



# Framework



December 2023

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**Green  
Financing**

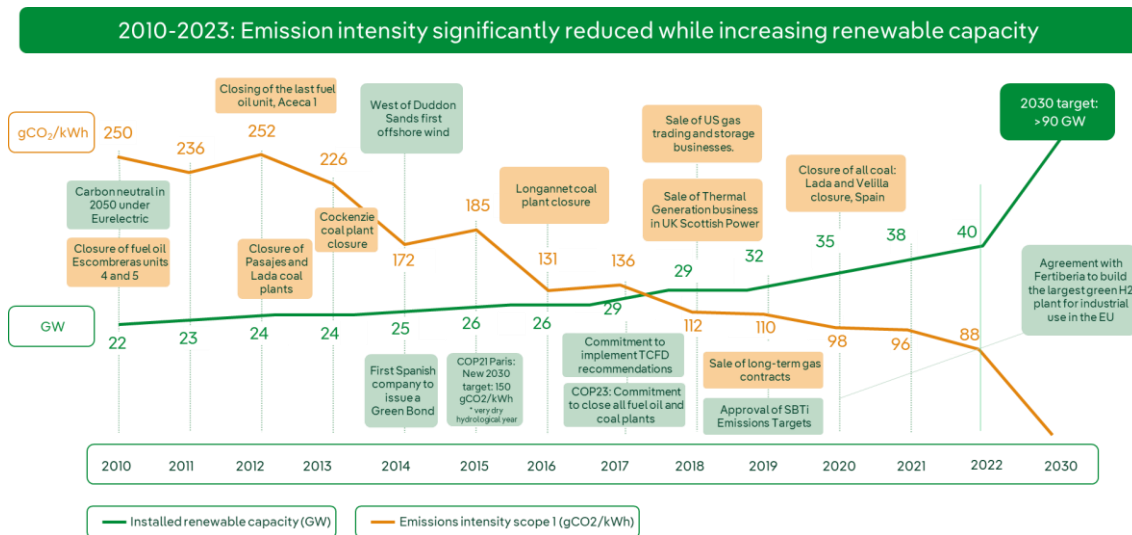
# 1. Introduction

## 1.1. Rationale

Iberdrola is committed to an energy model that prioritizes the well-being of people and the preservation of the planet. This is rooted in the corporate purpose that inspires the entire strategy of the company: “to continue building together each day a healthier, more accessible energy model, based on electricity”.

For more than 20 years, in anticipation of the energy transition, Iberdrola has been developing sustainable solutions to support the increasing electrification of the global economy: cleaner energy, more storage capacity, more backup power, more and smarter grids, and more digitisation. Today Iberdrola is a benchmark in the fight against climate change and has an active presence at the United Nations Climate Change Summits.

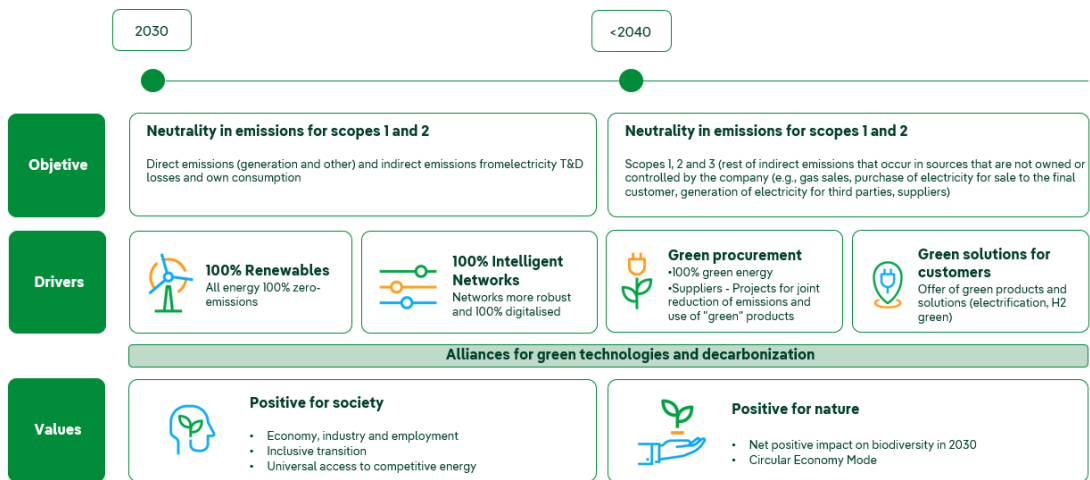
The protection of the environment and the commitment to a sustainable development have set priorities over the past years. The company has invested more than 140b€ in energy transition since 2000, allowing the transformation of the electric system towards a more decarbonised generation mix, increasing its installed capacity free of emissions and therefore achieving a significant reduction of emissions.



The electricity sector plays a key role in achieving the goal set by the historic Paris Agreement to limit the increase in global temperature to 1.5 °C and to tackle the climate emergency.

In its commitment to the Paris Agreement and the energy transition, Iberdrola's Climate Action Plan establishes an ambitious roadmap with SBTi (Science Based Targets initiative) verified targets of achieving carbon neutrality for scopes 1 and 2 by 2030 and net-zero emissions before 2040 for all scopes, including scope 3 (expressed in carbon dioxide equivalent). The plan also defines the levers and associated actions that, in turn, contribute to the decarbonization of the economy as a whole, as well as the values, tools and indicators on which the achievement thereof is based.

