



IBERDROLA'S CLIMATE ACTION

OCTOBER / 2021





This icon refers to specific cases that exemplify Iberdrola's climate action.

This **colour** in texts and elements, indicates external links.

Additional information can be found in the Climate Change section at Iberdrola's website.



Where you may also find the digital version of the present document.

Cover photo: Big Horn wind farm, USA.

INDEX

Letter from the Chairman.....4

Key Messages6

The context of climate change as a global challenge8

 Moving towards a decarbonised and resilient economy by 2050 8

 Electricity: key to decarbonisation in a new energy scenario10

1 | Objectives and strategy aligned with the Paris Agreement..... 14

 Pioneering decarbonisation for the last 20 years14

 Emission reduction targets17

 Continuing our commitment to decarbonisation18

2 | Governance that incorporates climate action 20

 The climate action policy within the governance and sustainability system 20

 Governance structure for monitoring climate action 22

3 | Financing for sustainability 24

 The role of sustainable financing in Iberdrola 24

 Sustainable Finance Instruments 25

4 | A climate resilient model..... 30

 Scenarios considered for risk assessment 31

 Iberdrola's climate resilience model 33

5 | Partnerships and global climate agenda 36

6 | Raising awareness, key to climate action..... 40

 Iberdrola's awareness plan and its main areas of action 40

7 | Innovation to speed up decarbonisation 44

 Meeting the climate challenge through the R&D+i Plan 44

8 | Climate change in the Sustainable Development Plan 50

9 | Commitment to information and transparency 54

Letter from the Chairman



"Decarbonisation is urgent, but it is also a great opportunity for economic development, value creation and for inclusive progress that benefits everyone."

It has been over 20 years since we aligned our strategy with climate action and the energy transition. Since then, we have invested more than €120 billion in decarbonising the energy sector. All this is based on a firm commitment to renewable energy, smart grids, efficient energy storage and encouraging the electrification of demand as a competitive and efficient energy vector for decarbonisation.

As a result of this road map, we had reduced our emissions intensity to 53 gCO₂/kWh in Europe in the first nine months of 2021.

Achieving a sustainable energy model is no longer an aspiration but a need, which Iberdrola is proving possible. We are at a crucial time in our efforts to address the global climate emergency, and this decade must be decisive for action. What's more, there is a consensus that the economic recovery must be green, with the fight against global warming and sustainability at its centre.

Not only do we have the technologies we need to achieve the 2030 emissions reduction targets, but the policies that can drive their development and implementation have already been approved,

according to the Net Zero by 2050 report from the IEA. In this context, it is essential to have a coherent and consistent policy framework that guarantees the stability and certainty necessary to enable immediate acceleration and scale-up of investments in the green economy.

At Iberdrola, we are firmly committed to helping lead the way to a zero-emissions future, having set ourselves a target of being a carbon-neutral company in Europe by 2030 and worldwide by 2050. We are planning an investment of €75 billion by 2025, doubling to €150 billion by 2030, which will see us triple our renewables capacity and storage, and double our network assets. At the same time, we will continue to innovate to drive the deployment and implementation of decarbonisation solutions, such as green hydrogen and heat pumps.

The commitment to a decarbonised economy is deeply rooted in our company. I am pleased to present our first report examining "Iberdrola's Climate Action" from all angles. Our approach is based on a robust governance and sustainability system; ambitious emission reduction targets; active participation and presence in the main gatherings of the climate agenda, including the COP 26 Climate Summit in Glasgow, where our subsidiary ScottishPower is one of the main partners; an Awareness Plan with impact on all our stakeholders; the continuous management of risks and opportunities derived from the energy transition; and the promotion of a culture of innovation that seeks to provide solutions to the challenge of climate change.

Iberdrola has been working for more than two decades to promote a more sustainable energy system demonstrating that decarbonisation is urgent, but it also provides a great opportunity for economic development, value creation and for inclusive progress that benefits everyone.

Ignacio S. Galán
Chairman of Iberdrola

IBERDROLA, global leader in climate action



The context of climate change as a global challenge

The Wikinger offshore wind farm, Germany

➤ MOVING TOWARDS A DECARBONISED AND RESILIENT ECONOMY BY 2050

The Paris Agreement, a global pact to limit climate change

Climate change is one of the most important and urgent challenges facing humanity. The increase in the concentration of greenhouse gases (GHGs) in the atmosphere continues to rise the planet's temperature reaching in **2020 a global warming of +1.2 °C on average** with respect to pre-industrial levels. Its impact is having worldwide social, economic and ethical consequences that are compromising the future of new generations. Confronting and dealing with this serious threat requires the commitment, coordination and cooperation of society as a whole.

Approval of the **Paris Agreement** during the 21st Conference of the Parties (COP) on Climate Change (COP 21) held in December 2015 **marked a key milestone in the global climate agenda**. It was at this conference that **195 countries agreed to limit the increase of the global temperature well below 2 °C by the end of the century** and pursue efforts to limit it to 1.5 °C. Furthermore, they pledged to **undertake rapid reduction thereafter to achieve** climate neutrality during the second half of the century.

Advances and challenges on the road to decarbonisation



Greater political commitment and more ambitious regulations.

- ▶ 89 countries have submitted NDCs* (revised climate plans).

Source: Climate Action Tracker (28 September 2021)

- ▶ 70% of the world economy has mid-century neutrality targets.**

Source: BNEF (2020). Figures at the close of 2020.

*Certain national level contributions
**China's pre-2060 commitment.



More partnerships and increased scope in the cooperation between all key players.

- ▶ Countries, regions, cities, companies and CEOs, political leaders, organisations, universities, investors, banks, insurers and civil society working together.



Ever increasing social awareness.

- ▶ ~70 % of the young population (under 18s) are aware of the climate emergency.

Source: UNDP - The Peoples' Climate Vote (2021)



Competitive green technologies available for mass deployment.

- ▶ Cost reductions over the past 5 years:

- ▶ \$ Photovoltaic -66%.
- ▶ \$ Onshore wind -33%.
- ▶ \$ Offshore wind -68%.
- ▶ \$ Batteries -55%.

Source: BNEF (2020)

Source: Bernstein (2020)

Since the signing of the Paris Agreement important progress has been made towards decarbonisation, although greater ambition and urgency are required.

Despite all the efforts being made, **worldwide greenhouse gas emissions are still a long way off the 7.6 % annual reduction that should be pursued between 2020 and 2030** (a reduction of 45 % by 2030 with respect to 2010), as stipulated

by the Intergovernmental Panel on Climate Change (IPCC), in order to ensure the world manages to limit the increase in temperature to a maximum of 1.5 °C by the end of this century. All of this makes it more necessary than ever **to support an ambitious and accelerated approach to decarbonisation through a review of objectives and increased efforts** by society as a whole.

> ELECTRICITY:
KEY TO DECARBONISATION
IN A NEW ENERGY
SCENARIO

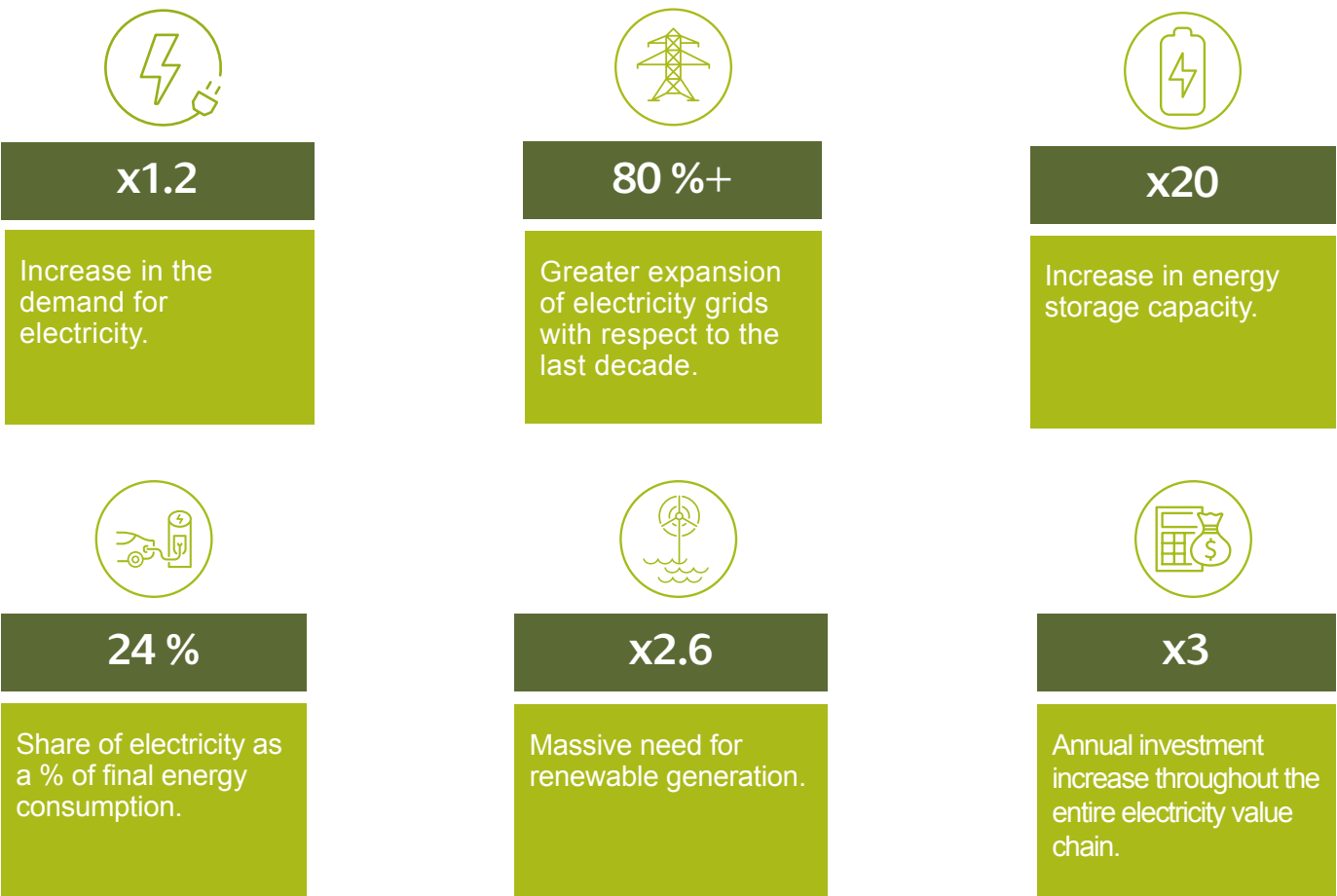
Increasing opportunities of the energy transition

Currently the **energy sector is responsible for over 75 % of CO₂ emissions**, derived from a model based on fossil fuels. The transition to a decarbonised energy model involves improving energy efficiency and replacing fossil fuels with renewables. Renewable energy sources (wind, solar, hydropower, etc.) can be easily converted into electricity, and they have shown themselves to be a competitive way of power generation. This makes electricity the energy vector that allows greatest use of clean energy sources, while improving the overall efficiency of the energy system. Furthermore, technological developments have allowed for an increasing electrification of energy end-uses (electric mobility, heat pumps, etc.). This is why the **electricity sector, through renewable energy generation and the electrification of end-uses, plays a key role in the decarbonisation.**

The opportunities created by the electricity sector in the energy transition can be clearly seen in the decarbonisation scenarios. The Sustainable Development Scenario (SDS) to 2030, drafted by the International Energy Agency (IEA) within the framework of the World Energy Outlook (WEO) 2020 and aligned with the objectives of the Paris Agreement (<2 °C), portrays an **ever-increasing contribution by the electricity sector**, as shown in the top infographic on the following page.

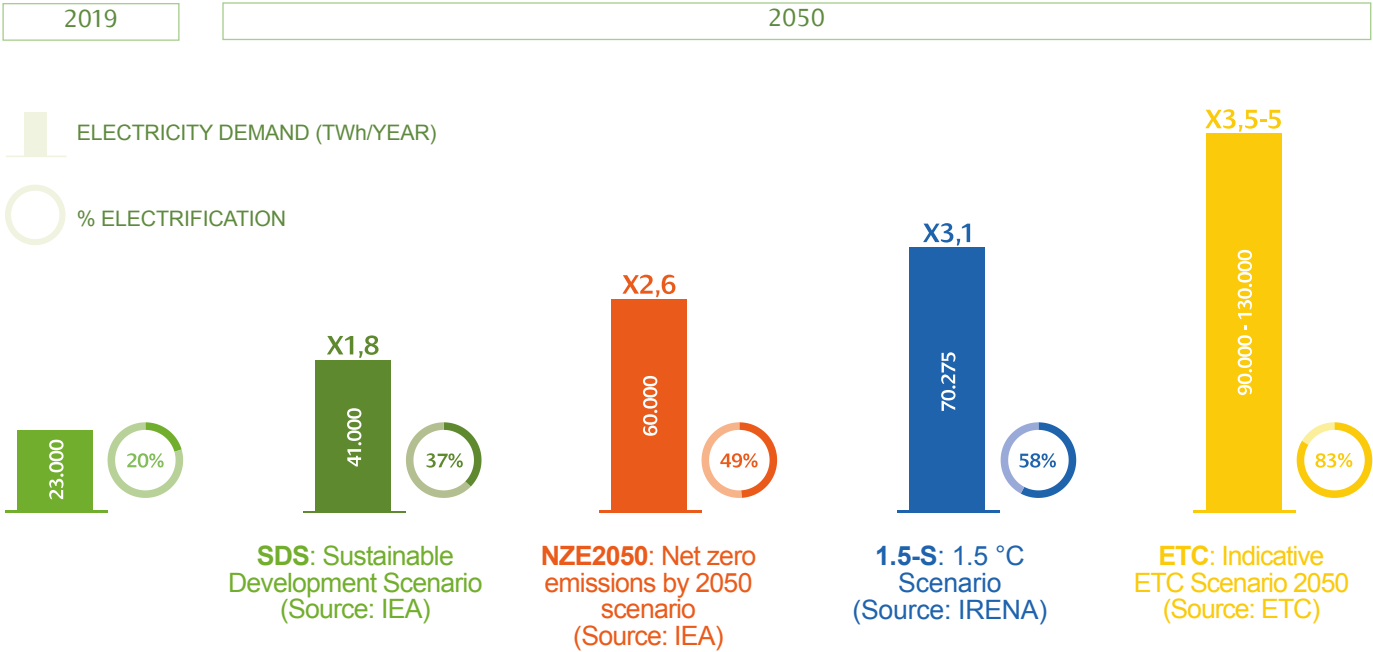
The SDS to 2050 shows demand for electricity and the electrification of energy end-use almost doubling with respect to the base year (2019). The trend towards the progressive electrification of the energy system is significantly accentuated in more ambitious climate scenarios, as shown in the infographic at the bottom of the next page.

