66	64.71	89.46	93.97	68.10
	Skilled workers and support personnel	117.00	126.43	139.06	68.10	32.45	43.15	114.52	121.66	131.17
	Total workforce	100.20	106.60	96.71	81.91	90.24	60.38	96.59	103.47	90.17
IEI	Management team	41.50	6.66	25.50	10.00	0.51	5.33	38.00	5.69	21.47
	Middle managers and skilled technicians	34.69	4.66	19.20	44.01	2.67	12.61	37.76	4.11	17.28
	Skilled workers and support personnel	21.07	3.91	12.35	39.40	4.80	22.00	22.57	4.02	12.69
	Total workforce	32.62	4.55	15.93	43.29	2.87	13.20	35.68	4.15	15.44
Iberdrola total	Management team	28.19	29.15	18.06	40.81	34.73	28.09	30.76	30.28	19.42
	Middle managers and skilled technicians	38.07	36.71	33.55	37.51	35.54	26.96	37.90	36.34	31.47
	Skilled workers and support personnel	69.88	56.49	56.16	58.75	33.74	30.16	68.27	52.62	51.81
	Total workforce	57.36	48.38	45.88	45.67	34.78	28.23	54.86	45.24	41.82

404-3

Employees receiving performance reviews by region, professional category and gender (%)

Professional category	Men			Women			Total			
	2019	2018	2017	2019	2018	2017	2019	2018	2017	
Spain	Management team	96.9	87.7	97.6	96.8	85.0	90.8	96.9	87.2	96.4
	Middle managers and skilled technicians	94.7	87.6	94.6	91.2	84.6	93.7	93.6	86.7	94.3
	Skilled workers and support personnel	95.3	96.1	95.4	96.2	96.4	92.9	95.4	96.2	95.1
	Total	95.1	92.1	95.2	92.7	87.8	93.3	94.6	91.2	94.8
United Kingdom	Management team	98.0	100.0	100	93.8	97.0	100	97.0	99.3	100
	Middle managers and skilled technicians	91.7	99.8	100	93.0	100	100	92.1	99.9	100
	Skilled workers and support personnel	83.8	99.8	100	93.8	99.6	100	87.5	99.7	100
	Total	89.4	99.8	100	93.3	99.9	100	90.7	99.8	100
United States	Management team	87.8	97.6	99.1	81.8	100.0	98.0	86.5	98.2	98.8
	Middle managers and skilled technicians	87.4	97.1	98.9	84.9	97.1	98.7	86.6	97.1	98.8
	Skilled workers and support personnel	12.3	16.1	13.4	28.2	34.1	13.7	16.4	21.0	13.5
	Total	40.3	46.1	47.0	54.1	60.6	61.3	44.2	50.2	51.2
Brazil	Management team	88.4	77.3	61.6	80.0	52.4	47.4	86.9	71.9	58.7
	Middle managers and skilled technicians	86.2	89.4	92.8	87.1	88.3	90.6	86.6	88.9	91.9
	Skilled workers and support personnel	80.3	75.7	81.5	74.9	75.2	86.0	79.7	75.7	82.0
	Total	81.4	78.3	83.7	81.8	82.3	88.2	81.5	79.0	84.5
Mexico	Management team	95.8	100	100	100	100	100	96.6	100	100
	Middle managers and skilled technicians	67.1	100	100	68.0	100	100	67.3	100	100
	Skilled workers and support personnel	19.2	100	100	29.2	100	100	19.8	100	100
	Total	49.3	100	100	64.9	100	100	52.3	100	100
IEI	Management team	70.0	80.0	75.0	100.0	100	100	78.6	84.6	81.8
	Middle managers and skilled technicians	59.6	90.9	62.2	57.1	82.8	61.9	58.8	88.1	62.1
	Skilled workers and support personnel	90.8	98.4	22.6	100.0	100.0	28.6	91.7	98.6	23.2
	Total	66.6	92.4	51.4	61.0	84.7	60.3	65.0	90.2	53.6
Iberdrola total	Management team	95.0	89.4	94.6	93.8	85.2	90.1	94.7	88.6	95.9
	Middle managers and skilled technicians	88.6	93.2	96.2	87.7	91.8	95.2	88.3	92.8	96.8
	Skilled workers and support personnel	69.8	72.6	74.9	66.8	71.3	72.2	69.3	72.4	74.1
	Total	77.4	80.7	83.6	79.8	83.3	86.0	77.9	81.3	84.2

Diversity and equal opportunity

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.

405-1

Total workforce by region, gender and professional category

Professional category	Men			Women			Total			
	2019	2018	2017	2019	2018	2017	2019	2018	2017	
Spain	Management team	389	405	408	96	94	87	485	499	495
	Middle managers and skilled technicians	3,312	3,348	3,430	1,374	1,348	1,294	4,686	4,696	4,724
	Skilled workers and support personnel	3,932	4,099	4,475	484	528	602	4,416	4,627	5077
	Total	7,633	7,852	8,313	1,954	1,970	1,983	9,587	9,822	10,296
United Kingdom	Management team	102	108	111	32	33	28	134	141	139
	Middle managers and skilled technicians	2,460	2,388	2,547	1,151	1,071	1,068	3,611	3,459	3,615
	Skilled workers and support personnel	1,183	1,225	1,436	709	786	877	1,892	2,011	2,313
	Total	3,745	3,721	4,094	1,892	1,890	1,973	5,637	5,611	6,067
United States	Management team	41	41	112	11	13	51	52	54	163
	Middle managers and skilled technicians	1,719	1,661	1,722	846	763	1,012	2,565	2,424	2,734
	Skilled workers and support personnel	2,964	2,900	2,831	1,016	1,071	833	3,980	3,971	3,664
	Total	4,724	4,602	4,665	1,873	1,847	1,896	6,597	6,449	6,561
Brazil	Management team	79	75	73	19	21	19	98	96	92
	Middle managers and skilled technicians	1,804	1,652	1,704	1,187	1,097	1,102	2,991	2,749	2,806
	Skilled workers and support personnel	7,732	7,069	6,383	925	835	815	8,657	7,904	7,198
	Total	9,615	8,796	8,160	2,131	1,953	1,936	11,746	10,749	10,096
Mexico	Management team	25	21	24	5	6	4	30	27	28
	Middle managers and skilled technicians	590	488	454	215	173	132	805	661	586
	Skilled workers and support personnel	428	400	301	28	24	29	456	424	330
	Total	1,043	909	779	248	203	165	1,291	1,112	944
Other countries	Management team	21	10	8	5	3	3	26	13	11
	Middle managers and skilled technicians	279	164	148	137	87	63	416	251	211
	Skilled workers and support personnel	65	63	62	9	8	7	74	71	69
	Total	365	237	218	151	98	73	516	335	291
Iberdrola total	Management team	657	660	736	168	170	192	825	830	928
	Middle managers and skilled technicians	10,164	9,701	10,005	4,910	4,539	4,671	15,074	14,240	14,676
	Skilled workers and support personnel	16,304	15,756	15,488	3,171	3,252	3,163	19,475	19,008	18,651
	Total	27,125	26,117	26,229	8,249	7,961	8,026	35,374	34,078	34,255

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Total workforce by region, gender and professional category (%)