## Key elements of the Climate Action Plan



In addition to the Climate action plan, Iberdrola is addressing the triple environmental challenge: climate, biodiversity and raw material crisis. We understand these challenges also as an opportunity for sustainable value creation.



**Biodiversity:** Iberdrola is committed to protecting and acting for nature, and we have strengthened our commitment with the launch of our 2030 Biodiversity Plan. This Plan establishes the mechanisms to achieve the ambitious goal of having a **net positive impact on biodiversity by 2030** and to drive the transformation towards an energy model in harmony with nature and human beings.

**Circular Economy:** Since 2014, Iberdrola has integrated the life cycle approach into its management, which is the basis for the transition to the circular economy. Targets for 2030 such as recycling 100% of dismantled blades or reduction of more than 60% of the water consumption are some examples of the commitment of Iberdrola with circular economy.

Iberdrola's sustainability performance is well recognized by prestigious indexes such as the FTSE4Good, the CDP Climate Change or the Dow Jones Sustainability, being the only European electricity company included in all its editions for more than two decades.

 <p><b>S&amp;P Sustainable yearbook 2023</b> Top 5% S&amp;P Global ESG Score</p>	 <p><b>CPD</b> Included in Climate Change list A</p>
 <p><b>Sustainalytics</b> Among the 20% of utilities with lowest risk</p>	 <p><b>EcoVadis</b> Gold medal. Among the best performing companies</p>

In the coming years, Iberdrola will continue to deploy its business model, with more investments in renewable energy, in smart networks, efficient storage, green hydrogen and innovative solutions for its customers to achieve these above-mentioned targets. Such investments will drive results growth and strengthen its position and leadership, firmly committed to the Sustainable Development Goals (SDGs) of the United Nations, which have been fully incorporated into the business strategy and in particular:

- SDG 7: ensuring access to affordable and reliable energy, increasing the share of renewable energy and doubling the global rate of improvement in energy efficiency.
- SDG 13: taking action to fight climate change increasing clean energy capacity and developing smart grids to allow its integration.

**SUSTAINABLE DEVELOPMENT GOALS**

The SDGs, part of the Iberdrola's Group business strategy

<b>Main Focus</b>		<b>Direct contribution</b>			
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>13</b> CLIMATE ACTION 	<b>6</b> CLEAN WATER AND SANITATION 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>15</b> LIFE ON LAND 	<b>17</b> PARTNERSHIPS FOR THE GOALS 

Indirect contribution to all other SDGs

For further information on Iberdrola's Sustainable Development Policy, please see Annex 1.

In this context, green financing is a tool perfectly aligned with the strategy of the company that will be used to develop its investment plan while giving investors the transparency to better allocate their funds and the ability to measure their contribution to sustainability.

Iberdrola aims to apply the highest standards in every activity it performs and does so for green financing. With this objective, it has designed, approved and implemented a set of procedures that jointly form the "Iberdrola Framework for Green Financing" (hereafter "**the Framework**"). This Framework has been created to facilitate transparency, disclosure and integrity of Iberdrola's green financing initiatives.

## 1.2. Scope

This Framework defines how green financing instruments are set up in all green financing transactions executed by Iberdrola (the "**Company**"<sup>1</sup>).

The eligible projects under this Framework will be mainly located (but not limited to) in Continental Europe, the United Kingdom, the United States of America, Australia and Asia-Pacific.

Potential green financing instruments include green bonds, green loans, green project finance and any other green financial instrument to which an eligible asset or project, or a group of those, are allocated, i.e., they will be green "use of proceeds" instruments (the "**Green Financing Instruments**").

This framework applies to Green Financing Instruments issued after the date of the publication of this Framework.

The Company could eventually update this Framework and is committed to ensuring that any new version will keep current levels of transparency and reporting, being publicly available on its website.

## 1.3. Principles and general guidelines

This Framework is aligned to and follows the Green Bond Principles (GBPs<sup>2</sup>) published by the International Capital Markets Association (ICMA<sup>3</sup>) and the Green Loan Principles (GLP<sup>4</sup>) published by the Loan Markets Association (LMA<sup>5</sup>). Due to this, the procedures implemented by this Framework cover the four core components:

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<sup>1</sup> For these purposes, Iberdrola or the Company means the holding company, i.e., Iberdrola, S.A., which usually acts as the guarantor of the financial transactions that are agreed at the holding level by different financial subsidiaries 100% owned by Iberdrola, S.A. For more information, please look at the explanation of Iberdrola's financial model on the Company's website.

<sup>2</sup> [Green-Bond-Principles-June-2021](#)

<sup>3</sup> <https://www.icmagroup.org/>

<sup>4</sup> [Green-Loan-Principles-Feb-2023](#)

<sup>5</sup> <https://www.lma.eu.com/>

1. “Use of Proceeds”
2. “Projects Evaluation and Selection”
3. “Management of Proceeds”
4. “Reporting and External review”

Furthermore, the projects included in this Framework are part of sustainable activities as defined in the European Commission’s Technical Expert Group final report on European Union Taxonomy and the technical annex to the report published in March 2021<sup>6</sup> (the “EU Taxonomy”), all of them contributing to climate change mitigation.

