

4. Our Assets

The group's assets are the basis for the creation of value by the company, which carries out its activities through the sound management thereof.

In this report, Iberdrola identifies and classifies its assets in accordance with the IIRC classification system:

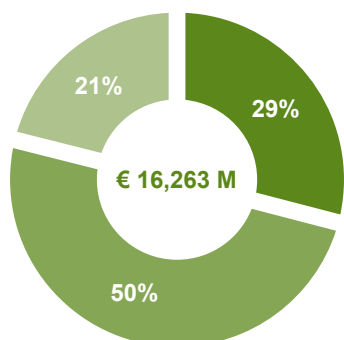
- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Natural capital
- Social and relationship capital

4.1 Financial Capital

	Management Approach	Results 2019
Balanced growth	<p>The company has an investment policy consistent with its strategic vision and financial policy. The main goals are:</p> <ul style="list-style-type: none"> • Ensure a return on capital through projects and investments preferably in regulated businesses, renewable assets or assets with long-term contracts. • Increase geographic diversification, further balancing the contribution of the countries in which it does business. • Tailor investment levels to the actual needs of each market. 	<ul style="list-style-type: none"> • Net investments of €7,242 million, of which 85% has been assigned to the Networks and Renewables businesses. • Investments in Networks assets have been boosted by the long-term regulatory frameworks established in all of the countries, and have increased 25.1% in the United Kingdom, 23.6% in the United States, 22.3% in Spain and 13.8% in Brazil. • In Generation, there has been a startup of approximately 5.4 GW of capacity since the beginning of 2019. • Funds From Operations have increased 10.0%, reaching €8,060 million thanks to all the investments, exceeding investments by more than €820 million.
Solid financial structure	<ul style="list-style-type: none"> • Iberdrola considers financial strength to be an essential factor that allows it to successfully face potential turbulence in the markets and to be in a position to exploit growth opportunities in the countries in which it does business. • The financial policy seeks improvement in solvency ratios, balancing an increase in debt with the generation of additional cash flow from new investments. • The debt structure is in line with the profile of the business, which is mostly regulated, and the composition thereof reflects the results obtained in the relevant currencies. 	<ul style="list-style-type: none"> • Gross margin of €16,263 million (+5.4%). • Net profit of €3,406 million (+13.0%), in line with forecasts for the year. • EBITDA increased by almost 8.1% to €10,104 million, thanks to the good operational performance of all of the businesses, especially the performance of the networks business. • Adjusted net financial debt is €37,769 million, increasing €3,620 million over the year, as a result of the strong investment process implemented by the group and the effect of the first implementation of IFRS 16. • Liquidity of €14,300 million, which covers more than 18 months of financing needs.
Operational excellence	<ul style="list-style-type: none"> • Notwithstanding the high efficiency levels that have been reached, the company believes that there is still a margin for improvement thanks to investments in digitisation and innovation. • The implementation of best practices in all areas will allow for additional savings and an increase in synergies at the global level. 	<ul style="list-style-type: none"> • Net operating expenses increased 4.2% to €4,330 million, 2.7% excluding the effect of exchange rates. This increase is mainly explained by the effects of growth (including Wholesale and Retail in Mexico, and Wikingier).
Sustainable results and dividends	<ul style="list-style-type: none"> • Iberdrola offers its shareholders an industrial enterprise for the long-term creation of value. The confidence of its shareholders enables Iberdrola to secure the resources needed to move its enterprise forward. 	<ul style="list-style-type: none"> • Shareholder remuneration of 0.356 euro per share, equal to a dividend yield of 3.87%. • Flexible dividend offering tax benefits, the repurchase of shares to avoid dilution, adding the cash payment option.

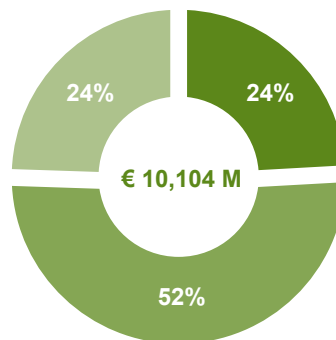
Create value for the shareholder with sustainable growth

Gross margin by business 2019



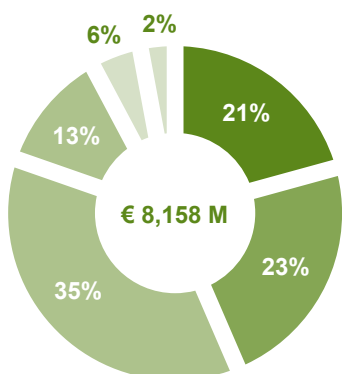
■ Wholesale and retail ■ Networks ■ Renewables

EBITDA by business 2019



■ Wholesale and retail ■ Networks ■ Renewables

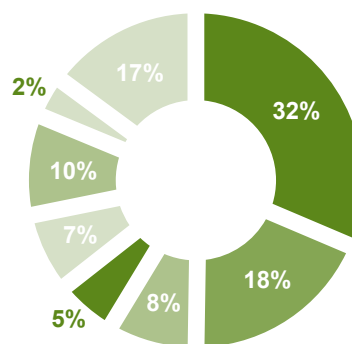
Gross investment by geographical area 2019



■ Spain ■ United States ■ México
■ United Kingdom ■ Brazil ■ IEI

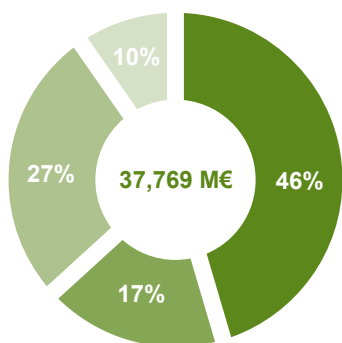
Diversification of investments, with a heavy concentration outside of the euro zone.

Bank borrowings, gross by product type 2019



■ EUR market bonds ■ USD market bonds ■ GBP market bonds
■ Other Bonds ■ Notes ■ Multilaterals
■ Project finance ■ Bank loans

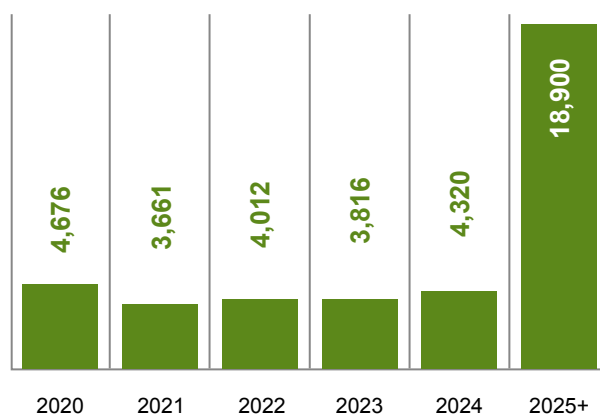
Structure of adjusted net debt broken by currency in 2019



■ Euro ■ Pound ■ Dollar ■ Reais and others

Debt structured by origin of cash flow earned in each currency. Includes derivatives to hedge net investment.