	Professional category	Men			Women			Total		
		2019	2018	2017	2019	2018	2017	2019	2018	2017
Spain	Management team	4%	4%	4%	1%	1%	1%	5%	5%	5%
	Middle managers and skilled technicians	35%	34%	33%	14%	14%	13%	49%	48%	46%
	Skilled workers and support personnel	41%	42%	43%	5%	5%	6%	46%	47%	49%
	Total	80%	80%	81%	20%	20%	19%	100%	100%	100%
United Kingdom	Management team	2%	2%	2%	1%	1%	0%	3%	3%	2%
	Middle managers and skilled technicians	43%	42%	42%	20%	19%	18%	63%	61%	60%
	Skilled workers and support personnel	21%	22%	24%	13%	14%	14%	34%	36%	38%
	Total	66%	66%	67%	34%	34%	33%	100%	100%	100%
United States	Management team	1%	1%	2%	0%	0%	1%	1%	1%	2%
	Middle managers and skilled technicians	26%	25%	26%	13%	12%	15%	39%	37%	42%
	Skilled workers and support personnel	45%	45%	43%	15%	17%	13%	60%	62%	56%
	Total	72%	71%	71%	28%	29%	29%	100%	100%	100%
Brazil	Management team	1%	1%	1%	0%	0%	0%	1%	1%	1%
	Middle managers and skilled technicians	15%	15%	17%	10%	10%	11%	25%	25%	28%
	Skilled workers and support personnel	66%	66%	63%	8%	8%	8%	74%	74%	71%
	Total	82%	82%	81%	18%	18%	19%	100%	100%	100%
Mexico	Management team	2%	2%	3%	0%	0%	0%	2%	2%	3%
	Middle managers and skilled technicians	46%	44%	48%	17%	16%	14%	63%	60%	62%
	Skilled workers and support personnel	33%	36%	32%	2%	2%	3%	35%	38%	35%
	Total	81%	82%	83%	19%	18%	17%	100%	100%	100%
Other countries	Management team	4%	3%	3%	1%	1%	1%	5%	4%	4%
	Middle managers and skilled technicians	54%	49%	51%	26%	26%	22%	80%	75%	73%
	Skilled workers and support personnel	13%	19%	21%	2%	2%	2%	15%	21%	24%
	Total	71%	71%	75%	29%	29%	25%	100%	100%	100%
Iberdrola total	Management team	2%	2%	2%	0%	0%	1%	2%	2%	3%
	Middle managers and skilled technicians	29%	29%	29%	14%	13%	14%	43%	42%	43%
	Skilled workers and support personnel	46%	46%	45%	9%	10%	9%	55%	56%	54%
	Total	77%	77%	77%	23%	23%	23%	100%	100%	100%

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Total workforce by region, gender and age

	Age groups	Men			Women			Total		
		2019	2018	2017	2019	2018	2017	2019	2018	2017
Spain	Up to 30 years old	448	341	329	124	100	74	572	441	403
	Between 31 and 50 years old	4,343	4,298	4,284	1,341	1,332	1,323	5,684	5,630	5,607
	More than 51 years old	2,842	3,213	3,700	489	538	586	3,331	3,751	4286
	Total	7,633	7,852	8,313	1,954	1,970	1,983	9,587	9,822	10,296
United Kingdom	Up to 30 years old	676	592	601	220	192	194	896	784	795
	Between 31 and 50 years old	1,972	1,965	2,069	1,260	1,272	1,341	3,232	3,237	3,410
	More than 51 years old	1,097	1,164	1,424	412	426	438	1,509	1,590	1,862
	Total	3,745	3,721	4,094	1,892	1,890	1,973	5,637	5,611	6,067
United States	Up to 30 years old	623	515	492	178	155	157	801	670	649
	Between 31 and 50 years old	2,192	2,136	2,119	864	881	902	3,056	3,017	3,021
	More than 51 years old	1,909	1,951	2,054	831	811	837	2,740	2,762	2,891
	Total	4,724	4,602	4,665	1,873	1,847	1,896	6,597	6,449	6,561
Brazil	Up to 30 years old	2,644	2,488	2,212	688	630	595	3,332	3,118	2,807
	Between 31 and 50 years old	6,147	5,458	4,838	1,323	1,203	1,170	7,470	6,661	6,008
	More than 51 years old	824	850	1,110	120	120	171	944	970	1,281
	Total	9,615	8,796	8,160	2,131	1,953	1,936	11,746	10,749	10,096
Mexico	Up to 30 years old	292	247	171	108	82	60	400	329	231
	Between 31 and 50 years old	669	587	541	136	117	100	805	704	641
	More than 51 years old	82	75	67	4	4	5	86	79	72
	Total	1,043	909	779	248	203	165	1,291	1,112	944
Other countries	Up to 30 years old	49	19	30	30	17	9	79	36	39
	Between 31 and 50 years old	283	191	167	108	73	58	391	264	225
	More than 51 years old	33	27	21	13	8	6	46	35	27
	Total	365	237	218	151	98	73	516	335	291
Iberdrola total	Up to 30 years old	4,732	4,202	3,835	1,348	1,176	1,089	6,080	5,378	4,924
	Between 31 and 50 years old	15,606	14,635	14,018	5,032	4,878	4,894	20,638	19,513	18,912
	More than 51 years old	6,787	7,280	8,376	1,869	1,907	2,043	8,656	9,187	10,419
	Total	27,125	26,117	26,229	8,249	7,961	8,026	35,374	34,078	34,255

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Total workforce by region, gender and age (%)

Age groups	Men			Women			Total			
	2019	2018	2017	2019	2018	2017	2019	2018	2017	
Spain	Up to 30 years old	5%	3%	3%	1%	1%	1%	6%	4%	4%
	Between 31 and 50 years old	45%	44%	42%	14%	14%	13%	59%	58%	54%
	More than 51 years old	30%	33%	36%	5%	5%	5%	35%	38%	42%
	Total	80%	80%	81%	20%	20%	19%	100%	100%	100%
United Kingdom	Up to 30 years old	12%	11%	10%	4%	3%	3%	16%	14%	13%
	Between 31 and 50 years old	35%	35%	34%	22%	23%	22%	57%	58%	56%
	More than 51 years old	19%	21%	24%	7%	8%	7%	27%	28%	31%
	Total	66%	66%	67%	34%	34%	33%	100%	100%	100%
United States	Up to 30 years old	9%	8%	8%	3%	2%	2%	12%	10%	10%
	Between 31 and 50 years old	33%	33%	32%	13%	14%	14%	46%	47%	46%
	More than 51 years old	29%	30%	31%	13%	13%	13%	42%	43%	44%
	Total	72%	71%	71%	28%	29%	29%	100%	100%	100%
Brazil	Up to 30 years old	23%	23%	22%	6%	6%	6%	28%	29%	28%
	Between 31 and 50 years old	52%	51%	48%	11%	11%	11%	64%	62%	60%
	More than 51 years old	7%	8%	11%	1%	1%	2%	8%	9%	13%
	Total	82%	82%	81%	18%	18%	19%	100%	100%	100%
Mexico	Up to 30 years old	23%	22%	18%	8%	7%	6%	31%	29%	24%
	Between 31 and 50 years old	52%	53%	57%	11%	11%	11%	62%	64%	68%
	More than 51 years old	6%	7%	7%	0%	0%	1%	7%	7%	8%
	Total	81%	82%	83%	19%	18%	17%	100%	100%	100%
Other countries	Up to 30 years old	9%	6%	10%	6%	5%	3%	15%	11%	13%
	Between 31 and 50 years old	55%	57%	58%	21%	22%	20%	76%	79%	77%
	More than 51 years old	6%	8%	7%	3%	2%	2%	9%	10%	9%
	Total	71%	71%	75%	29%	29%	25%	100%	100%	100%
Iberdrola total	Up to 30 years old	13%	12%	11%	4%	3%	3%	17%	15%	14%
	Between 31 and 50 years old	44%	43%	41%	14%	14%	14%	58%	57%	55%
	More than 51 years old	19%	22%	25%	5%	6%	6%	24%	28%	30%
	Total	77%	77%	77%	23%	23%	23%	100%	100%	100%

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Breakdown of Board of Directors by gender and age group

Number of members of the Board	2019		2018		2017	
	no.	%	no.	%	no.	%
Men						
Up to 30 years old	0	0%	0	0%	0	0%
Between 31 and 50 years old	1	7%	1	7%	1	7%
More than 51 years old	7	50%	8	57%	8	57%
Women						
Up to 30 years old	0	0%	0	0%	0	0%
Between 31 and 50 years old	1	7%	1	7%	1	7%
More than 51 years old	5	36%	4	29%	4	29%

Supplier social assessment

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Volume of purchases of general supplies in countries considered to be at risk (%)	2019
Brazil	18.5
Mexico	4.5

Volume of fuel purchases in countries considered to be at risk (%)	2019
Brazil	4
Mexico	36
Others (Colombia + Algeria + Nigeria + Peru + Dominican Republic + Trinidad and Tobago)	13

The standards used to identify countries at risk are the same as those described in the “Protection of human rights” section of chapter II. 5.