This framework has been structured to try to meet, on a best effort basis, the requirements of the EU Green Bond Standard, drafted by the European Commission's Technical Expert Group, and has been adapted to include all elements of the Green Bond Framework<sup>7</sup>.

With the objective to avoid double counting and ensure the due transparency, the following general guidelines will be followed:

- Green Financing Instruments should not be considered fungible with other financing instruments that are not aligned with the 4 core components of the GBP or GLP and thus are not governed by this Framework.
- Each eligible asset or project can be allocated to one or several Green Financing Instruments within the scope of this Framework. Iberdrola will implement a control system to assure coordination in assets allocation and avoidance of double counting. The total amount of green debt raised by Iberdrola allocated to an asset will never be higher than the total asset capex (after having subtracted any other potential external debt associated with such asset). The non-existence of double counting is verified externally every year, as it is explained in *2.4 Reporting and External review*.
- If, as a consequence of a change of ownership or capital structure in an asset, Iberdrola reduces the financing amount of that asset in some proportion, the Company commits to restructure the allocation of the corresponding Green Financing Instrument in the corresponding new proportion, by substituting the corresponding part of the asset by another Eligible Green Project (as defined below).
- When a Green Financing Instrument matures, allocated Eligible Green Projects (as defined below) can be refinanced and re-allocated into other Green Financing Instruments.

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<sup>6</sup> [sustainable-finance-teg-final-report-taxonomy](#)

<sup>7</sup> See the [consolidated text of the political agreement on the European Green Bond Regulation reached on 28 February 2023](#)



- If an asset reaches the end of its lifetime, or definitively stops operations during the period of financing<sup>8</sup>, the Company commits to substitute that asset with an alternative Eligible Green Project (as defined below).
- If any “**material controversy**”<sup>9</sup> emerges, in relation to a specific asset, the Company commits to substitute that asset with an alternative Eligible Green Project (as defined below).
- Reallocations and substitutions will be publicly informed to bondholders on an annual reporting.

## 2. Core components

### 2.1. Use of proceeds

An amount equal to the net proceeds of the Green Financing Instruments will be used to finance, or refinance, in whole or in part, Eligible Green Projects.

Eligible Green Projects will be included in some of the categories included in the following table and will meet all the Eligibility Criteria of this Framework, as defined in 2.2 Project evaluation and selection.

#### a) Smart grids:

Category and Subcategory	Activity description	EU Taxonomy Substantial Contribution to Climate Mitigation Objective	NACE code
a.1	General networks investment. Networks projects that facilitate the full decarbonization of the system as defined by the EU Taxonomy are also eligible, as they are <b>absolutely necessary</b> to foster a widespread renewable generation, providing reliability to the system and connecting renewable facilities with the customers	<b>4.9 Transmission and distribution of electricity.</b> The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: - The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems. - More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO <sub>2e</sub> /kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.	35.1.2 - Transmission of electricity 35.1.3 - Distribution of electricity

<sup>8</sup> For the avoidance of doubt, this is not applicable to projects that have been already financed with Green Financing Instruments during their construction phase and are still under construction

<sup>9</sup> Iberdrola has defined for each selection criteria double-materiality levels to determine when a controversy in an asset is material and should then lead to its replacement in the corresponding transaction (“**Material Controversy**”). These materiality levels, as well as the whole mechanism to understand how each selection criteria works are available for the auditor of the Green financing returns report (as defined below), who bases its verification report on this Framework and this further detail, among others.

		- The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO <sub>2e</sub> /kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.	
a.2	IT systems supporting network control, demand side response and distributed generation dispatching	<b>4.9 Transmission and distribution of electricity.</b> Equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources.	35.1.3 - Distribution of electricity
a.3	Projects intended to support access to energy, especially in areas of lower penetration or isolated and distributed generation.	<b>4.9 Transmission and distribution of electricity.</b> Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation.	35.1.3 - Distribution of electricity

## b) Renewable energy:

Category and Subcategory	Activity description	EU Taxonomy Substantial Contribution to Climate Mitigation Objective	NACE code
b.1	Wind onshore	<b>4.3 Electricity generation from wind power.</b> The activity generates electricity from wind power.	35.1.1 - Production of electricity
b.2	Wind offshore	<b>4.3 Electricity generation from wind power.</b> The activity generates electricity from wind power.	35.1.1 - Production of electricity
b.3	Solar (photovoltaic)	<b>4.1 Electricity generation using solar photovoltaic technology.</b> The activity generates electricity using solar PV Technology.	35.1.1 - Production of electricity
b.4	Hydroelectric facilities (including hydro-pumping stations)	<b>4.5. Electricity generation from hydropower.</b> The electricity generation facility: - is a run-of-river plant and does not have an artificial reservoir, - or the power density of the electricity generation facility is above 5 W/m <sup>2</sup> , - or the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO <sub>2e</sub> /kWh.	35.1.1 - Production of electricity

b.5	Battery Energy Storage Systems (BESS)	<b>4.10. Storage of electricity.</b> Construction and operation of facilities that store electricity and return it at a later time in the form of electricity.	The economic activities in this category have no dedicated NACE code as referred to in the statistical classification of economic activities established by Regulation (EC) No 1893/2006
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### c) Sustainable Customer Solutions:

