



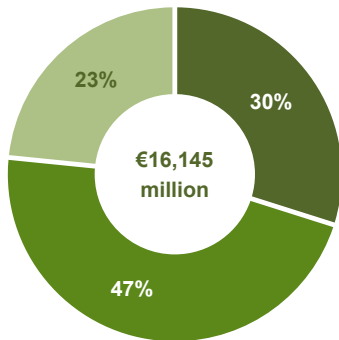
4.1 Financial capital

	Management approach	2020 Results	Outlook
Sustainable Growth via green financing	<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 or renewable assets. • Increase geographical diversification, with the aim of becoming a leader in the countries in which it operates. <p>For this purpose, and as one of the pillars, green financing will be the main instrument, due to its intrinsic nature (responsibility, guarantee and taxonomy).</p>	<ul style="list-style-type: none"> • Gross investments of €9,246 million, of which nearly 92% has been assigned to the Renewables and Networks businesses. This is a record figure, representing 13.3% growth compared to 2019. • Investments in Renewables assets increased approximately 43% compared to 2019, mainly driven by the acquisitions of Infigen in Australia and Aalto Power in France. • In Generation, approximately 3.0 GW of capacity has been placed into operation since the beginning of 2020, 2.9 GW of which is renewable. • Operating Cash Flow reached €8,192 million. 	<ul style="list-style-type: none"> • Iberdrola will accelerate its growth with gross investments of €75,000 million¹ over the 2020-2025 period, with an annual average organic investment of €10,000 million in 2020-2022 and €13,000 million in 2023-2025 (compared to €7,000 million in 2017-2019). 90% of the organic investment will be in regulated or renewable activities. • By businesses, Networks will absorb 40%, or €27,100 million, increasing around 1.5 times the value of its regulated assets by 2025, to approximately €47,000 million. In Renewables, the company will have some 60 GW by year-end 2025. • Investment in Europe and the United States will account for 85% of the total (51% Europe and 34% United States).
Strength of the 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 the consolidation of strong 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 €16,145 million. • Reported net profit of €3,611 million (+4.2%), excluding the impact of COVID-19(-€238m), as well as the extraordinary items booked in 2019 and 2020, adjusted net profit would be €3,849 million (+9.7%). • Reported EBITDA of €10,010 million, negatively impacted by exchange rates (€487m). Excluding non-recurring effects, adjusted EBITDA increased by 3.0%. • Adjusted net financial debt stood at €35,142 million, down €2,395 million during the year; operating cash flow, cash inflow from the divestment of Siemens Gamesa and the devaluation of currencies as a result of changes in the exchange rate, which cannot be managed at the debt level, more than offset the group's investment effort. • Liquidity of €17,500 million (including subsequent events), which covers more than 24 months of financing needs (excluding the payment for the purchase of PNM). 	<p>Increase in investments, optimisation of capital and the implementation of further efficiency measures will allow the company to achieve its ambitious goals:</p> <ul style="list-style-type: none"> • EBITDA of approximately €15,000 million by 2025, which means annual growth of 6-7% since 2019. Approximately 80% of this EBITDA will come from the Networks and Renewables businesses by 2025. • Net profit will reach approximately €5,000 million by 2025, increasing by €1,500 million at an annual rate of between 6% and 7% since 2019. • Active management of the liquidity position to cover financing requirements equivalent to 18 months in the risk scenario. • FFO / Net Debt approximately 22% throughout the period, reflecting the strong financial position.
Sustainable results and dividends	<ul style="list-style-type: none"> • Iberdrola offers its shareholders and other Stakeholders, through the bylaw-established social dividend, an enterprise for the long-term creation of value. The confidence of its shareholders allows Iberdrola to secure the resources needed to move its enterprise forward while offering the shareholders an attractive and sustainable return. 	<ul style="list-style-type: none"> • Shareholder remuneration of 0.42 euro per share, equal to a dividend yield of 3.46%. • Flexible dividend offering tax benefits, the repurchase of shares to avoid dilution, adding the cash payment option. 	<ul style="list-style-type: none"> • Due to the strength of the results obtained, and maintaining its commitment to increase shareholder return in line with results, the Board of Directors will propose at the General Shareholders' Meeting remuneration of €0.42 euros per share, an increase of 5%, charged to 2020 profits. • In the plan, remuneration will continue to increase in line with results. Therefore, a rising floor is set for the dividend of €0.40 euros per share until 2022 and €0.44 euros per share until 2025, although the results forecasts point to a dividend per share of approximately 0.53-0.56 euro per share in 2025. • The pay-out ratio is maintained at between 65% and 75%.
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, helped by investments in digitalisation 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 decreased 0.4% to €4,314 million, +5.2% excluding the exchange rate effect. This increase is mainly explained by the effects of growth, especially due to East Anglia ONE, Infigen and Aalto Power. 	<ul style="list-style-type: none"> • We anticipate a cumulative saving of €1,500 million between 2020 and 2025 as a result of the improvements in progress, which will have the effect of reducing the net operating costs / gross margin ratio to below 25% by 2025. • Of this figure, €1,000 will materialise between 2023 and 2025.