Access to electricity EU27

Residential disconnections of electricity for non-payment by region (No.)

		2019	2018	2017
Spain	Paid up to 48 h after disconnection	40,597	37,428	24,811
	Paid between 48 h and one week after disconnection	3,200	3,166	1,942
	Paid between one week and one month after disconnection	4,151	4,146	2,212
	Paid between one month and one year	2,184	2,131	1,095
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	0	0
	Total		50,132	46,871
United Kingdom	Paid up to 48 h after disconnection	0	0	0
	Paid between 48 h and one week after disconnection	0	0	0
	Paid between one week and one month after disconnection	0	0	0
	Paid between one month and one year	0	0	0
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	0	0
Total		0	0	0
United States ¹⁸²	Paid up to 48 h after disconnection	35,285	62,878	40,229
	Paid between 48 h and one week after disconnection	3,528	35,675	7,487
	Paid between one week and one month after disconnection	1,531	3,181	3,441
	Paid between one month and one year	784	1,805	1,723
	Paid after more than one year	0	0	0
	Outstanding and unclassified	107,337	0	0
Total		148,465	103,539	52,880
Brazil	Paid up to 48 h after disconnection	1,099,444	1,170,543	1,239,946
	Paid between 48 h and one week after disconnection	204,030	214,718	227,007
	Paid between one week and one month after disconnection	222,138	231,919	221,001
	Paid between one month and one year	191,153	193,486	178,323
	Paid after more than one year	26	8	7
	Outstanding and unclassified	0	0	0
Total		1,716,791	1,810,674	1,866,284
IEI	Paid up to 48 h after disconnection	10,030	N/A	N/A
	Paid between 48 h and one week after disconnection	1,101	N/A	N/A
	Paid between one week and one month after disconnection	1,353	N/A	N/A
	Paid between one month and one year	950		
	Paid after more than one year	0	N/A	N/A
	Outstanding and unclassified	0	N/A	N/A
Total		13,434	N/A	N/A
Iberdrola total	Paid up to 48 h after disconnection	1,185,356	1,270,849	1,304,986
	Paid between 48 h and one week after disconnection	211,859	253,559	236,436
	Paid between one week and one month after disconnection	229,173	239,246	226,654
	Paid between one month and one year	195,071	197,422	181,141
	Paid after more than one year	26	8	7
	Outstanding and unclassified	107,337	0	0
Total		1,928,822	1,961,084	1,949,224

¹⁸² The 2016 and 2017 data do not include the U.S. subsidiary UI.

Residential reconnections of electricity following payment of pending bills, by region (No.)

		2019	2018	2017
Spain	Less than 24 h after payment	49,585	46,234	28,784
	Between 24 h and one week after payment	514	760	803
	More than one week after payment	89	141	141
	Unclassified	0	0	0
	Total	50,188	47,135	29,728
United Kingdom	Less than 24 h after payment	0	0	0
	Between 24 h and one week after payment	0	0	0
	More than one week after payment	0	0	0
	Unclassified	0	0	0
	Total	0	0	0
United States	Less than 24 h after payment	30,969	38,322	42,560
	Between 24 h and one week after payment	7,844	3,324	4,180
	More than one week after payment	2,315	0	7,082
	Unclassified	84,719	0	0
	Total	125,847	48,440	53,822
Brazil	Less than 24 h after payment	1,481,957	1,555,944	1,541,234
	Between 24 h and one week after payment	137,434	158,660	179,797
	More than one week after payment	123,478	117,787	109,172
	Unclassified	0	0	0
	Total	1,742,869	1,832,391	1,830,203
IEI	Less than 24 h after payment	12,528	N/A	N/A
	Between 24 h and one week after payment	838	N/A	N/A
	More than one week after payment	43	N/A	N/A
	Unclassified	0	N/A	N/A
	Total	13,409	N/A	N/A
Iberdrola total	Less than 24 h after payment	1,575,039	1,640,500	1,612,578
	Between 24 h and one week after payment	146,630	162,744	184,780
	More than one week after payment	125,925	124,722	116,395
	Unclassified	84,719	0	0
	Total	1,932,313	1,927,966	1,913,753

Iberdrola's contribution to the community. Outputs and impacts

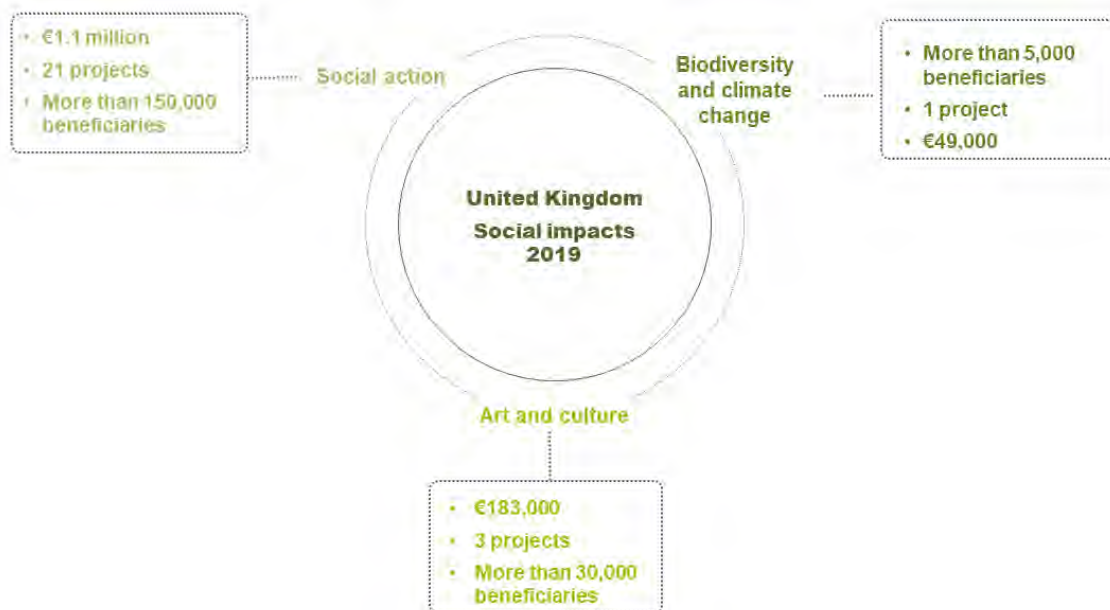
Iberdrola uses various parameters to measure the results achieved by its community support programmes. Iberdrola's foundations are applying a methodology adapted from LBG to measure outputs and impacts for its most important programmes and projects.