Projections to 2030 with respect to the electricity sector as per the SDS Scenario



Note: Increases with respect to the base year (2019)
Source: IEA

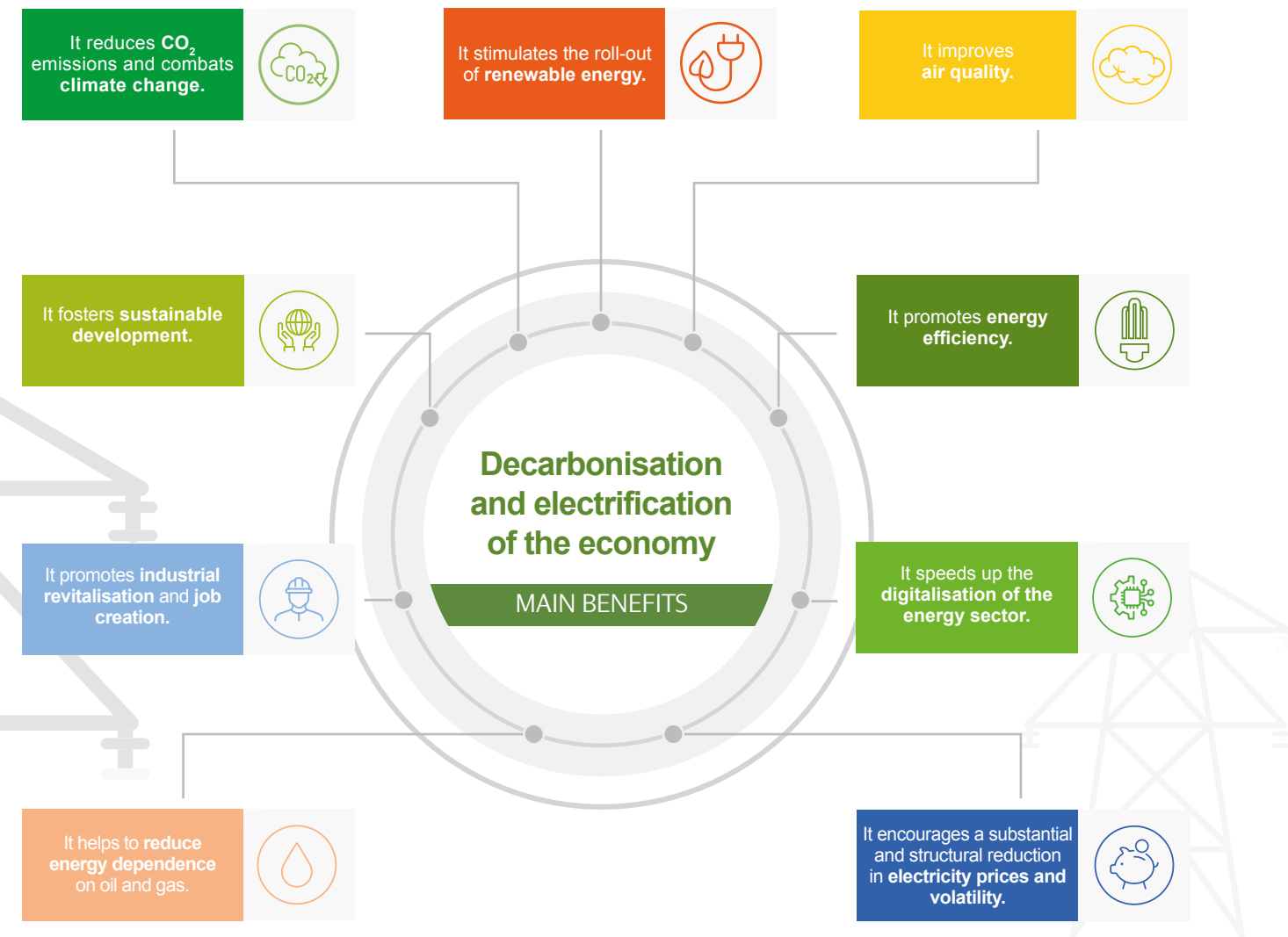
Decarbonisation scenarios to 2050



Electricity's contribution to the Green Recovery

The health, economic and social crisis caused by the COVID-19 pandemic has intensified the debate on the importance of the climate, the environment and biodiversity for people's health. In this context, **the decarbonisation and electrification** of the economy is an excellent **opportunity to create wealth, generate employment and improve the state of the planet and people's health.**

In this sense, and given the current context, the plans for **economic recovery** must seek to speed up the creation of a new model of economic transformation that is climate neutral, resilient, sustainable, healthy and inclusive, **to** thus achieving **a Green Recovery.**



"We shall not achieve the climate objectives unless we invest heavily in renewable energy, smart grids and storage"

- Ignacio S. Galán.
Chairman of Iberdrola

The Itapebi hydroelectric power plant, Brazil

1 | Objectives and strategy aligned with the Paris Agreement

> PIONEERING DECARBONISATION FOR THE LAST 20 YEARS

Iberdrola, a world leader in the fight against climate change, **firmly believes** that the transition to a **carbon neutral economy by 2050 is technologically possible, economically viable and socially necessary**.

Common denominators in all of Iberdrola's activities are the sustainable creation of value, through its social dividend, and the pursuit of leadership. Which is why, over the last two decades, Iberdrola has committed itself to leading **the energy transition** through its sustainable business model implemented **in an innovative, flexible and efficient manner** across all of its business lines. The company has invested €120 billion in the energy transition since 2001.

Iberdrola today

Iberdrola has, to date, achieved a 73% reduction in emissions (with respect to 2000) down to 53 gCO₂/kWh in Europe in the first nine months of 2021 and 98 gCO₂/kWh worldwide in 2020. It has achieved this by closing all of its coal and oil fired power stations (17 facilities, equivalent to 8.5 GW).

Leader in renewable energy and large-scale storage

Iberdrola stands out as the **number one producer of renewables** among the European and US utilities, with an installed power of over 35 GW in renewable energy generation technology. Iberdrola is currently generating 100 % of its energy with zero emissions in countries including the UK, Germany and Portugal.

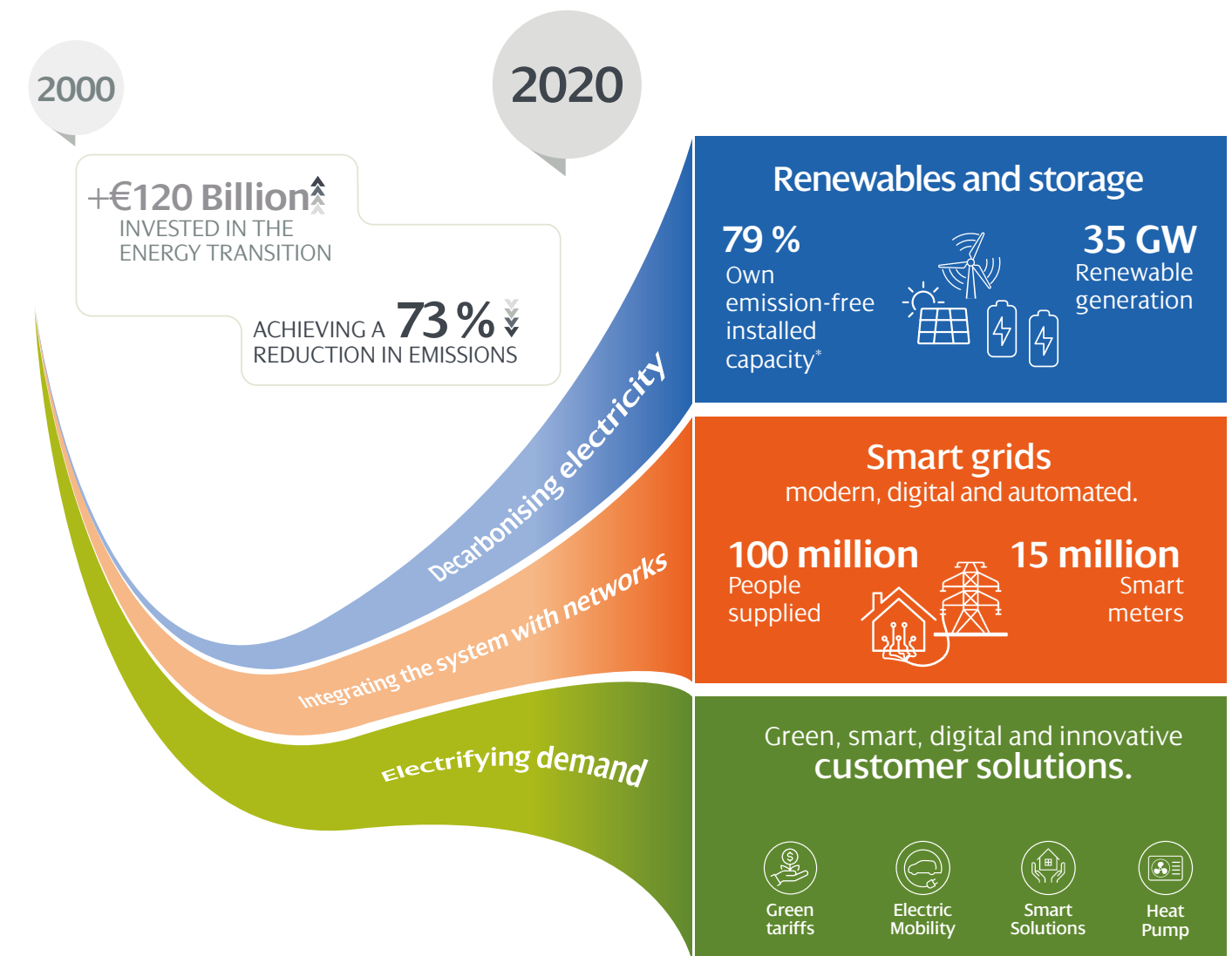
Furthermore, the company has an installed **3.9 GW** of hydroelectric pumping technology, the **most efficient large-scale storage method** currently available.

World leader in smart grid development and implementation

Iberdrola currently operates electricity distribution systems which, when taken together, constitute one of the largest anywhere in the world. These include the development and deployment of **smart grids with digital teleprocessing, supervision and automation capacities**.

Leader in smart, digital and innovative customer solutions

The Group offers smart and innovative solutions in the **residential sector** (energy storage, heat pump, self-consumption via photovoltaic panels and electric mobility) and **in industry** (smart solutions, electrification processes and green hydrogen).