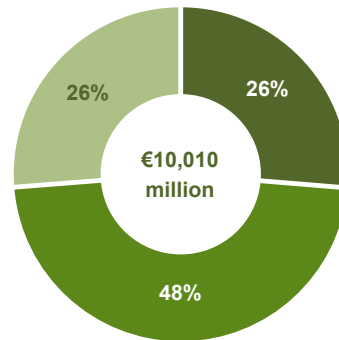
Create value for shareholders with sustainable growth

Gross margin by business 2020



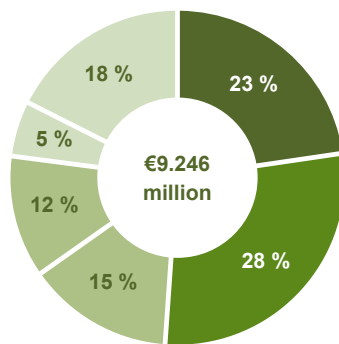
■ Wholesale and Retail ■ Networks ■ Renewables

EBITDA by business 2020



■ Wholesale and Retail ■ Networks ■ Renewables

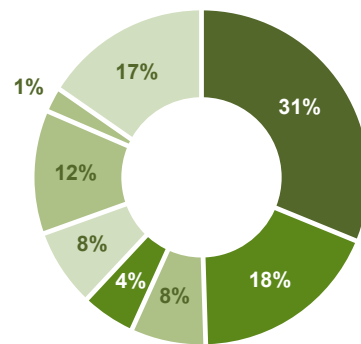
Gross investment by geographical area 2020



■ Spain ■ United Kingdom ■ United States ■ Brazil ■ Mexico ■ IEI

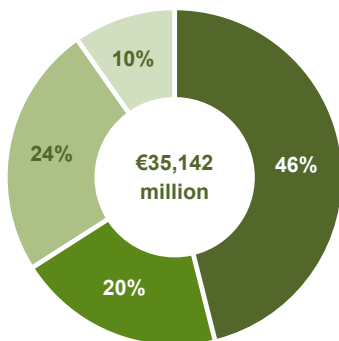
Diversification of investments, with a heavy concentration outside of the euro zone.

Gross financial debt 2020 by product type



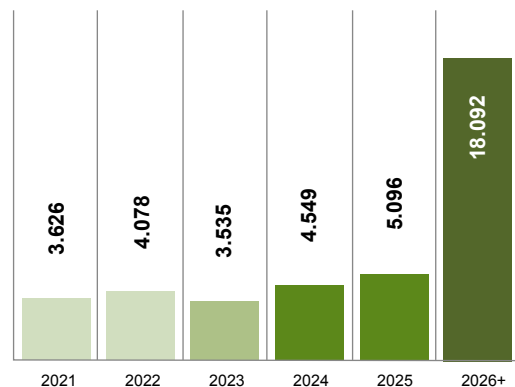
■ EUR market bonds ■ USD market bonds ■ GBP market bonds ■ Other Bonds ■ Notes ■ Structured ■ Bank loans ■ Multilaterals

Structure of adjusted net debt broken down by currency in 2020¹



■ Euro ■ Pound ■ Dollar ■ Reais and others

Maturity of financial debt (€M)



Comfortable maturity profile. Excludes credit lines.