The charts below show the results and achievements by country during 2019:

FUNDACION IBERDROLA ESPAÑA - Results in areas of activity in 2019 (€)



SCOTTISHPOWER FOUNDATION: Results in areas of activity in 2019 (€)



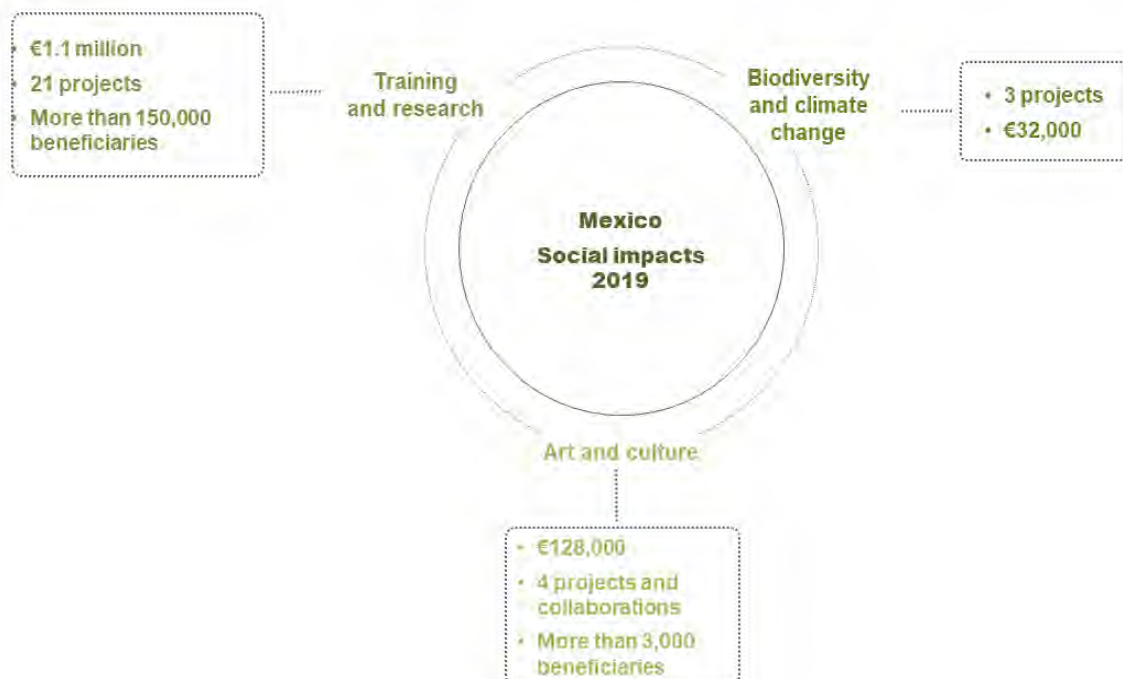
AVANDGRID FOUNDATION - Results in areas of activity in 2019 (€)



INSTITUTO NEOENERGIA BRASIL - Results in areas of activity in 2019 (€)



FUNDACION IBERDROLA MEXICO - Results in areas of activity in 2019 (€)



IV.2. Annex 2: Iberdrola's Contribution to the SDGs and targets of the 2030 Agenda

The information regarding the company's contribution to SDGs 7 and 13 is contained in the "Our main focus" section of chapter I.2.



Goal 1: End poverty

End poverty in all its forms everywhere

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>From an economic standpoint, the expansion of electricity systems drives the regional economy in the region where it occurs and creates employment opportunities, contributing to economic and social enhancement. Positive effects include:</p> <ul style="list-style-type: none"> – Facilities for the production, transmission and distribution of electrical energy are built in dispersed geographic locations. This contributes to the generation of economic activity and jobs in urban and rural environments. This can also support the revitalisation and repopulation of underpopulated rural areas. – These same facilities create significant indirect employment in the region in the form of local contracting companies, creating demand for various lodging, security, health, mechanical, supplier services, etc. – In local communities, professional training is promoted and skilled labour, such as services for building and maintaining wind farms, is boosted. – Local communities are supported through sponsorship of the initiatives of social and environmental institutions and organisations. – Due to their geographic reach, electricity activities generate fees, taxes and duties at the local, regional and national levels. <p>During the construction and operation of its facilities, Iberdrola also carries out certain infrastructure activities that are unrelated to its facilities and without a specific commercial purpose, but rather that are intended to meet the needs of the social environment, resolving existing shortcomings in the local communities.</p>	1.2.- By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	202-1	Ratios of entry level wage to local minimum wage	120
			203-2	Significant indirect economic impacts
	1.4.- By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources , as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	413-1	Local community engagement, impact assessments and development programmes.	293



Goal 2: Zero hunger

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>One third of the food we produce is wasted on the world scale. Approximately 1,300 million tons of food are thrown into the trash each year. While food is thrown away in some countries, the reality is different in others: 815 million people (11% of the world population) suffers from malnutrition. 155 million of them are children less than 5 years old, who suffer delayed growth as a result of chronic malnutrition.</p> <p>Changes in the system for cultivation and for sustainably feeding the population, ending malnutrition, ensuring sustainability in the production systems and doubling small-scale productivity and income are some of the targets proposed by the United Nations to end hunger.</p> <p>At Iberdrola, our donations of primary products needed by groups at risk of exclusion are collected from various points at the work centres. Everything collected is distributed to needy families and people with limited resources by various local associations like Cáritas, Banco de Alimentos, Red Acoge and Casa de la Caridad, as well as directly by our volunteers.</p> <p>These international food collection campaigns have allowed for the collection of more than 20 tons of basic foodstuffs and children's products overall in 2019.</p>	<p>2.3.- By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.</p>	411-1	Total number of incidents of violations involving rights of indigenous people.	285
	<p>2.a.- Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.</p>	LBG	LBG contribution	298
		203-1	Development and impact of infrastructure investments and services supported	94
		203-2	Significant indirect economic impacts	92



Goal 3: Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

	UN Goal	GRI Indicator	Description	Page
<p>Iberdrola has an <i>Occupational Safety and Health Policy</i> approved by the Board of Directors, which describes the principles that should guide the behaviour of the group's companies in this area. It also has a Global Occupational Safety and Health System, which is aligned with said policy and with the strictest of international standards, and incorporates the group's best practices from all of the countries where it has a presence.</p> <p>Furthermore, the System is based on the principle that the group's contractors are its collaborators, and Iberdrola involves them in its occupational safety culture.</p> <p>The company has a health and safety organisational structure created within a Prevention Area, within the Human Resources Division, in most countries. The companies of the group also have occupational safety and health committees, under different names, to establish channels for consultation and participation with the employee representatives in this area, to monitor indicators, and to plan and take measures to correct deficiencies and to improve the Safety and Health System.</p> <p>As regards protection of the environment, leadership in the development of clean energy and respect for the environment being significant aspects of our business model, a competitive element that distinguishes us in the industry as one of the leading companies worldwide.</p> <p>Iberdrola supports this vision in a benchmark Environmental Management System for all organisations of the group. This system allows for alignment of the environmental dimension within the group's sustainability model, articulating the mechanisms to measure and evaluate the group's environmental performance from the Life Cycle perspective, including in the management thereof the concept of circular economy and return on natural capital.</p>	<p>3.4.- By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.</p>	403-1	Employees represented on health and safety committees, by region (%)	135
		Own indicator	Programmes and projects relating to healthy living habits, balanced meals	148
	<p>3.9.- By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	305-1	Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)	202
		305-2	Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)	202
		305-6	Emissions of ozone-depleting substances	211
		305-7	NO _x , SO _x and other significant air emissions	209
		306-2	Total weight of waste by type and disposal method	219