Maturity of financial debt (€M)



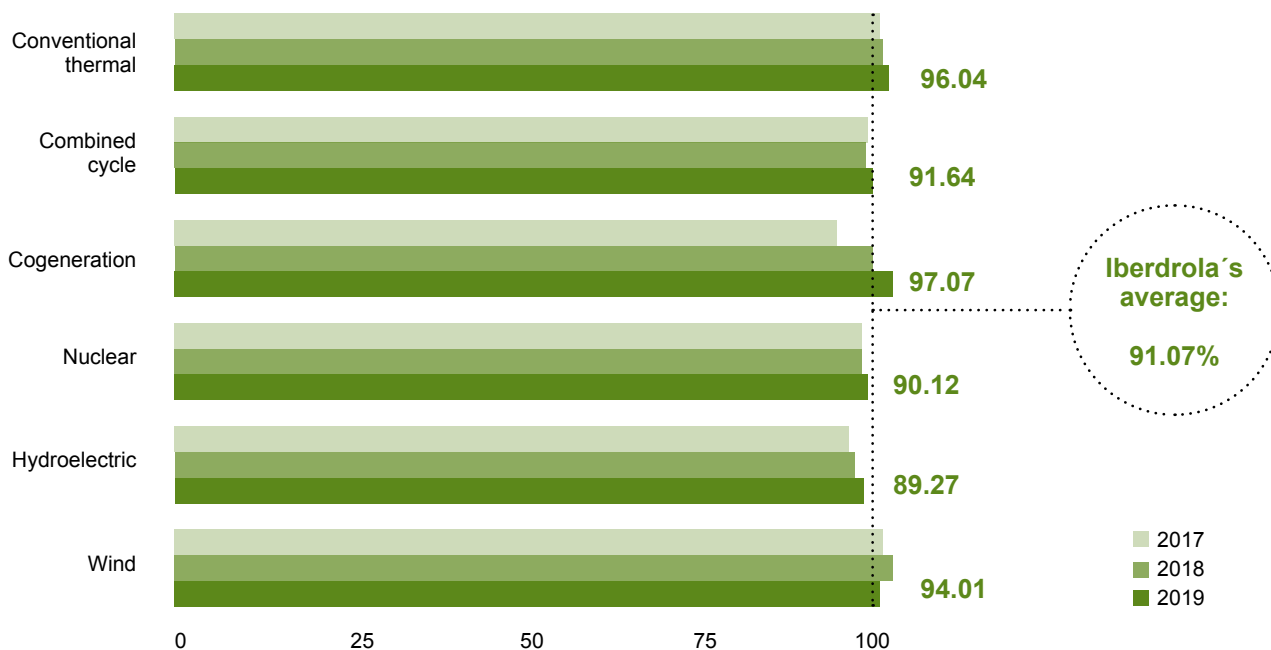
Comfortable maturity profile. Excludes credit lines

4.2 Manufactured Capital

Size	Principal activities 2019
Electric power generation assets	<ul style="list-style-type: none"> Iberdrola's generation assets are made up of more than 300 wind farms, almost 90 hydroelectric power plants (in addition to the mini-hydro plants), 11 photovoltaic plants, more than 50 thermal power stations using various technologies, 5 of which are nuclear, and other facilities built and operated according to the best practices. The year ended with additional installed capacity of 5,446 MW, of which more than half (2,791 MW) are renewable, including the Nuñez de Balboa photovoltaic plant in Spain, the Baixo Iguazú hydroelectric plant in Brazil, and the Montague, Patriot and Karankawa wind farms in the United States. The remaining 2,655 MW is related to the combined cycles in Mexico (866 MW El Carmen, 911 MW Topolobampo II and 878 MW Escobedo). At the same time, 49 MW of capacity has left the boundary due to the sale of two wind and solar plants in the United States. 40% of the 714 MW <i>East Anglia ONE</i> offshore wind project in the United Kingdom was sold.
Power transmission and distribution assets	<ul style="list-style-type: none"> Iberdrola's electricity transmission and distribution networks comprise over 1.1 million km of distribution and transmission lines, more than 4,400 substations and 1.5 million transformers, built and operated to supply a high-quality, reliable service to 30.99 million electricity supply points. Iberdrola also has more than 40,000 kilometres of gas pipelines for the transport and distribution of gas in the United States. Iberdrola is a pioneer in the development of innovative projects to improve the reliability of electric supply. In Spain, regulatory commitments required the deployment of smart meters for customers of less than 15kW (Type 5) after 2018, with the deployment of these meters for Type 4 customers (15 kW to 50 kW) during 2019. There are currently more than 10.97 million smart meters. There is continued deployment of smart meters in the United Kingdom, with more than 1.5 million installed. In the United States progress continues to be made in securing permits for the 233-km-long <i>New England Clean Energy Connect</i> (NECEC) construction project. In Brazil a 500 kV static compensator was placed into service in São Paulo in 2019 and construction is advancing on almost 5,000 kilometres of transmission lines and 30 substations in 14 states.
Other assets	<ul style="list-style-type: none"> Iberdrola manages approximately 1,323,000 m² of offices and work centres throughout the world, with a total of 843 properties, of which 266 are located in Spain, 89 in the United Kingdom, 167 in the United States, 301 in Brazil and 20 in the rest of the world. These properties, which follow the same corporate criteria in the interior spaces, are designed, built and operated in accordance with the strictest sustainability and efficiency standards. Construction of the Iberdrola Campus at San Agustín del Guadalix has been completed, cementing its position as the group's centre of excellence, training and events. Real estate consolidation continues along the east coast of the United States, with real estate activities in the states of NY, MA, ME and CT to improve the efficiency and modernisation of the asset portfolio. The integration and first phase of consolidation of the headquarters of Neoenergia has been completed. There is also work on the process of internalising the main functions of the Networks Business. The construction of a new corporate headquarters in Mexico DF for approximately 500 employees has commenced. Iberdrola's has consolidated its presence in the rest of the world, increasing its footprint in Paris, Berlin, Rome, Milan, Lisbon, Dublin and Melbourne.