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



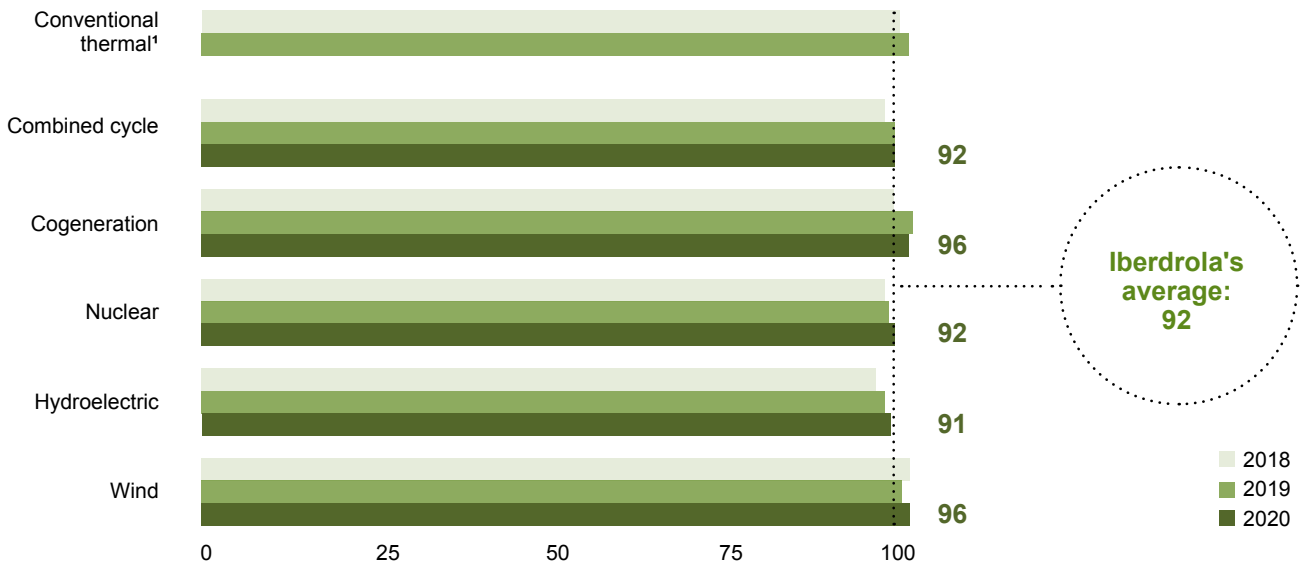
4.2 Manufactured capital

	Management approach	2020 Results	Outlook
Electric power generation and green hydrogen assets	<ul style="list-style-type: none"> Iberdrola's generation assets are made up of more than 350 wind farms, almost 90 hydroelectric power plants (in addition to the mini-hydro plants), 16 photovoltaic plants, 2 battery storage plants, more than 50 thermal power stations using various technologies, mainly low-emission combined cycles, five nuclear plants, and other facilities built and operated following best practices. 	<ul style="list-style-type: none"> The year 2020 ended with additional installed capacity of 3,029 MW, of which 2,881 MW are renewable (2,890 MW of new installed capacity, less 9 MW retired), including the Ceclavin (Spain) and Cuyoaco (Mexico) photovoltaic plants, the La Joya and Tatanka (United States) wind farms, and the completion of the East Anglia ONE (United Kingdom) offshore wind farm. The acquisitions of Aalto Power (France) and Infigen (Australia) also add a further 813 MW of operational capacity. Construction of the 779 MW Topolobampo III combined cycle plant in Mexico has been completed. 	<ul style="list-style-type: none"> Construction of more than 1,800 MW of onshore wind and over 2,800 MWdc of photovoltaic continues. There is also continued development of the 496 MW <i>Brieuc</i> (France), 476 MW <i>Baltic Hub</i> (Germany) and 800 MW <i>Vineyard Wind</i> and 804 MW <i>Park City</i> (United States) offshore wind farms. In Spain, construction is underway on the largest green hydrogen plant in Europe for industrial use, with a 20 MW electrolyser. In Portugal, construction continues on the 1,158 MW Tâmega hydroelectric installation, with 998 MW planned to be placed on line in 2021. In Mexico, construction continues on the 514 MW Tamazunchale II combined cycle plant.
Power transmission and distribution assets	<ul style="list-style-type: none"> Iberdrola's electricity transmission and distribution networks are made up of approximately 1.2 million kilometres of distribution and transmission lines, more than 4,400 substations and over 1.5 million transformers, built and operated to provide a high-quality, reliable service to 31.29 million electricity supply points. Iberdrola also has more than 45,000 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. 	<ul style="list-style-type: none"> In Spain, regulatory commitments required the deployment of smart meters for customers of less than 15kW (Type 5) after 2018, and the deployment of these meters for Type 4 customers (15 kW to 50 kW) continued during 2019 and 2020. In addition, a roll-out of Type 3 (between 50 and 450 kW) has been launched and completed. There are currently more than 11.19 million smart meters. There is continued deployment of smart meters in the United Kingdom, with more than 1.7 million installed. In Brazil, Neoenergia placed into service two 500 kV and 525 kV static compensators at Ceará and Santa Catarina during 2020, and construction is advancing on almost 6,000 kilometres of transmission lines and 30 substations in 14 states. 	<ul style="list-style-type: none"> In Brazil, Neoenergia was awarded a project in ANEEL's December 2020 auction for the construction of over 1,000 kilometres of transmission lines, with a planned regulatory investment of 2 billion reais. In the United States there is continued progress on the New England Clean Energy Connect (NECEC) project, which involves the construction of a 233 kilometre HVDC transmission line between Canada and New England, with an investment of \$950 million, and which is expected to be placed into operation during the second half of 2023. Construction on the project had already commenced as at the date of publication of this report. Progress continues on the digitalisation of the network in order to lead the transformation toward a Distribution System Operator. Following the acquisition of PNM in the United States and CEB in Brazil in 2020, the integration of which is expected in 2021, the number of customers will increase by 1.9 million (0.8 million in the US and 1.1 million in Brazil).
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, as well as a fleet of more than 10,000 vehicles. The properties, which all follow the same corporate standards for interior space, are designed, built and operated in accordance with the strictest sustainability and efficiency standards, as is the fleet, which is gradually transforming into an electric and emissions-free fleet in all markets. 	<ul style="list-style-type: none"> The modernisation of spaces and the update of assets at the new operational centres continues (Valladolid, Salamanca, Bilbao, Madrid, etc.). A project has been launched for the maintenance of Iberdrola's villages and rural residential assets in Spain. Real estate consolidation continues along the east coast of the United States, with real estate activities in the states of New York, Massachusetts, Maine and Connecticut to improve the efficiency and modernisation of the asset portfolio. Work has begun on the process of internalising the main functions of the Networks Business in Brazil. Iberdrola is expanding its presence in the rest of the world, with expansion to France, Germany, Sweden, Australia and Japan. 	<ul style="list-style-type: none"> During 2021 projects involving the new operational centres will be completed and the rural residential project will continue in Spain. Avangrid will continue with the consolidation of its real estate portfolio of offices in the various states in which it operates. Neoenergia expects to complete the internalisation of the Networks Business, opening numerous workplaces in the areas in which it operates. The new corporate headquarters in Mexico City for approximately 500 employees is due to be occupied. Iberdrola remains committed to the modernisation of its workplaces and will continue to develop new collaboration spaces in its corporate buildings, in a permanent process of efficiency and continuous improvement. The vehicle fleet will continue to be converted into an electric fleet.



