

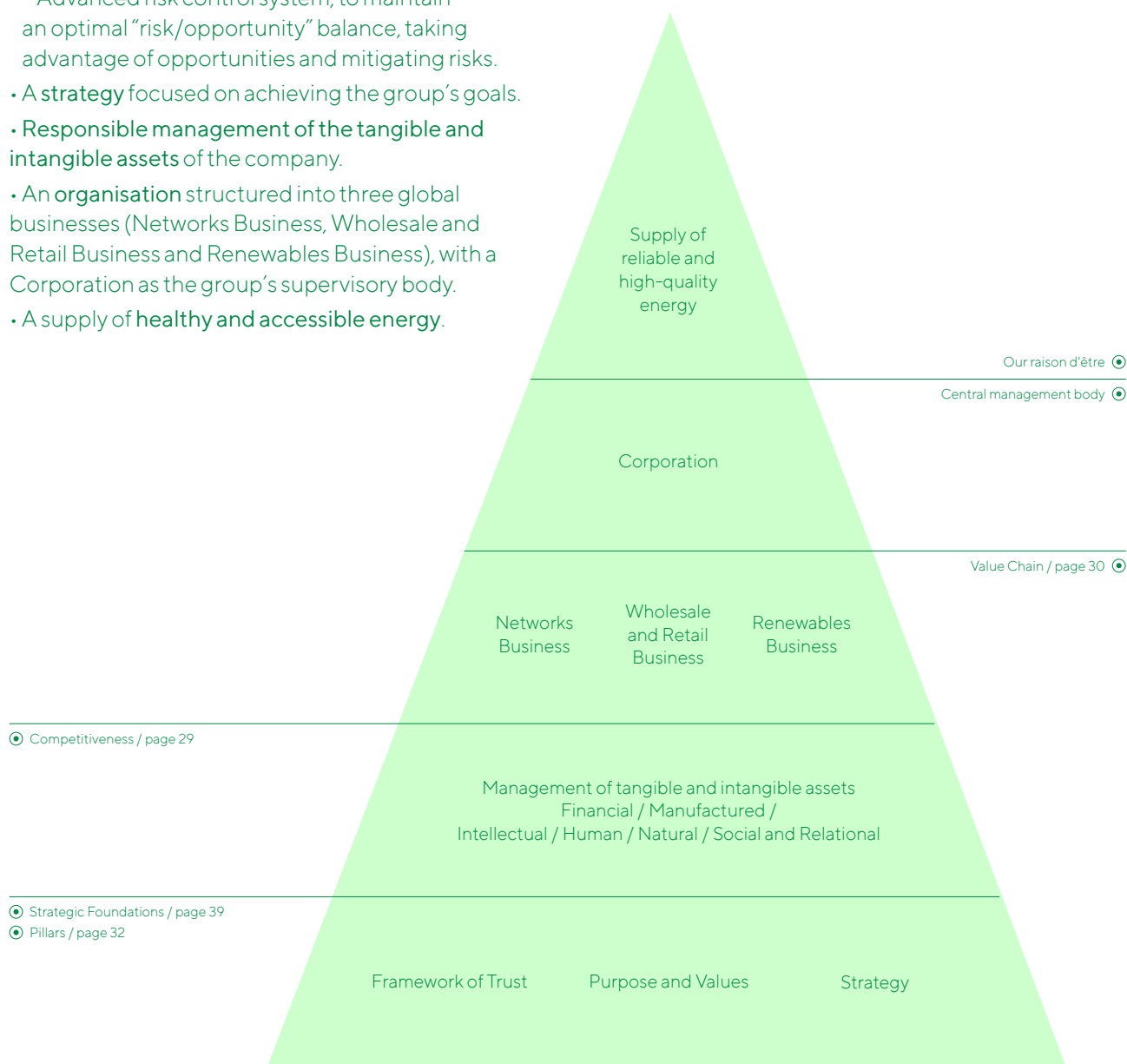
2.4 Iberdrola, a Different Company

Differentiating elements of the company

- The Purpose as *raison d'être* and social contribution, and the Values as culture of the Iberdrola group, defined by the Board of Directors.
- A framework of trust that ensures the sustainability of the business model:
 - Corporate Governance System consistent with international best practices.
 - Corporate ethics, internalised by the management bodies and the organisation as a whole.
 - Sustainable development policies, which respond to the expectations of the Stakeholders.
 - Advanced risk control system, to maintain an optimal “risk/opportunity” balance, taking advantage of opportunities and mitigating risks.
- A strategy focused on achieving the group’s goals.
- Responsible management of the tangible and intangible assets of the company.
- An organisation structured into three global businesses (Networks Business, Wholesale and Retail Business and Renewables Business), with a Corporation as the group’s supervisory body.
- A supply of healthy and accessible energy.