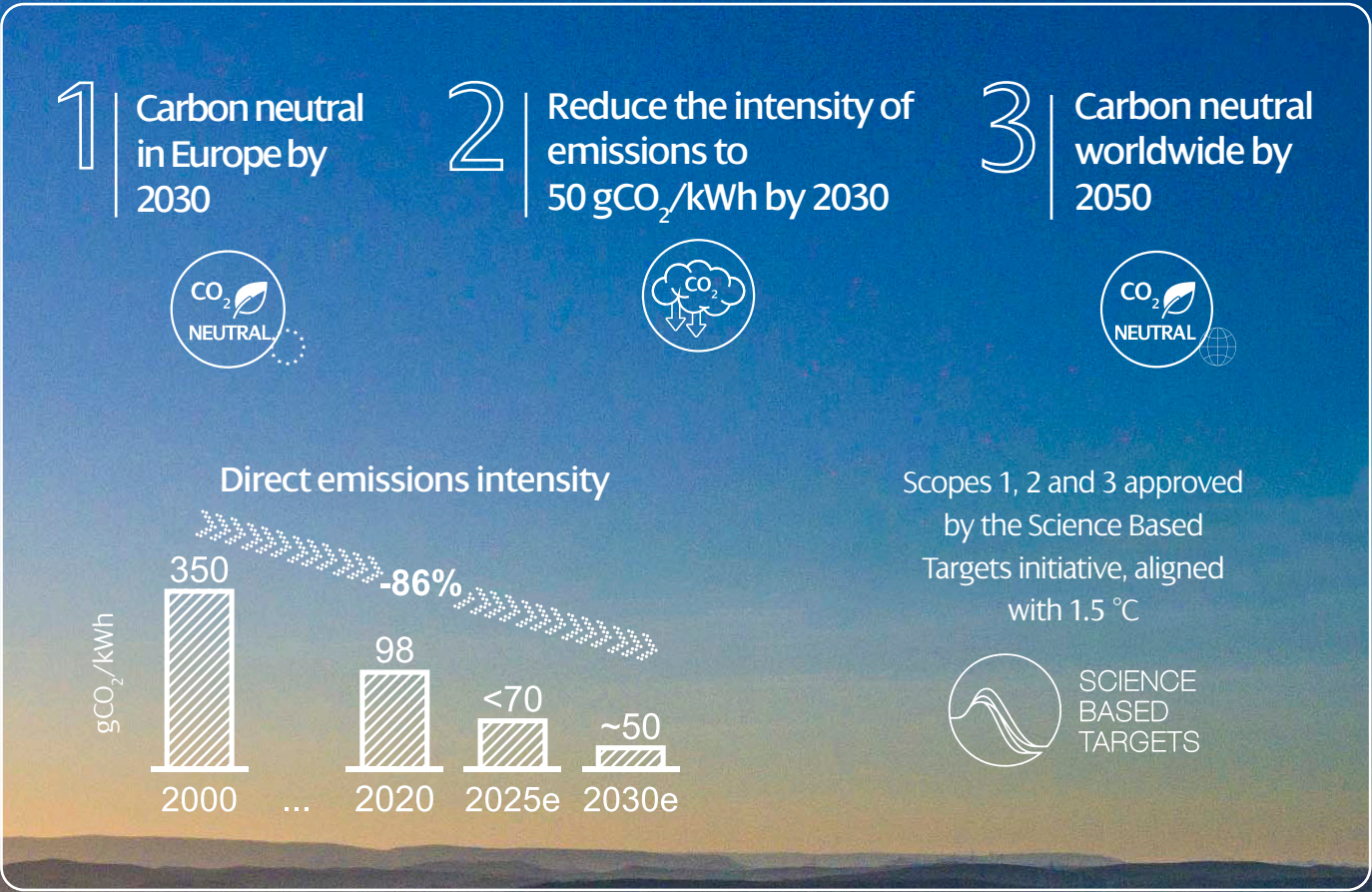


Data at close of 2020.
*includes nuclear generation

“Our business model, 20 years anticipating the energy transition places us as a key leading force in the transformation of the industrial fabric, promoting with our experience, social commitment and financial strength a model of long-term sustainable economic growth, capable of meeting the challenges faced by society today”

- Ignacio S. Galán.
Chairman of Iberdrola

EMISSION REDUCTION TARGETS



Iberdrola in its commitment to the Paris Agreement and the energy transition, has committed to be, by 2030, a **carbon neutral company in Europe**, 20 years ahead of the target set by the European Union. Furthermore, on a global level the company has set itself the targets of **reducing the intensity of its emissions to 50 gCO₂/kWh by 2030** and of **achieving carbon neutrality by 2050**.

It has also pledged to **reduce absolute emissions of GHGs**, in scopes 1, 2 and 3, which has been recognised as being science based by the **Science Based Targets initiative (SBTi), aligned with 1.5 °C**.

Oiz wind farm, Spain

CONTINUING OUR COMMITMENT TO DECARBONISATION

In order to achieve its commitment to reduce emissions, Iberdrola will continue to promote and lead a business model and investment plan that are both fully integrated into a decarbonised future.

Iberdrola's strategic cornerstones

Iberdrola will continue to focus on the **strategic cornerstones** that have been the basis of its sustained growth:

Geographical diversification

Countries with a solid credit rating and ambitious climate policies.

Energy transition

Agents for decarbonisation and electrification.

Efficiency

Continuously striving for operational excellence.

Optimisation of our portfolio

Contributing to the environmental and financial sustainability of our business model.

Innovation

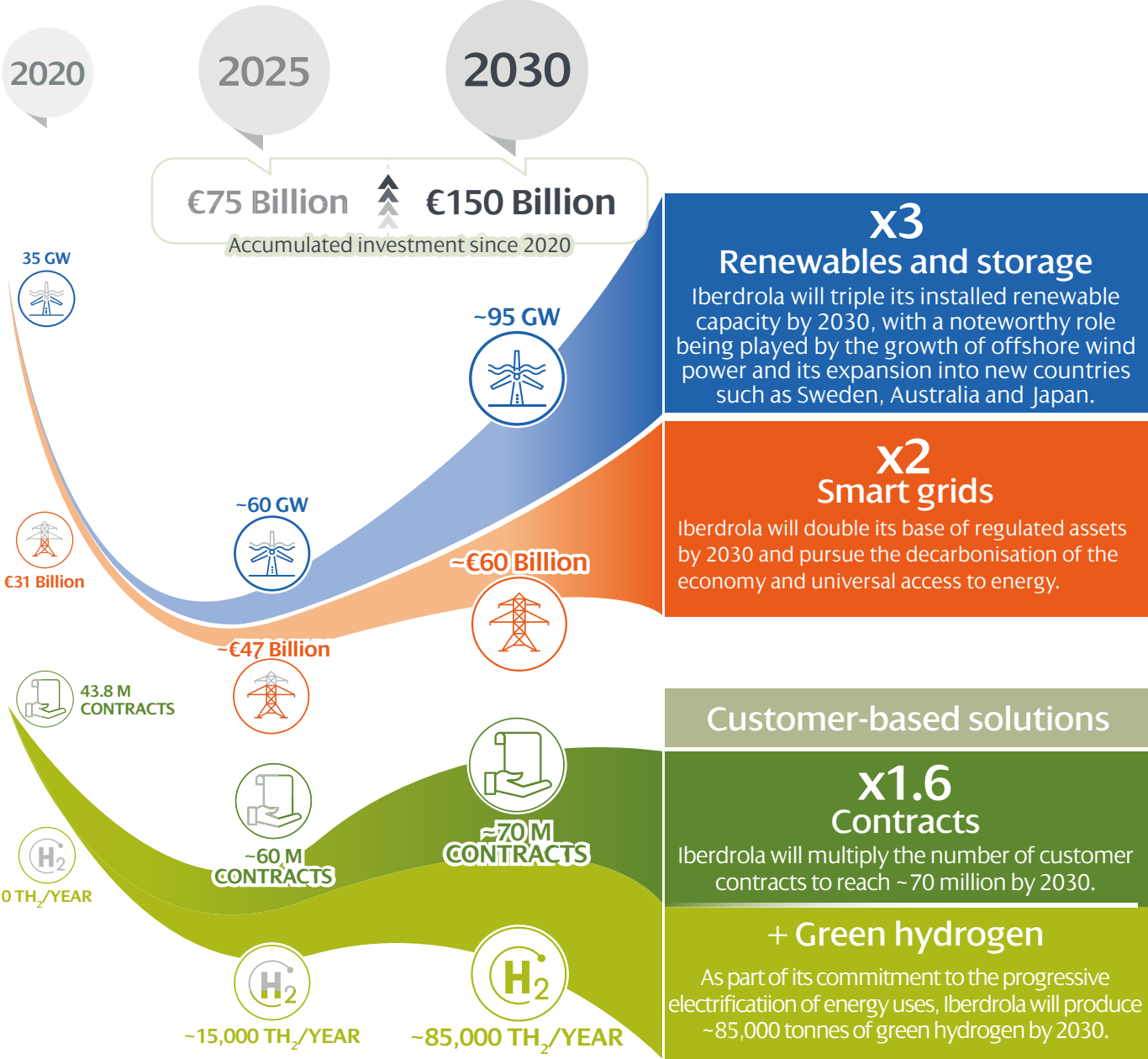
Laying the foundations for the future.

These strategic cornerstones will enable the Group to accelerate the creation of value for all of its stakeholders, while furthermore placing Iberdrola in a **unique position from which it can decisively progress its contribution** to the energy transition. This will see the construction of **an Iberdrola that is more efficient, more sustainable, more international**, and, in short, better prepared to continue responding and contributing to these trends and being a driving force behind economic recovery and job creation.

Investment Plan: Outlook 2020-2025 and vision 2030

The company has launched a **historic investment plan**, which is set to reach **€75 billion gross in the period 2020-2025**. Of this total, 68 billion will be organic investments, 51 % to be distributed to renewables, 40 % to networks and the rest to the liberalised business.

All in all, 2020-2030 investments will reach €150 billion by 2030.



Installed renewable capacity (GW)

	2020	2025	Increase
Photovoltaic solar	2	15	x7.5
Onshore wind power	18.5	26	x1.4
Offshore wind power	1.3	4	x3.1
Hydroelectric power	13.2	14	x1.1

2 | Governance that incorporates climate action

THE CLIMATE ACTION POLICY WITHIN THE GOVERNANCE AND SUSTAINABILITY SYSTEM

Governance and sustainability system

The governance and sustainability system **constitutes the internal regulation of Iberdrola and its Group**. It was established to provide a regulatory basis to ensure the Company fulfils its corporate purpose, adheres to its values and achieves its business goals. It is a **further development of the previous corporate governance system** and is at the forefront of the relevant best international practices. It addresses the ESG (Environmental, Social and Governance) criteria.



Bylaws

The system is based on the Bylaws, **which reflect the company's purpose and values, and define the Iberdrola project and its concept of social interest**.

Code of Ethics

The code of ethics is the company's **guide to behaviour** that seeks to be the driving force behind a **culture based on ethics and on a commitment to sustainable development**, shared by all those who participate in the Group's value creation chain.

Purpose. Our *raison d'être*



“To continue building together each day a healthy and more accessible energy model based on electricity” that contributes to the

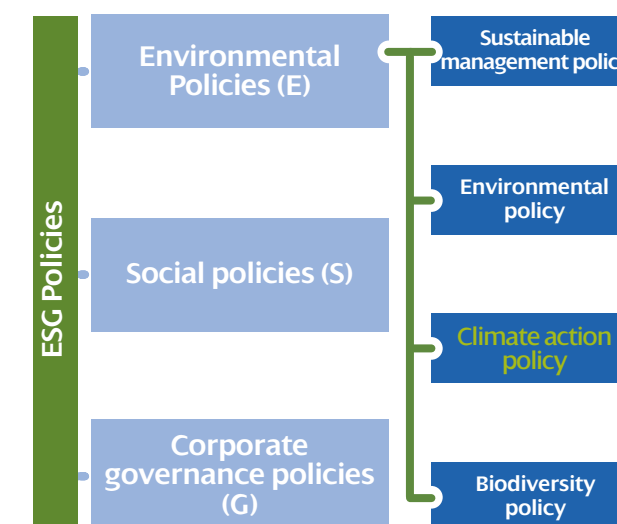
achievement of the Sustainable Development Goals (SDGs)¹ (in particular goals 7 and 13, regarding affordable and clean energy and climate action), and responds to the most demanding standards and requirements with respect to social commitment, environmental protection and good governance.

Values. Way of being

- **Sustainable energy**: to be a model of inspiration creating economic, social and environmental value in all of our surroundings and with the future in mind.
- **Capacity for integration**: bringing talents together for a purpose pursued by all in the benefit of all.
- **Driving force**: implementing changes that make people's lives easier while being efficient and self-demanding and constantly looking to better ourselves.

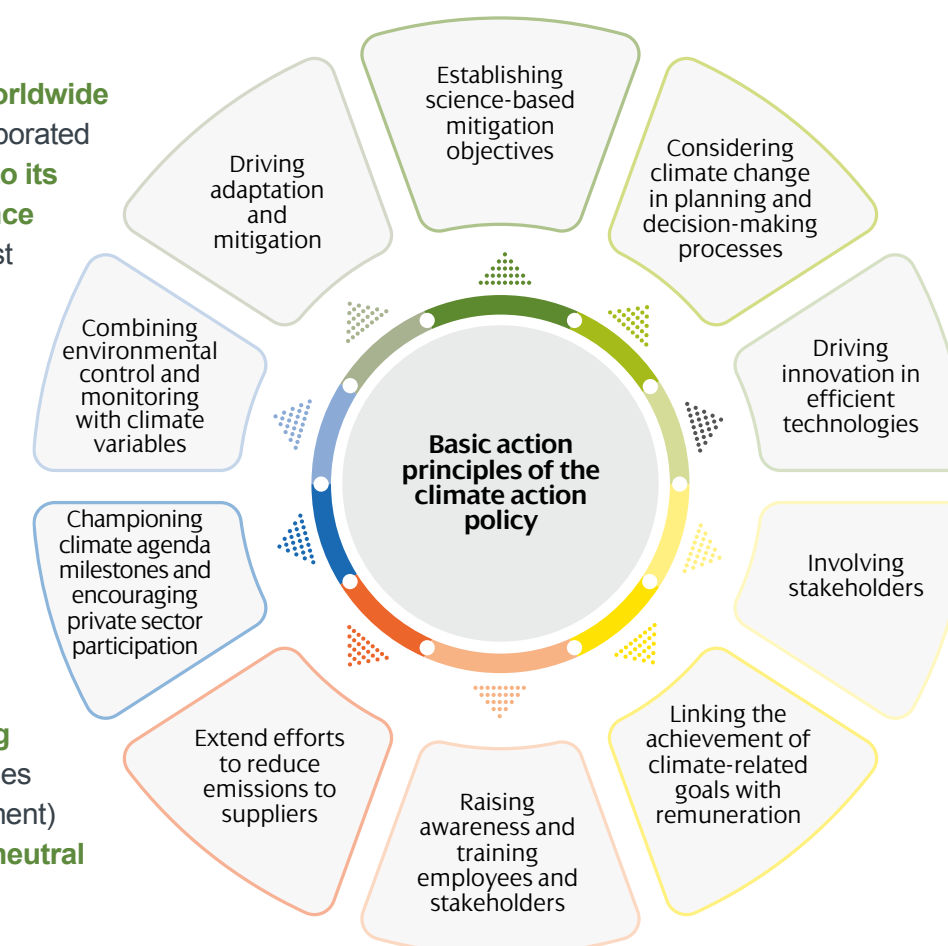
Corporate policies and regulations

These establish the **guidelines** required for **aligning our actions with Iberdrola's corporate purpose**. There are policies specifically focused on the environment and climate change.