Category and Subcategory	Activity description	EU Taxonomy Substantial Contribution to Climate Mitigation Objective	NACE code
c.1	Heating electrification as heat pumps	<b>7.3 Installation, maintenance and repair of energy efficiency equipment.</b> Installation, replacement, maintenance and repair of Heating, Ventilation and Air-Conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies.	The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12
c.2	Efficiency projects in buildings (reaching the 30% target)	<b>7.3 Installation, maintenance and repair of energy efficiency equipment.</b> Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment.	The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12
c.3	Distributed generation as Iberdrola's "Smart Solar"	<b>7.6. Installation, maintenance and repair of renewable energy technologies.</b> Installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; Installation, maintenance and repair of solar hot water panels and the ancillary technical equipment;	The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28
c.4	Smart meters	<b>7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.</b> Installation, maintenance and repair of smart meters for gas, heat, cool and electricity.	The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, and

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C16, C17, C22,  
C23, C25, C27,  
C28

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#### d) Electric Mobility:

Category and Subcategory	Activity description	EU Taxonomy Substantial Contribution to Climate Mitigation Objective	NACE code
d.1	Charging stations	<b>7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).</b> Construction and operation of Electric Vehicle (EV) charging stations and supporting electric mobility.	The economic activities in this category could be associated with several NACE codes, in particular F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28
d.2	Associated infrastructure	<b>4.9 Transmission and distribution of electricity</b> infrastructure for the electrification of transport construction and operation of Electric Vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport.	35.1.3 - Distribution of electricity

#### e) Green Hydrogen:

Category and Subcategory	Activity description	EU Taxonomy Substantial Contribution to Climate Mitigation Objective	NACE code
e.1	Green Hydrogen production	<b>3.10. Manufacture of hydrogen.</b> The activity complies with the life-cycle GHG emissions savings requirement of 73,4 % for hydrogen [resulting in life-cycle GHG emissions lower than 3 tCO <sub>2</sub> e/tH <sub>2</sub> ] and 70 % for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94 gCO <sub>2</sub> e/MJ.	C20.1.1 - Manufacture of industrial gases

Eligible Green Projects are deemed to provide environmental benefits that contribute to: (i) avoid CO<sub>2</sub> emissions, (ii) connect renewable energy production units to the general network, (iii) improve networks in terms of demand-size management, energy efficiency and access to electricity or (iv) ensure the stability and back up of generation systems with significant renewable energy penetration. These benefits will be assessed and, where feasible, quantified by Iberdrola annually in the corresponding reporting (see *Reporting and External review* below).

The Company may, at any time, expand the list of Eligible Green Projects to other type of assets which provide verifiable sustainability benefits and are aligned to the GBP / GLP. In

this case, the Company commits to update the current Framework and to obtain an updated Second Party Opinion on the new Framework.

## 2.2. Project evaluation and selection

The Eligibility Criteria include a set of both selection of environmental and social criteria and exclusion criteria, which the Eligible Green Project must meet to be financed or refinanced by Green Financing Instruments.

- Eligible Green Project will correspond with any of the above explained categories.
- Alignment to the EU Taxonomy, contributing substantially, in terms of eligibility, at least to one environmental objective therein defined (climate change mitigation), doing no significant harm to the other environmental objectives, and complying with the minimum safeguards, as defined in this regulation.
- Additional selection criteria: the asset or project must comply with the list of criteria described in *Annex 2: Additional selection criteria*.
- Exclusion criteria is applied in case of any “Material Controversy” arises regarding the asset or project.

The process for the evaluation and selection of eligible projects uses internal expertise:

- The list of Eligible Green Projects is set up by the Control department, based on internal expertise and their daily coordination with Business units (Renewables, Networks...). Such list is periodically submitted to the Finance & Treasury department for validation, selection and confirmation that no double-counting exists.
- The alignment of the Eligible Green Projects to the EU Taxonomy is confirmed to the Finance & Treasury department by the Sustainable Development Team, within the ESG Division.
- In respect of the use of proceeds requirement, i.e., the definition of the category the Eligible Green Project belong to, this is triple checked by the corresponding business unit (e.g., Renewables, Networks...), the Control department and the Finance & Treasury department.
- The project fulfilment with the additional selection criteria described in *Annex 2: Additional selection criteria* is ensured by different areas, who are contacted by Iberdrola’s Finance & Treasury department prior to the selection of the Eligible Green Projects for the corresponding transaction. These areas confirm both the compliance of the specific projects with these additional selection criteria and the non-concurrence of any Material Controversy in any of them. Among these areas there are Compliance, Procurements, Environment, People & Organization, Legal and the ESG Division.

The whole process is always performed and coordinated by Iberdrola’s Finance & Treasury Department.

## 2.3. Management of proceeds

For this core component, Iberdrola considers it essential to avoid double counting and assure transparency. As such, Iberdrola has established a dedicated process to ensure traceability of funds.

Upon receipt, the net proceeds will be managed by Iberdrola’s Financing and Treasury Department. This department is responsible for the allocation of Green Financing Instrument proceeds to an Eligible Green Project, selected in line with what has been described at the Project Evaluation and Selection Criteria pillar above.

Unallocated proceeds will be temporarily held in any form of cash, time deposit with banks or other form of available short term liquid funding sources and will not include GHG intensive or controversial activities. Iberdrola commits to completing allocation of the Green Financing instrument proceeds within 24 months from the instrument issue date.

Iberdrola is committed to perform an external assurance of the invested capital once the corresponding proceeds are allocated from the accounting and treasury records to check the correct use of proceeds.

