



## 2.1 The future of energy

### Combat climate change

Climate change is one of the most significant and urgent challenges facing humanity. Confronting this serious threat requires not only the commitment of companies and consumers, but also that of regulators and public institutions, which should adopt appropriate energy policies and regulations.

The year 2020 saw the fifth anniversary of the Paris Agreement, in which it was agreed to limit the increase in the global temperature to less than 2°C by the end of the century and to continue the efforts to limit the increase to 1.5°C, with a commitment to reach peak GHG emissions as soon as possible and begin to reduce them until achieving carbon neutrality. Since then a total of 189 countries have signed this Agreement.

The energy sector is an important player, responsible for over 75% of CO<sub>2</sub> emissions, for which reason its contribution is essential to achieving the Paris Agreement's decarbonisation targets, and neutrality by 2050.

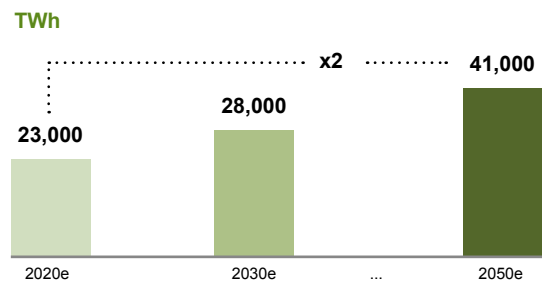


### Current energy context

According to the IPCC<sup>1</sup>, achieving this goal will require a 45% reduction in emissions by 2030 compared to those in 2010 and achieving zero net emissions by 2050. This puts electricity from renewable sources at the epicentre of decarbonisation, with the need to electrify sectors like transport and buildings, in which polluting energies still play a predominant role.

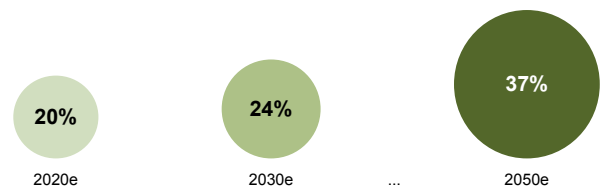
### Increase in electricity demand

Several bodies, including the International Energy Agency (IEA), emphasise that progressive electrification of the economy will cause global demand for electricity to increase over the period, reaching 41,000 TWh<sup>2</sup> by 2050.



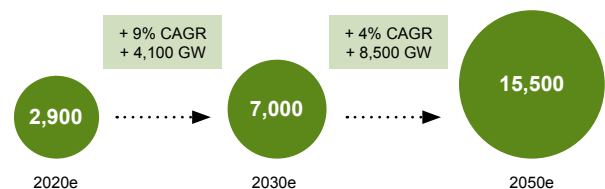
### Electrification of final demand

Electricity's share of total energy consumption is thus expected to rise from 20% this year to 37% by 2050<sup>2</sup>.



### Mass use of renewable resources

This electrification of consumption will require 2.5 times current renewable capacity, to around 7,000 GW, by the end of this decade<sup>3</sup>, in order to replace existing thermal capacity and meet the demand arising from new uses like transport, buildings and industry, etc.

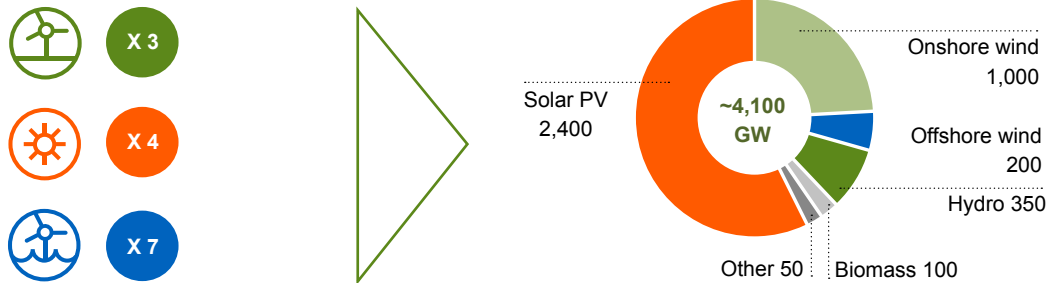


(1) Special Report of the Intergovernmental Panel on Climate Change (IPCC) on Global Warming of 1.5 °C.  
 (2) Source: Data calculated internally based on the Sustainable Development scenario in the International Energy Agency's *World Energy Outlook 2020*.  
 (3) *Bloomberg New Energy Finance (BNEF) (2020). New Energy Outlook.*



### Electricity generation

The progressive reduction in the costs of investment and operation of the various renewable technologies will favour an increase in their share of the energy mix, leading to an increase in the installed capacity of these technologies, estimated to be some 4,100 GW over the decade, mainly in solar photovoltaic and wind.

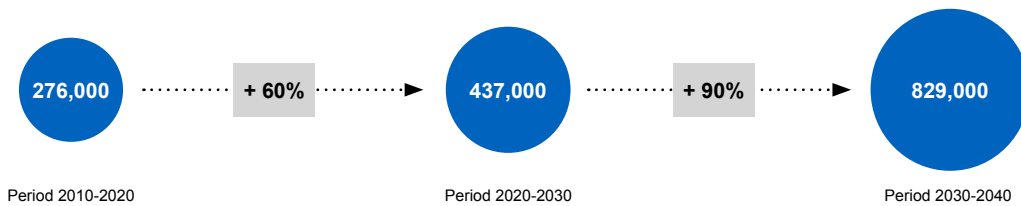


Growth in installed capacity, 2030 vs 2020<sup>1</sup>

Additional capacity in 2030 by technology (GW)<sup>1</sup>

### Power transmission and distribution

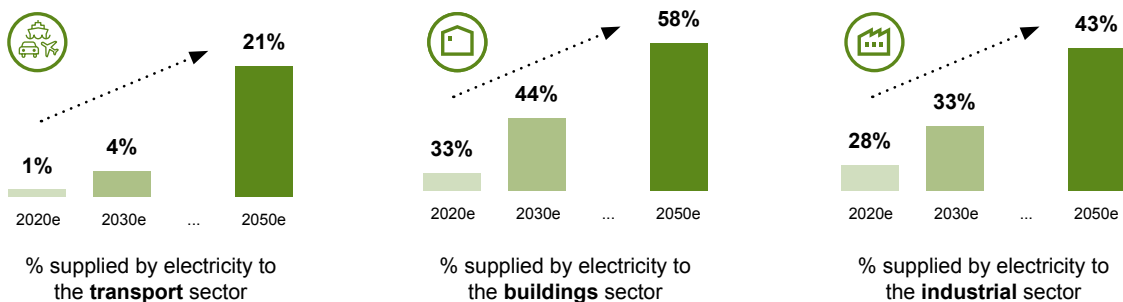
The electrification of the economy accords an essential role to an efficient, smart and flexible electricity transmission and distribution infrastructure, capable of integrating more renewable energy and meeting new requirements in terms of connectivity, digitalisation and demand management.