Climate action policy

In 2009 Iberdrola became a **worldwide pioneer** when it incorporated **combating climate change into its previous corporate governance system** by approving the first policy to directly address this issue. The current climate action policy frames **Iberdrola's strategy and business model aligned with the Paris Agreement and the 2030 Agenda¹** in the fight against climate change. In it, Iberdrola commits to maintaining its **leading position** (directly and in partnership) **by raising awareness** (impacts, challenges and the benefits of its achievement) **and contributing to a carbon-neutral and sustainable future**.



¹ For more information about the 2030 Agenda and the Sustainable Development Goals, see section 8.

The policy considers the implementation of the recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD) and those of other reference organisations for identifying and reporting on long-term risks related to climate change.

Priority lines of action of the climate action policy to be promoted:

- Formalise and **communicate the Climate Action Plan** and its objectives.
- **Continue to develop** an energy transition based on the **decarbonisation and electrification** of the economy.
- **Integrate** climate science and **adaptation and resilience** criteria into the activity and into the development and management of facilities.
- **Analyse the physical risks** of climate change and others related to the energy transition.
- **Supervise the GHG emissions inventory** for monitoring and controlling it.
- Develop campaigns, workshops and educational resources to **train employees** in climate action.
- **Collaborate with third parties** on climate action, particularly with the United Nations Framework Convention on Climate Change.
- **Support public policies and strategies** that address the climate change problem.
- **Lead the main international** indices on the fight against climate change.
- **Disseminate the results and/or actions of** Iberdrola regarding the fight against climate change.
- Establish the mechanisms needed to **ensure the application of the Policy**.

GOVERNANCE STRUCTURE FOR MONITORING CLIMATE ACTION

To always ensure the most effective compliance with and implementation of policies, several **corporate bodies and internal committees are in place for monitoring them. The corporate bylaws approved by the General Shareholders' Meeting of June 2021 established the Board of Directors' obligation to regularly** approve, oversee and report on the climate action plan.

In response to the need for the professionalisation, diversification and classification of significant subjects, the Board of Directors has a **training programme designed to keep the knowledge of its members updated**. As well as the training sessions, a selection of reports, articles and other publications is published on the Board of Directors' website containing information about the global climate agenda, scientific analyses, regulations and trends in climate change matters and new decarbonisation technologies, etc.

In turn, the **structure of the remuneration received by the executive directors and senior management team** takes economic-financial, operational and sustainability aspects into account. A long-term remuneration plan was approved in April 2020 (Strategic Bonus 2020-2022), with parameters linked to the Strategic Development Goals, such as reducing the average intensity of CO₂ emissions and increasing the proportion of suppliers subject to sustainable development standards, among others.



Report on the climate change-related activities of the Board of Directors and its committees in 2020

Training and information sessions - Audit and Risk Supervision Committee

- Risks arising from the performance of activities with an impact on climate change and alert mechanisms of these types of risk.

Training documents on the Director's website

- Outcome of the Madrid Climate Summit (COP 25) and outlook for 2020: Iberdrola negotiations, announcements and participation.
- Scientific analyses of climate science and the impact of COVID-19 on the Climate Change Action Plan.
- The European Commission's Action Plan on Sustainable growth financing.

Priorities for 2021

- Risks and opportunities arising from climate change and reporting thereon.
- Monitoring of the Next Generation EU Programme.
- Energy transition road map.
- Follow-up of the sustainability-related activities.

3 | Financing for sustainability

THE ROLE OF SUSTAINABLE FINANCING IN IBERDROLA

Iberdrola has opted for **green finance** as its **main financing instrument**. This valuable tool is relevant to the **development of the Iberdrola investment plan**, offering investors transparency regarding how the funds are used and the ability to demonstrate its contribution to the environment. It also **helps to align Iberdrola's financial strategy with its purpose and values**, while incentivising a more competitive financial cost of its operations by extending and diversifying its investor base.

Financing plays an essential role in achieving the company's climate objectives and those of the 2030 Agenda. **GREEN FINANCING** incentivises the increase in the flow of funding from the public, private and non-profit making sectors towards investments that address climatic and environmental problems. Financing linked to sustainable criteria does not require the funds to be used in a specific way. All that is needed is for environmental, social and governance (ESG) aspects to be included in the financing terms and conditions. Both types of financing are crucial to speeding up the energy transition that contributes to the combating of climate change while generating opportunities for economic growth and employment. Sustainable financing frameworks are necessary to channel funds and foster transparency, integrate climate and sustainability criteria in the risk analysis and establish emissions reduction pathways aligned with the climate objectives.

Main uses of green financing



RENEWABLE INSTALLATIONS



ENERGY EFFICIENCY



CLEAN TRANSPORT



EXPANSION AND DIGITALISATION OF GRIDS AND NETWORKS

Iberdrola has devised a **Framework for Green Financing** (hereinafter the Framework) to ensure **transparency, disclosure and integrity** in its preparation of green financing transactions process. The Framework specifically sets out the applicable **procedures within a green bond or loan with a special focus on the selection criteria of the assets** to be financed (with more than 23 indicators, at corporate level or specific to each project, to follow when determining their eligibility), regular **reporting** and **green certification** of the operation by an independent body.

The development of the Framework, which is based on the **“Green Bonds Principles”** (GBPs) of the International Capital Markets Association (ICMA) and the **“Green Loans Principles”** (GLPs) of the Loan Market Association, also complies with the European Taxonomy.

The **EUROPEAN TAXONOMY FOR SUSTAINABLE FINANCE** is an instrument designed to help financial players to define the activities pursued by the sustainable agenda. The goals of the activities must consider at least one of the six objectives and not hinder the rest: climate change mitigation and adaptation, protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

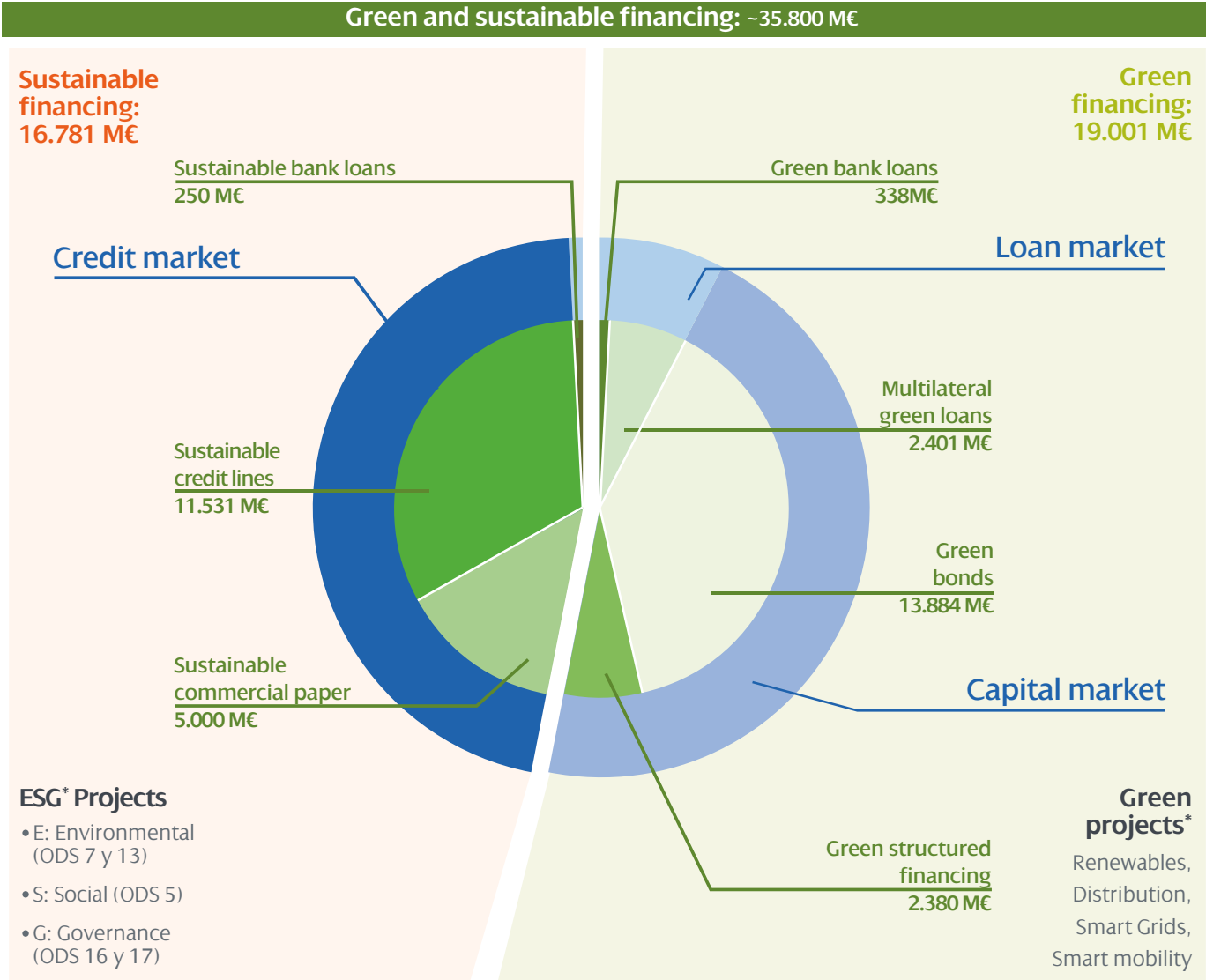
This definition was developed within the framework of the Technical Expert Group on Sustainable Finance (TEG), in which Iberdrola has participated since its creation in 2018.

SUSTAINABLE FINANCE INSTRUMENTS

Iberdrola is one of the **leading companies in the world** in **ESG financing**. The **quantity and volume of the transactions** carried out by different group companies amounted to almost **€35.8 billion** by the end of the first nine months of 2021. Of this amount, in capital markets Iberdrola is the **main issuer of green bonds** in the world with more than **€13.8 billion** issued and outstanding. Its leading position is reinforced by other green and sustainable debt operations in the banking market through project financing or granted by multilateral agencies such as the development banks.

In 2018 and 2019, Iberdrola's financing strategy received the **Most Impressive Corporate Green/ SRI Debt Issuer award from Global Capital magazine**, a publication specialising in financial market analysis. In 2020, the company received two awards as the **Most Impressive Corporate Green Bond Issuer** and the **Most Impressive Corporate Hybrid Capital Issuer**.

Iberdrola will continue to strengthen its commitment to this type of financing with the rigour and transparency typical of the company, while seeking to innovate whenever possible, as was the case with its recent commercial paper programme, which is linked to the achievement of various ESG targets, all of which are ambitious and relevant. Furthermore, it has taken on the commitment to maximise the volume of financial transactions that are either green or linked to sustainability goals. Iberdrola expects that 100% of its credit lines and 70% of its hybrid bonds will meet these characteristics by 2025.



Capital market

In 2014, **Iberdrola** became the first Spanish company to issue a green bond. Since then **it has increased financing through this type of instrument** with more transactions in a range of modalities: public and private operations involving senior and subordinated debt (hybrid bonds) issued by the corporation or other subsidiaries (Avangrid and Neoenergia) totalling 19 transactions at end of June 2021.

GREEN BONDS are a type of debt issued by public or private institutions to finance themselves, with a commitment to allocate the proceeds to an environmental or climate action-related project. On 5 July 2007 the European Investment Bank (EIB) issued a green bond for the first time.

In 2016 and 2017, **Iberdrola was the world's largest corporate issuer of green bonds**. In 2017, Iberdrola issued the first Spanish hybrid green bond in a €1 billion transaction, thus becoming the second company in the world to launch an bond of this type.

In 2020, Iberdrola became the **first Spanish issuer of green bonds to join the Nasdaq Sustainable Bond Network (NSBN)**. This index, which brings together a number of issuers, provides standardised information about their financing frameworks and the principles they apply, as well as data on the impact that each transaction has on the Sustainable Development Goals.

In early 2021, the company **issued the largest hybrid green bond issuance in history**, for **€2 billion**, consolidating it as the world's largest green bond issuer.

In April 2021, Iberdrola extended its short-term bond issuee programme in the Euromarket (European Commercial Paper Programme or ECP) to €5 billion maximum outstanding balance, simultaneously making it more sustainable and the **largest sustainable commercial paper programme by a Spanish company**. And it has done so by innovating and introducing a new factor: namely by linking the sustainable nature of the programme to the meeting of different objectives associated with the three ESG categories.

Loan market

In 2017, Iberdrola was the first energy company to take out **green loans** for a value of €500 million, which was then the largest amount subscribed at the global level within the sustainable financing area.

In 2018, the **first green corporate loan in Latin America** was signed by Iberdrola Mexico for US \$400 million.