Aware of the social changes that are occurring and of the large challenges resulting from the energy transition, Iberdrola has defined its **Corporate Purpose**, focused on the well-being of people and the preservation of the planet:

“To continue building together each day a healthier, more accessible energy model, based on electricity”.



This **Purpose** reflects the strategy that the company has been implementing for years and its commitment to continue fighting for:

- **A real and global energy transition**, based on the decarbonisation and electrification of the energy sector, and of the economy as a whole, that contributes to the fight against climate change and generates new opportunities for economic, social and environmental development.
- **An energy model that is more electric**, one that abandons the use of fossil fuels and generalises the use of renewable energy sources, the efficient storage of energy, smart grids and digital transformation.
- **An energy model that is healthier for people**, whose short-term health and well-being depend on the environmental quality of their environment.
- **An energy model that is more accessible for all**, one that favours inclusiveness, equality, equity and social development.
- **An energy model that is built in collaboration** with all involved players and all of society.

To achieve this Purpose, Iberdrola has evolved its corporate **values** to the following concepts:

- **Sustainable energy**: because we seek to be a model of inspiration, creating economic, social and environmental value in all of our surroundings, and with the future in mind.
- **Integrating force**: because we have great strength, and therefore great responsibility. For this reason we work by combining talents, for a purpose that is to be achieved by all and for all.
- **Driving force**: because we make into reality small and large changes causing the life of people to be easier, while being efficient and self-demanding, always seeking continuous improvement.

Iberdrola's Contribution to the Sustainable Development Goals (SDGs)

Iberdrola has committed to the SDGs defined by the United Nations for the 2015-2030 period. They are 17 global goals intended to transform our world, ending poverty, fighting against inequality and injustice, and confronting climate change.

Iberdrola has integrated the SDGs into its business strategy and its operations, and the Iberdrola group concentrates its efforts on the following objectives based on the activities it performs



- *Electricity for All* programme:
- Goal of 16,000,000 beneficiaries by 2030.
- Reached 5.4 million by year-end 2018.
- A global renewable leader: 29,177 MW in 2018.
- Energy efficiency: 60 million tons of CO₂ emissions avoided during the last three years.



- Iberdrola has set the following environmental objectives:
- Reduce the intensity of its CO₂ emissions to 50% below those of 2007 by 2030.
- Be carbon neutral by 2050.

The company has an SDG Advisory Committee that reviews actions taken and analyses the alignment thereof, in addition to proposing new challenges and encouraging actions that help to achieve the fixed goals.

Iberdrola firmly believes in the innovative role of the private sector, and commits to achieving the SDGs through business results. In this way, the company's contributions through its social dividend generate shared value for all of its Stakeholders:

Responsible business model...	Fights against climate change	<ul style="list-style-type: none"> • A global renewable leader, with 29,177 MW installed. • 68.2% of all installed capacity does not produce CO₂ emissions. • Approval of emission reduction goals scopes 1, 2 and 3 by <i>Science Based Target Initiative</i>. • Pioneers in adopting the recommendations of the <i>Task Force on Climate-related Financial Disclosures (TCFD)</i>.
	Rapidly adopts new technologies and commits to innovation	<ul style="list-style-type: none"> • Drives the development of smart grids. Has deployed more than 10 million smart meters throughout the world. • Invests in sustainable mobility, in order to install 25,000 charging points in Spain by 2021.
...with positive impacts on all of its Stakeholders...	Economic	<ul style="list-style-type: none"> • Annually generates approximately €32,000 million in Gross Domestic Product (GDP) in the countries in which it operates¹. • Contributes almost €7,600 million in investments annually to the capital formation of the world economy¹.
	Environmental	<ul style="list-style-type: none"> • Invests more than €1,600 million in renewable generation during 2018, which has reduced its specific emissions to 163 gr / kWh in 2018.
	Social	<ul style="list-style-type: none"> • Creates more than 425,000 jobs worldwide (direct, indirect and induced employment)¹. • Almost €2,400 million in employee remuneration. • Invests €53.5 million in projects contributing to the community². • Makes more than €7,500 million in purchases from its suppliers throughout the world. • Contributes almost €8,000 million in taxes in the countries in which it does business.
...leading to the creation of sustainable economic value.		<p>Balanced growth: €34,000 million between 2018 and 2022, focused on business and countries with stable and predictable regulatory frameworks; 86% of which will be dedicated to regulated activities or long-term contracts.</p> <p>The company's sustainable growth in results, reaching a Net Profit of between €3,700 and €3,900 million by 2022.</p> <p>Financial strength: The FFO/Net Debt ratio is expected to be greater than 24% by 2022, which will allow for higher organic growth, compatible with the objective of FFO/Net Debt ratio of 22%.</p> <p>Sustainable dividend: Shareholder remuneration will grow in line with the increase in results, maintaining a pay-out ratio between 65% and 75%, with a growing floor for the dividend each year of the plan.</p>