## 2.4. Reporting and External review

For each Green Financing Instrument outstanding during the year, Iberdrola is committed to reporting annually and until the maturity date in its *Green financing Returns Report*<sup>10</sup>:

1. Use of the Green Financing Instrument proceeds
  - a) List of projects with individual information.
  - b) Total funds allocation (with breakdown per project category).
  - c) When the net proceeds are used for refinancing purposes, Iberdrola will report annually on the share of refinancing at issuance. Also, on the date of the transaction and upon investors’ request, Iberdrola commits to provide its best estimation on the share of refinancing, as well as the operating dates, location and category of the projects that are being refinanced.

### 2. Impact reporting

The Company will publish annually a set of reporting indicators to show the contribution to the above-mentioned EU Taxonomy objectives and SDGs. The type of indicators will depend on the type of asset or activity financed by the Green Financing Instrument. *Annex 2: Additional selection* criteria

Code	Criteria	Commitment documentation	Supporting	SDG	Area	Assurance Level
1	Promotion of equal opportunities	Measurement and analysis of women trend in workforce	(Management	5	Social Dimension	Corporate

<sup>10</sup> Available on Iberdrola’s website.

Code	Criteria	Commitment documentation / Supporting	SDG	Area	Assurance Level
		team, Middle managers and skilled technicians)			
2	Promotion of access to energy	Energy access implementation programs	7	Social Dimension	Corporate
3	Biodiversity	Approved biodiversity politics and biodiversity specific plan	14, 15	Environment Protection	Corporate
4	Environmental management at design phase	Environmental Impact Assessment based on local regulation, and implementation of appropriate measures to limit, mitigate or compensate negative impacts (environmental specifications) covering at project lifecycle (from design to dismantling)	14, 15	Environment Protection	Project
5	Environmental management at construction phase including Supply Chain	Environmental specifications adequately reflected in the contracts with suppliers	14, 15	Environment Protection	Corporate / Project
6	Environmental management during operations	Project operated within an environmental management system implemented, audited, with targets, guidelines and appropriate monitoring to report (i.e. ISO 14001)	14, 15	Environment Protection	Project
7	Environmental accidents prevention and control	Existence of accidental pollution emergency plans	14, 15	Environment Protection	Project
8	Promote Sustainability practices amongst suppliers	Assessment of the significant suppliers' ESG performances	8	Long Term Value Creation	Corporate
9	Monitor procurement procedures acceptance and Sustainable procurement and Business Ethics	ISO 9001 certification of procurements procedures	8	Long Term Value Creation	Corporate
10	Quality of Health & Safety (H&S) and Employment conditions	Safety risk assessment, implementation of appropriate measures for employees and contractors Existence of H&S monitoring indicators (i.e. Frequency index, Incidence index, Severity index) Training hours in prevention of occupational risk)	8	Social Dimension	Business Unit / Project
11	R&D Investment	R&D investment (b€)	9	Long Term Value Creation	Corporate
12	Sustainable local insertion	Dialogue with local stakeholders during construction and operational phases via monitoring and analysis of fines, penalties, procedures, arbitrations, complaints, etc.	11	Social Dimension	Project
13	Supporting local communities and their economies	Promotion of local purchases and/or local employment (expenditures on local suppliers)	11	Social Dimension	Corporate
14	Fight against climate change by producing clean energy	Contribution of the asset to avoid/reduce CO <sub>2</sub> emissions	13	Environment Protection	Project
15	Environmental footprint	Elaboration of studies to improve understanding of environmental footprint	14, 15	Environment Protection	Corporate / Business Unit

Code	Criteria	Commitment documentation / Supporting	SDG	Area	Assurance Level
16	Carbon footprint	Reduction of emissions intensity (CO <sub>2</sub> /GWh) respect a base year	13	Environment Protection	Corporate
17	Increase awareness and knowledge on environmental aspects	Existence of environmental knowledge among all categories, based on the internal procedure of training and environmental profiles	14, 15	Environment Protection	Corporate / Project
18	Protection of biodiversity	Mitigation or corrective actions implemented in case of biodiversity incident	14, 15	Environment Protection	Project
19	Promotion of business ethics	Training plan that includes specific ethics programs	16	Long Term Value Creation	Corporate
20	Monitor internal and external respect for Human Rights	Existence of communication and complaint channels enabled in the Group and available for all Group professionals and suppliers	16	Social Dimension	Corporate
21	Training of employees on Human Rights	Training activities that include specific Human Rights aspects	16	Social Dimension	Corporate
22	Promotion of Human Rights	Adherence to UN Global Compact	16	Social Dimension	Corporate
23	Contribution to the respect of Human Rights	Inclusion of human rights clauses in the general conditions of Iberdrola contracts Existence of a human rights risk analysis in main activity countries (Spain, UK, USA, Brazil and Mexico)	16	Social Dimension	Corporate
24	Energy consumption CO <sub>2</sub> emissions	In case of hydro-pumping stations, Electric Mobility and Green H <sub>2</sub> manufacturing and supply, measurement the CO <sub>2</sub> footprint of the consumed electricity, achieving a maximum threshold	7	Environment Protection	Project

Annex 3: Reporting indicators includes an exhaustive description of the reporting indicators per asset category related to sustainability impact reporting indicators. Iberdrola will publicly disclose the impact methodology and assumptions.