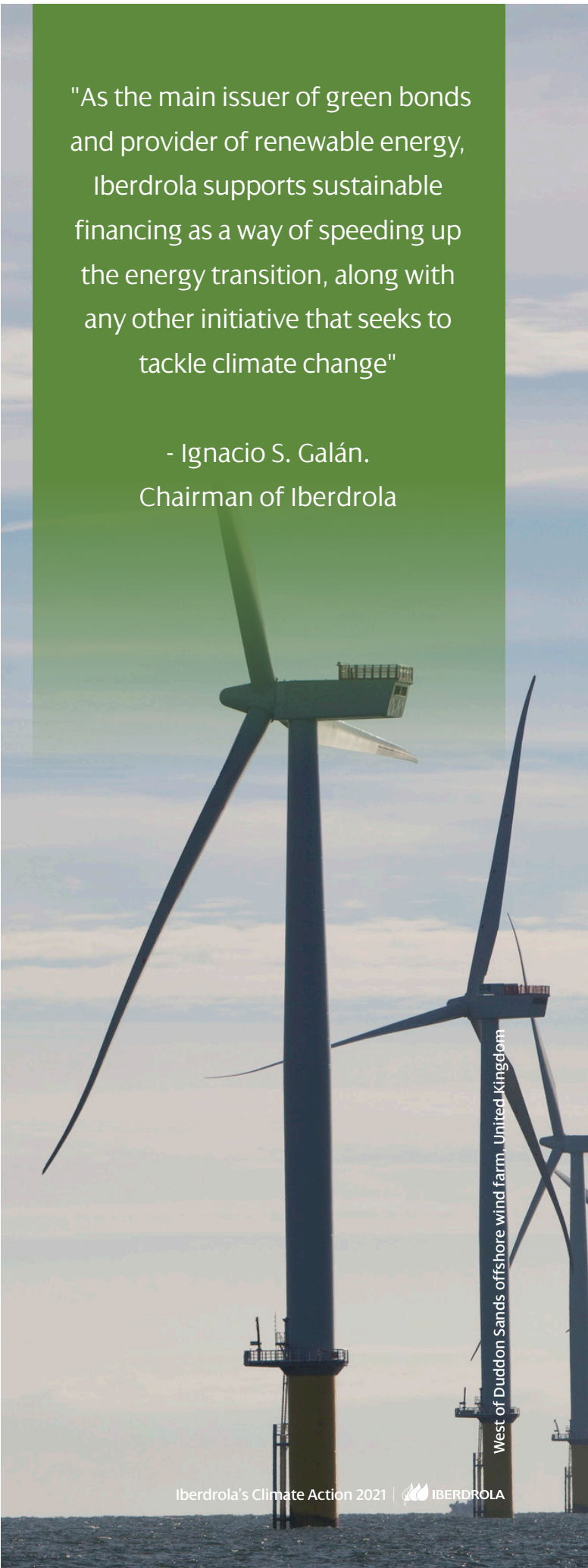
In 2019, Spain's **Institute of Official Credit (ICO)** granted its largest green loan ever totalling **€400 million**.

In 2020, a loan was received from the **EIB and ICO** for €800 million to drive a green recovery after the COVID-19 crisis and as a basic requirement for long-term growth in Europe.

In July 2021, Iberdrola obtained a **new green loan from the EIB for €550 million** to be spent on smart grids and networks in Spain.

"As the main issuer of green bonds and provider of renewable energy, Iberdrola supports sustainable financing as a way of speeding up the energy transition, along with any other initiative that seeks to tackle climate change"

- Ignacio S. Galán.
Chairman of Iberdrola



Credit market

In 2018, the company signed off the **world's biggest ever sustainable line of credit**, worth **€5.3 billion**.

In 2019, the Group took out the **first line of credit linked to social and environmental indicators**, for €1.5 billion. It was the first financing operation linked to SDG 7 of the 2030 Agenda of the United Nations: Affordable and Clean Energy.

In April 2021, Iberdrola closed a **new €2.5 billion multi-currency syndicated loan with 21 banks** linked to **two sustainability indicators**: reducing the intensity of the company's emissions (contributing to SDG 7, Affordable and Clean Energy, and to SDG 13, Climate Action) and ensuring a greater presence of women in positions of leadership (contributing to SDG 5, Gender Equality). It also introduced an innovative economic mechanism to contribute to a sustainable project, whose annual amount will vary according to the degree of compliance with certain indicators.



Baixo Iguacu, hydroelectric power plant, Brazil

4 | A climate resilient model



Achieving a climate-resilient model entails **preparing for potential risks derived from climate change**, while carrying out measures to achieve a **future with net zero emissions**.

Improving climatic resilience involves assessing how climate change will create new risks or opportunities or alter the current ones. The building of resilient systems **must start with a technological transformation** and move towards a decarbonised economy, thus avoiding worst-case scenarios and seizing the opportunities that the energy transition offers.

Therefore, the Group's **Climate Action Policy** includes among its priority lines of action, assessing the risks and opportunities of climate change in the context of the energy transition, as well as the physical risks and the integration of climate science and adaptation and resilience criteria, all with the aim of reducing or preventing the potential impact of climate change on operations.

Iberdrola monitors and manages the impact of climate change by means of a **permanent process of analysis based on climate science** and its application to the company's usual procedures, with a focus on planning, execution and control and continuous improvement. From this analysis it can be concluded that although risks exist, in general terms, **Iberdrola's business model** can be classified as **resilient to climate change**.



MAIN CLIMATE RISKS

Climate change brings with it a variety of risks which, to a large extent, are not new risks for Iberdrola. These risks, which are set out in the General Risk Management and Control Policy, and are therefore regularly monitored, can be divided into:

TRANSITIONAL, associated with all the risks that may arise in the gradual process of global decarbonisation, such as regulatory, market, technological, reputational, litigations, demand shifts, etc.

PHYSICAL, due to potential physical impacts on facilities resulting from the effects of the future change over time of climate variables, both chronic (temperature rise, sea level rise, change in precipitation patterns) and extreme (increase in frequency and intensity of extreme weather events such as heat waves, hurricanes, floods, etc.).

These risks may trigger others, such as the impairment of the creditworthiness of counterparts (suppliers, banks, others), social phenomena (humanitarian crises, impact on harvests and fisheries, refugee crises, epidemics) and increased competition for financial resources.

SCENARIOS CONSIDERED FOR RISK ASSESSMENT ²

The **Iberdrola investment plan**, reflected in the 2020-2025 outlook and the 2030 vision, is committed to the development of renewable energy, smart grids, digitalisation and the geographic and technological diversification of its activity. It is **based on the analysis of future scenarios**³ to **assess resilience to the risks**, opportunities and threats of climate change.

Transition scenarios

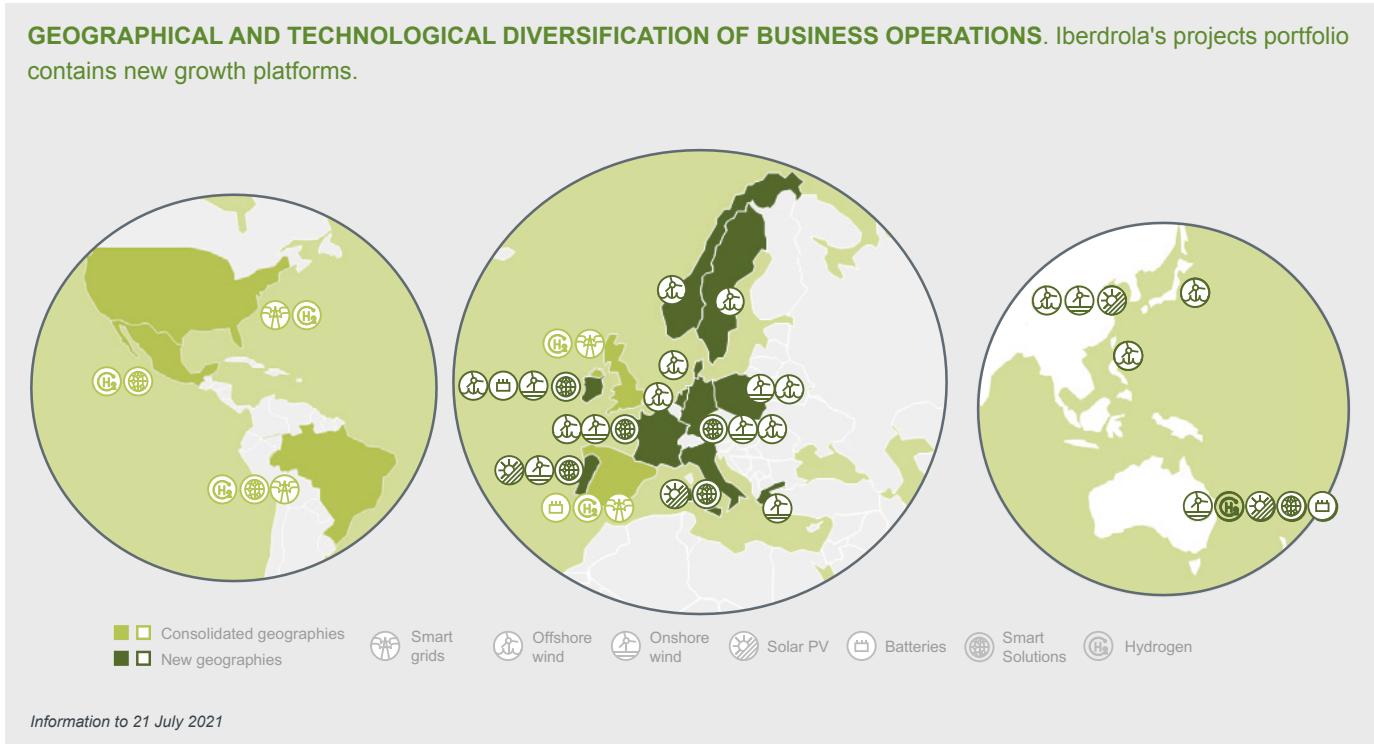
Iberdrola has assessed the risks and opportunities of its 2020-2025 outlook according to three scenarios developed by the International Energy Agency: STEPS, SDS and NZE2050, considering SDS as the baseline scenario

Transition scenarios assessed		
Scenario	Scenario description	Analysis of the scenario's impact on Iberdrola
Stated Policies Scenario (STEPS)	Slower energy transition: It only considers achievement of policies and measures already implemented or announced and targets already set.	The visibility of the investments planned for the 2020-2025 period implies an absence of significant impacts for Iberdrola in this period. In the 2025-2030 period, there could be negative impacts, albeit relatively minor, on retail and network businesses in Europe.
Sustainable Development Scenario (SDS)	It envisages achieving the Paris Agreement targets (<2°C) by reaching net zero emissions by 2070.	Baseline scenario of Iberdrola's 2020-2025 outlook.
Net Zero Emissions Scenario 2050 (NZE2050)	Faster energy transition: It envisions achieving net zero emissions by mid-century. In addition to this scenario, the result of other initiatives in which Iberdrola has collaborated is considered.	This scenario implies greater opportunities for Iberdrola, as a result of a faster and more ambitious energy transition with greater electrification of final consumption. All business would, to a greater or lesser extent, benefit from positive impacts.

² For more details of the scenario analysis and assessment of risks and opportunities, see chapter I.3, section "Iberdrola and the TCFD" of the **Non-Financial Information Statement. Sustainability report**.
³ The scenarios are not intended to be a complete description of the future, but rather to highlight key elements of a possible future and draw attention to the key factors that will drive future developments. (Source: **TCFD Technical Supplement**)

From the risk assessment of scenarios for the **2020-2025** period, it is concluded that **the design of the plan itself minimises short-term climate change risks**, including initiatives and projects that allow the Group to leverage opportunities derived from decarbonisation policies in the energy sector. The

analysis to **2030** shows that **more opportunities** than risks were identified. A qualitative exercise to **2050** also showed that the **Group is resilient** to foreseeable trends.



Physical risk scenarios

Iberdrola has analysed **the behaviour of main climate related risks** according to the projections compiled in the IPCC's Fifth Assessment Report (WGII AR5)⁴, for **the RCP 4.5 and RCP 8.5 scenarios**:

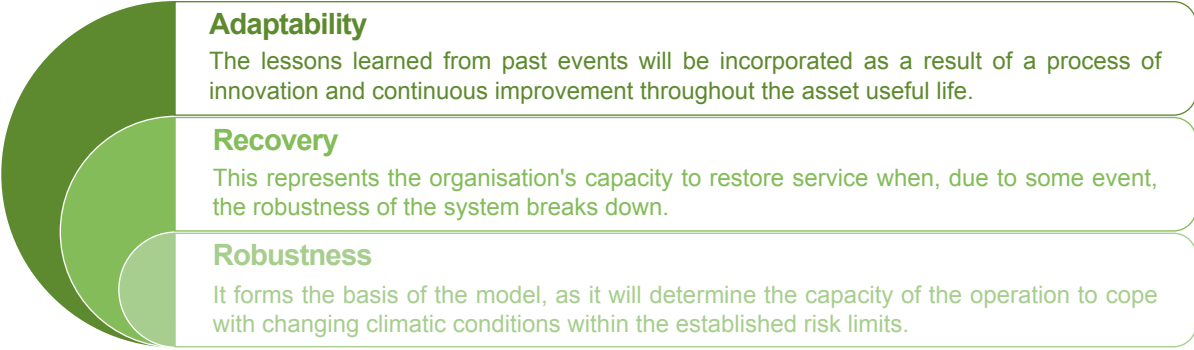
Scenario	Scenario description	Analysis of the scenario's impact on Iberdrola
RCP 4.5	Stabilisation scenario (+1.8°C*): considers the efforts that are being and may be made at the international level to reduce GHG emissions.	Up to mid-century, the outcomes of both scenarios are very similar. The assessment made showed that many of the risks derived from climate change, both chronic and extreme, affect normal business variables and, consequently, variables managed, to a greater or lesser extent, in the normal operational processes. However, climate change will affect the likelihood of occurrence and, potentially, the intensity of these risks with a significant local and technology component. Extreme weather events are identified as one of the main threats to different technologies and jurisdictions.
RCP 8.5	Worst case scenario (+3.7°C*): this foresees a higher concentration of GHG emissions and, therefore, greater variations in climate.	

* Rise in average temperature forecast for the end of the century compared to pre-industrial levels.