4
QUALITY
EDUCATION

Goal 4: Quality education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>Iberdrola has a <i>Knowledge Management Policy</i>, approved by the Board of Directors, the objective of which is to disseminate and share knowledge within the company, encouraging continuous learning and cultural exchange. Iberdrola reaffirms that the company's intellectual capital depends on its people, its operational and organisational structures, and its internal and external relationships with all Stakeholders. At Iberdrola, learning is thus permanent, ongoing and aligned with the strategy of the group.</p> <p>At Iberdrola, specific programmes are designed to equip its professionals with the qualifications needed to perform their roles, and to foster a culture of development, value creation and ongoing improvement that allows them to assume new responsibilities in the future.</p>	4.3.- By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.	404-1	Average hours of training per employee trained by gender.	162
		Own indicator	Iberdrola U programme	52
	4.4.- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	404-1 Shift of SDG indicator C040501	Average hours of training per employee trained	162
		404-2	Programmes for skills management and lifelong learning	159

5

GENDER
EQUALITY

Goal 5: Gender equality

Achieve gender equality and empower all women and girls

	UN Goal	GRI Indicator	Description	Page
<p>The development of labour relations based on equal opportunity, non-discrimination and respect for diversity are key goals in Iberdrola's <i>Human Resources Framework Policy</i>. The company also has an <i>Equal Opportunity and Reconciliation Policy</i>, which strengthens the commitments to equal treatment between men and women.</p> <p>The group's companies, in the various countries in which they operate, promote equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions.</p> <p>Iberdrola has appropriate procedures in place to prevent any discrimination for reasons of gender, marital status, pregnancy, sexual orientation or other any personal condition that is unrelated to job-performance requirements.</p> <p>The principles of non-discrimination and equal opportunity applied at the Iberdrola group are contained in both the <i>Code of Ethics</i> and in the global policies and procedures that have been approved and implemented (<i>Recruitment and Selection Policy, Equal Opportunity and Reconciliation Policy</i>, etc.) and in local collective bargaining agreements and policies.</p> <p>Iberdrola has been included in Bloomberg's 2020 GEI (Gender Equality Index) as one of the best companies recognised for its policies in favour of gender equality and its best practices in the area of work/life balance.</p> <p>The company continues to promote equality through female sports within the framework of the Women's Universe Programme, working with different national federations.</p>	5.1.- End all forms of discrimination against all women and girls everywhere	401-3	Return to work and retention rates after parental leave, by gender	175
		404-1	Average hours of training per employee trained by gender.	162
		405-1	Composition of governance bodies and employees	38, 120, 474
		405-2	Ratio of basic salary and remuneration of women to men	175
		406-1	Incidents of (gender) discrimination	285
	5.4.- Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.	401-3	Return to work and retention rates after parental leave, by gender	175
	5.5.- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	102-22 Shift of indicators C050501 and C050502 from SDGs	Composition of the highest governance body and its committees	38, 40
		102-24	Selection and nomination of the members of the highest governance body	341

6 CLEAN WATER AND SANITATION



Goal 6: Clean water and sanitation

Ensure availability and sustainable management of water and sanitation for all.

	UN Goal	GRI Indicator	Description	Page
<p>Water is a basic and irreplaceable natural resource in many of Iberdrola's activities. The company's awareness of this dependency and of the risks arising from water shortages has led it to set itself the objective of ensuring an increasingly rational and sustainable use of this resource.</p> <p>The main actions taken by the group for a more sustainable use of water are:</p> <ul style="list-style-type: none"> – Limiting the volume of withdrawal and consumption of inland water in all technologies. – Establishing and controlling limits on ecological flows at the hydroelectric generation reservoirs. – Continually improving processes at facilities to reduce consumption and impact. – Avoiding withdrawal of water in water-stressed areas. – Reusing and recycling water at facilities. – Conducting awareness-raising campaigns to achieve a more efficient and responsible use of sanitary water by employees at offices. <p>During their respective life cycles, generation, transmission, distribution and sales activities cause interactions with various ecosystems, landscapes and species. For this reason, Iberdrola has a Biodiversity Policy establishing a commitment to progress in developing methods of analysis of effects and actions for the preservation of biodiversity into the planning and subsequent implementation of their activities.</p>	<p>6.3.- By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p>	303-3	Water recycled and reused (% of water used that is returned to the ecosystem in optimum conditions)	213
		303-3	Water recycled and reused (% of water used that comes from waste water)	213
		306-1	Total water discharge by quality and destination	217
		306-2	Total weight of waste by type and disposal method (hazardous and non-hazardous)	219
		306-3	Significant spills	242
	<p>6.4.- By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	303-1 Shift of indicator C060402 (hydraulic stress level)	Total water withdrawal by source (use and source of water)	212
		303-3	Water recycled and reused	213
		306-1	Total water discharge by quality and destination	217
	<p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes</p>	306-5	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.	218

8 DECENT WORK AND ECONOMIC GROWTH


Goal 8: Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>The policies defined for the management of human resources (<i>Human Resources Framework Policy, Recruitment and Selection Policy, Knowledge Management Policy, Equal Opportunity and Reconciliation Policy, Occupational Safety and Health Policy</i>) contain guidelines governing labour relations among the various companies of the group and serve as a reference to define the company's employment-related goals: maintaining employment guarantees and a stable relationship with workers; strengthening of occupational health and safety and training aspects; protection of diversity and equal opportunity in access to employment; promotion of professional development; and promotion of behaviour and attitudes among its entire workforce in line with principles of ethics and integrity.</p> <p>In relation to Iberdrola's commitment to defend human rights, the main goal is to incorporate the management thereof into the group's operations, thus forming an integral part of operating procedures. This focus is included in the <i>Policy on Respect for Human Rights</i> approved by the Board of Directors. The company's practices are in line with the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework, the principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Social Policy and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.</p> <p>Iberdrola has designed a Human Rights Management Model in order to promote a culture of respect for human rights and to raise awareness</p>	8.1.- Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.	201-1	Direct economic value generated and distributed	96
	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	Own indicator	Investments in Innovation	265
		Own indicator	Research agreements with universities, technology centres, etc.	123
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	204-1	Spending on local suppliers	318
	8.4.- Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.	301-1	Materials used for power generation	190
		301-2	Percentage of materials used that are recycled	190
		302-4	Reduction of energy consumption (efficiency).	195
		302-5	Energy savings of green products and services	198
		303-3	Water recycled and reused	213
		Own indicator	Corporate Environmental Footprint	187
8.5.- By 2030, achieve full and productive employment and decent work for all women and men , including for young people and persons with disabilities, and equal pay for work of equal value	102-8	Information on employees by gender, employment type and contract type	441	
	202-1 Shift of indicator C080501 from SDG	Ratios of entry level wage to local minimum wage	120	
8.6.- By 2020, substantially reduce the proportion of youth not in employment, education or training.	401-1	New employee hires and employee turnover (by age and region)	121	

<p>in this area for all professionals, especially those who perform their activities in countries with a potentially higher risk of violation of these rights due to lax laws.</p> <p>The company also has other tools approved by the Board, such as the <i>Code of Ethics</i>, which governs the behaviour of all directors, including individuals appointed by corporate directors to represent them in the position, professionals and suppliers of the companies of the group, establishing control measures as well as disciplinary measures in the event of noncompliance, which must be expressly accepted to by all suppliers and is included as an annex to the respective contracts.</p> <p>The group's high purchase volumes are a driver of growth for those countries in which the company engages in procurement, favouring their business, industrial and social development through the creation of employment at service providers and their auxiliary industries.</p> <p>Finally, the group made tax contributions of almost €8,000 million in 2019.</p>	8.7.- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.	408-1	Operations and suppliers identified as having significant risk for incidents of child labour	279
		409-1	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour	279
		102-41 Shift of indicator C080802 from SDG.	Employees covered by collective bargaining agreements	129
		407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	279
		403-1	Employees represented on formal health and safety committees (management/employees).	135
		403-2	Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender.	138
		8.8.- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.		