Offer a secure supply of energy that is competitive in cost and quality

Average availability factor of Iberdrola's generation facilities

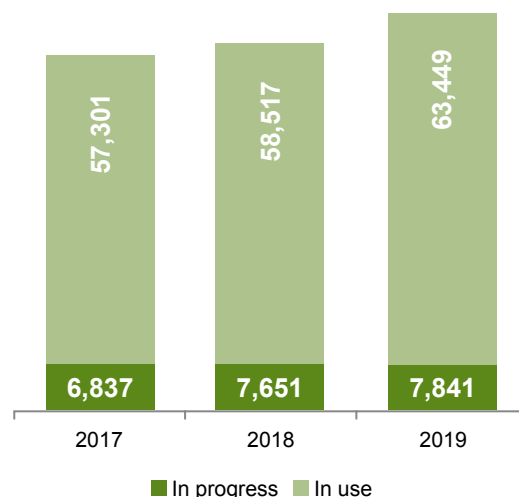


Quality of electricity supply

Average power outage duration		2019	2018
Spain	TIEPI (min)	45.20	44.60
United Kingdom	CML (min)	33.47	35.51
United States	CAIDI (h)	1.93	2.07
Brazil	DEC (h)	11.02	12.24
Power outage frequency		2019	2018
Spain	NIEPI (n°)	0.94	0.91
United Kingdom	CI (ratio)	39.46	43.32
United States	SAIFI (índice)	1.17	1.22
Brazil	FEC (frecuencia)	5.47	5,81

TIEPI: Installed Capacity Equivalent Interrupt Time.
 CML: Customer Minutes Lost Per Connected Customer.
 CAIDI: Customer Average Interruption Duration Index.
 DEC: Equivalent Duration of Interruption by Consumer Unit.

Fixed assets (€M)



NIEPI: Installed Capacity Equivalent Interrupt Number.
 CI: Customer Interruptions Per 100 Connected Customers.
 SAIFI: System Average Interruptions Frequency Index.
 FEC: Equivalent Frequency of Interruption by Consumer Unit.

4.3 Intellectual Capital

Management approach	Principal activities 2019
<p>Promotion of R&D</p> <ul style="list-style-type: none"> Iberdrola continues to wager on innovation as one of its main pillars for successfully facing the future energy scenario, promoting energy efficiency, decarbonisation and the electrification of the economy. Ignacio Galán, the chairman & CEO of the Iberdrola group, has received the National Innovation and Design Award in the Innovative Career Category from the Ministry of Science, Innovation and Universities. 	<ul style="list-style-type: none"> €280 million of R&D investment in 2019, a 5% increase over 2018. Expansion of Iberdrola's Universities Programme, <i>Iberdrola U</i>, with the inclusion of Yale University in the United States, Pernambuco University in Brazil and Hamad bin Khalifa University in Qatar. Wager on internal talent through the launch of <i>INVENTA</i>, the global platform for the management of innovative campaigns and ideas. Launch of two <i>start-up challenges</i>, where companies throughout the world submit potential solutions to specific problems of the energy industry. Expansion of the Innovation Programme with <i>Proveedores Iberdrola Bizkaia</i> (Iberdrola Biscay Suppliers), to finance innovative projects of Biscayan suppliers allowing for the development of products and services in the energy industry.
<p>Efficiency and new products and services</p> <ul style="list-style-type: none"> New developments driving flexibility, operational efficiency and the safety of facilities, as well as a reduction in our environmental impact through the implementation of disruptive technologies and the reduction of emissions. Design of new products that guarantee an efficient, agile and high-quality service and ensure an improvement in the experience of its more than 16 million customers. 	<ul style="list-style-type: none"> Development of domestic and international R&D projects to promote sustainable development, renewable energy and emerging technologies. There has been a launch of the <i>Asistente Smart Iberdrola</i> allowing customers to disaggregate the electricity consumption of their home appliances. Customers with electric vehicles can manage their home recharging point using the <i>Smart Mobility Hogar</i> app. It will also be possible to locate and reserve recharging points on the web using the <i>Iberdrola Public Charge App</i>. Using the <i>Smart Solar App</i>, each customer will be able to monitor generation, self-consumption and injection into the grid from their solar panels.
<p>Disruptive technology and business models</p> <p>Through the <i>Iberdrola-PERSEO</i> international start-up programme, investments are made in technologies and new disruptive businesses models, which ensure the sustainability of the energy model. Since its creation, more than €65 million have been invested through the programme worldwide.</p> <p>Lines of activity:</p> <ul style="list-style-type: none"> Technologies favouring the integration of renewable energies. Aggregation and management of distributed energy resources (batteries, solar, etc.). Innovative solutions for customers (demand-side management, digital solutions, etc.). Advanced technologies for operation and maintenance of energy assets. Electromobility: charging infrastructures and new solutions. Energy efficiency, including efficient thermal solutions. 	<ul style="list-style-type: none"> Iberdrola has been recognised by the European Commission within the framework of the <i>Start-up Europe Partnership</i> initiative, which has named Iberdrola for the third consecutive year as one of the top 12 European companies that work best with start-ups, and also giving it the special "<i>Start-up Procurement Award</i>". There were more than 15 pilot projects with start-ups in technological areas like Artificial Intelligence, Big Data, Internet of things (IOT) and blockchain in 2019. Investment in the company Wallbox, dedicated to the development of electric mobility solutions, and in Balantia, which develops solutions for improvement in the area of energy efficiency. These investments are an important contribution to Iberdrola's wager on the areas of electric mobility and energy efficiency.

📄 Innovation Report

Highlight the value of the company's intangible assets

Main R&D research projects

- Smart grids**
- *ATELIER* arises with the goal of developing Positive Energy Districts in eight European cities where Smart solutions for cities will be implemented and tested.
 - In *COORDINET*, transporters, distributors and consumers of electricity will define a European energy platform allowing for a bidirectional flow of energy.
 - As regards the integration of electric vehicles into the grid, the *ASSURED* project intends to develop rapid recharging solutions for heavy-load electric vehicles.

- Renewable energy**
- There has been a launch of the European *ENERXICO* project, the goal of which is to prepare computational fluid dynamics (CFD) models for future exascale computers and advance in the use of simulation models.
 - There has been a continuation of the *ROMEO* and *ASPA* projects to develop new models and tools for the early detection of failures based on AI/big data techniques.
 - In offshore wind, the construction of *East Anglia One* offshore wind farm in the United Kingdom is nearing completion and will enter into operation in 2020.

- Clean generation**
- The *OCTAVE* project, giving greater flexibility to combined cycle plants and facilitating the integration of renewables into the energy mix, has been completed.
 - *REDEMIS* has commenced, to improve environmental performance in combined cycle startup, shut-down and load changing.