Annual average investment in grids (\$M)<sup>2</sup>

### Uses of electricity

The challenge of decarbonisation means that electrification from renewable sources is an increasingly necessary option in every sector, which means that electricity demand will grow rapidly in those sectors that implement it as the most efficient solution for reducing their CO<sub>2</sub> emissions.

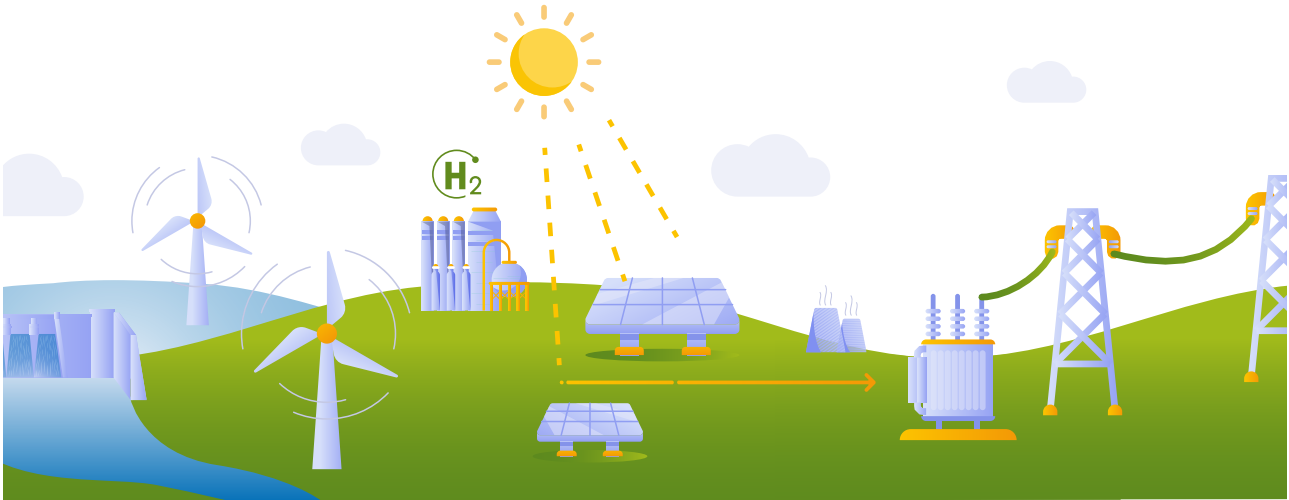


An innovative use of renewable electricity generation will be the production of **green hydrogen** through the use of electrolyzers. Green hydrogen will enable progress on two fronts: emissions reduction in sectors that currently consume hydrogen, produced by processes that emit CO<sub>2</sub>, and the adoption of hydrogen in sectors that are difficult to electrify (such as heavy, air and sea transport).

(1) Source: Data calculated internally based on the Sustainable Development scenario in the International Energy Agency's *World Energy Outlook 2020*.  
(2) Source: Sustainable Development scenario in the International Energy Agency's *World Energy Outlook 2020*.



## 2.2 Value Chain



### Generation of electricity and green hydrogen

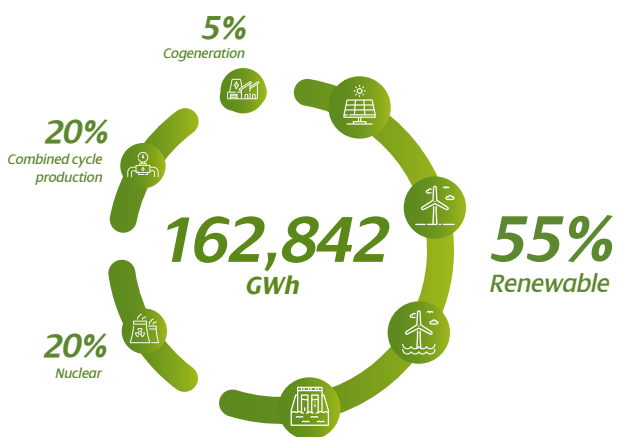


### Transmission and distribution

Construction, operation and maintenance of generating plants, and purchase/sale of energy on wholesale markets.

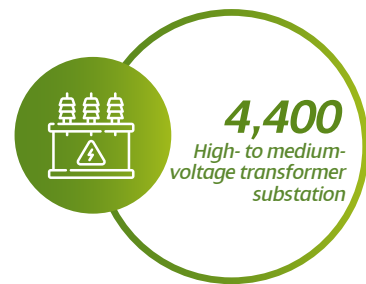
Construction, operation and maintenance of electrical lines, substations, transformer centres and other infrastructure, to bring electrical power from production centres to the end user.