4 In the sixth IPCC report (AR6), whose first report was published in August 2021, a new set of scenarios was considered. These look at socio-economic situations, or SSPs, whose knock-on effects are similar to those of the current RCPs, although the paths of the emissions and the combination of emissions are slightly different.

IBERDROLA'S CLIMATE RESILIENCE MODEL

Iberdrola is assessing climate resilience **in its different business areas** based on three key concepts in its definition: robustness, recovery and adaptability.



Examples of actions that respond to different elements of climate resilience.

Meteoflow System

An advanced computerised system whose key functionality includes forecasting energy production from renewable facilities in different countries. Other functions include the ability to predict extreme weather events that, due to their intensity or characteristics, can damage infrastructures or cause hazards on work sites. This allows emergency plans to be activated in good time. This is how Meteoflow improves the resilience of the facilities to the growing number of meteorological phenomena triggered by climate change.

Climate change and investment dossiers

The assessment of climate change risks has been strengthened in the new investment dossiers, with the analysis initially focusing on new onshore wind and photovoltaic facilities. Based on existing internal and external studies, the main climate variables and their associated impacts are identified for different types of projects with different levels of granularity. The conclusions drawn from this analysis are compiled in each project's investment dossier.

Self-protection and flood management plans

All Iberdrola's hydroelectric plants have self-protection and emergency plans for extreme events, such as floods or heavy rains, guaranteeing a rapid and coordinated response. Likewise, in the case of floods, the facilities have spillways of different types (bottom, side, top, mid-dam).

Investment in smart grids

Investments in grids have improved the response to incidents, including those associated with extreme atmospheric phenomena, both in the number of customers affected and the average interruption caused by each incident. Among the investments, the level of automation of the medium-voltage network has been increased, thus improving incident detection, isolation and repair times.

DARWIND Project

Development of internal component reliability analysis tools to identify the best performing component models, which is extremely important when selecting spare parts for the fleet. This not only increases availability, but also improves robustness and response to possible extreme weather events.

Climate science is the basis for **analysing risks and opportunities arising from climate change**, which is carried out on an ongoing basis, taking into account the continuous advancement of science, both in terms of available tools and models, and a better understanding of the uncertainty associated with forecasts.

Based on current knowledge, and on the analysis undertaken to date, it can be established that, in general terms, **the Iberdrola business model** may be classified **as being resilient to climate change due, among others, to the following factors:**

Anticipation

Anticipation in the transformation of the business model, climate action being one of the cornerstones of the business strategy.

Diversification

Asset diversification (technologies and countries), allowing better risk management.

Experience

Proven capacity and experience through the years managing and operating installations.

Integration

Process of permanent climate science analysis.

Consideration of climate change in decision-making.

“Every day counts in the fight against climate change, which is why we must start building a stronger and more sustainable economy today”

- Ignacio S. Galán.
Chairman of Iberdrola

5 | Partnerships and global climate agenda

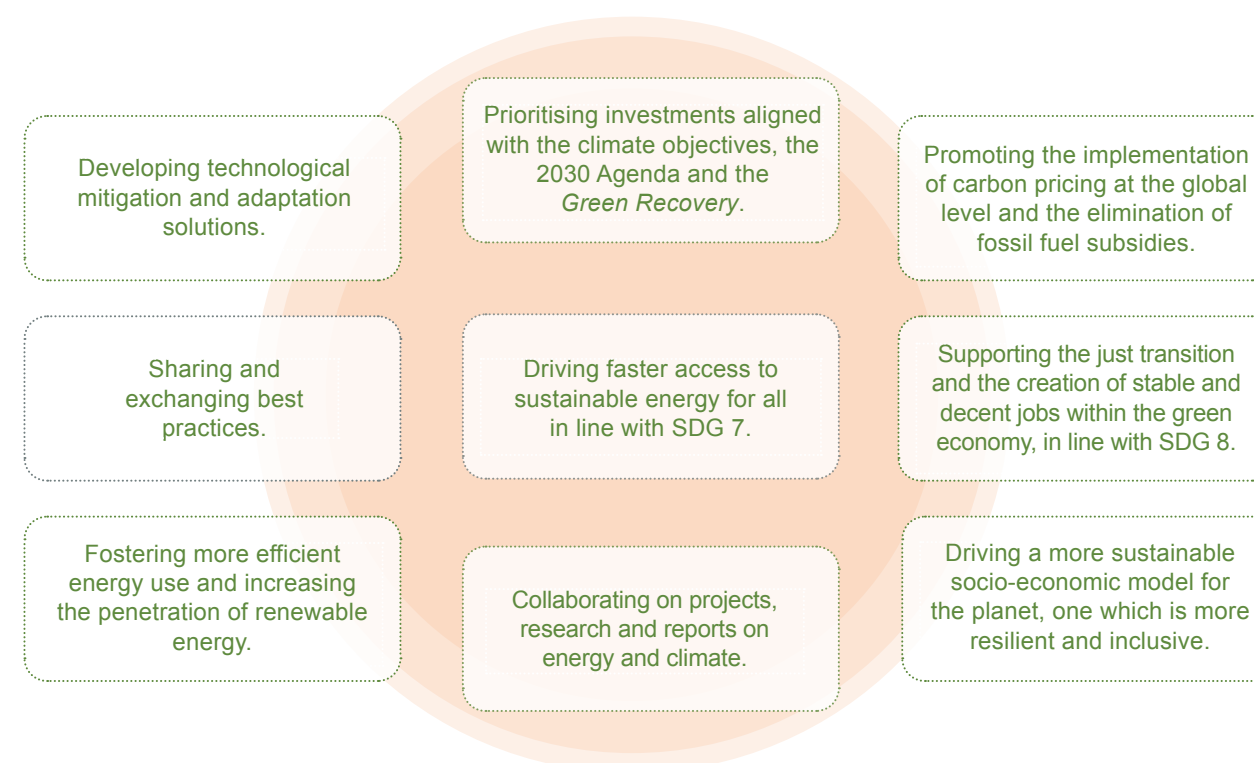
Fostering ambitious climate action requires **intense activity** within the framework of the global and regional debate **on the main forums on the climate agenda**. It also requires **the setting up of partnerships and participation in institutions, official bodies, campaigns and national and international events** to promote and achieve an ambitious approach to the definition of climate policies and private sector participation.

Consistent with its strategy, **Iberdrola has always supported an ambitious approach** within the framework of climate policies and the establishment of plans and objectives. What is more, **via statements and campaigns, Iberdrola is publicly supporting** frameworks for establishing green recovery plans that align the climate objectives with robust, sustainable economic growth.

In this context, **Iberdrola is an active participant in** the main milestones of the **climate agenda** at numerous high-level conferences and technical seminars. This has involved Iberdrola playing a relevant role at the various annual meetings of the **United Nations General Assembly** and at **the New York Climate Week**, climate conferences like *Race to Zero Dialogues* and *the Climate Dialogues* in 2020 and the different global climate agenda gathering at all levels (meetings of the subsidiary bodies of the United Nations Framework Convention on Climate Change (UNFCCC), climate meetings of multilateral bodies, etc.).

Iberdrola **also supports** numerous **external initiatives** and collaborates with several international organisations and business or multistakeholder coalitions, supporting ambitious climate action focused on the objectives of the Paris Agreement from an economic, financial, social and environmental standpoint.

Iberdrola's contribution with third parties, in the fight against climate change



► Some of the international organisations, coalitions, think tanks and foundations with which Iberdrola collaborates in the fight against climate change:



Iberdrola adhered to the **UN Global Compact** in 2002, and since 2004 it has been a member of the **United Nations Global Compact Spain**, as a founding member. Through this commitment, Iberdrola has undertaken to implement its Ten Principles, and to further the 2030 Agenda, contributing to achieving the SDGs and their dissemination. The company has been identified as a **LEAD company** because of its steadfast commitment to the Global Compact principles, and it has been leading the climate action platform of this organisation since it was created in 2016.

One of the most important milestones in Iberdrola's climate activity has been its **active role in the Conferences of the Parties (COPs)** on climate change, organised annually by the UNFCCC. Particularly noteworthy is Iberdrola's contribution as the main partner in **COP25** Chile, held in Madrid, and that of its subsidiary ScottishPower at **COP26**, in Glasgow. Iberdrola is also a continuous participant in the Marrakesh Partnership for the Global Climate Action, which was created following COP22 in 2016.

Moving for Climate Now

Within the framework of the annual COPs, Iberdrola organises the Moving for Climate Now initiative. This involves climate experts from several organisations cycling long distances on electric bicycles to raise international awareness of the importance of climate action and to show their support for ambitious approaches to achieving the objectives of the Paris Agreement. The fifth edition took place at COP25 In 2019. In 2019, the initiative won the Climate Leaders' Climate Reality Project Award.



Iberdrola also forms part of **Race to Zero**, a global partnership between the Climate Champions and the United Nations that brings together business, government and civil society actors committed to achieving a net-zero emissions future by mid-century at the latest.

One of the initiatives in which Iberdrola participates is the **Alliance of CEO Climate Leaders**, a project that forms part of the *World Economic Forum Platform*. It is a global community of executive officers who support and encourage action to achieve the transition to a net-zero emissions economy. The Chairman of Iberdrola, Ignacio S. Galán, is a member of this alliance together with 70 more business leaders in different industrial sectors and regions.

Another noteworthy initiative is **the Corporate Leaders Group**, a business alliance with broad European and international recognition that leads the most ambitious alignments in climate policy matters, where Iberdrola is an active participant at all levels. Among the sectoral campaigns, **The Climate Group's EV100** plays an extremely important role, with Iberdrola being the first Spanish company to join. The aim of this initiative is to accelerate the transition toward electric vehicles, and thus Iberdrola has committed to electrifying its entire fleet of vehicles and providing charging points for its employees in Spain and the UK by 2030. Iberdrola has also entered into **strategic partnerships** to speed up energy electrification with **companies in different fields, as well as with the public sector**. These partnerships intensify climate action efforts by integrating resources, technology, skills, knowledge and determination to create a more sustainable economic model. Iberdrola has presented more than 170 projects to the European Union's **Next Generation Programme**, which may activate investments worth up to €30 billion and involve small and medium-size businesses, institutions, technology partners, start-ups and the entire value chain. These measures - related to green hydrogen, innovative renewable energy, sustainable mobility, energy storage, smart grids, electrification of heat and clean technologies component recycling - will contribute to economic recovery by targeting sustainability, green and affordable energy and job creation.

"Finding solutions to global challenges necessitates joint action by all agents through alliances and public-private partnerships"

- Ignacio S. Galán.
Chairman of Iberdrola

6 | Raising awareness, key to climate action

Combating climate change is everyone's business and requires all agents in society to align and commit to making it happen. In this regard, **raising social awareness** is, on the one hand, **crucial to encourage behavioural changes and, on the other, to achieve a higher demand for ambitious policies to combat climate change**. To make this happen, one of the aims of SDG 13, Climate Action, of the 2030 Agenda, consists of **improving education and awareness** regarding the mitigation of and adaptation to climate change, the minimisation of its effects and early warning.

➤ IBERDROLA'S AWARENESS PLAN AND ITS MAIN AREAS OF ACTION

In response to the challenge laid down by SDG 13, in 2016 Iberdrola launched a climate change awareness plan (the "Awareness Plan") aimed at a range of audiences whose objectives are **to generate knowledge, drive mobilisation and encourage climate action**. Since that time, the Awareness Plan has become an established **priority activity in the company** and is divided into **four areas of action**:

Internal Actions



External Actions



Schools, young people and universities



Partnerships and institutions



Internal Actions



In this area, the goal is to raise awareness among employees by means of different actions, to transform them into agents of change and climate action ambassadors within their spheres of influence. To do this, Iberdrola runs courses, launches campaigns, provides tools and organises initiatives for volunteering.

Remote and in-person training courses

A total of 29,856 training hours* were delivered to employees on these subjects in 2020.

*Note: the hours were calculated to include the environmental awareness raising course, ISO 14000 training and others.

Environmental awareness raising



Climate change



The influence of air quality



Internal communication campaigns

Campaigns through internal communication channels and online events that publicise the importance of achieving the SDGs, among them SDG 13, Climate Action, and the relevance and capacity of the company's actions and those taken by each individual.

5 Years of the Paris Agreement

Virtual event (December 2020) for employees to commemorate the 5th anniversary of the Paris Agreement and report on the actions already and yet to be taken by the company in this regard. One of the speakers at the event was Laurence Tubiana, CEO of the European Climate Foundation (ECF).

Tools for employees

Tools that enable employees to bring the fight against climate change and respect for the environment into their working lives, including a programme to encourage electric vehicles, bicycles and vehicle sharing.

The "E-Bike 4U" Competition

Every year, Avangrid holds a competition for its employees, with the winner receiving an electric bike as the prize. To take part, employees must post a photo of themselves performing a sustainable action on the corporate social network. A total of 325 employees took part in 2020.



Corporate volunteering


Corporate volunteering, whose initiatives are related to the achievement of the various SDGs, offers employees the opportunity to organise workshops on climate change in their children's schools and/or in their communities.

Fighting climate change workshops

These have been held in Spain, Mexico and Brazil to raise awareness by organising talks at schools. Since the programme was launched, 593 workshops have been held attended by 18,200 children. The Environmental Rally was held in Mexico, where primary school children from 15 schools in the vicinity of Iberdrola Mexico work centres received training and took part in five environmental challenges.


Climateam was created to coordinate and promote internal initiatives on climate change awareness in 2019. This internal workgroup brings together employees of all Iberdrola's subsidiaries in different countries. **Its purpose is to raise awareness among all Iberdrola employees** and to share best practices in the fight against climate change among the different areas of the company.