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

Average availability factor of Iberdrola's generation facilities (%)



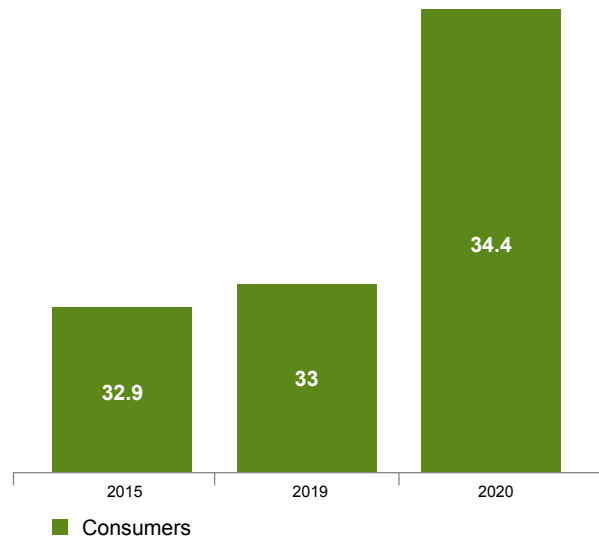
(1) No availability factor is provided for the conventional thermal plants due to the cessation of activity at the coal plants in Spain in 2020.

Quality of electricity supply

Average power outage duration		2020	2019
Spain	TIEPI (min)	48	48
United Kingdom	CML (min)	32	35
United States	CAIDI (h)	2	2
Brazil	DEC (h)	11	11

Power outage frequency		2020	2019
United States	NIEPI (number)	0.99	0.94
United Kingdom	CI (ratio)	36.59	43.66
United States	SAIFI (index)	1.37	1.17
Brazil	FEC (frequency)	5.13	5.47

Consumers (millions)



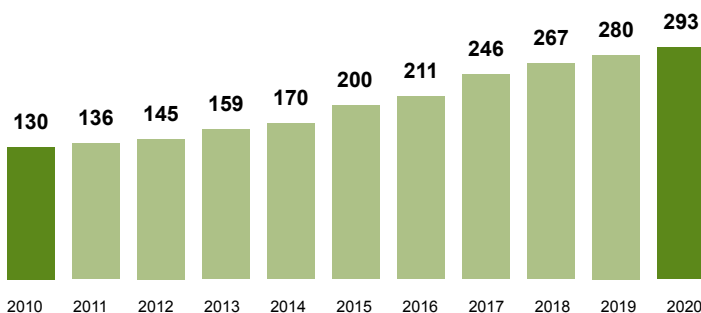
TIEPI: Installed Capacity Equivalent Interrupt Time.
 CML: Customer Minutes Lost Per Connected Customer.
 CAIDI: Customer Average Interruption Duration Index.
 DEC: Equivalent Duration of Interruption by Consumer Unit.
 NIEPI: Installed Capacity Equivalent Interrupt Number.
 CI: Customer Interruptions Per 100 Connected Customers.
 SAIFI: System Average Interruptions Frequency Index.
 FEC: Equivalent Frequency of Interruption by Consumer Unit.