#### Electricity production<sup>1</sup>

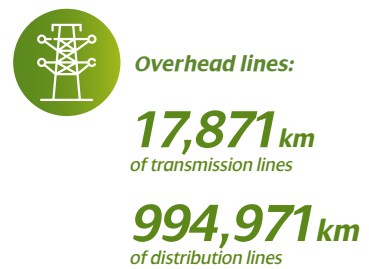


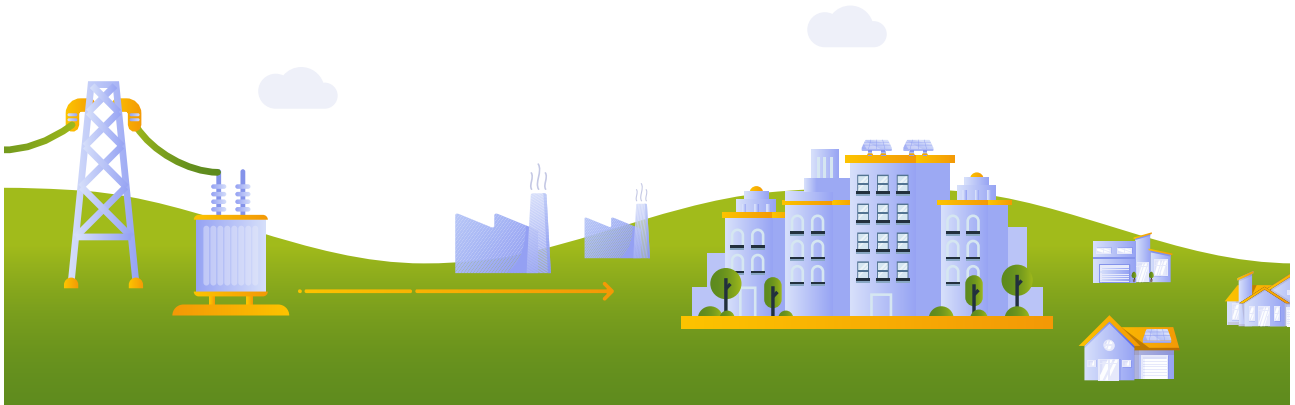
(1) of 2020 net output

#### Electric networks<sup>2</sup>



(2) At 31 December 2020





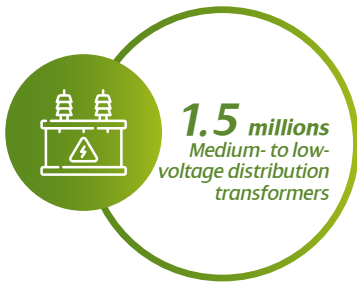
of electric power



Retail sale of electricity and gas

Supply to end users of electricity, gas, products and complementary services.

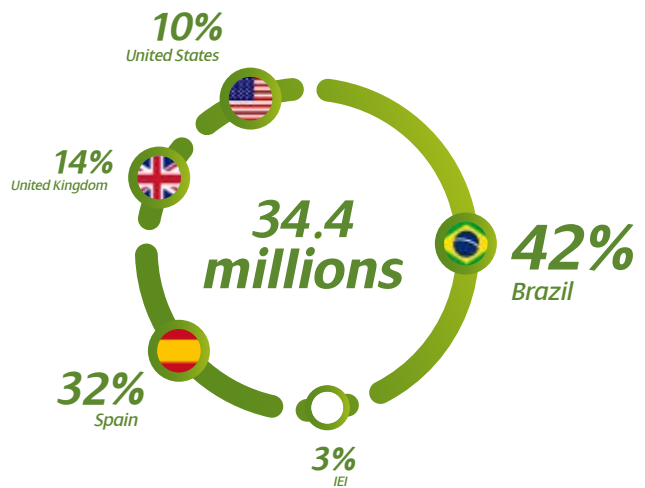
Consumers



Underground lines

**1,234km**  
of transmission lines

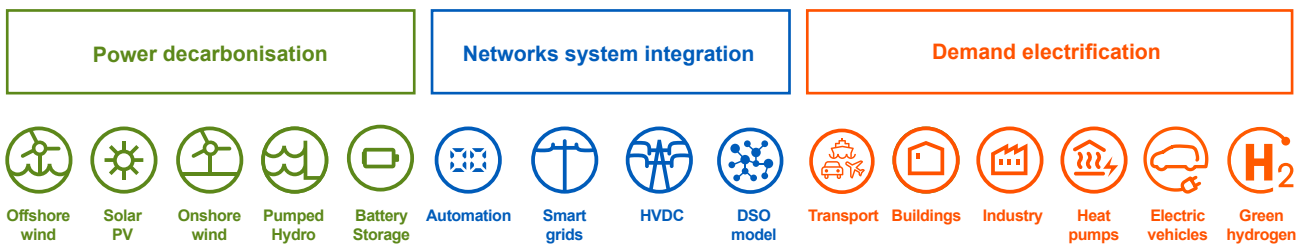
**192,707km**  
of distribution lines





## 2.3 A successful and well-established business model

Iberdrola firmly believes that **the transition to a carbon-neutral economy by 2050 is technologically possible, economically feasible and socially necessary**. Decarbonisation of the economy is a tremendous opportunity to create wealth, generate employment and improve both the condition of the planet and people’s health. The group is therefore committed to leading the energy transition, a path it took 20 years ago and that has led it to invest €120,000 million since then, to which it will add a further €75,000 million between 2020 and 2025. This commitment will be fulfilled by promoting:



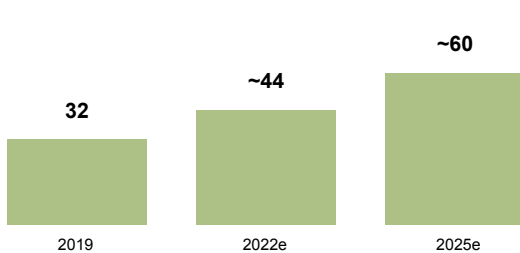
*“After 20 years anticipating the energy transition, our business model makes us a key agent in the transformation of the industrial fabric. With our experience, our engagement with society and our financial strength, we are advancing a model for long-term sustainable capable of meeting the current challenges of society.”*

-Ignacio Galán, chairman & CEO of the Iberdrola group-

### + Renewables

With one of the industry’s largest portfolios (>90 GW)

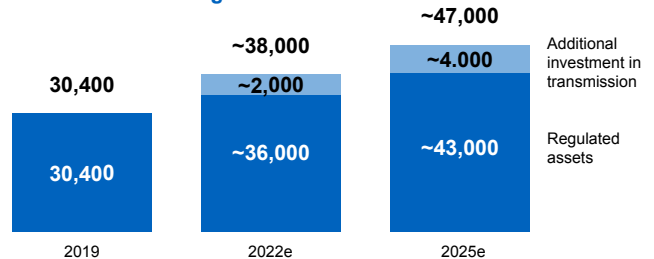
Renewable installed capacity (GW)



### + Networks

Increasingly smart networks.

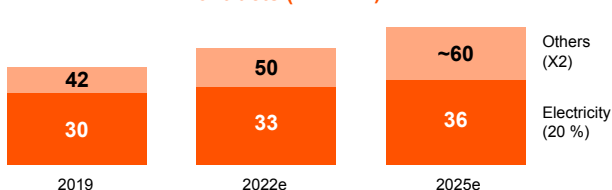
Regulated assets



### + Customer services

New solutions for its customers.