For Green Financing Instruments publicly traded, i.e., listed bonds that have been publicly offered in the primary market, the reporting will be publicly disclosed within Iberdrola's corporate website in the Fixed Income section<sup>11</sup>.

### 3. Assurance of compliance of selected projects with the Framework for Green Financing

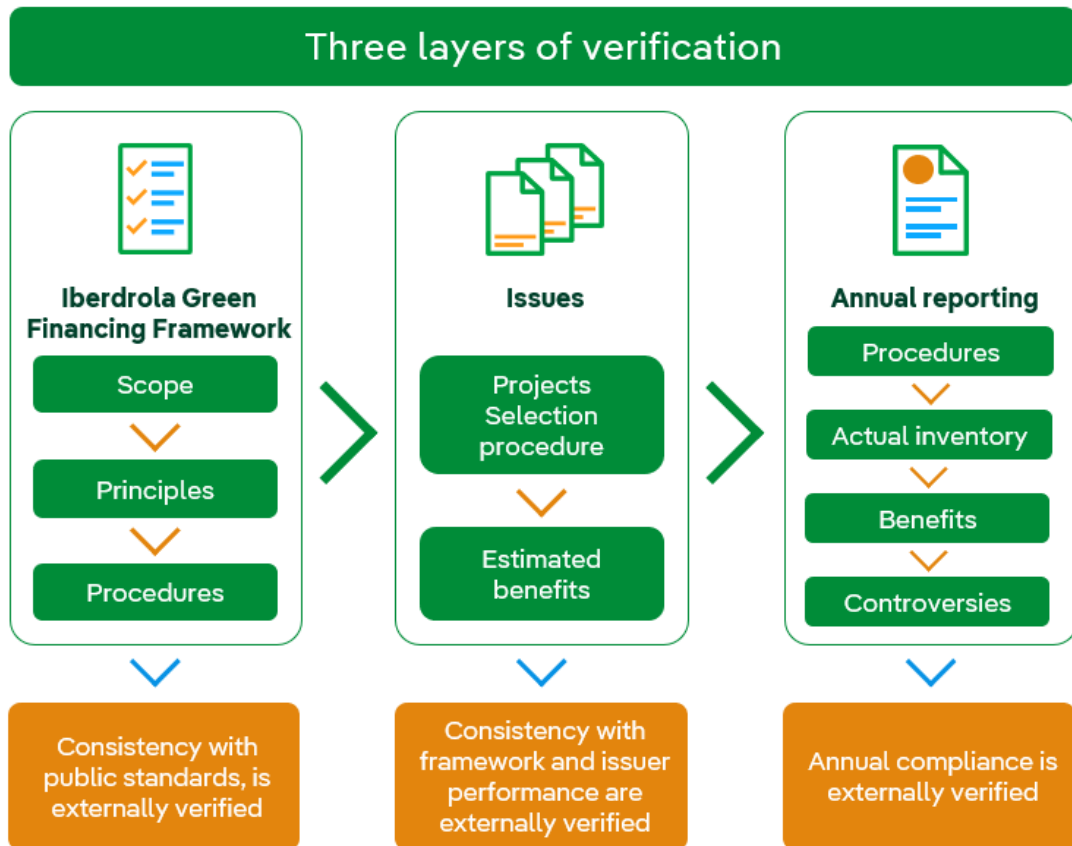
An external auditor will verify annually the compliance of all outstanding Green Financing Instruments of the Company with this Framework.

To allow investors to follow the information related to green bonds, Iberdrola will provide this information on its website <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-finance>.

Graphically, the three layers of external review would be:

<sup>11</sup> <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-finance>





**Iberdrola's Green Financing Instruments are supported by two external reviews:**

1. Second Party Opinion on the Green Financing Framework

The Framework will be reviewed by a second party to assure its consistency with the GBP, GLP and best market practices. This review will take place whenever the Framework is updated.

2. Annual assurance

Annually, the *Green financing Returns Report* will be verified by an auditor. This independent assurance will cover:

- a. The review of the implementation of the procedures, including the consideration and internal documentation of the eligibility criteria, described in this Framework, and the final list of assets or projects.
- b. The alignment of the projects allocated to the outstanding Green Financing Instruments with the EU Taxonomy.
- c. The review of the part of the invested capital attributable to each reported financing instrument.
- d. The tracking of the proceeds, when required.
- e. The review of the indicators describing the reporting of sustainability benefits.

- f. The review that the potential material controversies (if any) are considered, analysed and monitored by Iberdrola both at issuance level and annually afterwards.

## 3. Annexes

### 3.1. Annex 1: Iberdrola's Sustainable Development Policy

The Board of Directors of IBERDROLA, S.A., as part of its Corporate Governance system, has approved and implemented The General Sustainable Development Policy. This policy lays down the general principles and structures the foundations that must govern the sustainable development strategy of the Group<sup>12</sup> to ensure that all its corporate activities and businesses are carried out while fostering the sustainable creation of value for society, the citizenry in general, shareholders, the communities in which the Group is present and the people to which it supplies energy, equitably compensating all groups that contribute to the success of its business enterprise, promoting the values of sustainability, integration and dynamism, favouring the achievement of the Sustainable Development Goals (SDGs) and rejecting actions that contravene or hinder them.