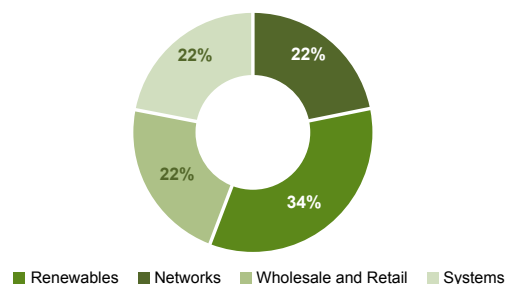
4.3 Intellectual capital

	Management approach	Principal activities 2020	Outlook
Promotion of R&D	<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. Iberdrola is Europe's leading private sector energy company and second in the world for R&D investment. <p>📄 Innovation Report</p>	<ul style="list-style-type: none"> €293 million of R&D investment in 2020, a 4% increase over 2019. Launch of the <i>Global Smart Grids Innovation Hub</i> technology centre in Bilbao. Development of the largest green hydrogen plant in Europe for industrial use, and the launch of <i>Iberlyzer</i>, for the manufacture of electrolyzers. EIB backs Iberdrola's innovation strategy with 100 million euros in financing for R&D projects. New <i>2020-2023 R&D Plan</i>, focused on the decarbonisation of electricity and the electrification of demand. 	<ul style="list-style-type: none"> Iberdrola will invest 75,000 million euros by 2025, focusing its innovation activities on: <ul style="list-style-type: none"> More and smarter clean generation. More and smarter storage. More and smarter networks. More energy solutions for our customers.
Efficiency and new products and services	<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 customers. 	<ul style="list-style-type: none"> Development of domestic and international R&D projects to promote sustainable development, renewable energy and emerging technologies. The Iberdrola Customers App will allow for monitoring <i>Smart Solar</i> self-consumption, showing its production in real time and the savings generated. New functionalities in the Iberdrola Public Recharge App for electric vehicles, such as "pay-as-you-go", a route planner, online booking, and access to the largest public recharging network in Spain, which also includes recharging points in Europe. 	<ul style="list-style-type: none"> As a result of its commitment to innovation, digitalisation and the continuous search for excellence and quality, Iberdrola has designed unique products and services for its customers. In the future, Iberdrola will maintain its commitment to energy management for the home, through smart devices that provide customers with enhanced knowledge and management of their consumption, together with products related to electric vehicle recharging.
Disruptive technology and business models	<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 €70 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"> There were more than 25 pilot projects with start-ups in technological areas like Artificial Intelligence, Big Data, Internet of things (IOT), robotics and batteries in 2020. Launch of 7 <i>Start-up Challenges</i> for the start-up community, in areas like renewable generation, onshore and offshore wind-based and photovoltaic power generation, electric mobility, and the construction and maintenance of electrical power networks. New <i>Venture Builder</i> initiative for investing and creating electrification support businesses from scratch (in areas like the recycling of modules, wind-turbine blades and batteries, and the circular economy) and in sectors resistant to decarbonisation, like industrial heat production and heavy transport. <i>Iberlyzer</i> was the first project to materialise. 	<ul style="list-style-type: none"> Ensure Iberdrola's access to the energy technologies of the future. Promote entrepreneurship and the development of an innovative business community in the energy sector. Creation of innovative companies together with holdings in other technology and industrial groups and promotion of public-private partnerships. Form alliances with Iberdrola's key technology suppliers (<i>Open Innovation Ventures</i>).

Investments in R&D (€M): 1st private energy company in Europe and 2nd in the world



% R&D investment by strategic areas





Highlight the value of the company's intangible assets

Main R&D research projects

Smart grids	<ul style="list-style-type: none"> The FLEXENER project has commenced in order to investigate new simulation technologies and models in the areas of renewable generation, storage systems, flexible demand management and operation of the distribution network. ONE NET and COORDINET continue to develop new flexibility tools and platforms in coordination with electricity transmission and distribution companies and consumers. ATELIER seeks to develop Positive Energy Districts in eight European cities, where smart solutions will be tested.
Renewable energy	<ul style="list-style-type: none"> The European FLAGSHIP project has been launched, involving the installation of the first generator of more than 10 MW on a floating platform. The ROMEO project has continued with the study and design of best practices and tools for optimising the operation and maintenance of offshore wind farms. The NextGEMS project has begun, with the aim of developing and applying high-resolution ground-based systems for the prediction of extreme phenomena such as storms, based on two existing production systems.
Clean generation	<ul style="list-style-type: none"> FLAGSHIP is a notable project which, through the creation of digital “twins”, enables the simulation of operating environments that differ from the ones in the basic design of the plant, improving the operational flexibility, reliability and efficiency. The COATI project was launched for the development of software tools that would enable the implementation of specific loading plans for spent nuclear fuel elements.
Customers	<ul style="list-style-type: none"> Iberdrola Energy Cloud, a virtual battery that stores a customer’s excess from the production of self-produced solar power that is transmitted to the network from their residence. Smart Solar for Homeowners Associations, in which residents’ surpluses and deficits are offset between each other and they can see their savings on an app. Smart Mobility Home, an integrated solution including purchase of a recharging point, installation, a special rate under the Electric Vehicle Plan and an app to control it.

Green hydrogen, the energy vector of the future

Iberdrola has inaugurated what will be **the largest green hydrogen plant in Europe for industrial use, with an investment of 150 million euros**. The plant, located in Puertollano (Ciudad Real), consists of a photovoltaic solar plant, an ion-lithium battery system and one of the world’s largest hydrogen production systems using electrolysis. The hydrogen produced will be used at a Fertiberia ammonia factory.

This project between Iberdrola and Fertiberia contemplates the development of 800 MW of green hydrogen with an investment of 1,800 million euros by 2027.

Together with the Basque enterprise Ingeteam, **Iberdrola has also founded Iberlyzer**, which will become the **first large-scale manufacturer of electrolyzers in Spain**.



Global Smart Grids Innovation Hub, a global innovation centre for smart grids

Iberdrola has launched the **Global Smart Grids Innovation Hub**, a centre that will **act as a platform driving innovation**, combining its technological capacity with that of providers, collaborators and startups around the world.

Iberdrola has already identified more than **120 innovation projects** with a **value of 110 million euros** in this area.

The centre, which will come into operation in 2021, will be a collaborative space with some 200 professionals to address the challenges of the networks of the future, including digitalisation and new consumption models like electric mobility and self-consumption.