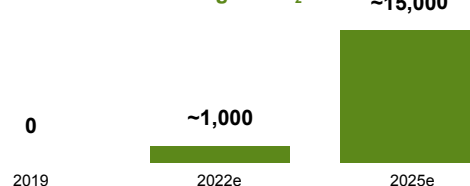
Contracts (millions)



### + Innovation

Which responds to the demands detected: storage, green hydrogen, etc.

tons of green H<sub>2</sub>





## Two decades of growth based on strong strategic foundations that drive future growth



## And an economic / financial model that enables us to accelerate the creation of value for all

- **Investment** is concentrated in the **regulated** businesses or businesses with **long-term contracts**, which provide recognised and recurring cash flows.
- The selection of **countries** takes into account the **stability** of the regulatory environment applicable to the industry and their long-term credit rating.
- The dividend policy is focused on a **strong and growing return** in line with the increase in the company's results.
- The principal **finance** instrument is Green Finance, which ensures transparency on the impact and use thereof, **in line with EU Taxonomy**, which allows for sufficient liquidity to be maintained.
- This will enable Iberdrola to **maintain its credit ratios** within the established limits.



Iberdrola's business model allows it to:

- Satisfy the expectations of its **Stakeholders**, and with regard to ESG+F.
- **Accelerate** the growth of its **renewable activities**, mainly offshore wind and photovoltaic, in order to meet its decarbonisation target.
- Maintain a **strong financial position**, which allows Iberdrola to meet its investment targets.
- A **sustainable, certain and growing dividend policy**, which allows shareholders to participate in the objectives achieved.

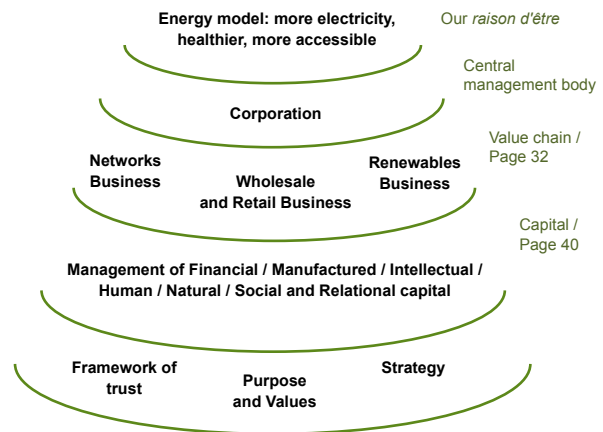


## 2.4 Iberdrola, an ESG+F leader

### 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 and guide the strategy of the company.
- Advanced risk control system, to maintain an optimal risk / opportunity balance.



- A pioneering and leading **strategy** that integrates an **ESG+F** focus to satisfy the expectations of all of its **Stakeholders**.
- **Responsible management of the** company's **capital**.
- An **organisation** structured into three global businesses (Networks Business, Renewables Business and Wholesale and Retail Business), with a Corporation as the group's supervisory body.
- A supply of **healthy and accessible energy**.

The Iberdrola group has formulated a differentiating, authentic and relevant **corporate purpose** that contributes to a greater connection of the company with people, society as a whole and its Stakeholders. To achieve this purpose, our corporate values have evolved into three concepts that inspire our entire strategy.

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

This **Purpose** expresses:

- The company's commitment to **well-being of people and the preservation of the planet**.
- The commitment to 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.
- Iberdrola's drive for the **development of clean energy**.
- The determination to build an **energy model based on more electricity**.
- The conviction that an **energy model based on more electricity** is also **healthier**, as people's health and well-being depend on the environmental quality of their surroundings.
- We aspire to achieve a **new energy model that is more accessible for all**, one that favours inclusiveness, equality, equity and social development.
- The desire to continue building that **model in partnership** with the key players.

To achieve this Purpose, Iberdrola's corporate **values** have evolved into 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.

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## A strategy that integrates all ESG aspects: environmental, social and governance

Year after year, Iberdrola's achievements show that its **sustainable business model creates value for all its Stakeholders**.

Over the past two decades, the **ESG aspects** have formed an integral part of the company's strategy. Iberdrola implements its commitment by providing transparency on ambitious, relevant and measurable objectives that represent the company's priorities in terms of its contribution to sustainable development.

### Leader in ESG

		2020	2022e	2025e
<b>E</b>				
<b>Emissions per kWh</b>	gCO <sub>2</sub> /kWh	98	~100	<70
<b>Biodiversity: reforestation</b>	Trees, in Million	-	2.5	8
<b>Water consumption</b>	m <sup>3</sup> /GWh	434	<500	<420
<b>Smart Grid implementation</b>	% of HV and MV grids	70	75	83
<b>Smart meters</b>	Number, in Million	14,9	16.7	21.2
<b>R&amp;D investment</b>	Million Euros	293	330	400
<b>S</b>				
<b>Training hours</b>	Hours / employee year	53	>55	>55
<b>Customers: smart services</b>	Number, in Million	9	12	18
<b>Jobs supported</b>	Contribution to employment	~400,000	>400,000	>500,000
<b>Women in leadership positions</b>	% of management positions	22	25	~30
<b>Gender pay gap</b>	% women / men ratio	+7,3%	+/-2%	+/-2%
<b>Electricity for All</b>	Beneficiaries, in Million	8	11.5	14
<b>Foundation</b>	Beneficiaries, in Million	-	1.3	1.4
<b>G</b>				
<b>Best practices in Governance<sup>1</sup></b>	Inclusion in Corporate Governance System	✓	✓	✓
<b>Cybersecurity</b>	Annual number of security assessments	1.200	1,800	2,000
<b>Suppliers</b>	% of supplier with sustainable policies	47%	70%	75%

At the end of the **2020-2025 period**, investments in **R&D** will rise to **400 million euros**, we will have contributed to the maintenance of **500,000 jobs** around the world, **tripled** our **activities** regarding **cybersecurity** and ensured that **75%** of our **suppliers** have **sustainability policies**. We also expect to hire **20,000 people** and we will continue to **increase** the hours of **training** per **employee**, which is already four times the European average. On the environmental front, our strategy of investing in clean energy and networks will make us **carbon-neutral** in Europe by 2030 and will **reduce** our **global CO<sub>2</sub> emissions** by 86%, to **50g/kWh**.