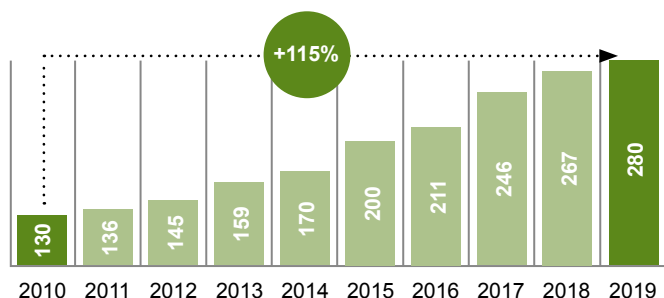
- Customers**
- *Energy Wallet* allows the purchase of 6-, 12- or 24-month green energy packages knowing the final price. from the renewable plant selected by the customer. It can be used at different addresses and managed from a mobile phone.
 - *Smart Home* includes a wide range of web-connected devices, waging on energy management, and the *Asistente Smart Iberdrola* allows for the disaggregation of consumption.
 - *Smart Mobility* is a comprehensive solution that includes the purchase of a charging point, installation and warranty, operation by means of an app, and a personalised supply contract.

Iberdrola, at the forefront of digital transformation

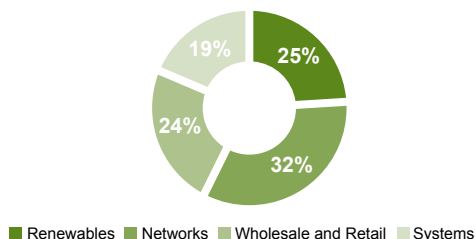
Iberdrola's roadmap has digitisation as one of the keys of the future energy scenario. Iberdrola participate in proofs of concept and multi-sector working groups, in addition to its R&D projects. It leads working groups of the *World Economic Forum (WEF)*, including *Cyber Resilience*, and participates in others, including *Digitization* and *Blockchain for Energy*. We are also members of *Euroelectric Blockchain Platform*, the *ERT Digital Transformation Working Group*, the multi-sector consortium of *Alastria* and the *Digitisation Committee of the Spanish Chamber of Commerce*.



Investments in R&D (€M): 2nd most innovative company in Europe, and 3rd in the world¹



% R&D investment by strategic area



(1) Industry classification by the EU R&D Scoreboard, with a total of 23 companies.

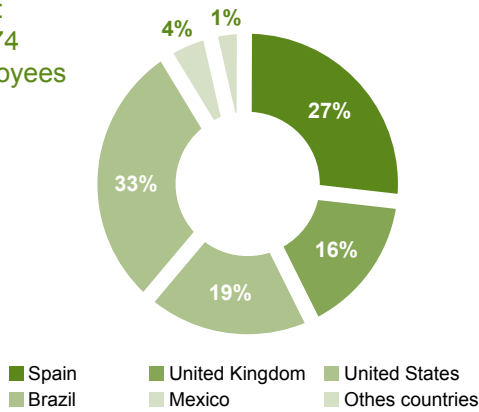
4.4 Human Capital

	Management approach	Principal activities 2019
Global human resources management	<ul style="list-style-type: none"> • Achieve the goals of competitiveness and business efficiency in a climate of social peace, fostering stable, high-quality employment. • Harmonise human resources processes and make inroads with implementing the Iberdrola culture in all countries, respecting specific local conditions. 	<ul style="list-style-type: none"> • Management of an appropriate labour relations framework that can be adapted to suit business and social requirements. • Review of the human resources processes, conforming them to the purpose and values. • Improvement in the digitisation of the goals, selection and on-boarding process. • Strengthening of new forms of collaborative internal communication. • Inclusion of Neoenergia within OneHR, extending and unifying practices and processes.
Goal of “accident reduction”	<ul style="list-style-type: none"> • Prioritise the safety of individuals at the group’s facilities and within its sphere of influence, fostering a progressive reduction in incident rates and improving health and safety conditions. • Replicate throughout the group the best practices identified in the area of occupational health and safety, fostering a culture of excellence in management and coordinating global preventive activities. 	<ul style="list-style-type: none"> • Attainment and/or maintenance of the OHSAS 18001 certification, and implementation of the global prevention system and standards in accordance with the group’s policy. Conformance of global standards to the new ISO 45001 standard. • Monitoring of proactive and reactive indicators among the group’s companies. • Creation of improvement groups (GPGs) for improving Indicators, Safety Culture and Digitisation in order to promote innovation, safe behaviour, best practices and lessons learned. • Implementation of the <i>Zero Accident Plan</i> at Neoenergia to reduce the accident rate.
Talent management	<ul style="list-style-type: none"> • Drive staff qualifications, preparing employees to work in a multicultural environment and making continual efforts to improve their employability. • Develop alternatives to compensate for factors stemming from the ageing of the workforce. • Maintain a team of competent, committed and motivated professionals, which is key for the sustained success of the business. • Manage talent on an integrated basis in order to train future leaders, preparing them now to assume larger responsibilities. 	<ul style="list-style-type: none"> • Strengthen and measure the impact of leadership development programmes for team leaders in all countries. • Review and simplification of the skills and leadership model towards principles of values-based behaviours. • Implementation of self-assessment and career recommendation tools. • Launch of new international mobility portal. • Launch of skills development programmes for specialists (technical career). • Alignment of high potentials identification process with the remunerative cycle. • New edition of the “Early Career” international mobility programme.
Diversity, equal opportunity and reconciliation	<ul style="list-style-type: none"> • Diversity, equal opportunity and reconciliation • Guarantee a social model committed to professional excellence and the quality of life of our employees. • Develop labour relations based on equal opportunity, non-discrimination and the promotion of diversity. • Create a high-quality labour environment by committing to reconciliation. • Contribute to achieving the SDGs for the 2015-2030 horizon through the <i>Corporate Volunteering Programme</i>. 	<ul style="list-style-type: none"> • Inclusion of Iberdrola in the 2020 <i>Bloomberg Gender-Equality Index</i> for the second consecutive year. • Launch of awareness-raising, training and communication initiatives that contribute to improving gender diversity within the group. • International cultural exchanges. • Corporate Volunteerism Activities to improve the quality of life and the integration of vulnerable groups (<i>International Volunteering Day</i>, the <i>INVOLVE</i> international volunteering programme, <i>Lights and Action</i> and <i>Operation Kilo</i>). • Volunteerism for environmental protection, including climate change workshops, reforestation, cleaning and recovery of natural environments. • Volunteering to disseminate the SDGs.