(1) Data from a Study of Iberdrola's Impact, prepared by PwC, for financial year 2017.

(2) According to the London Benchmarking Group (LBG) measurement standard.

Iberdrola also takes action to contribute to the other SDGs. These activities are aligned with its Business model, and respond to the company's firm commitment to the social dividend, conceived as the sustainable creation of value for all the Stakeholders. The activities and results of the company for these Objectives can be summarised as follows:



Procedures to protect customers in situations of vulnerability: covers 100% of vulnerable customers in Spain. *Warm Home Discount* scheme in the United Kingdom and *Operation Fuel* in the United States. IX edition of the Iberdrola Social Programme 2019 called by Fundación Iberdrola España.



Goal: Foster diversity and the social inclusion of vulnerable groups through the corporate volunteering programme. More than 7,000 initiatives at the global level were made available to the employees in 2018.



More than 6,000 kg of food collected through the *Operation Kilo* programme promoted in all countries. Volunteer activities to distribute food, soup-kitchens, etc.



Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation. **Goal:** Install 25,000 electric vehicle charging points in Spain by 2021, within its Smart Mobility plan.



Iberdrola contributes to reducing the noxious effects on health of greenhouse gases with its commitment to reduce these gases. The company also has **goals** to reduce accident rates.



90% of energy production at Iberdrola is carried out using local sources of energy. Iberdrola was the first IBEX 35 company to certify its General Shareholders' Meeting as a sustainable event (ISO 20121).



€2.2 million in the scholarship and research grant programme for the 2018-2019 academic year. Training for our employees: more than 45 hours of training per employee in 2018.



During the construction and operation of offshore wind farms, Iberdrola adopts innovative measures to preserve the neighbouring undersea eco-systems. Support for the *Dolphin Watch* project for the protection of fauna and the conservation of marine habitats with disclosure and awareness-raising activities.



Iberdrola has been included in Bloomberg's 2019 GEI (Gender Equality Index). Iberdrola supports the Women's Universe (*Universo Mujer*) programme of the CSD, supporting 16 Spanish female federations. **Goal:** Increase the number of women in management positions.



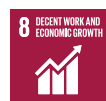
Iberdrola has obtained the first AENOR Corporate Environmental Footprint certificate. **Goal:** Adjustment of 25,000 supports at distribution lines to avoid the electrocution of birds over the next two years (Flapping Wings (*Alateo*) project).



Iberdrola is one of the utilities with the highest water productivity (revenue/water utilised). **Goal:** maintain intensity at 50% of the European average for next 5 years. Iberdrola has joined the UN CEO Water Mandate to encourage sustainable practices in the use of water.



The company has renewed the *UNE-ISO 37001* and *UNE 196 01* certifications regarding anti-bribery and compliance. It has also been chosen for the fifth consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies* ranking prepared by the *Ethisphere Institute*.



425,000 direct, indirect and induced job positions throughout the world⁽¹⁾. More than €32,000 million in impact on the GDP of the countries in which it does business¹. Iberdrola is the largest issuer of green bonds in the world, with more than €8,300 million of outstanding green debt. **Goal:** continue supporting the development of the green financing market.



Iberdrola works with a variety of companies, associations, universities and public bodies to achieve the SDGs. Iberdrola held the 1st Iberoamerican Conference on the SDGs, in collaboration with the Universidad de Salamanca and the Polytechnic University of Madrid.



World leaders in Smart Grids. Progress on the Star project in Spain and the *Smart UK* project in the United Kingdom. **Goal:** Development of the Innovation and Digitisation Programme.



(1) Data from a Study of Iberdrola's Impact, prepared by PwC, which is based on 2017 figures. Includes indirect and induced impacts.