## Iberdrola's contribution to the Sustainable Development Goals (SDGs)



The group has committed to the SDGs defined by the United Nations for the 2015-2030 period. These 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 company concentrates its efforts on the following objectives based on the activities it performs:

	<p><b>Electricity for All programme:</b>  <b>Goal of 16,000,000 beneficiaries by 2030.</b>  <b>Reached 8.2 million by year-end 2020.</b>  <b>A global renewable leader: close to 35,000 MW installed by the end of 2020.</b></p>		<p><b>Iberdrola has set the following targets:</b>  <b>Be carbon neutral by 2050 and reduce its emissions to 50g of CO<sub>2</sub>/kWh at the global level by 2030.</b>  <b>Reduce greenhouse gas (GHG) emissions of absolute scope 1, 2 and 3, approved by the SBTi initiative.</b></p>
	<p>Special rates for vulnerable groups in 2020 to mitigate the effects of COVID-19.          Social programs offered by the various foundations.</p>		<p>1.3 million beneficiaries of the Iberdrola foundations' programs over the 2020-2022 period.          A total of 10,000 volunteers participated in the Corporate Volunteering Programme in 2020.</p>
	<p>Provide over 90,000 free meals for indigent people in Spain.          Distribute over 10,000 food parcels in Mexico's most vulnerable communities.</p>		<p>Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation.  <b>Goal:</b> Install over 150,000 electric vehicle charging points in Spain by 2025.</p>
	<p>Iberdrola contributes to reducing the noxious effects on health of greenhouse gases with its commitment to reduce these gases.  <b>Goal:</b> Over 90% of workers in Europe to be covered by OHSAS 45001 / ISO 18001 certification.</p>		<p><b>Goal:</b> 70% of providers to have sustainability policies by 2022.  <b>Goal:</b> Reduce the use of paper by increasing electronic billing. 70% of bills to be electronic.</p>
	<p><b>Goal:</b> Training for our employees: more than 55 hours of training per employee trained in 2022.          Scholarship and research grant programme continues during the 2020-2021 academic year.</p>		<p>Monitoring of marine mammals at the East Anglia ONE wind farm for the installation of noise mitigation measures, with the aim of preserving the marine ecosystems.          Acoustic insulation techniques (bubble curtains) during the construction of offshore wind projects.</p>
	<p><b>Goal:</b> Promotion of women to important positions, to reach 30% by 2025.          Iberdrola supports the Women's Universe (<i>Universo Mujer</i>) programme of the Higher Council for Sport (<i>Consejo Superior de Deportes</i>) (CSD), supporting 16 Spanish female federations.</p>		<p><b>Goal:</b> Promote biodiversity through reforestation, by planting over 2.5 million trees by 2022, reaching 20 million by 2030.          Overhead Lines Improvement Project, in which 30,234 supports have already been adapted for birdlife protection.</p>
	<p><b>Goal:</b> 50% reduction in water use / production intensity ratio by 2030 compared to 2019.          Pollution prevention programs for facilities.</p>		<p><b>Goal:</b> Obtain independent external certifications or validations of the compliance systems of the holding company and of all of the country subholding companies of the group by 2022. The company has renewed the <i>UNE-ISO 37001</i> and <i>UNE 19601</i> certifications regarding anti-bribery and compliance.</p>
	<p><b>Goal:</b> Over 500,000 jobs (direct, indirect and induced employment) by 2025.          Approximately 400,000 direct, indirect and induced jobs throughout the world<sup>1</sup>. More than €34,000 million in impact on the GDP of the countries in which it does business<sup>1</sup>.</p>		<p><b>Goal:</b> Promotion of the SDGs in the supply chain, by launching conceptual capsules, journeys, videos and information aligned with the groups sustainability strategy.</p>
	<p><b>Goal:</b> €400 million annually in R&amp;D by 2025.          Iberdrola is the European Union's leading private sector utility by volume of investments in R&amp;D<sup>2</sup>.</p>	<p>Recognised as a LEAD participating company in the United Nations Global Compact.</p>	



(1) Data from a Study of Iberdrola's Impact, prepared by PwC, which is based on 2019 figures. Includes indirect and induced impacts.  
 (2) According to data from The 2020 Industrial R&D Investment Scoreboard prepared by the European Commission.









*Aldeadávila hydroelectric plant  
(Salamanca, Spain)*



## 2.5 Capital management

The Iberdrola group holds valuable assets for the implementation of its business model. The strategy defined by the company transforms this capital to create value for all its Stakeholders.

	What is it?	Management approach	Significant aspects
<b>Financial capital</b> 	Financial resources that the company already has or obtains in the capital markets.	Create value for shareholders through sustainable growth.	<ul style="list-style-type: none"> <li>Balanced and diversified growth.</li> <li>Strength of the financial structure.</li> <li>Operational excellence.</li> <li>Sustainable results and dividends.</li> </ul>
<b>Manufactured capital</b> 	Tangible assets or goods used by the company to carry out its business activities.	Offer a competitive supply of energy in a safe and reliable environment.	<ul style="list-style-type: none"> <li>Power generation assets.</li> <li>Power transmission and distribution assets.</li> <li>Encourage a circular economy of assets.</li> <li>Other assets.</li> </ul>
<b>Intellectual capital</b> 	Intangible, knowledge-based assets.	Consider innovation as a strategic element of the company.	<ul style="list-style-type: none"> <li>Promotion of R&amp;D.</li> <li>Digitalisation for efficiency and development of new products and services.</li> <li>Disruptive technology and business models.</li> </ul>
<b>Human capital</b> 	Employee knowledge, skills, experience and motivation.	Ensure the availability of a committed and qualified workforce. Offer a diverse, inclusive and balanced work environment.	<ul style="list-style-type: none"> <li>Global human resources management.</li> <li>"Zero accidents" programme.</li> <li>Talent management.</li> <li>Diversity, equal opportunity and reconciliation.</li> </ul>
<b>Natural capital</b> 	Natural resources potentially affected by the company's activities.	Ensure a sustainable use of natural resources and contribute to combating climate change.	<ul style="list-style-type: none"> <li>Climate change.</li> <li>Preservation of biodiversity and natural capital.</li> <li>Management of environmental footprint.</li> <li>Operational excellence and energy efficiency.</li> <li>Circular economy.</li> </ul>
<b>Social and relationship capital</b> 	Ability to share, relate and collaborate with its Stakeholders, promoting community development and well-being.	Promote relations of trust with Stakeholders, improving the quality of life of people in areas where the group has a presence.	<ul style="list-style-type: none"> <li>Stakeholder Engagement Model.</li> <li>Community support and electricity access programmes.</li> <li>Human rights due diligence system.</li> <li>Foundations of the Iberdrola group.</li> <li>Brand management.</li> </ul>