Fulfilment of the corporate interest, as defined in the By-Laws, requires the implementation of a sustainable development strategy that favours the “sustainable creation of value by engaging in the activities included in its corporate object, taking into account other stakeholders related to its business activity and its institutional reality (...)”.

It should be taken into account for this purpose that, pursuant to the provisions of the Company's By-Laws, “(...) the maximization of the social dividend and the Company's commitment to the sustainable creation of value, ethical principles, transparency and good corporate governance, the development of its human resources, social commitment, a sense of belonging, safety and reliability, quality, innovation, protection of the environment, customer focus, and institutional loyalty are key values that the Board of Directors takes into account in order to define the strategy of the Group.”

Pursuant to the bylaw-mandated rule imposed by Iberdrola's shareholders, its Board of Directors has configured a sustainable development strategy aligned with the implementation by the Group of a business enterprise focused on the sustainable creation of value for all of its stakeholders, providing a quality service through the use of environmentally-friendly energy sources, staying alert to the opportunities offered by the knowledge economy, and committed to the Sustainable Development Goals (SDGs) approved by the United Nations, especially in relation with goals seven and thirteen regarding universal access to energy and the fight against climate change.

The Group's sustainable development strategy seeks to place it at the forefront of best practices in this area, convinced that these aspects are a fundamental part of its strategy of excellence and to improve its competitiveness, apart from being a basic component for fulfilling its corporate interest. The Company considers Green Financing as a best practice.

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<sup>12</sup> For these purposes, the Group means the company and the companies belonging to the group of which the Company is the controlling entity.

Relevant documents can be found at following link:

<https://www.iberdrola.com/corporate-governance/governance-sustainability-system>





## 3.2. Annex 2: Additional selection criteria

Code	Criteria	Commitment / Supporting documentation	SDG	Area	Assurance Level
1	Promotion of equal opportunities	Measurement and analysis of women trend in workforce (Management team, Middle managers and skilled technicians)	5	Social Dimension	Corporate
2	Promotion of access to energy	Energy access implementation programs	7	Social Dimension	Corporate
3	Biodiversity	Approved biodiversity politics and biodiversity specific plan	14, 15	Environment Protection	Corporate
4	Environmental management at design phase	Environmental Impact Assessment based on local regulation, and implementation of appropriate measures to limit, mitigate or compensate negative impacts (environmental specifications) covering at project lifecycle (from design to dismantling)	14, 15	Environment Protection	Project
5	Environmental management at construction phase including Supply Chain	Environmental specifications adequately reflected in the contracts with suppliers	14, 15	Environment Protection	Corporate / Project
6	Environmental management during operations	Project operated within an environmental management system implemented, audited, with targets, guidelines and appropriate monitoring to report (i.e. ISO 14001)	14, 15	Environment Protection	Project
7	Environmental accidents prevention and control	Existence of accidental pollution emergency plans	14, 15	Environment Protection	Project
8	Promote Sustainability practices amongst suppliers	Assessment of the significant suppliers' ESG performances	8	Long Term Value Creation	Corporate
9	Monitor procurement procedures acceptance and Sustainable procurement and Business Ethics	ISO 9001 certification of procurements procedures	8	Long Term Value Creation	Corporate
10	Quality of Health & Safety (H&S) and Employment conditions	Safety risk assessment, implementation of appropriate measures for employees and contractors Existence of H&S monitoring indicators (i.e. Frequency index, Incidence index, Severity index) Training hours in prevention of occupational risk)	8	Social Dimension	Business Unit / Project







Code	Criteria	Commitment documentation / Supporting	SDG	Area	Assurance Level
11	R&D Investment	R&D investment (b€)	9	Long Term Value Creation	Corporate
12	Sustainable local insertion	Dialogue with local stakeholders during construction and operational phases via monitoring and analysis of fines, penalties, procedures, arbitrations, complaints, etc.	11	Social Dimension	Project
13	Supporting local communities and their economies	Promotion of local purchases and/or local employment (expenditures on local suppliers)	11	Social Dimension	Corporate
14	Fight against climate change by producing clean energy	Contribution of the asset to avoid/reduce CO <sub>2</sub> emissions	13	Environment Protection	Project
15	Environmental footprint	Elaboration of studies to improve understanding of environmental footprint	14, 15	Environment Protection	Corporate / Business Unit
16	Carbon footprint	Reduction of emissions intensity (CO <sub>2</sub> /GWh) respect a base year	13	Environment Protection	Corporate
17	Increase awareness and knowledge on environmental aspects	Existence of environmental knowledge among all categories, based on the internal procedure of training and environmental profiles	14, 15	Environment Protection	Corporate / Project
18	Protection of biodiversity	Mitigation or corrective actions implemented in case of biodiversity incident	14, 15	Environment Protection	Project
19	Promotion of business ethics	Training plan that includes specific ethics programs	16	Long Term Value Creation	Corporate
20	Monitor internal and external respect for Human Rights	Existence of communication and complaint channels enabled in the Group and available for all Group professionals and suppliers	16	Social Dimension	Corporate
21	Training of employees on Human Rights	Training activities that include specific Human Rights aspects	16	Social Dimension	Corporate
22	Promotion of Human Rights	Adherence to UN Global Compact	16	Social Dimension	Corporate
23	Contribution to the respect of Human Rights	Inclusion of human rights clauses in the general conditions of Iberdrola contracts Existence of a human rights risk analysis in main activity countries (Spain, UK, USA, Brazil and Mexico)	16	Social Dimension	Corporate
24 <sup>13</sup>	Energy consumption CO <sub>2</sub> emissions	In case of hydro-pumping stations, Electric Mobility and Green H <sub>2</sub> manufacturing and supply, measurement the CO <sub>2</sub> footprint of the consumed electricity, achieving a maximum threshold	7	Environment Protection	Project

<sup>13</sup> Just for hydro-pumping stations, Electric Mobility and H<sub>2</sub> Manufacturing facilities.