Goal 9: Industry, innovation and infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>The electricity sector is a significant driver of the economy, to which it continuously contributes through significant investments and the creation of high-quality jobs, both direct and indirect. Its function is to provide safe, competitive and sustainable supply. Generation technologies using renewable sources are decisive in the fight against climate change, as they allow for increased electrification of the economy, thus reducing dependency on fossil fuels.</p> <p>Analysts describe a global scenario characterised by an increase in energy demand, tied to a need to reduce CO₂ emissions. Estimates call for high growth in demand in the medium and long term in emerging countries and moderate growth in the developed world. In any event, this energy transition will require extremely large investments in renewable generation facilities, in smart grids and in efficient storage; all accompanied by greater digitisation to support efficiency and the development of new products.</p> <p>Iberdrola continues to engage in a process of growth and internationalisation that has made it one of the leading electric companies in the world, investing more than 100,000 million euros over the last two decades in order to achieve a decarbonised energy model. This current scenario, attained through a sound, long-term industrial plan that is both profitable and creates value, provides it with an optimal position to continue anticipating and managing risks and to capitalise on the opportunities offered by this energy transition based on its leadership in renewable energy, smart grids and storage, as well as its firm commitment to digitisation.</p> <p>Specifically, innovation is Iberdrola's primary tool for ensuring the company's sustainability, efficiency and competitiveness, based on:</p> <ul style="list-style-type: none"> - Disruptive technologies. - New products and competitive services. - Digitisation and automation in all businesses and processes. - Innovation with start-ups, entrepreneurs and suppliers. - Culture of innovation and talent. 	9.1.- Develop quality, reliable, sustainable and resilient infrastructure , including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	203-1	Development and impact of infrastructure investments and services supported	94
	EU4	Transmission and distribution lines Annual evolution.	30	
	9.4.- By 2030, upgrade infrastructure and retrofit industries to make them sustainable , with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Own indicator	Installed capacity from renewable sources (MW)	30
	Shift indicator C090401 from SDG 305-4	CO ₂ emissions by MWh	200	
	9.5.- Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries , in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	Own indicator	Amount dedicated to R&D activities	265
	Own indicator	Agreements with universities and with scientific and technical organisations to improve facilities.	123	
	9.a.- Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States.	Own indicator	Subsidies for the electrification of underdeveloped or developing countries ("Electricity for All" programme).	274



Goal 10: Reduced inequalities

Reduce inequality within and among countries

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>The group's companies, in the various countries in which they operate, promote equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions, and provide support to workers with diverse abilities, facilitating their integration into the workplace.</p> <p>The main goals in this area currently focus on:</p> <ul style="list-style-type: none"> – The encouragement of reconciliation between employees' work and family life, which includes measures to ensure compatibility between a positive experience of parenthood and a successful professional career. – The development of labour relations based on equal opportunity, non-discrimination and respect for diversity. – The fostering of diversity and the social inclusion of vulnerable groups through the corporate volunteer programme, which affords our employees an opportunity to participate in various community support initiatives to raise awareness of this group and to improve the quality of their life. 	Target 10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	Own indicator	Inclusion of people with disabilities in the workforce (No.)	176
	Own indicator	Volunteer activities to reduce inequality	302	
	10.3.- Ensure equal opportunity and reduce inequalities of outcome , including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.	102-8	Information on employees and other workers (changes in workforce by gender, and type of employment and contract).	441
		401-1	New employee hires and employee turnover (by age and region) Evolution of the workforce.	121
		404-3	Employees receiving regular performance and career development reviews	163
		405-2	Ratio of basic salary and remuneration of women to men	175
		406-1	Incidents of discrimination	285
	10.b.- Encourage official development assistance and financial flows , including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes.	203-2	Significant indirect economic impacts (Investments in developing countries)	92
		204-1	Spending on local suppliers	318



Goal 11: Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable.

	UN Goal	GRI Indicator	Description	Page
<p>In order to reduce emissions relating to employee travel and commuting to/from their home and workplace, Iberdrola is developing a Sustainable Mobility Plan that contributes to a rational use of the means of transport. This plan is included in the commitment made by the company in its <i>Sustainable Management Policy</i> approved by the Board of Directors.</p> <p>The inclusive nature of the programme involves employees, the business activity, customers and suppliers, covering approximately 20 specific actions in which the company seeks to strengthen its support of sustainability. These initiatives include Iberdrola's launch of a new edition of the <i>Electric Vehicle for Employees</i> programme in Spain and the United Kingdom, which consists of special advances and financial assistance for the purchase of electric vehicles. Thanks to this initiative, the local emission of 531 t CO_{2e} in employee travel to the workplace in Spain and the United Kingdom was avoided in 2019.</p> <p><i>Smart Mobility</i> includes the deployment of a network of recharging stations, integrated with third-party equipment (interoperability among recharging stations of different companies), with access through the Iberdrola Public Recharge app. Users can already manage their home recharging station using the Iberdrola Customers app. In Brazil and the United Kingdom they are also taking various initiatives to strengthen the deployment of electric vehicles.</p> <p>Iberdrola also participates in R&D projects in the area of electric mobility, including the REMOURBAN project, developing a public recharging station network in the city of Valladolid (Spain), and the CIRVE project where it has participated in the development of rapid recharge corridors that allow for electric mobility, Spain's connection with France and Portugal, and participation in a working group for the creation of a state interoperability platform of public recharging stations.</p> <p>Iberdrola's efforts to protect cultural heritage focus on the areas of preservation and restoration thereof, including specific activities in order for these projects to drive local development and sustainable tourism.</p>	11.2.- By 2030, provide access to safe , affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	Own indicator	Promotion of the electric vehicle	106
	11.4.- Strengthen efforts to protect and safeguard the world's cultural and natural heritage.	Shift indicator C110401 from SDG	LBG contribution to SDG 11	298
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	305-1	Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)	202
		305-2	Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)	202
		305-6	Emissions of ozone-depleting substances	211
		305-7	NOx, SOx and other significant air emissions	209

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION

Goal 12: Responsible consumption and production

Ensure sustainable consumption and production patterns

	UN Goal	GRI Indicator	Description	Page
<p>The Iberdrola group ensures optimisation in the use of energy throughout its entire energy chain (production, transmission, distribution, supply and end use), contemplating energy efficiency from a three-fold perspective:</p> <ul style="list-style-type: none"> – As an electricity generator and distributor, it seeks to improve efficiency by introducing the most advanced technologies and equipment in the generation, transportation and distribution of energy. – As an energy consumer, Iberdrola promotes the ongoing improvement of energy efficiency across all its activities (offices and building, vehicles, water, mobility, employee awareness, etc.). – As an electricity supplier, it wishes to contribute to a more efficient use of energy by consumers, through information, promotion and supply of solutions and technologies that help them improve their energy efficiency and reduce the environmental impact of their energy habits and consumption. <p>As to information and labelling of electricity sold, Iberdrola is governed by the regulatory requirements established in each of the countries in which it does business. In Spain, the company informs its customers about the source of the energy sold by the retail supplier and the associated environmental impact thereof by means of a label included in the electricity bills and in advertising to customers. In the United Kingdom, ScottishPower also reports the origin of its energy and the environmental impact thereof. New customers receive this information as part of their <i>Welcome Cycle</i> communications, and existing customers receive this information in the “Important Information” section of each invoice. In the United States, Avangrid also reports consumption to customers through the electricity bill. It also provides customers with informational pages regarding their electricity service, its environmental impact and related emissions. In Brazil, the distributors of Neoenergia provide communications to their consumers in printed bills or notices, including with respect to changes in legal provisions.</p> <p>Iberdrola provides additional information as may be of help for consumers to make a more rational, efficient and safe use of these products.</p>	12.2.- By 2030, achieve the sustainable management and efficient use of natural resources.	302-3	Energy intensity	192
		302-4	Reduction of energy consumption	195
		302-5	Reductions in energy requirements of products and services	198
		303-3	Water recycled and reused	213
		Shift indicator C120201 from SDG	Corporate environmental footprint	187
	12.4.- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	306-1	Total water discharge by quality and destination	217
		306-3	Significant spills	242
	12.5.- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	301-2	Level of reuse and recycling of materials	190
		306-2	Total weight of waste by type and disposal method	217
	12.6.- Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Own indicator	Publication of Statement of Non-Financial Information. Sustainability Report	6
	12.8.- By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	Own indicator	Awareness-raising activities regarding climate change and renewable energy.	71