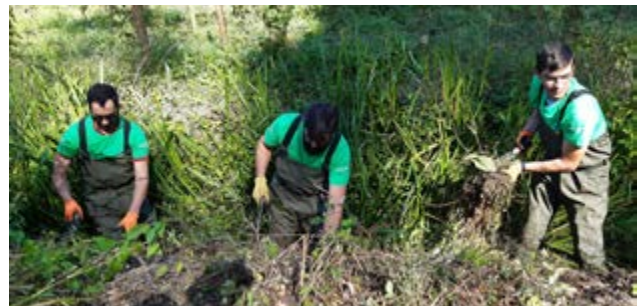
Ensure the availability of a committed, qualified and diverse workforce in a safe and stable environment

Geographic diversification of the workforce

2019:
35,374
employees

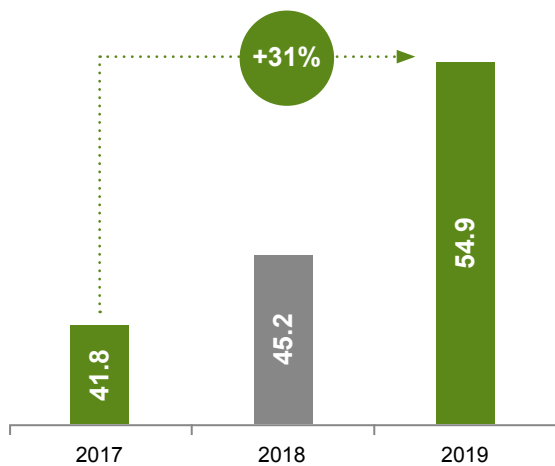


Social commitment



Various corporate volunteer activities by employees around the world (Photos: Brazil, Mexico and Portugal)

Hours of training per employee trained:

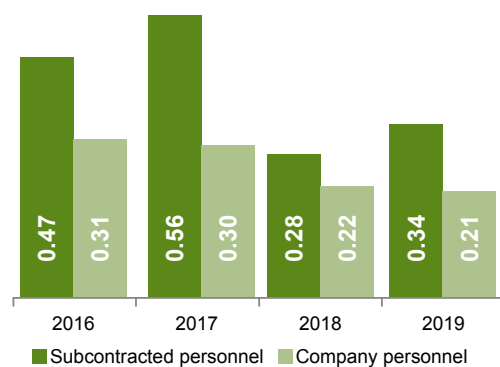


Iberdrola committed to leadership



Graduation of 3rd MBA in the Global Energy Industry class.

Improvement in accident ratios (2016-2019)¹:



(1) Neoenergia data has been 100% consolidated for all periods.

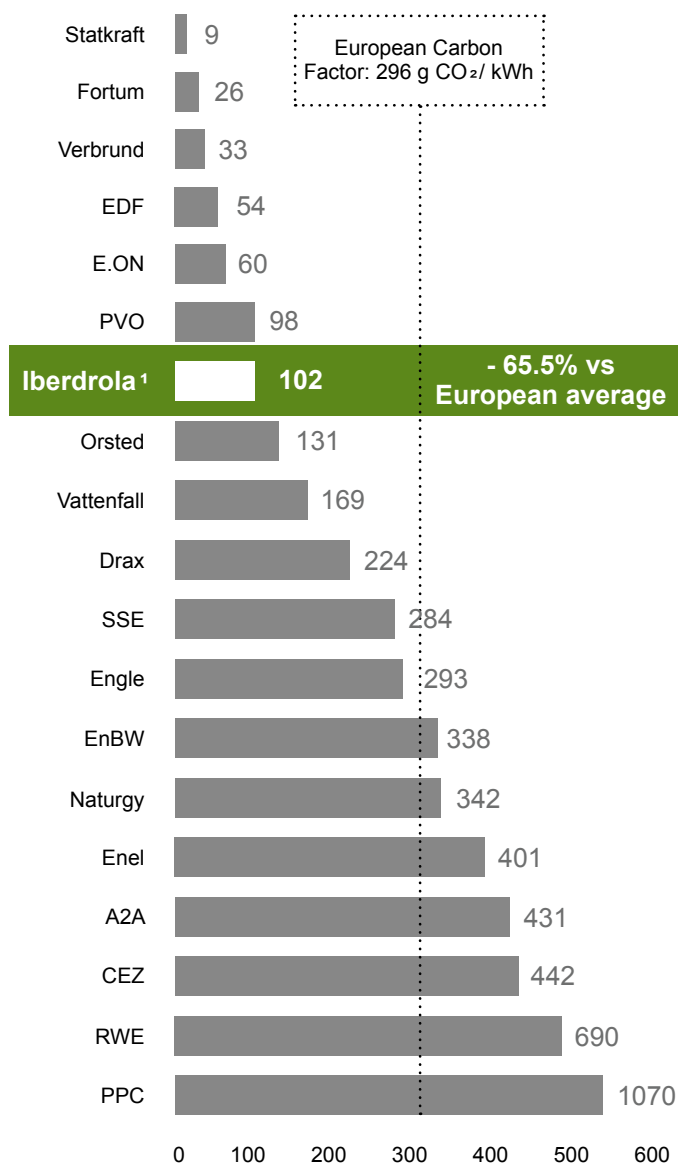
4.5 Natural Capital

Management approach	Principal activities 2019
<p>Protect the environment and stop the loss of biodiversity</p> <ul style="list-style-type: none"> • Conserve and recover the ecosystems associated with our activities, coordinating the biodiversity plans of the businesses in affected areas. • Improve the compatibility of Iberdrola's infrastructure with protection of the environment. • Avoid discharges and pollution of water and soil, all in line with Iberdrola's <i>Biodiversity Policy</i> and <i>Environmental Policy</i>. • Iberdrola commits to continuously improve biodiversity protection standards in order to reach a net positive balance at all new generation infrastructure that it deploys by 2030, applying mitigation hierarchy principles and avoiding the construction thereof in protected areas. 	<ul style="list-style-type: none"> • Acquisition of ISO-TS 14072 Certificate for Corporate Environmental Footprint (CEF) 2018. • Climate Change Adaptation Report for activities in Spain. • Sustainable 2019 General Shareholders' Meeting: ISO 20121 certification as a sustainable event for fourth consecutive year. • Renewal of all certificates updating to the new ISO 14001:2015 standard. • Participation in Natural Capital's working group with companies in the industry. • Biodiversity Action Plans.
<p>Combat climate change and its effects</p> <ul style="list-style-type: none"> • Prevent pollution and the emission of greenhouse gases (GHGs) through practices that reduce or eliminate the production of pollutants at source. • Reduce the emissions of non-GHGs into the air. • Gradually replace equipment using substances that reduce the ozone layer. • Promotion of awareness-raising campaigns regarding air quality. • New GHG emissions-free facilities (renewable, wind, hydroelectric, etc.). 	<ul style="list-style-type: none"> • Emissions in Spain were 94 gr CO₂/ kWh. • Approval of SBTi Targets regarding the group's emissions. • Commitment to reduce specific emissions, and very active participation in the Madrid Climate Change Conference (Spain). • Sustainable Mobility Plan.
<p>Guarantee sustainable modes of production and consumption</p> <ul style="list-style-type: none"> • Continuous improvement in operational performance. • Implementation of actions to increase energy efficiency. • Decrease in consumption of natural resources. • Inclusion of environmental variable in the design of infrastructure (Eco-design). • Improvement in control and management of waste generated. 	<ul style="list-style-type: none"> • Innovative activities in environmental management and control. • Assurance of quality in environmental management. • Efficient management of water consumption. • Improvement in withdrawal and consumption of inland water at all generation facilities. • Reuse and recycling of water. • Awareness campaign on use of plastic. • Improvement in reuse and recycling of waste. • Active awareness-raising on the circular economy.
<p>Revitalise alliances with Stakeholders for sustainable development</p> <ul style="list-style-type: none"> • Strengthen transparent dialogue with Stakeholders in order to work together in seeking solutions to environmental problems. • Manage environmental compliance by suppliers. • Transparently report on environmental results and activities. • Optimisation of and innovation in environmental management systems. 	<ul style="list-style-type: none"> • Make or provide information for the various reports relating to this capital (<i>Sustainability Report</i>, <i>Corporate Environmental Footprint Report</i>, etc.). • Public-private cooperation with the Basque Government on environmental issues. • SDG Acceleration Day at the San Agustín de Guadalix Campus in partnership with REDS, IS Global and ITD-UPM.