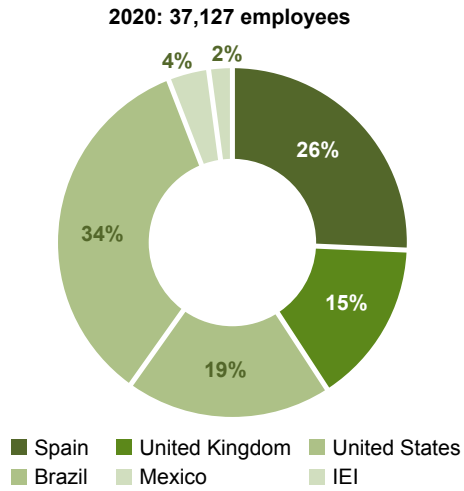
4.4 Human capital

	Management approach	Principal activities 2020	Outlook
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. Improvements in the digitalisation of the goals, training, mobility and on-boarding process. Cementing its role as a leading communicator in the unique situation experienced this year. 	<ul style="list-style-type: none"> Strengthen the commitment to Sustainable Development, enhancing ethical and responsible behaviours. Transformation and digitalisation of the human resources processes. Drive cultural change, promoting the adoption of the new values. Identify and act on those moments that are most important to our employees, incorporating listening tools based on their life cycle.
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 injury 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"> Obtain and / or maintain the OHSAS 18001 / ISO 45001 certification. Monitoring of proactive and reactive indicators at the companies of the group. ALWAYS ON campaign, based on safety videos aimed at all employees and articles ("Tribunes") to the chain of command. The campaign includes a leadership course for managers. A project for the complete digitalisation of Health and Safety within a single tool has begun. Continue with implementation of the <i>Zero Accident Plan</i> at Neoenergia to reduce the accident rate. 	<ul style="list-style-type: none"> Continue assessing compliance with global standards and implementing improvement groups to promote safe behaviours. Complete OHSAS 18001 / ISO 45011 certification at those group companies not yet certified. Implement the new Global Accident Rate scorecard tool. Develop a Global Model for recognising best prevention practices. Implement a preselection and performance assessment system for subcontractors.
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"> Conversion to virtual format of training that can be digitalised given the COVID-19 pandemic. Design our strategic learning framework, including the future capabilities map. Assessment of high-potential employees and design of individual development plans. Improvements to the design and management of the succession plan. Launch of the digital mentoring program Training and awareness regarding the new values-based behaviours model, with a focus on the leadership group New edition of the "Early Career" international mobility programme. 	<ul style="list-style-type: none"> Consolidation of the high-potential employee development plan according to the 70:20:10 learning model. Integrated management of the talent pool, consisting of high-potential and critical employees, combining development and alignment with remuneration. Review of the portfolio of leadership development programs (improved local / global balance). Consolidation of the mentoring platform and programs. Enhance the offer of training solutions for the development of future capabilities.
Diversity, equal opportunity and work-life balance	<ul style="list-style-type: none"> Guarantee a social model committed to professional excellence and the quality of life of our employees. Foster a culture based on meritocracy, equal opportunity, non-discrimination and the promotion of diversity and inclusion as a strategic priority for sustainable growth. Create a high-quality labour environment by committing to work-life balance. 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 third consecutive year. Preparation of the first global report on diversity and inclusion, and design of a roadmap on this subject. Establishment of a commission to drive and monitor progress on Diversity and Inclusion at the global level. Launch of the "Volunteers against COVID-19" program to respond to the social and healthcare crisis caused by the pandemic. Corporate Volunteering Activities to improve the quality of life and the integration of vulnerable groups, care for the environment and recovery of natural spaces, and raise awareness of the SDGs. 	<ul style="list-style-type: none"> Increase the number of women in executive positions, reaching 30% by 2025. Maintain salary equality between men and women at the group level. Provide training and raise awareness about the value of diversity for the organisation. Continue to promote initiatives contributing to the improvement of diversity and the creation of an inclusive culture within the group. Continue to promote improvements in people's quality of life through social action. Promote the participation of vulnerable groups in Iberdrola's volunteer activities. Continue to offer global volunteering opportunities to meet social needs.

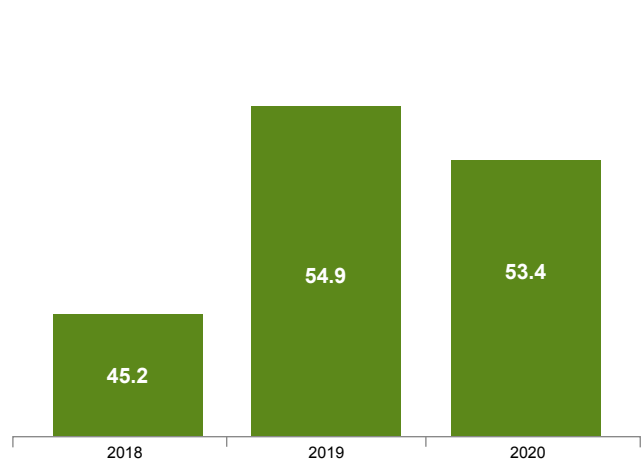


Ensure the availability of a committed, qualified and diverse workforce in a safe and stable environment.

