



# Specific Risk Policies for the Various Group Businesses

23 February 2021

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## Risk Policy for the Networks Businesses of the Iberdrola group

The *Risk Policy for the Networks Businesses of the Iberdrola group* provides the framework for the monitoring and management of risks associated with the networks businesses of each country in which the Group has a presence within applicable regulations and the general guidelines set out in the *General Risk Control and Management Policy*. The policy applies to all regulated electricity and gas distribution and transmission/transport activities carried out by the Group in:

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### Spain

Regulated networks activities:

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

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### United Kingdom

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

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### United States of America

Regulated networks activities:

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

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### Brazil

Regulated activities of:

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

Significant risks include those associated with the remuneration mechanisms and the incentives and penalties established by each of the regulatory frameworks applicable to each of the distributors in relation to: investments, operational costs, quality and continuity of supply, customer service, technical and commercial losses and, if the applicable regulation establishes an obligation to supply energy at a regulated rate, energy supply and customer arrears.

## Risk Policy for the Renewable Energy Businesses of the Iberdrola group

The *Risk Policy for the Renewable Energy Businesses of the Iberdrola group* provides the framework for the monitoring and management of risks associated with the Group's renewable energy businesses within applicable regulations and the general guidelines set out in the *General Risk Control and Management Policy* in the various countries in which it operates:

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### Spain

Production and sale of energy from wind, hydroelectric, solar and hydraulic sources.

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### United Kingdom

Production and sale of energy using onshore and offshore wind technology.

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### United States of America

Production and sale of distributed energy at wind, gas, cogeneration and other renewable energy plants.





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## Mexico

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Production and sale of energy using onshore wind technology and solar sources.

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## Brazil

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Production and sale of energy using onshore wind technology and from hydraulic sources.

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## International

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Production and sale of energy using offshore wind technology in Germany from other renewable energy sources in other European countries and Australia.

Management of the market risk of the Group's renewable energy businesses in Spain, the United Kingdom, Brazil and Mexico is transferred to the liberalised businesses of these countries to be integrated into a single risk position. Management of the market risk of the Group's renewable energy businesses in the United States of America and Australia is integrated into the business itself. There will thus be comprehensive monitoring of the market risks associated with the renewable energy businesses and the liberalised business of these countries.

Of particular relevance is the control and monitoring of credit risk and of energy sales at regulated rates to long-term fixed price customers (PPA) and to the market, as well as the risks associated with hydro, solar and wind resources and the availability of facilities. Regulatory risk in each country is also constantly monitored.

## Risk Policy for the Liberalised Businesses of the Iberdrola group

The *Risk Policy for the Liberalised Businesses of the Iberdrola group* provides the framework for the monitoring and management of risks associated with the Group's liberalised businesses within applicable regulations and the general guidelines set out in the *General Risk Control and Management Policy* in the various countries in which it operates, defining the activities affected thereby and establishing appropriate management guidelines in accordance with the structure of each market:

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## Spain

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- a. Operation and production of electricity from conventional thermal, nuclear and cogeneration facilities.
  - b. Wholesaling of energy (electricity, gas and other energy products).
  - c. Retail sale of electricity, gas and energy services, including long-term sales of electricity through PPAs.
  - d. Management of the integrated renewable and thermal energy position together with coverage for sales in the Iberian Electricity Market (*Mercado Ibérico de Electricidad*) (MIBEL), which includes the operational planning of electricity production, of the supply of fuel and emission allowances and of the wholesale and retail sale of electricity and gas.
  - e. Investments in new conventional thermal generation and cogeneration plants, as well as investments to acquire customers or investments dedicated to supplying customers with electricity.
  - f. Production and supply of hydrogen.
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## United Kingdom

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

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- a. Production and sale of electricity to the Federal Electricity Commission (*Comisión Federal de Electricidad*) (CFE).
- b. Production and sale of electricity and steam to private user partners and qualified customers.
- c. Sale into the Wholesale Electric Market of electricity produced by Iberdrola's plants and sale of electricity acquired on the Wholesale Electric Market.
- d. Sale of power by Iberdrola Renovables Mexico under the service and power purchase agreements and signed clean energy certificates.
- e. Strategic and operational planning of electricity production and fuel supply.

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- f. Investments in new combined cycle or cogeneration plants, as well as investments to acquire customers or to supply customers with electricity.

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## Brazil

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

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## Other countries

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

Of particular relevance are the control and monitoring of:

- Market risks (associated with the cost of production and the prices at which energy is sold to customers),
- The risks of customers not paying for electricity,
- Operational risks associated with the management of production plants and serving the group's millions of customers, and
- The regulatory risks under which liberalised businesses operate, associated with the various energy sources used to produce electricity in each country.

## Risk Policy for the Real Estate Business

The *Risk Policy for the Real Estate Business* establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Inmobiliaria, S.A.U. in order to mitigate and reduce the risks associated with the fulfilment of its objectives within the general guidelines set out in the *General Risk Control and Management Policy*.

Particularly contemplated are the risks associated with activities of land management, real estate development and the lease of assets of Iberdrola Inmobiliaria, S.A.U. in Spain and other countries.