Goal 14: Life below water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

	Target	GRI Indicator	Description	Page
<p>The oceans cover three quarters of the surface area of the Earth and 40% of this large mass of salt water is seriously affected as a result of human activity. According to the UN, water is deteriorating due to pollution and the accumulation of organic waste: each year close to 8 million tons of plastic end up in the sea.</p> <p>Beyond the serious environmental consequences of these practices, the economic and social development of our planet is also being seriously affected: more than 3,000 million people depend directly on marine and coastal biodiversity to survive (UN).</p> <p>Given this situation, Iberdrola adopts the newest technologies in order to protect undersea life in the areas around its facilities. It has engaged in various initiatives to preserve marine life around the offshore wind farms, as well as the insulation of undersea cables and noise mitigation for mammals.</p> <p>Among the more noteworthy activities, between 2018 and 2019 ScottishPower developed the <i>Dolphin Watch</i> project, with disclosure and awareness-raising activities for the population. More than 175 children enjoyed the sea watching bottlenose dolphins in their natural habitat, with educational activities regarding the marine world, establishing a long-lasting connection with marine fauna, and approximately 300 volunteers worked to improve the beaches in the areas around Aberdeen.</p>	14.1.- By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution.	306-1	Total water discharge by quality and destination	217
		306-3	Significant spills	242
	14.2.- By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.	304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	230
		304-2	Significant impacts of activities, products and services on biodiversity.	225
		304-3	Habitats protected or restored	234
		305-1	Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)	202
		305-2	Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)	202
		305-4	Intensity of GHG emissions.	200
		305-5	Reduction of GHG emissions.	206
	14.3.- Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels.	305-7	NOx, SOx and other significant air emissions	209



Goal 15: Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

	UN Goal	GRI Indicator	Description	Page
<p>Natural capital, understood as natural resources affected in the performance of the company's activities, is one of the fundamental assets in the Iberdrola group's creation of value and a fundamental asset for all of its Stakeholders. During their respective life cycles, generation, transmission, distribution and sales activities cause interactions with various ecosystems, landscapes and species.</p> <p>Therefore, these ecosystems occupy a leading role in the business strategy through four priority lines of action:</p> <ul style="list-style-type: none"> – Mediation for the protection, preservation and sustainable use of natural capital. – Information through impact assessment and the development and application of guidelines on biodiversity for new projects. – Relations with Stakeholders, which seeks to consider the legitimate aspirations of the Stakeholders and develop action plans in accordance therewith. – Commitment to internal and external training, awareness-raising and communication. <p>Various instruments are used to carry out these lines of action, including:</p> <ul style="list-style-type: none"> – <i>Biodiversity Policy</i>: applicable in all of the geographic areas in which the Iberdrola group does business, the basic principles of which are reflected in the lines of action. – Biodiversity plans based on avoiding and/or mitigating impact, restoring natural capital, assessing impact, Stakeholder relations and awareness-raising. – Environmental management systems certified in accordance with ISO 14001 or EMAS standards, in order to prevent and control environmental risks. – Corporate environmental footprint. 				
	15.1.- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.	304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	230
	15.5.- Take urgent and significant action to reduce the degradation of natural habitats , halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.	304-2	Significant impacts of activities, products and services on biodiversity.	225
		304-3	Habitats protected or restored	234
		304-4	Number of species broken down, based on danger of extinction, included in IUCN Red List species and national conservation list species with habitats in areas affected by operations.	234
		306-5	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.	218
15.a.- Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.	Own indicator	LBG contribution to SDG 15	298	



Goal 16: Peace, justice and strong institutions

Promote peaceful and inclusive societies

	<i>UN Goal</i>	<i>GRI Indicator</i>	<i>Description</i>	<i>Page</i>
<p>The group's firm commitment to fight corruption and to establish mechanisms to ensure the existence of a culture for preventing irregularities is reflected in such documents as the group's <i>Code of Ethics</i>, the <i>Crime Prevention Policy</i> and the <i>Anti-Corruption and Anti-Fraud Policy</i>, all of which have been approved by the Board of Directors.</p> <p>Within the framework of the Compliance System, various activities are carried out to encourage the organisation to act in accordance with the most stringent ethical standards and in accordance with applicable legal provisions. In order to develop the <i>Crime Prevention Policy</i>, the company has implemented a specific and effective programme (the <i>Crime Prevention Programme</i>) as a set of measures focused on the prevention and detection of and reaction to possible crimes, which also extends to the prevention and control of other frauds, administrative infractions and serious irregularities.</p> <p>The company also has a <i>Protocol for Conduct in Professional Relations with Governments, Political Parties, Authorities and Public Officials</i> in order to strengthen the specific mechanisms already existing at the companies of the group to prevent any acts that might be considered corrupt or bribery in relations with said third parties.</p> <p>In addition, as part of the Compliance System, the Compliance Unit promotes the development and maintenance of other initiatives for compliance with the <i>Code of Ethics</i> and legal provisions on fraud and corruption, the main goal of which is to foster a culture of corporate ethics and transparency, disseminating the principle of "zero tolerance" with respect to fraud and promoting mechanisms and actions to prevent corruption and fraud.</p>	16.5 Substantially reduce corruption and bribery in all their forms	205-1	Business units assessed for risks related to corruption	363
		205-2	Training and communication on anti-corruption policies and procedures	363
		205-3	Incidents of corruption	368
		415-1	Contributions to political parties or to related institutions	383
	16.6.- Develop effective, accountable and transparent institutions at all levels	102-23	State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement.	38
		102-25	Processes for the highest governance body to avoid conflicts of interest	408
	16.7.- Ensure responsive, inclusive, participatory and representative decision-making at all levels.	102-21	Consulting stakeholders on economic, environmental and social topics	340
		102-24	Selection and nomination of the members of the highest governance body	341
		102-29	Identifying and managing economic, environmental and social impacts	342
		102-37	Stakeholders' involvement in remuneration	344
	16.b.- Promote and enforce non-discriminatory laws and policies for sustainable development.	406-1 Shift indicator C200204 from SDG	Incidents of discrimination	220