Geographic diversification of the workforce



Hours of training per employee trained^{1, 2}:



Key figures / Page 12

Social commitment



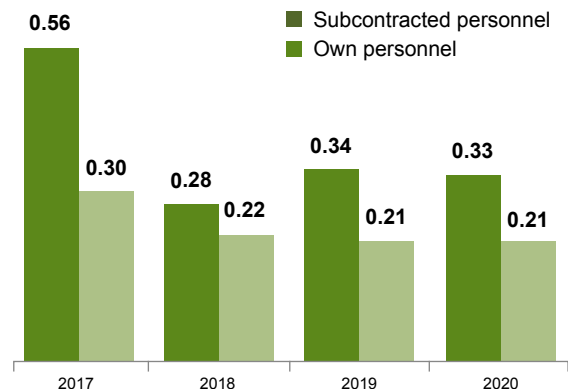
Various corporate volunteer activities by employees around the world. (Photos: Brazil, Mexico and Spain).

Iberdrola committed to equality



Inclusive school for electricians in Brazil.

Improvement in accident ratios (2017-2020)³:



(1) The exceptional situation caused by COVID-19 has significantly reduced face-to-face training. Thanks to a tremendous effort, a large part of training activity has been adapted for delivery by remote means, which has led to a considerable increase in the proportion of on-line training hours.
 (2) Does not include training hours provided by the school for electricians from years prior to 2020 for professionals hired in Brazil during that year.
 (3) Injury rate (accidents with sick leave per average number of employees, multiplied by 100).



4.5 Natural capital

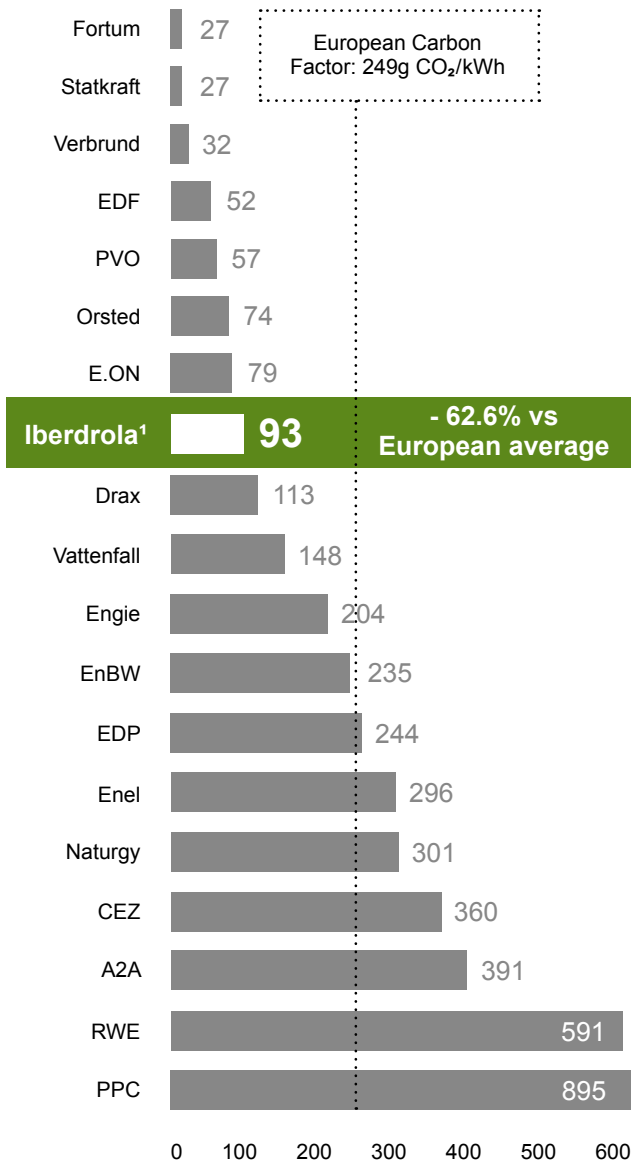
	Management approach	Principal activities 2020	Outlook
Protect the environment and stop the loss of biodiversity	<ul style="list-style-type: none"> Conserve and recover the ecosystems associated with our activities, coordinating the biodiversity plans of the businesses in affected areas. Improve the compatibility 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 infrastructures that it deploys by 2030, applying mitigation hierarchy principles and avoiding placement in protected areas. 	<ul style="list-style-type: none"> Acquisition of ISO-TS 14072 Certificate for Corporate Environmental Footprint (CEF) 2019. Sustainable 2020 General Shareholders' Meeting: ISO 20121 certification as a sustainable event for fourth consecutive year. Renewal of all ISO 14001:2015 certificates. Expansion of i-DE scope to construction; the commercial business is certified in the UK. <i>Biodiversity Action Plans</i>. Environmental guidelines linked to the SDGs. Launch of the <i>Iberdrola Trees program</i>. Publication of the <i>Biodiversity Report 2018-2019</i>. Biodiversity training and awareness-raising campaign. Active participation in <i>We Value Nature, Business for Nature initiatives</i>. 	<ul style="list-style-type: none"> Restoration, recovery, improvement and maintenance of natural spaces and habitats. Integrate the concept of natural capital. New biodiversity plan for the group. Update of environmental and biodiversity policies. Leadership in protection of biodiversity. Development of a climate change adjustment strategic plan. Offset of emissions using "sinks".
Combat climate change and its effects	<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 that uses ozone layer-reducing substances. 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 73 gr CO₂/kWh. Certification of Neoenergia's GHG inventory under the ISO 14064 standard. Approval of SBTi Targets regarding the group's emissions according to 1.5°C. Increased ambition in commitment to reduce specific emissions. Sustainable mobility plan: over 200 subsidies for the purchase of electric vehicles for the workforce. 	<ul style="list-style-type: none"> Reduce emissions intensity to 50g CO₂/kWh by 2030. Be carbon neutral by 2050 at the global level and by 2030 in Europe. Develop innovative projects to reduce pollution. Increase reduction activities accompanying the supply chain. Promote electric vehicles: install over 150,000 electric vehicle recharging points. Active participation in the SDGs approved in September 2015 (prioritising goals 7 and 13).
Guarantee sustainable modes of production and consumption	<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. Efficient management of water consumption. Improvement in withdrawal and consumption of inland water at all generation facilities. Improvement in reuse and recycling of waste. Active awareness-raising on the circular economy. Iberdrola's <i>Circularity Report</i> based on WBCSD indicators. Preliminary report on Iberdrola's water scarcity footprint. 	<ul style="list-style-type: none"> Reduce the water use / production ratio by 50% by 2030 compared to 2019. Develop and drive new ecodesign initiatives. Analysis of life cycle. Life Cycle Costing. Promote responsible and sustainable production in the supplier chain. The circular economy as the sustainable basis of the group's business. Verification of Iberdrola's Water Footprint. Integrated analysis of the corporate, water and circular footprints.
Revitalise partnerships with Stakeholders for sustainable development	<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"> Public-private partnership with the Basque Government on environmental issues. Participation in the European <i>REEF</i> project to develop environmental product footprints together with EDP. Participation in Natural Capital's working group with companies in the industry. Establishment of the "<i>The Day After</i>" partnership with ITD-UPM, REDS and IS Global. Active participation in the four work communities that have been established: Economy, Environment, Cities and Cooperation. 	<ul style="list-style-type: none"> Environmental transparency and communication: <ul style="list-style-type: none"> Development of new Environmental Product Declarations (EDPs). Communication of environmental performance, development of methodology. <i>Environmental communication plan</i>. Increased participation in international forums.