The environmental dimension is a key factor in the concept of sustainability

Specific CO₂ emissions from facilities in Europe

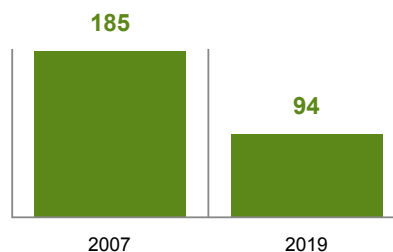
(Carbon factor in g of CO₂/MWh)



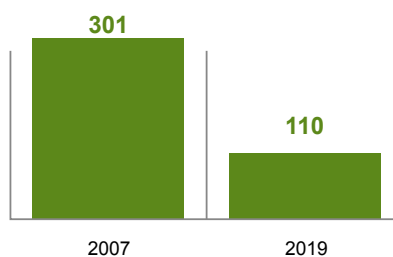
European carbon factor 2018: 296 g CO₂ /kWh¹

Source: "Facteur carbone européen Comparaison des émissions de CO₂ des principaux électriciens européens" PwC France. Dec. 2019.

Intensity of emissions in Spain (g CO₂/kWh)

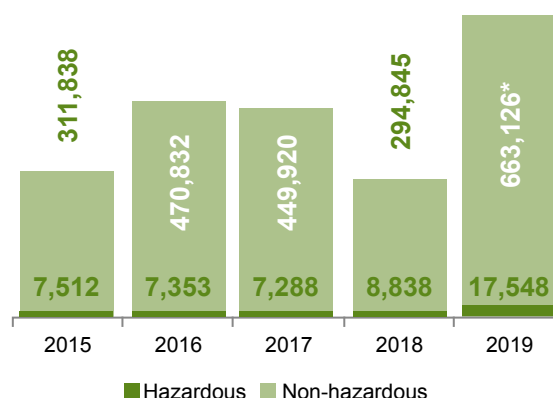


Overall intensity of the group's emissions (g CO₂/KWh)¹



(1) Calculated on total own production.

Volume of recovered, reused or recycled waste (t)



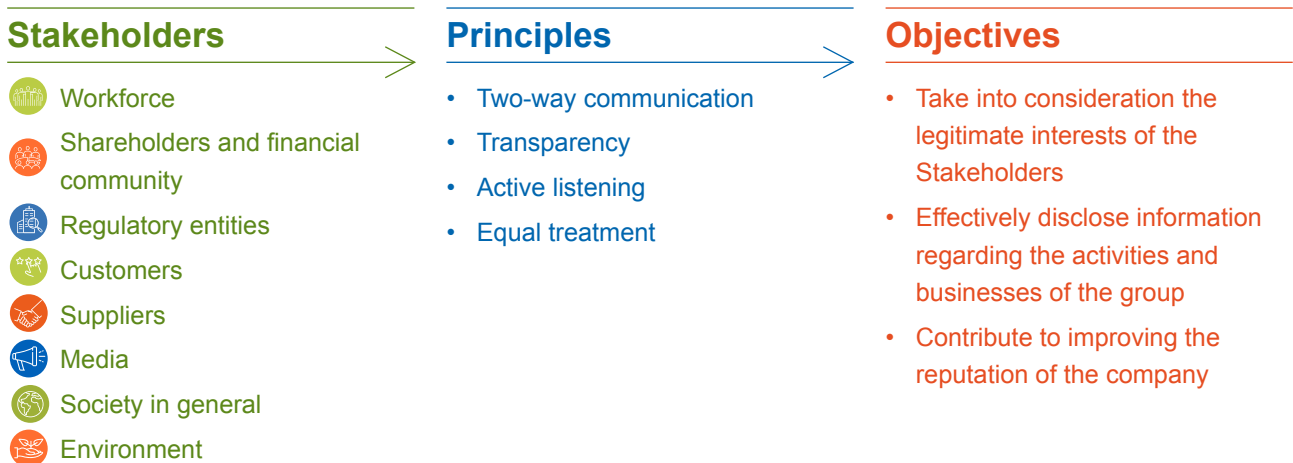
(*) Increase as a result of the reuse of construction land at facilities in the United States.

(1) The 102 g CO₂ in this chart refers to emissions from Iberdrola's facilities in Europe during 2018. The other companies only include the European space.