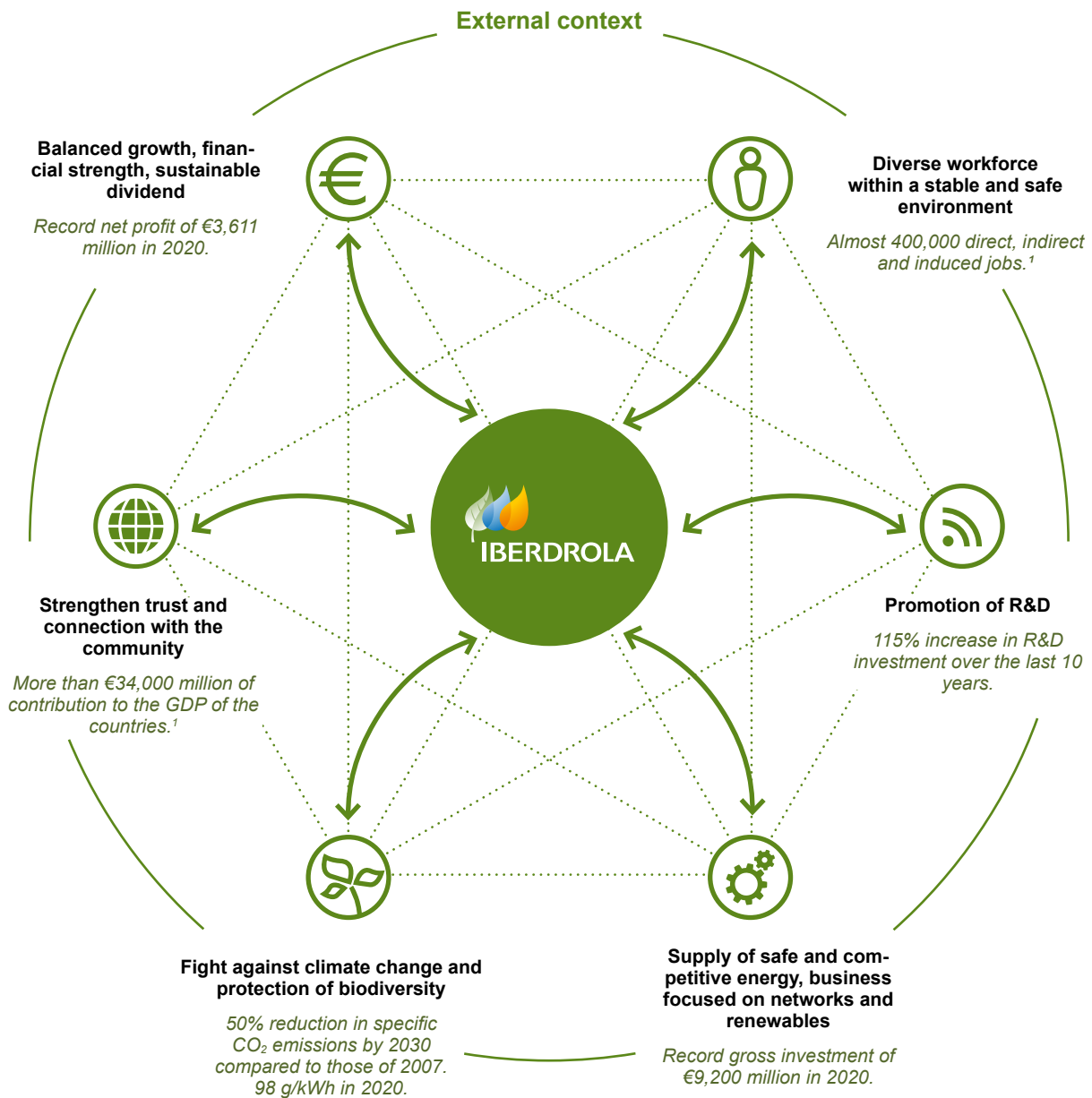


## Social dividend as an increase in the value of capital

The social dividend created by Iberdrola’s strategy and business model translates into an increase in the value of its capital, which in turn feeds back into a cycle of value creation, thus efficiently interconnecting the operations of the businesses and the capital of the company.

The chart below shows the strategic focus for each Chapter and quantifies an aspiration or achievement of the company in this area.

This process creates shared value for both Iberdrola and for its Stakeholders, and constitutes a main vector for achieving the company’s purpose of offering an increasingly healthy and accessible energy supply.



(1) Data from a Study of Iberdrola’s Impact, prepared by PwC, which is based on 2019 figures. Includes indirect and induced impacts.



## 2.6 Strategic foundations 2020-2025

### Market conditions

In the face of the economic, social and health crisis caused by the COVID-19 pandemic, the debate over the importance of the climate, the environment and biodiversity for people's health has intensified. Major institutions and social and political leaders are proposing that the recovery is an opportunity to drive the transition towards a new socioeconomic model that is climate-neutral, resilient, sustainable and inclusive. This is known as the **Green Recovery**, a vision to which the Iberdrola group is fully committed.

The transformative tendencies of the energy sector are intensifying, while action in the fight against climate change is growing around the world:

- The urgent need to **drive decarbonisation**, a key element of which is widespread use of renewable energy and investment in electrical networks.
- The gradual **green electrification** of energy uses and **demand for new services** will empower customers, putting them at the centre of the transition.
- **Innovation and technological progress** will accelerate a reduction in the cost of renewables, which, together with greater digitalisation and efficiency, will allow for the acceleration of electrification.

### Challenges and opportunities

#### Challenges

- Higher **demand for cleaner and more sustainable energy** within a scenario of decarbonisation of the entire economy.
- Management of higher electricity consumption due to the electrification of the economy, which will require **increased grid usage**.
- Management of a competitive scenario for electricity prices over the medium and long term.
- Implementation of a **historic investment plan** aimed at **strengthening the company's business model**, based on more renewable energy, more networks, more storage and more smart solutions for its customers.
- Reaching higher levels of efficiency both in production and in the improved use of electricity by customers, by **innovating** to improve the technology and **digitalisation** in operations.

#### Opportunities

- **Strong and diversified business model** in all areas: by businesses (continually adjusting units and products to compete in different scenarios), geographies and technologies and market access.
- **Global expansion** by countries and businesses, focused on those with ambitious climate and energy targets.
- Proven **management and implementation capabilities**, with a track record of growth based on preservation of know-how, focus on customers and ESG, and an efficient combination of a global model with local capabilities. The company will continue to strengthen its leadership in the environmental, social and governance areas (ESG) through 2025.
- **Tremendous experience** in the development and construction of renewables and networks (maintaining control of key activities and operations to ensure growth), as well as in retail sales.
- Leader in **efficiency**, based on digitalisation, the exchange of best practices and exploiting economies of scale, as well as a culture of innovation.
- **Green hydrogen** is becoming a new growth opportunity, as a strategic vector for the industrial segment and for sectors that are difficult to decarbonise.