External Actions

 This area is responsible for translating climate action into public opinion. The actions carried out in this area are focused on three lines of action.


Drafting and/or collaboration and dissemination of specific content on climate change.

Guardians of the Planet (2017)



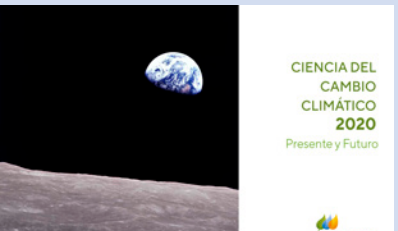
A documentary that explores the process of searching for responses to climate change through the curiosity and research carried out by three young entrepreneurs. It explores the causes and processes that trigger them.

'Hacia un planeta verde' (2018)



Documentary on the urgent need to progress toward a new energy architecture, based on the energy transition, via decarbonisation and leading to the green economy.

Science of Climate Change 2020: Present and Future.




Document that compiles scientific information to facilitate understanding of the global problem.

The sponsorship and organisation of, and collaboration with, climate awareness events.


The development and implementation of initiatives available to citizens and other agents and organisations.

"Ayuntamientos #Por el clima"

This is a sector initiative for municipal councils which is part of the larger "Comunidad #Por el clima" initiative. It has a website (ayuntamientosporelclima.es) designed to encourage climate action in small- and medium-size municipalities in Spain. The platform contains projects cases to reduce emissions from municipal management (energy consumed by municipal buildings, municipal vehicle fleet, etc.), based on an initial diagnosis of municipal council carbon footprints. The initiative also organises online sessions with municipal councils to offer them solutions in a simple and practical manner, exemplified with climate action in specific municipalities.



Schools, young people and universities

 Given the important role of children and young people, the purpose of this area is to raise their awareness. To do this, Iberdrola creates contents, incentivises mobilisation and has its own teaching centres.

Developing climate change content for schools.

EducaClima

An initiative that, via the website (educaclima.com), provides teachers with resources and information for all levels of education on climate change and sustainability. In Spain, it also provides teacher training in innovative and digital teaching methods that attract students and encourage them to participate.

#Educa | Clima

Fostering climate action.

2050 Climate Group

Financed by ScottishPower Foundation, this is a social movement for young professionals whose purpose is to involve, educate and empower future Scottish leaders to take measures against climate change (2050.scot). In 2017, it was recognised by the Energy Globe Awards as the best project.



Raising awareness through education centres on Iberdrola premises.


Interactive education centres

Iberdrola has five centres in Spain (Energy Classrooms) and one in the United Kingdom (Whitelee Education Centre) where it welcomes groups of schoolchildren for guided tours and to learn about renewable energy.

Whitelee Education Centre, United Kingdom



Partnerships and institutions

 The Iberdrola Group is aware of the importance of partnering with the private sector, the public sector, non-governmental organisations, academia and citizens to mobilise as many people as possible to advance climate action and enrich the process of cooperation. For more details about partnerships for combating climate change, see chapter 5.

Collaboration with NGOs to raise awareness

In 2021, Neoenergía organised a virtual event for its collaborators to commemorate Brazil's national climate change awareness day. Representatives of NGOs Engajamundo and Youth Climate Leaders took part in the event, proposing personal actions to achieve a sustainable future.

7 | Innovation to speed up decarbonisation

Green hydrogen tanks

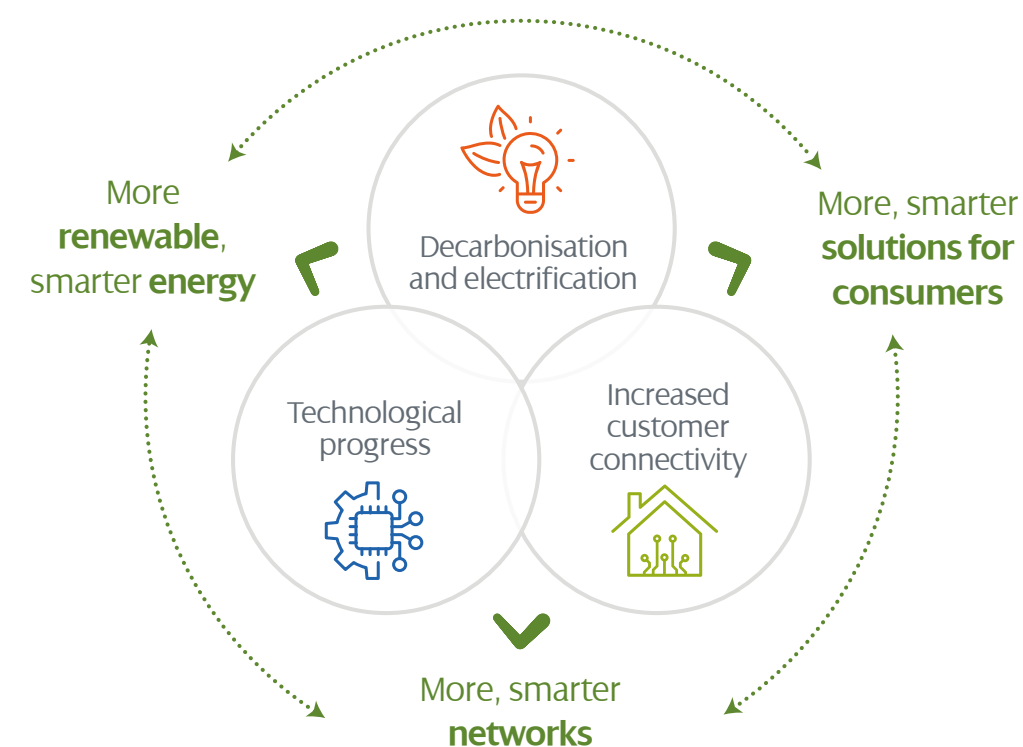
Innovation plays a key role in the energy transition by mitigating climate change through decarbonisation and electrification of the economy, improving adaptation and increasing climate resilience. That is why innovation is a **key variable in Iberdrola's strategy**, as a **tool that**, as well as improving the competitiveness of the business and maximising the use of technology in activities that add value, **contributes to the fight against climate change** through technologies that allow the supply of more sustainable, competitive and efficient solutions.

Iberdrola's **innovation strategy** has made it a global leader and benchmark in research, development and innovation (R&D+i) activities. Iberdrola is now the leading private energy company in Europe and the second in the world in terms of investment in R&D+i according to *The 2020 Industrial R&D Investment Scoreboard* report compiled by the European Commission.

In 2020, **Iberdrola invested a total of €293 million in R&D+i**, mainly focused on developing clean technologies, taking the figure to more than **€2 billion in the last decade**. This investment will increase to €330 million per annum in 2022 and up to €400 million per annum in 2025.

➤ MEETING THE CLIMATE CHALLENGE THROUGH THE R&D+i PLAN

Iberdrola's innovation plan "**R&D+i Innovation Plan 2020-2023**" is aligned with the **three key vectors** of the energy sector's transformation while tackling the climate challenge: **decarbonisation and electrification; technological progress**, that is making it possible to reduce costs and create new business opportunities; and **higher**



consumer connectivity, which gives it a higher profile and capacity to interact. These three trends create enormous opportunities for intelligence and digitalisation for Iberdrola's business areas.

Given its cross-cutting nature innovation **involves the company's** different areas of activity in order to address future challenges. Along these same lines, Iberdrola's R&D+i efforts are classified into five areas.



Disruptive technologies which are becoming increasingly efficient, sustainable and respectful to the environment, optimising the functioning of facilities and processes.



New products and competitive services that respond to customer needs.



Digitalisation and automation in all businesses and processes, introducing new technologies like blockchain, big data, internet of things, augmented and virtual reality, artificial intelligence, robotics, etc. A digital transformation that improves competitiveness, customer loyalty, supply quality and operational efficiency while minimising environmental impact.



Innovation with start-ups, entrepreneurs and suppliers to form alliances and develop new disruptive business models, encourage knowledge exchange and be a driving force among its collaborators.



A culture of innovation and talent, by transferring knowledge, attracting talent and promoting entrepreneurship.

Innovation initiatives and products in which Iberdrola is a driving force or participant within the five areas are described in the bi-annual **innovation reports** and on the Iberdrola website. The following are some recent representative examples, of particular relevance to climate change and decarbonisation.

Representative examples of innovation with an impact on climate action and decarbonisation

Disruptive technologies

Flagship Project, floating offshore wind

Iberdrola leads the development of renewable energy to facilitate its mass incorporation into the electricity system. The Flagship project, framed within the European H2020 project, is an initiative that sets out to demonstrate the viability of offshore wind turbines of more than 10 MW mounted on floating, semi-submersible concrete structures, with a view to reducing the cost of generation and the logistical viability of concrete rather than steel technology.



New competitive products and services

Green hydrogen, energy vector of the future

Iberdrola is committed to developing green hydrogen generated with 100% renewable sources to encourage its use in industrial applications and heavy transport.

Iberdrola currently has almost 60 projects in the pipeline to produce more than 60,000 tonnes of green hydrogen per year.

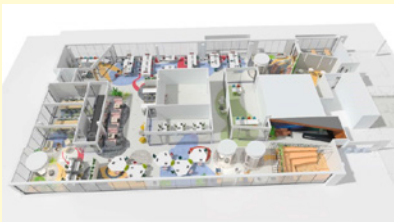
The company's facility in Puertollano (Spain) will be the largest green hydrogen plant for industrial use in Europe. Integrated in a photovoltaic solar plant, a lithium ion battery system and an electrolysis system will supply hydrogen to a Fertiberia ammonia factory.



Digitalisation and automation

Global Smart Grids Innovation Hub

The main mission of the Global Smart Grids Innovation Hub in Bilbao is to drive and streamline the development of innovation in smart grids, which will be key to speed up the energy transition to drive the development of the associated industry. The centre has areas for collaboration and laboratories with high-tech equipment specialised in developing solutions, in collaboration with stakeholders, as well as fostering development and training in disruptive technologies.



Innovation with start-ups, entrepreneurs and suppliers

Start-ups programme

The start-ups programme Iberdrola Ventures - Perseo, in which the company has invested €85 million, enables the creation and development of a global, dynamic ecosystem for entrepreneurship in the energy sector for achieving decarbonisation and electrification through digital challenges aimed at companies and start-ups that provide solutions in various fields. In addition, the Perseo Venture Builder has been launched with a budget of €40 million to support the creation from scratch of businesses to support electrification, concentrating on areas such as the circular economy and recycling, and in sectors that are difficult to decarbonise, including industrial heat production and heavy transport.

Start-ups challenges

Cleaning photovoltaic panels

Launched to find sustainable "waterless" low cost solutions, which also increase climate resilience in facilities in zones at high risk of drought. A total of 74 proposals were received from 70 companies in 25 countries where Iberdrola operates

Protecting bird life from networks

Focused on finding innovative solutions to prevent birds from utilising electric pylons as perches, thereby avoiding electrocution and collision, as well as developing durable materials that would make line operation and maintenance easier. A total of 37 applications were received from 33 companies in 16 countries.

Resilience to natural disasters

Launched to collect disruptive ideas to increase the climate resilience of energy sector infrastructure in the face of the increasing frequency and severity of extreme weather events due to global warming. A total of 148 proposals were received from 131 start-ups in 24 countries.

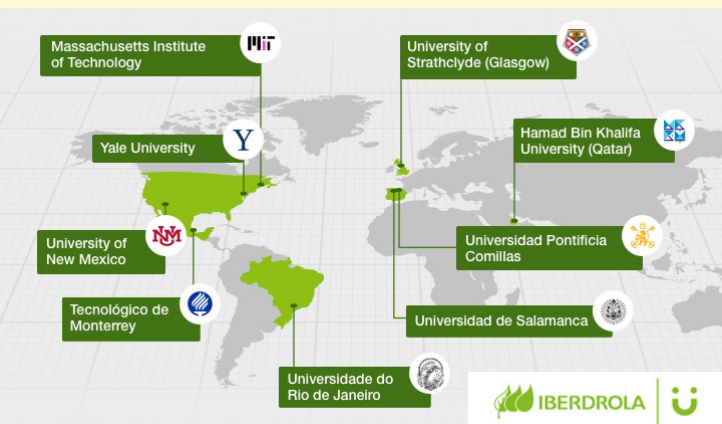


Culture of innovation and talent

Universities Programme

Under this programme, various initiatives are developed with academia, such as chairs, R&D projects, training for students, internal training and young entrepreneurs. The Universities Programme currently reaches almost 300,000 students, 20,000 lecturers and 1,500 scholarship holders.

Iberdrola has signed agreements with nine benchmark educational centres, through which it has developed study and research projects, among others, on climate change (both mitigation and adaptation).



Open innovation platform for a just transition

Launched in collaboration with the University of the Basque Country and the Polytechnic University of Madrid, this platform is a proposal for driving a "just transition" in territories faced with Iberdrola thermal power plant closures. It promotes collaboration between citizens, public entities and companies, based on listening and co-creation methods, for the development of socio-economic development initiatives at 5 levels of action: Community initiatives, social entrepreneurship projects, large-scale public-private contributions, new public services and experimentation with new regulations.



“Large companies will be innovative or they won’t be”

- Ignacio S. Galán.
Chairman of Iberdrola



8 | Climate change in the Sustainable Development Plan

Climate change is **one of the cornerstones of the Iberdrola Sustainable Development Plan**, and is generally present throughout it. This plan, called **"Energy to thrive"**⁵, is based on ESG+F criteria, as financial soundness is added to environmental, social and governance criteria.