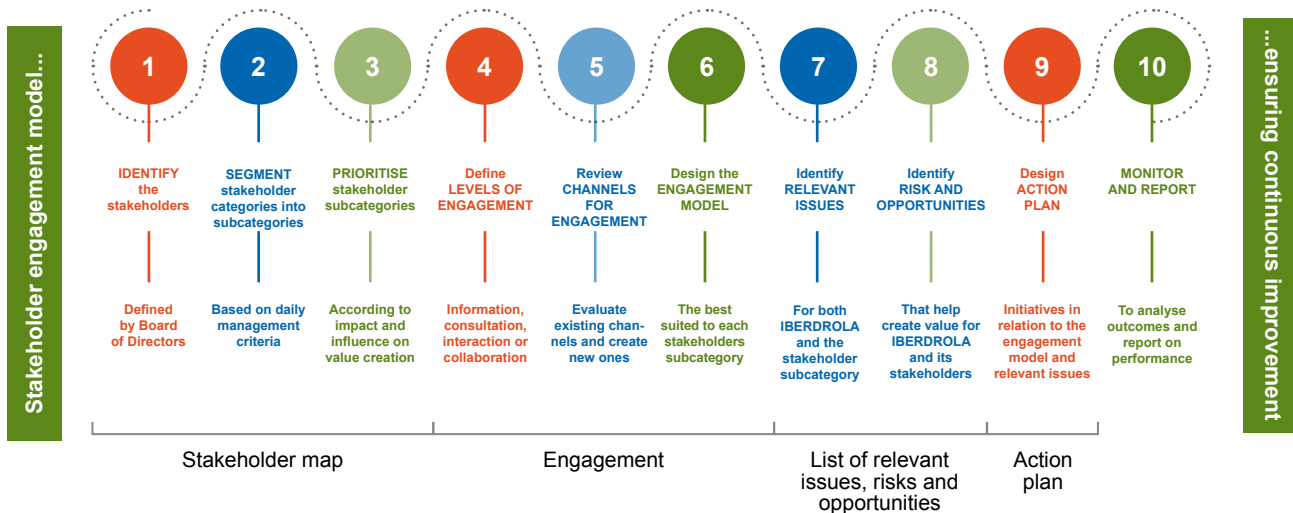
4.6 Social and Relationship Capital

Stakeholder engagement

Iberdrola works to increasingly engage its Stakeholders in all of the company's activities and operations. Throughout the value chain, Iberdrola interacts with millions of people and thousands of organisations that make up its social and relationship capital, and thus a fundamental element for the sustainable performance of the company.



To meet its goals in this area, Iberdrola has a *Global Stakeholder Engagement Model* which, based on the AA1000 Stakeholder Engagement Standard 2015, ensures that all areas and businesses of Iberdrola have an in-depth understanding of their Stakeholders; have suitable channels of communication therewith; analyse their expectations (with the risks and opportunities thereof); and establish appropriate action plans with specific related impacts.



Iberdrola Stakeholders' Hub

The company has an internal Stakeholder coordination body made up of the parties responsible for all of the Stakeholders and businesses of Iberdrola. This Hub meets periodically, sometimes with the presence of outside experts.



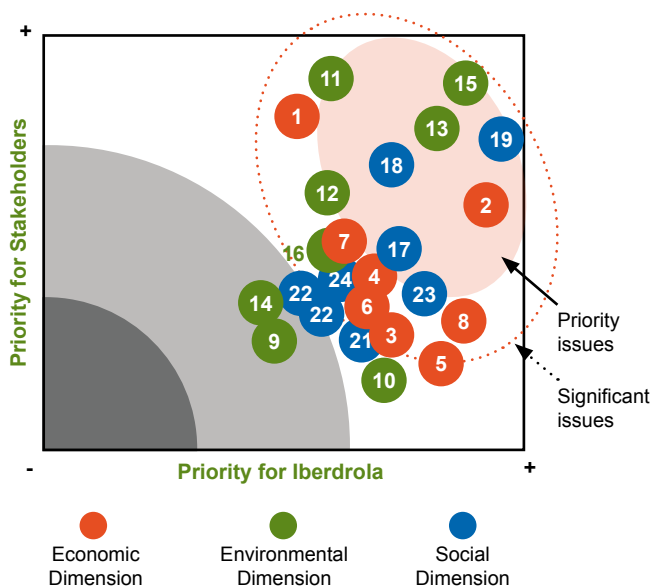
Key figures

Through its *Stakeholder Engagement Model*, Iberdrola has detected:

- 70 categories of sub-stakeholders
- More than 40 different channels of communication, increasingly digital.
- More than one hundred relevant issues, with numerous related plans.
- Around thirty emerging trends.

The main issues and trends guide the company in its decisions and form part of Iberdrola’s CSR Plan “Responsible Energy for People”. And also aligned with the latest materiality study performed by an independent firm based on external information sources.

Materiality matrix 2019



Priority issues

- 15. Energy transition
- 13. Climate change
- 19. Occupational safety and health
- 18. Diversity and equal opportunity
- 11. Economic and financial performance
- 17. Customer satisfaction

Significant issues

- 1. Socially responsible investment
- 12. Integration of renewable energy within the electric system
- 7. Smart grids and supply quality
- 16. Availability and management of water
- 4. Ethics and integrity (anti-corruption and free competition)

- 24. Connectivity, digitisation and cybersecurity
- 23. Attraction, development and retention of human capital
- 6. Public policy
- 8. Green financing
- 3. Transparency
- 21. Human rights
- 5. Responsible supply chain
- 20. Impact on local communities

Other significant issues

- 22. Vulnerable customers
- 14. Management of biodiversity
- 9. Management of natural capital
- 10. Circular economy

Good Practices

Stakeholders Panel on CSR

Iberdrola has launched a permanent Stakeholders Panel on CSR, made up of major opinion leaders in this area. Its goals include:

- Knowing the opinions of CSR experts regarding global trends and relevant CSR issues.
- Using these opinions as a benchmark for guidance when Iberdrola designs strategies and makes decisions in this area.

Global internal communication campaign: ten new guidelines on stakeholder engagement

- | | | | |
|----------|---|-----------|---|
| 1 | Know in detail what stakeholders you engage with | 2 | Check that the communication channels available to them are working properly |
| 3 | Listen to them about the issues that concern them | 4 | Analyse the risks and opportunities of these issues |
| 5 | Provide specific responses to the issues that most interest and concern them | 6 | Give them clear and simple explanations of why we do things the way we do |
| 7 | Ask whether they approve of our decisions and how we can improve | 8 | Fulfil your commitments and collaborate with them whenever possible |
| 9 | In short, take them into consideration whenever making decisions that affect them | 10 | And always keep, your stakeholders' best interests in mind and think about what they might need |

Community support and electricity access programmes

Primary programmes

Activities 2019

- Contribution of €52.3 million to the community in the countries in which Iberdrola operates, measured according to the *London Benchmarking Group* (LBG) international standard.
- *International corporate volunteering programme*, offering various volunteering opportunities to employees in Spain, the United Kingdom, the United States, Brazil and Mexico.
- Entrepreneurial support: €54 million of procurement from companies in operation for less than 5 years, and €65 million in venture capital for new initiatives with high technological value.
- Specific programmes and pricing for vulnerable groups in Spain, the United Kingdom, the United States and Brazil.
- Rural electrification programmes in Brazil, to which more than €40 million has been allocated.
- Programmes implemented by the foundations created by Iberdrola in the principal countries in which it operates.
- Development of the *Electricity for All* programme.

