

## INFORMATION

## NOTE

*They will be able to self-assess their compliance through an online platform and will propose individualised action plans to those who do not achieve objectives in this area*

## Iberdrola promotes ESG criteria among its more than 22,000 suppliers worldwide

- The company is committed to ensuring that 70% of its main partner companies comply with environmental, social and governance objectives by 2022.

ESG criteria -environmental, social and governance- are in Iberdrola's blood and are part of its business model. After reformulating its governance and sustainability system around these three pillars, the company has decided to go a step further and extend this commitment to its more than 22,000 suppliers worldwide, from which it makes purchases worth 20 billion euros a year.

The group led by Ignacio Galán has set a target that 70% of its more than 1,000 main suppliers worldwide, those with a turnover with the company of more than 1 million euros, will be governed by ESG criteria by 2022.

To this end, it has created a model which has been validated by a third party, and a digital platform developed by the Spanish scale-up GoSupply, in which the company's suppliers can self-assess their performance in this area. Based on 47 factors, this system measures the degree of commitment to the three ESG principles, with 40% weighting given to the environment, 30% to social affairs, and 30% to good governance.

For those members of Iberdrola's supply chain that obtain a low score, the company will provide them with support to detect areas for improvement and will propose a customised action plan to implement policies, commitments and actions that enable them to comply with internationally established ESG criteria.

Those suppliers that do not manage to adapt to ESG requirements within a reasonable period of time will be excluded from future tenders until they reach the minimum levels established to become an Iberdrola collaborator. In this way, Iberdrola not only acts as an economic and industrial driver in the territories in which it operates, but also as a catalyst for sustainability throughout its value chain.

The group's commitment to ESG criteria and their extension to its main suppliers is also reflected in the company's management and remuneration model, having included this scale in the evaluation of the 2020-2022 Strategic Bonus, approved at the last General Shareholders' Meeting.

The remuneration plan is linked to the increase in the number of suppliers subject to sustainable development policies and standards, such as having a human rights strategy, a code of conduct for its suppliers, health and safety standards (SDG 3) and a global environmental sustainability strategy, including strategies on water (SDG 6), energy (SDG 7) and biodiversity (SDGs 14 and 15).



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#### An ESG momentum plan is already underway

Iberdrola considers that a long-term strategic supplier must be aligned with its sustainable development standards, and the model established in 2019 evaluates the supplier in the three ESG areas.

In the environmental area, it is valued, among other aspects, that the supplier has a policy in this regard, that it calculates its greenhouse gas emissions, that it has identified the risks of climate change and that it takes measures to conserve biodiversity and minimise the use of water. In the social area, aspects related to respect for human rights, promotion of equality and respect for diversity, and application of occupational health and safety standards are valued. And in the area of governance, it is valued that the supplier has its own code of conduct, compliance system, social responsibility policy, also assessing aspects relating to its stakeholders and supply chain.

Although Iberdrola has focused its efforts on driving its main suppliers towards best sustainability practices, all suppliers that have a significant relationship with the company are being evaluated according to the ESG model, and the GoSupply platform already includes more than 5,500 suppliers with a 360 sustainability analysis.

This effort has meant that in 2020, 90% of the amount awarded went to suppliers that had been evaluated in terms of sustainability. Of the more than 1,000 main suppliers with which the company estimates it will sign relevant contracts until 2022, most are Spanish companies (27%) or US companies (29%), with the rest distributed among the other geographies in which it operates: Brazil (20%), United Kingdom (15%), Mexico (5%) and other countries.

As explained in its first [Diversity and Inclusion Report](#), Iberdrola also encourages purchases from companies that are less than 5 years old, demonstrating its support for entrepreneurship. Likewise, it is committed to increasing purchases from companies with diverse groups and help small companies that may be at a disadvantage when competing in international markets. In Spain and the United States, the volume of purchases from different collective groups rose to 95.3 million euros in 2019.

#### **About Iberdrola**

[Iberdrola](#) is a global energy leader, the number-one producer of wind power, and one of the world's biggest electricity utilities by market capitalisation. The Group supplies energy to almost 100 million people in dozens of countries including Spain, the United Kingdom (ScottishPower), the United States (AVANGRID), Brazil (Neoenergia), Mexico, Australia (Infogen), Germany, Portugal, Italy and France. With a workforce of more than 35,000 and assets in excess of €122 billion, it recorded a turnover of over €36.4 billion and a net profit of just over €3.4 billion in 2019.

Iberdrola is leading the transition towards a sustainable energy model through its investments in renewable energy, smart grids, large-scale energy storage and digital transformation in order to offer the most advanced products and services possible to its customers. Thanks to its commitment to clean energy, Iberdrola is one of the companies with the lowest emissions and an international benchmark as a result of its contribution to the fight against climate change and to promoting sustainability.