## Growth vectors 2020-2025

### Investments: growth and acceleration

#### United States:

In renewables, the Vineyard I (800 MW) and Park City (804 MW) offshore wind projects are progressing according to plan, with startup dates in 2024 and 2025 respectively. In addition, over 5,000 MW of solar photovoltaic and onshore wind capacity will be placed into operation during the period. In Networks, construction of the \$950 million New England Clean Energy Connect (NECEC) transmission line continues, with placement into operation in mid-2023. There are also multiple growth opportunities, totalling more than €11,000 million. Added to all this will be the assets of PNM Resources, as the acquisition is expected to be formalised in the second half of 2021.

#### Brazil:

The company has acquired a lot in the electricity transmission line auction held in December 2020, which is in addition to the eleven lots won in the 2017, 2018 and 2019 auctions. ANEEL also plans to hold auctions in the 2021-2025 period, which present a tremendous opportunity for more than 44,000 million reais of organic growth in Brazil. In January 2021 the Brazilian competition regulator CADE approved Neoenergia's acquisition of the electricity distribution arm of Companhia Energética de Brasília. In renewables, installed capacity in wind and photovoltaic projects will increase by 2,700 MW over the 2020-2025 period.

#### United Kingdom:

The East Anglia ONE offshore wind project was brought into operation in 2020, and new offshore wind auctions are being held.

Over 1,700 MW of onshore wind and photovoltaic capacity will also be placed into operation.

#### Spain:

7,500 MW of renewable capacity is expected to be added over the 2020-2025 period. Of this, almost 6,500 MW will be photovoltaic, the main projects being Francisco Pizarro, Ceclavín, Arenales, Puertollano and Campo Arañuelo.

This is in addition to the construction of the largest green hydrogen plant for industrial use in Europe, with 800 MW

#### International:

Installed capacity will increase by nearly 7,000 MW over the period, notably due to the growth in solar and onshore wind in Australia, together with the St. Brieuc (France) and Baltic Eagle (Germany) offshore wind projects. More than 1,100 MW in hydroelectric capacity will also be added in Portugal.

### Efficiency in operations and investments

- Over the years, Iberdrola has maintained a constant focus on operational excellence as well as on the efficiency of its investments by optimising processes, standardisation and capturing synergies over the lifetime of the investment.
- Building on the progress made last year, efficiencies of almost €1,500 million are expected to be achieved over the 2020-2025 period, of which €1,000 million will be in 2023-2025.



## Strategic foundations

In confronting this scenario, Iberdrola will rely on the strategic foundations that have formed the basis of its sustained growth over the past two decades: increasing geographical diversification towards countries with strong credit ratings and ambitious climate policies, continuing with a full commitment to the energy transition as agents of decarbonisation and electrification of the economy, continually maximising operational excellence, optimising the portfolio with regard to the environmental and financial sustainability of our business model, and promoting innovation to lay the foundations for the future.

These strategic foundations will allow Iberdrola to accelerate the creation of value for all Stakeholders under the new scenario, and also put the group in a unique position to capture the unprecedented opportunities of the energy transition. This will lead to an Iberdrola that is more efficient, more sustainable, more international, more profitable and ultimately better prepared to continue responding to these trends and to drive the recovery in the economy and in employment.

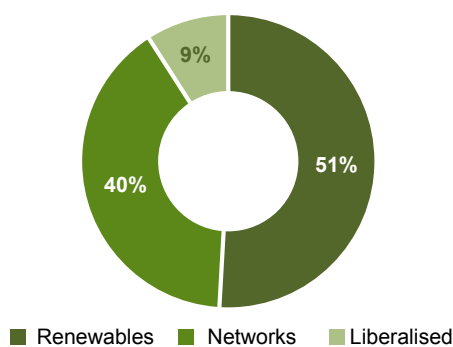
## Balanced growth

The company will carry out a number of initiatives to implement this strategy, which are described below:

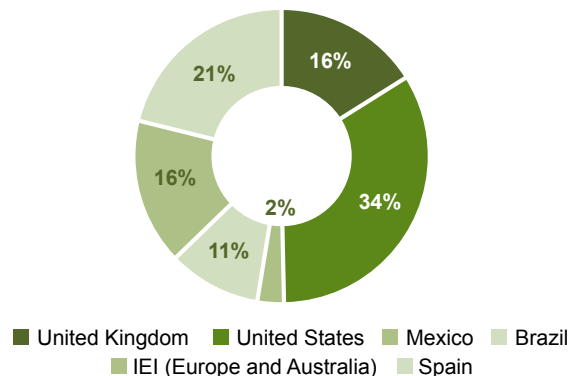
- The policies on decarbonisation and technological progress play an important role, as they drive significant investments in renewable generation, as do the deployment and strengthening of networks, which have an essential role in the integration of both large-scale and distributed renewable generation, as well as helping to increase the electrification of energy demand and the requirement of new services.
- In light of these forecasts, the company has launched a historic investment plan of up to €75,000 million (gross) over the 2020-2025 period (6 years), of which €68,000 million are organic investments and €7,000 million for the acquisition of PNM Resources.
- Annual organic investment thus increases from an average €7,000 million in 2017-2019 to an average of €10,000 million in 2020-2022 and €13,000 million in 2023-2025.
- 75% of total organic investment (€50,000 million) is allocated to growth, of which 70% is assured up to 2025 (close to 90% in networks and 60% in renewables).
- Investment is concentrated in countries with climate ambitions and A ratings. Geographically, 85% is allocated to Europe and the United States and, overall, more than 83% to countries with A ratings.
- In terms of businesses, the present plan strengthens the commitment to invest in networks and renewables. Thus, 51% of this organic growth, more than €34,000, will be allocated to renewables, concentrated mainly in the United States, the countries of Iberdrola Energia Internacional (European countries other than the United Kingdom and Spain, and Australia) and Spain. 40%, more than €27,000 million, will be allocated to networks, with growth centred mainly in the United States and Brazil.