Electricity for All

- The SDGs recognise energy as an engine for sustainable development.
- The *Electricity for All* programme is Iberdrola's response to the demand to extend universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. This initiative is focused on sustainable electrification activities in emerging and developing countries.
- Iberdrola has set itself the goal of reaching 16 million beneficiaries of this programme by 2030. At year-end 2019, the programme had reached 7 million users.

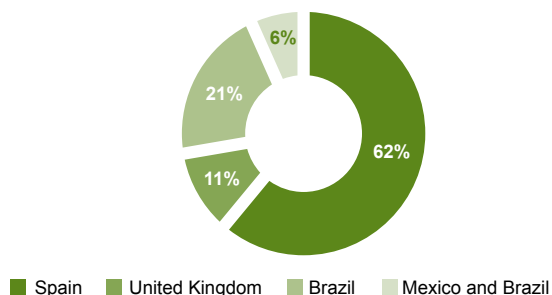
Foundations of the Iberdrola group

Activities 2019

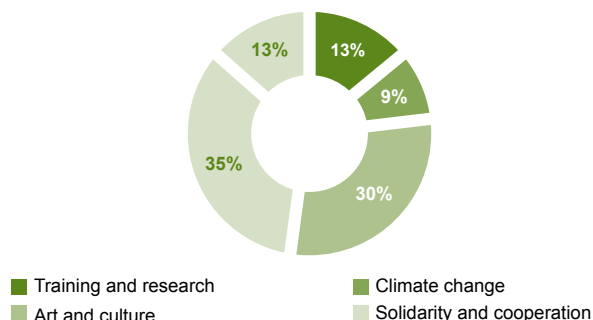
- Iberdrola has strengthened the operation of its foundations in Spain, the United Kingdom, the United States, Brazil and Mexico.
- Overall investment dedicated to activities in all countries in 2019 increased to a total of €9.2 million.
- A new *Master Plan* has been prepared for the 2018-2021 period, in order to contribute to sustainable development.
- The industry areas have been consolidated, but prioritising the impact on the specific targets of the SDGs.
- In the Training area, there is strengthening of the promotion of equal opportunities through the *Social Assistance* programme, with more than 80,000 beneficiaries.
- In Art and Culture, there are three major programmes:
 - Lighting: The most important have been the Cathedral of Santiago (in progress) and the Grand Staircase of the General Navy Headquarters (Spain), the National Museum of Art (Mexico), the illumination of the façade of the Cascudo Memorial Chamber (Brazil) and the *Luces de Esperanza* (Lights of Hope) project in Mexico.
 - Restoration: Includes the *Gabinete de descanso de los Reyes* (Their Majesties' Retiring Room) (Prado Museum), the Altarpiece of Villarmentero de Campos and the church of San Martín de Castañeda in Spain.
 - Museums: Promote the restoration and exhibition of works, including: *El Prado in the Streets* (Prado Museum), *Sorolla en pequeño formato*, *Sorolla Dibujante* (Sorolla Museum).
- Biodiversity and climate change includes the MIGRA program to protect birds in danger of extinction, the LIFE project with SEO Birdlife in Spain, Sussex Wildlife Trust (in the United Kingdom), National Fish and Wildlife Foundation (NFWF) at Avangrid, the Cañón de Fernández Project (Mexico) and the CORALIZAR project in Brazil.
- In the area of Cooperation and Solidarity, there have been more than 70 partnerships in the five countries with an impact on more than 100,000 people in the fight against child poverty, the independence of people with disabilities and serious illnesses, with special attention on the most vulnerable groups: infants and youth.

Foundation Programs 2019

Contribution by region (%)



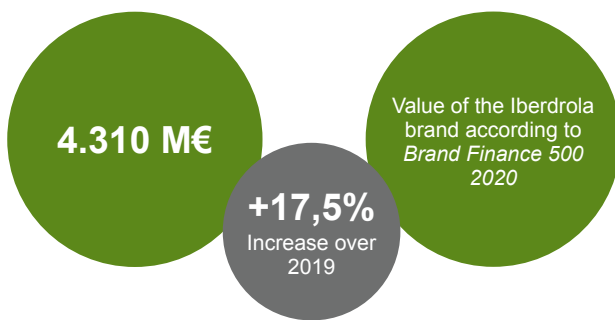
Contribution by programme (%)



Corporate reputation

Soundness and strength of the brand

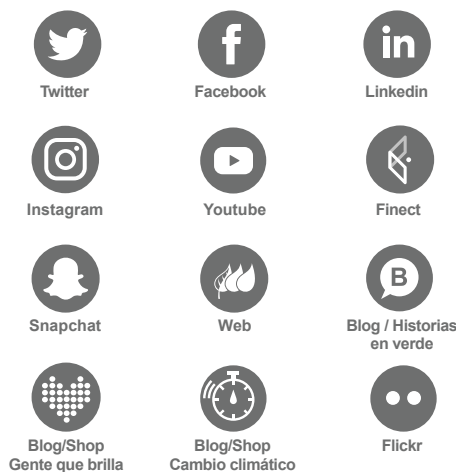
- Management of the brand so that it transmits the essence of the Iberdrola group’s Purpose and reflects the company’s strategy to commit to the environment and to Sustainable Development.
- Consolidation of an international brand, strengthening communication and alignment under a single brand positioning strategy in the countries in which the company operates.



Evolution of the digital ecosystem.

- Offer of useful and dynamic information, with messages adapted to each stakeholder.
- Facilitate direct interaction with our stakeholders, overcoming barriers and making use of existing synergies.

Iberdrola on social media and the internet.



Reputation

- Iberdrola considers reputation to be an intangible asset of great value, which influences aspects as important as the attraction the company’s global reputation, which is also influenced by the social perception of the electricity sector.
- Iberdrola therefore manages and constantly measures its reputation with a dual objective:



To bring out opportunities that trigger favourable behaviour towards the company.

To minimise and mitigate reputational risks inherent in its activities.

- Management: Reputation is mainly managed through two elements:

Proactive management of the Stakeholders through the Stakeholder Engagement Model, which allows one to know expectations and needs, to analyse risks (including reputational risks) and to establish specific action plans, as explained at the beginning of this section.

The communication plans, the Sustainable Development Plan and numerous other specific actions focused on each of the company’s eight Stakeholder groups.

- Measurement: Reputation is monitored and measured through a specific scoresheet that includes variables from reputational rankings, Stakeholder surveys and various sustainability indexes, among other things.

- Iberdrola reviews and updates its *Reputational Risk Framework Policy*, which is the main reference point for the control and management of this risk, on an annual basis. The company also has internal processes that allow it to respond to potential reputational crises.