17 PARTNERSHIPS
FOR THE GOALS

Goal 17: Partnerships for the goals

Revitalise the Global Alliance for Sustainable Development

	UN Goal	GRI Indicator	Description	Page
<p>Iberdrola has participated with the Global Compact in numerous initiatives to promote and develop the Sustainable Development Goals (SDGs), including the promotion of all activities regarding climate change at the Climate Change Conference (COP25) held in Madrid and other related events.</p> <p>Especially noteworthy is the Chair for the Sustainable Development Goals: since its creation in 2014, the Iberdrola/UPM Chair has engaged in numerous activities to strengthen the university/company relationship model that can face the challenges of the international sustainability agenda. After the approval of the SDGs in 2015, the Technical University of Madrid and Iberdrola have focused their activity on contributing to meeting these Goals. This department is configured as a space for shared learning and support for the implementation of the SDGs.</p> <p>Also noteworthy is Iberdrola's promotion of the "<i>ODS al cole</i>" (<i>SDGs to school</i>) initiative, a multicompany volunteer project to share the SDGs and the 2030 Agenda with schools in order to promote social commitment and the participation and active citizenship of the students. Some 3,500 children have already received training at various educational centres in Spain through the volunteers who participate in this initiative.</p> <p>Iberdrola has joined a number of initiatives, including: World Economic Forum (WEF) –CEO Climate Leaders–, World Business Council of Sustainable Development (WBCSD), EV100 (The Climate Group), UN Global Compact LEAD, European Round Table of Industrialists, The Prince of Wales's Corporate Leaders Group, Green Growth Platform, Carbon Pricing Leadership Coalition, REDS, Red Española de Desarrollo Sostenible, SE4ALL, European Climate Foundation, Bruegel, the Spanish Climate Change Office and the Spanish Green Growth Group.</p> <p>Iberdrola also organised the Moving for Climate Now awareness-raising cycling route for the fifth consecutive year.</p> <p>Iberdrola has joined the Partnering Against Corruption Initiative (PACI), a platform through which leaders belonging to the World Economic Forum undertake to promote business conduct and practices designed to fight corruption within their organisations and to make such commitments binding on the third parties with whom they engage.</p>	17.1.- Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.	Own indicator	Tax contribution	373
	17.3.- Mobilize additional financial resources for developing countries from multiple sources.	203-2	Significant indirect economic impacts	92
		204-1	Spending on local suppliers	318
	17.16.- Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.	Own indicator	Participation in seminars, events and workshops to share best practices on SDGs	123
		Own indicator	Performance of international cooperation projects together with other players	317
		Own indicator	SDG training and awareness-raising activities for employees, suppliers and other Stakeholders	48
	17.17.- Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	Own indicator	Number of volunteer activities performed	302
	17.19.- Build on existing initiatives to develop measurements of progress on sustainable development.	Own indicator	Annual publication of Statement of Non-Financial Information. Sustainability Report	6

Contact point for questions regarding the report

102-53

General questions regarding this report may be addressed to Iberdrola's Social Responsibility Division at C/ Tomás Redondo, 1 - 28033 Madrid – Spain, or via responsabilidad_social@iberdrola.es.

Specific questions relating to the environment may be addressed to Iberdrola's Innovation, Sustainability and Quality Division at C/ Tomás Redondo, 1 - 28033 Madrid – Spain, or via medioambiente@iberdrola.es.

The addresses and telephone numbers of the various Iberdrola centres worldwide, available channels of contact, customer service and the query mailboxes can be found in the [Contact](#) section of the website.

I.1. Annex 3: External Independent Assurance Report on the *Statement of Non-Financial Information. Sustainability Report*



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of Iberdrola, S.A.

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying State of non-financial information – Sustainability Report attached (“SNFI”) for the year ended 31 December 2019 of Iberdrola, S.A. (the Parent company) and subsidiaries (Iberdrola or the Group) which forms part of Iberdrola’s 2019 Consolidated Director’s report.

The content of the SNFI includes additional information to that required by the current commercial legislation on non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the tables included in the section “III About this report – Disclosures from the Statement of Non-Financial Information and GRI content index” in the accompanying SNFI.

Likewise, we have carried out a moderate assurance engagement of the application of the principles of inclusivity, materiality and responsiveness, related to the information included in the section “Stakeholder engagement” of the SNFI in accordance with the provisions of the 2018 AccountAbility Principles Standard AA1000 (AA1000AP) issued by AccountAbility.

Responsibility of the Board of Directors

The preparation of the SNFI included in Iberdrola's Consolidated Director's Report and the content thereof are the responsibility of the Board of Directors of Iberdrola, S.A. The SNFI has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”) in accordance with the Comprehensive Option, and Electric Utilities Sector Disclosures of the GRI G4 Guidelines (hereinafter, Electric Utilities Sector Disclosures), in line with the details provided for each matter in the tables included in the section “III About this report – Disclosures from the Statement of Non-Financial Information and GRI content index” included in SNFI’s Annex.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure that the SNFI is free of any immaterial misstatement due to fraud or error.

The directors of Iberdrola, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained, and for the application of AA1000AP (2018) principles.



Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”). We have also carried out our moderate assurance engagement (type 2) in accordance with AA1000 Assurance Standard (AA1000AS, 2008) with 2018 Addendum issued by AccountAbility.

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Iberdrola’s units that were involved in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Iberdrola personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the SNFI based on the materiality analysis carried out by Iberdrola and described in section “III About this report – Disclosures from the Statement of Non-Financial Information and GRI content index ” and considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in SNFI for 2019.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the SNFI for 2019.
- Verification, through sample testing, of the information relating to the content of the SNFI for 2019 and its adequate compilation using data supplied by the Iberdrola’s information sources.



- Obtainment of a management representation letter from the directors and the Parent company's management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that:

- Iberdrola's SNFI for the year ended 31 December 2019 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Comprehensive Option, and Electric Utilities Sector Disclosures, in line with the details provided for each matter in the table included in the section "III About this report – Disclosures from the Statement of Non-Financial Information and GRI content index" in the accompanying SNFI.
- The information included in the section "Stakeholder engagement" of the Iberdrola's SNFI, regarding the application of the principles of inclusivity, materiality and responsiveness, has not been prepared, in all of their significant matters, in accordance with the provisions of the AA1000AP (2018).

Recommendations

Regarding the observations and recommendations for improvement which have arisen from the implementation of our assurance engagement, we proceed to suggest some recommendations which seek to empower the application of the principles of inclusivity, materiality, responsiveness and the impact of the AA1000AP Standard (2018). Nevertheless, these improvements do not modify the limited or moderate nature of this assurance engagement report:

Inclusivity

Iberdrola, as a company committed with the impulse and improvement of its relation with its stakeholders, approved in 2016 its Stakeholder Engagement Model as a procedure for Iberdrola Group to establish relations with the stakeholders in the same way, understanding the particularities and singularities of each country and business.

In 2019, after the implementation of the Stakeholder Engagement Model in its entirety and in a global manner across the eight stakeholders and three businesses of the five countries of reference, progress has been made in promoting engagement with stakeholders at the local level, continuing with the decentralization of the Model, appointing local managers of each stakeholder group and involving a greater number of employees and facilities in its implementation.

In line with this progress, it is recommended to continue with this decentralization effort, which will imply an adaptation of the employees' channels, as well as adjusting the issues, risks and opportunities to the reality and demands of local stakeholders.

Materiality

In 2019 work has been done to reinforce the concept of materiality thanks to the existence of greater traceability between priority issues and the most significant risks and opportunities associated with them, ensuring the response to the most relevant issues and focusing efforts on developing actions on them.



This process of identifying relevant issues must become part of and be increasingly aligned with Iberdrola's decision-making processes, allowing the Model to nurture other corporate tools, integrating the most relevant issues derived from the demands and needs of stakeholders in Iberdrola's internal processes and management, thus giving rise to more informed and global decision-making.

Responsiveness

Iberdrola, in its SNFI, collects the way in which the Model is able, through its ten phases, to respond in a systematic and unified way for the entire organization to the expectations of its stakeholders in time and according to their priority, through determining the relevance of the issues, the criticality of the risks and the interest of the opportunities.

The company must continue working to strengthen the link between the response to the expectations of the stakeholders and their perception of Iberdrola, through internal tools that allow evaluating the adequacy of responses to their needs, which in turn allows more and more to integrate these in the definition of these responses.

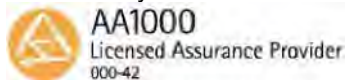
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This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

28 February 2020



Statement of Non-Financial Information.

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