### 3.3. Annex 3: Reporting indicators

Type of Project	SDG	Reporting Indicators
Smart grids	  <p>Affordable and clean energy and Climate Change mitigation</p>	<p>Per project:</p> <ul style="list-style-type: none"> <li>Name</li> <li>Type of project (IT systems, Smart meters, Access to energy, Demonstration projects, General networks investment)</li> <li>Country</li> <li>Description</li> <li>Physical indicator i.e. <ul style="list-style-type: none"> <li>T&amp;D lines (total and attributable km of lines)</li> <li>IT Capex</li> <li>Telecommunicated substations (total and attributable number)</li> <li>Smart meters (total and attributable number)</li> <li>Number of new connections</li> <li>In case of lines related to new renewable capacity: <ul style="list-style-type: none"> <li>When applicable and possible, amount of renewable generation capacity connected by the T&amp;D asset (MWh)</li> <li>Related annual renewable energy produced by the capacity connected by the T&amp;D asset (MWh)</li> <li>Annual GHG emissions avoided by the renewable generation capacity connected by the T&amp;D asset (tCO<sub>2</sub>e per year)</li> </ul> </li> </ul> </li> </ul> <p>For the category:</p> <ul style="list-style-type: none"> <li>Invested capital attributable to the Green Financing instrument (€)</li> <li>Percentage of allocated proceeds vs unallocated proceeds (if there are) (%)</li> </ul>
Renewable energy	  <p>Affordable and clean energy and Climate Change mitigation</p>	<p>Per installation:</p> <ul style="list-style-type: none"> <li>Name</li> <li>Type of project (wind onshore, wind offshore, hydroelectric, solar)</li> <li>Country</li> <li>Operational date</li> <li>Installed capacity (MW) or lifetime extension (years)</li> <li>Attributable capacity (MW) or attributable lifetime extension (years) to the financing instrument</li> </ul> <p>For each category:</p> <ul style="list-style-type: none"> <li>Invested capital attributable to the Green Financing instrument (€)</li> <li>Annual attributable renewable energy produced (MWh)</li> <li>Annual attributable GHG emissions avoided (tCO<sub>2</sub>e<sup>14</sup> per year)</li> <li>Percentage of allocated proceeds vs unallocated proceeds (if there are) (%)</li> </ul>

<sup>14</sup> Avoided emissions are calculated as the product of the year's production attributable to the bonds and the emission factor for the country in which the assets are geographically located

Type of Project	SDG	Reporting Indicators
<b>Sustainable Customer Solutions</b>	 	<p>Per project:</p> <ul style="list-style-type: none"> <li>Name</li> <li>Type of project (Heating electrification, Buildings' efficiency, Distributed generation, Demand side response infrastructure)</li> <li>Country</li> <li>Description</li> <li>Physical indicator i.e. <ul style="list-style-type: none"> <li>Number of installations</li> <li>Buildings' surface or energy savings</li> <li>Installed capacity in MW</li> </ul> </li> </ul> <p>For the category:</p> <ul style="list-style-type: none"> <li>Invested capital attributable to the Green Financing instrument (€)</li> <li>Percentage of allocated proceeds vs unallocated proceeds (if there are) (%)</li> </ul>
<b>Electric Mobility</b>	 	<p>Per project:</p> <ul style="list-style-type: none"> <li>Name</li> <li>Type (Charging stations, Associated infrastructure)</li> <li>Country</li> <li>Description</li> <li>Physical indicator i.e. <ul style="list-style-type: none"> <li>Number of charging stations</li> <li>kW installed at charging stations</li> </ul> </li> </ul> <p>For the category:</p> <ul style="list-style-type: none"> <li>Invested capital attributable to the financing instrument (€)</li> <li>Percentage of allocated proceeds vs unallocated proceeds (if there are) (%)</li> <li>Annual attributable GHG emissions avoided (tCO<sub>2</sub>e<sup>15</sup> per year)</li> </ul>
<b>Green Hydrogen</b>	 	<p>Per project:</p> <ul style="list-style-type: none"> <li>Name</li> <li>Type (Electrolyser, Associated infrastructure)</li> <li>Country</li> <li>Description</li> <li>Physical indicator i.e. <ul style="list-style-type: none"> <li>MW H<sub>2</sub></li> <li>MW Renewable Energy Plant allocated (if any).</li> </ul> </li> </ul> <p>For the category:</p> <ul style="list-style-type: none"> <li>Invested capital attributable to the financing instrument (€)</li> <li>Percentage of allocated proceeds vs unallocated proceeds (if there are) (%)</li> <li>H<sub>2</sub> yearly production</li> <li>Annual attributable GHG emissions avoided (tCO<sub>2</sub>e per year)</li> </ul>

<sup>15</sup> Avoided emissions are calculated as the product of the year's production attributable to the bonds and the emission factor for the country in which the assets are geographically located