The Plan sets out **7 priorities**, one of which is combating climate change. This plan allows the **company to work toward the Sustainable Development Goals (SDGs) of the 2030 Agenda** of the United Nations. Specifically, the priorities in the plan make a substantial contribution to SDG 13, Climate Action.

In 2015, the United Nations adopted the **2030 AGENDA FOR SUSTAINABLE DEVELOPMENT** to address the environmental, social and economic challenges threatening the future of the planet. It consists of 17 Sustainable Development Goals (SDGs), divided into 169 objectives, to be achieved by 2030.

Iberdrola's main mission is to contribute to SDG 13 (Climate Action) and SDG 7 (Affordable and Clean Energy). It also contributes directly to ensuring clean water and sanitation (SDG 6), invests in R&D+i measures (SDG 9), fosters respect for life on terrestrial ecosystems (SDG 15) and forms partnerships for achieving the goals (SDG 17). Iberdrola makes indirect contributions to the other SDGs.



⁵ For more information on the "Energy to thrive" Sustainable Development Plan, see the [Non-Financial Information Statement Sustainability report](#).

Priorities of the sustainable development plan aligned with the SDGs								
	Combating climate change and protecting biodiversity	Contributing to the well-being of our communities	Sustainable economic growth	Innovation, digitalisation and quality	Good governance, transparency and stakeholder engagement	Promoting CSR in the supply chain	Workplace health and safety and workforce development	
7 AFFORDABLE AND CLEAN ENERGY	✓	✓		✓				
13 CLIMATE ACTION	✓	✓	✓	✓	✓	✓		
6 CLEAN WATER AND SANITATION	✓							
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	✓	✓	✓	✓	✓			
15 LIFE ON LAND	✓							
17 PARTNERSHIPS FOR THE GOALS	✓	✓	✓	✓	✓			
1 NO POVERTY		✓	✓					
2 ZERO HUNGER		✓	✓					
3 GOOD HEALTH AND WELL-BEING	✓	✓		✓		✓	✓	
4 QUALITY EDUCATION		✓			✓			✓
5 GENDER EQUALITY		✓			✓	✓	✓	
8 DECENT WORK AND ECONOMIC GROWTH	✓	✓	✓		✓	✓	✓	
10 REDUCED INEQUALITIES		✓	✓	✓				✓
11 SUSTAINABLE CITIES AND COMMUNITIES	✓	✓						
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	✓		✓	✓		✓		
14 LIFE BELOW WATER	✓							
16 PEACE, JUSTICE AND STRONG INSTITUTIONS					✓			✓

We will now go into further detail about certain aspects of the Plan that tackle the fight against climate change not included either directly or indirectly in other chapters of the document: "Protection of biodiversity" "Circular Economy", "Driving Action in the supply chain" and "Universal access to energy".

Protection of biodiversity

Iberdrola's leadership in the fight against climate change goes beyond in its positive **contribution to biodiversity and human health**.

One example of this was the launch of the **Iberdrola Trees Programme** in 2020, the goal of which is to promote the planting of 20 million trees by 2030 to contribute as a carbon sink while conserving ecosystems and improving air quality.

Likewise, also in 2020, Iberdrola's foundations implemented 39 projects and actions in connection with **SDG 13**, including: research and publication of studies on the effects of climate change on certain species of flora and fauna and ecosystems, programmes to increase the resilience of species to climate change, ecosystem restoration actions, among others.

The Coralizar Project (in collaboration with WWF-Brazil)

This project studies areas with coral reefs to understand the impact of climate change on this ecosystem and understand the elements species rely on for their survival. In parallel, a natural coral restoration methodology is being developed in Ipojuca (Pernambuco).



Circular economy model

The adoption of a circular economy model is a **key measure for Iberdrola** as a driving force for sustainable development, climate action and the energy transition.



The Iberdrola model is **directly aligned with circularity** by reducing emissions, selecting renewable sources, improving efficiency, optimising resources and maximising the use of waste.

In 2019, Iberdrola defined its **circular economy system** to include the entire supply chain and its operations, from suppliers to customers.

Driving action in the supply chain

In the fight against climate change and the boost toward the energy transition, **the electricity sector** becomes an **important economic driver**.

Iberdrola contributes to a solid industrial sector in its areas of influence, which is why **89%** of all **purchases** are **local**, enabling the development of suppliers and the creation of indirect jobs. In addition, as part of its commitment to the energy transition and the green economy, Iberdrola **encourages the creation of new business lines** for its suppliers and the development of new sectors and markets.

Supplier Development

In more than seven years, Iberdrola has awarded Navantia-Windar €1.3 billion in contracts to build and assemble foundations for offshore wind projects. These contracts have led to the creation of thousands of indirect jobs and the opening of new production plans. Navantia-Windar is also participating in the Winkinger (Germany) and East Anglia One (UK) offshore wind farms.



Because of this vision, which the company has been working on for more than 20 years, Iberdrola increased its commitment during the COVID -19 crisis by bringing forward orders to suppliers, contributing to the maintenance of their activity. Iberdrola is fully aligned with the **green recovery**, actively supporting it **to drive** the transition to a **new socio-economic model** that is climate neutral, resilient, sustainable and inclusive.

At the same time, Iberdrola drives **socially responsible practices** in its supply chain, having set itself the goal that by 2022, at least 70% of its major suppliers will be subject to sustainable development standards. It also engages with its suppliers to measure indirect emissions and promotes joint initiatives to reduce them.

Universal access to energy

To achieve the challenges and make the most of the opportunities emerging in today's world, **energy** plays a central role **as a lever for human and economic development** (creating jobs, promoting security, food production and industrial activity) and **in the fight against climate change**.

Iberdrola is focused on SDG 7, Affordable and Clean energy **and 13**, Climate Action, where it makes its most relevant contributions. The contribution to SDG 7 through specific lines of action focused on universal access, such as the Electricity for All Programme, on the development of renewable energy, smart grids and of means to improve energy efficiency, directly contribute to Iberdrola's climate action **by developing a clean, sustainable electricity model**.



Electricity for All Programme

This programme is Iberdrola's response to the call of the international community to extend universal access to energy, with environmentally sustainable, financially affordable models. By 2030, the programme will have brought access to electricity to 16 million people who currently live without it. The programme is present in Brazil, Mexico, Nicaragua, Peru, Rwanda, Kenya, Ethiopia, Benin, Uganda and Tanzania.



9 | Commitment to information and transparency

In the Iberdrola Governance and Sustainability system, transparency is identified as being **crucial to generate trust and credibility**, both in the markets and among investors, the workforce and other stakeholders. Thus, transparency is one of Iberdrola's defining traits, as the company has committed to disseminating relevant, accurate, and reliable information about its operations and performance, including climate action.

In accordance with its corporate policies, following Law 11/2018 on Non-Financial Information and Diversity and in line with the Global Reporting Initiative (GRI) and with the Sustainability Accounting Standards Board (SASB), **Iberdrola publishes its annual "Statement of Non-Financial Information - Sustainability Report"**. Moreover, Iberdrola was one of the first companies to make a public commitment to implement the **recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)** in its published reports.

The Financial Stability Committee (FSB) created the **TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) WORKING GROUP** in 2015 to develop a framework of recommendations for improving disclosures about the risks related to climate change in the financial sector and its value chain.

The information reported also includes **aspects** related **to the climate change mitigation** and decarbonisation strategy and an extensive list of

indicators (emission reduction targets, greenhouse gas inventory, etc.).



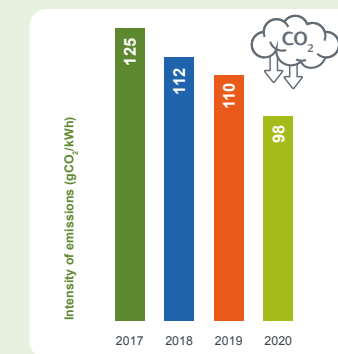
Inventory of Greenhouse Gas Emissions

Since 2008, Iberdrola has calculated its carbon footprint through a greenhouse gas inventory.

The carbon footprint represents the total volume of greenhouse gases (GHG) resulting from economic and daily activities.

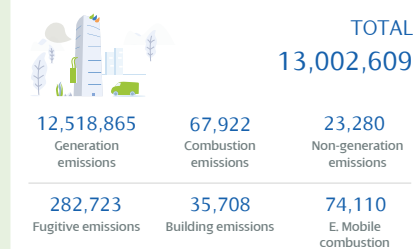
At Iberdrola, emissions accounting is based on international standards, such as the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1 (UNE).

Change in Iberdrola's global emission intensity per thermal kWh produced

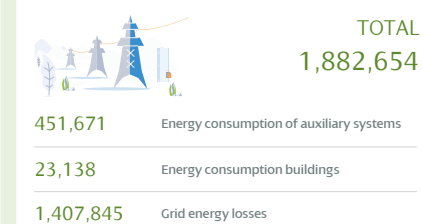


Quantification of emissions 2020

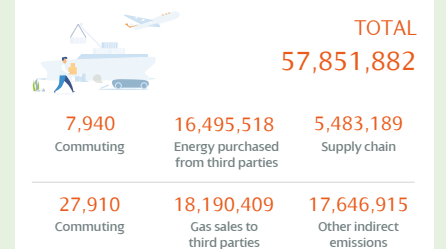
Scope 1 (t CO₂ eq) Direct emissions



Scope 2 (t CO₂ eq) Indirect emissions



Scope 3 (t CO₂ eq) Other indirect emissions



*These indicators are published annually in the **Greenhouse Gas Report**. Its calculation is based on international standards, such as the GHG (Protocol Corporate Accounting and Reporting Standard) and the UNE-EN ISO 14064-1 standard and is verified by the Spanish Association for Standardisation and Certification (AENOR).

In its commitment to transparency and aware that environmental, social and good corporate governance (ESG) factors are linked to medium- and long-term results, **Iberdrola integrates sustainability objectives into its business**

Main ESG objectives					
		2020	2022e	2025e	
E	Emissions per kWh	gCO ₂ /kWh	98	~100	<70
	Biodiversity: reforestation	Trees, in millions	-	2.5	8
	Water: consumption	m ³ /GWh	434	<500	<420
	Smart grids	% of HV and MV networks	70	75	83
	Smart meters	Number, in millions	14,9	16.7	21.2
	R&D investment	Millions of Euros	293	330	400
S	Training hours	Hours per employee per year	53	>55	>55
	Clients: services and products	Number, in millions	9	12	18
	Employment generated	Employment contribution	~400,000	>400,000	>500,000
	Women in leadership positions	% of management positions	22	25	~30
	Gender pay gap	% female / male ratio	+7.3%	+/-2%	+/-2%
	Electricity for all	Beneficiaries, in millions	8	11.5	14
G	Foundation	Beneficiaries, in millions	-	1.3	1.4
	Best Governance Practices	Inclusion in Corporate Governance System	✓	✓	✓
	Cybersecurity	Number of annual security assessments	1,200	1,800	2,000
	Suppliers	% of suppliers with sustainability policies	47%	70%	75%

The adoption of **best reporting practices**, together with constant improvement in all areas of activity, including climate action, have consolidated **Iberdrola as a global benchmark** for its commitment to transparency and the fight against climate change. This has resulted in it being recognised internationally by external agencies and being included in the most prominent global sustainability indices and rankings.

A clear example is the **Dow Jones Sustainability Index** (DJSI), where Iberdrola stands out as the only utility selected in its 21 editions. Another example is the **CDP 2020 Climate Change Index**, which measures the climate change management

strategy. Therefore, in addition to emission reduction targets, which are key to climate action, Iberdrola has also set commitments in the area of ESG criteria.

of companies, in which Iberdrola has been in the leading positions in recent years.

Iberdrola was also recognised in 2020 by **Influence Map**, a ranking that measures the commitment of companies based on their climate policies and regulations worldwide, as the most active utility in defence of ambitious policies aligned with the Paris Agreement.

In relation to the GHG emission reduction targets, Scopes 1, 2 and 3 aligned with 1.5°C were approved by the **Science Based Targets** (SBTi) initiative in November 2020.

Indices recognising Iberdrola's contribution to climate action and sustainability

The only European electricity company to be selected in all 21 editions of the competition

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Iberdrola selected in 2020

GLOBAL 100

Selected in the index for 11 years



FTSE4Good

Rated A- in the CDP Climate Change Index 2020



CDP

Iberdrola selected as CDP Supplier Engagement Leader



Iberdrola selected as AAA

MSCI ESG RATINGS

AAA

Iberdrola selected in several Euronext Vigeo Eiris indices



Rated "Silver Class" in the electricity sector



berdrola among the 10 best-ranked companies in mercoEMPRESAS 2020 and mercoRESPONSABILIDAD Y GOBIERNO CORPORATIVO 2020



Iberdrola included in the index *STOXX Global ESG Leaders* and in the most important indices

Member 2019/2020

STOXX

ESG LEADERS INDICES

Iberdrola as one of the top 10 rated companies



Iberdrola ranked as Prime

Corporate ESG Performance

RATED BY ISS ESG

Prime

Ranked first utility and in top 10 worldwide in the 2020 State of Sustainability Reporting report



Iberdrola selected in the most important indices

ECPI

Sense in sustainability

Iberdrola selected as the world's second largest utility in the *Green Utilities Report 2020*

Energy Intelligence

EI NEW ENERGY

GREEN UTILITIES REPORT

Gold medal, Iberdrola as one of the best-performing companies



Iberdrola among the utilities with the best scores

SUSTAINALYTICS

a Morningstar company

Iberdrola selected as the Spanish company of reference in the first edition of the OpenODS Index, with the highest score among Ibex-35 companies.

OPEN ODS

Index



Iberdrola tower, Spain