Gross organic investment by business and country 2020-2025

Gross organic investment of the Businesses



Gross organic investment by country







## 2.7 Iberdrola and COVID-19

In 2020, the COVID-19 pandemic has battered social and economic fabrics around the world.

The Iberdrola group reacted immediately to ensure the continuity and quality of the electricity supply from its operations, and the safety and health of its workforce, customers and providers.

It launched a global action plan with a broad approach, demonstrating its commitment to all its Stakeholders, implementing initiatives in its capacity as an electricity operator, but also as a corporate citizen.

 <p><b>Workforce</b></p>	 <p><b>Customers</b></p>	 <p><b>Quality of service</b></p>
<ul style="list-style-type: none"> <li>• Continuous reporting to its workforce about the status of the pandemic and the measures taken.</li> <li>• Work-life balance and remote work measures.</li> <li>• Distribution of masks and personal protection equipment.</li> <li>• Etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication actions (payment arrangements, etc.).</li> <li>• Payment arrangements for electricity and gas bills.</li> <li>• Strengthening of digital and telephone customer service channels.</li> <li>• Etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy management plan to ensure energy supplies.</li> <li>• Installation of back-up operation centres.</li> <li>• Reinforcement of energy service at over 350 healthcare centres.</li> <li>• Etc.</li> </ul>
 <p><b>Suppliers and subcontractors</b></p>	 <p><b>Society in general</b></p>	 <p><b>Donation of healthcare materials</b></p>
<ul style="list-style-type: none"> <li>• Continuation of activity and payments to providers.</li> <li>• Iberdrola has advanced orders in the amount of 7,000 million euros and increased its investments in 2020 to 10,000 million euros.</li> <li>• Meetings with suppliers and subcontractors to confirm that business activities will be maintained.</li> <li>• Etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Volunteer activities: Countless activities by our volunteers, like making masks, keeping company with the elderly by telephone, and donation of tablets so that hospital patients can stay connected.</li> <li>• Innovative actions, such as the promotion of the <i>The day after will be...</i> platform in partnership with the United Nations.</li> <li>• Social media campaigns.</li> </ul>	<ul style="list-style-type: none"> <li>• Donation of healthcare materials valued at 30 million euros: 400 ventilators, 4.6 million masks, 120,000 PPE gowns and 20,000 pairs of protective goggles.</li> <li>• Special customer service plan for hospitals. Increase in requests for generators.</li> <li>• Donation of 8,000 blankets for field hospitals and care homes.</li> <li>• Etc.</li> </ul>

The company's global action plan included over 150 measures to ensure supply in all territories and to all its customers, as well as reinforcing the service for hospitals, health centres and other essential infrastructure.





## 2.8 Comparative results and awards

### Comparative analysis<sup>1</sup>

#### Comparative financial variables 2020

Growth in EBITDA		
CAGR (%)	Average comparables <sup>2</sup>	Iberdrola
31-Dec-10 / 31-Dec-20	-5.1%	<b>3.6%</b>

Growth in market capitalisation		
Total growth (%)	Average comparables <sup>2</sup>	Iberdrola
31-Dec-10 / 31-Dec-20	-0.8%	<b>134.9%</b>

10 years ago, Iberdrola, S.A. held sixth place among comparable companies in terms of capitalisation. It now is the leader among those in which the government does not hold an interest.

Share price			
Total growth (%)	Average comparables <sup>2</sup>	Eurostoxx Utilities	Iberdrola
31-Dec-10 / 31-Dec-20	-16.3%	14.09%	102.8%

#### Comparative performance of total shareholder return

Return (%)	Average Comparables <sup>2</sup>	Eurostoxx Utilities	Iberdrola
31-Dec-10 / 31-Dec-20	19.0%	58.53%	155.48%

#### Iberdrola's performance

Iberdrola has increased its assets by more than 30% and its revenues by approximately 10% over the last 10 years. It has also improved its EBITDA by more than 30% and its Net Profit by more than 25%, and shareholder remuneration has increased by more than 20%, improving its financial strength.

Iberdrola	31-Dec-10	31-Dec-20
Assets (€M)	93,701	122,518
Revenues (€M)	30,431	33,145
EBITDA (€M)	7,528	10,010
Net Profit (€M)	2,871	3,611
Dividends <sup>3</sup> (€/share)	0.334	0.405
Net Debt / EBITDA	4.23	3.51

(1) Comparable companies analysed: Engie, EDF, E.On, Enel, RWE. CAGR: Compound Annual Growth Rate, i.e. weighted average annual growth.

(2) For Engie, EDF, E.ON, Enel and RWE, the 2020 EBITDA figures are the estimates published by Bloomberg, due to the lack of final closing figures on the date of preparation of this document.

(3) Including the bonus for attending the General Shareholders' Meeting.



## Awards / Recognitions:



### For the company:

- Leadership in Energy Transition Award, awarded by S&P Platts: 2019.
- Social Silver Medal of the Ministry of the Interior for its collaboration during the pandemic: 2020.
- Best Corporate Governance in Spain (World Finance): 2020.
- World's Most Ethical Company Index (Ethisphere Institute): 2020.
- National Innovation and Design Awards 2019, in the Innovative Career category.
- 2020 Customer Award in the United Kingdom, which recognises leadership in fulfilling the SDGs, at the virtual event RELX SDG Inspiration Day.
- Gold Seal for transparency in its Greenhouse Gas Inventory in Brazil: 2020.
- Global Performance Excellence Award (GPEA) 2020 awarded by the Asia-Pacific Organization for Excellence in Mexico.

### To the chairman:

- One of the 100 CEOs included in the Brand Finance *Brand Guardianship Index* 2021 (2021).
- Management Leadership Award (Spanish Quality Association): 2020.
- Alfonso de Salas Award for Economic Personality of the Year (*El Economista*): 2020.
- Honour Award at the 7th Castilla y León Awards for Best Manager (*Castilla y León Económica*): 2020.
- Award for professional career (Forinvest): 2020.
- One of the 30 most influential leaders in the fight against climate change (Bloomberg): 2019.
- One of the five best-performing CEOs in the world and top CEO the utilities sector (Harvard Business Review): 2019.
- Best European Utility CEO (Institutional Investor Research): 2017, for the eleventh time.
- Commander of the Most Excellent Order of the British Empire: 2014.
- Honorary Doctorate from the Universities of Salamanca (2011), Strathclyde (2013) and Edinburgh (2011).

### To other members of the company:

- Best utility in the area of Investor Relations (IR Magazine): 2020.