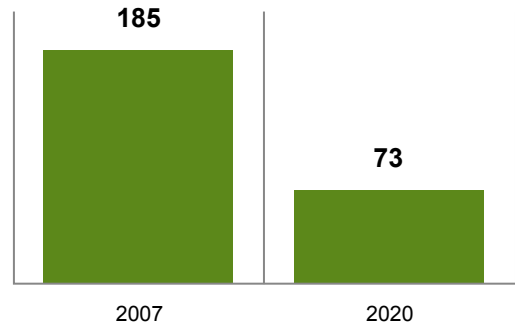
The environmental dimension is a key factor in the concept of sustainability

Specific CO₂ emissions from facilities in Europe

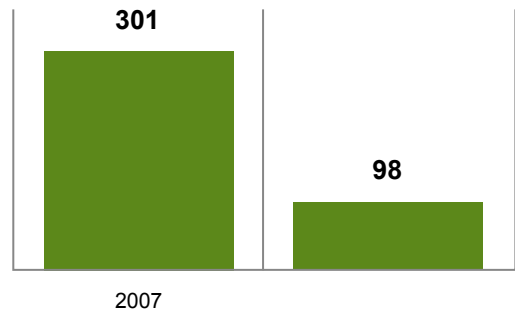
(Carbon factor in g of CO₂/MWh)



Intensity of emissions in Spain (g CO₂/kWh)

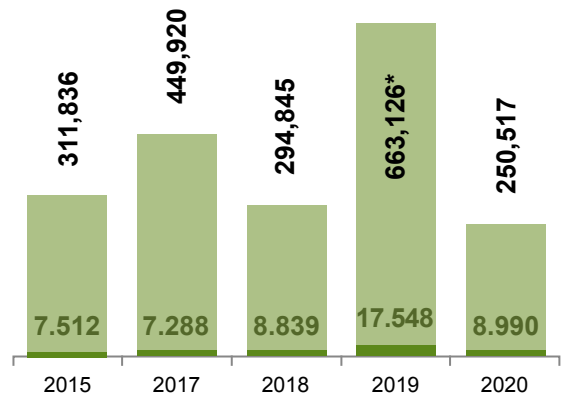


Overall intensity of the group's emissions (g CO₂/KWh)¹



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.

European carbon factor 2019: 249 g CO₂/kWh¹ Source: "Climate Change and Electricity: European carbon factor." PwC France. Dec. 2020.

(1) The figure of 93 g CO₂ in this chart refers to emissions from Iberdrola's facilities in Europe during 2019. The other companies only include the European space.

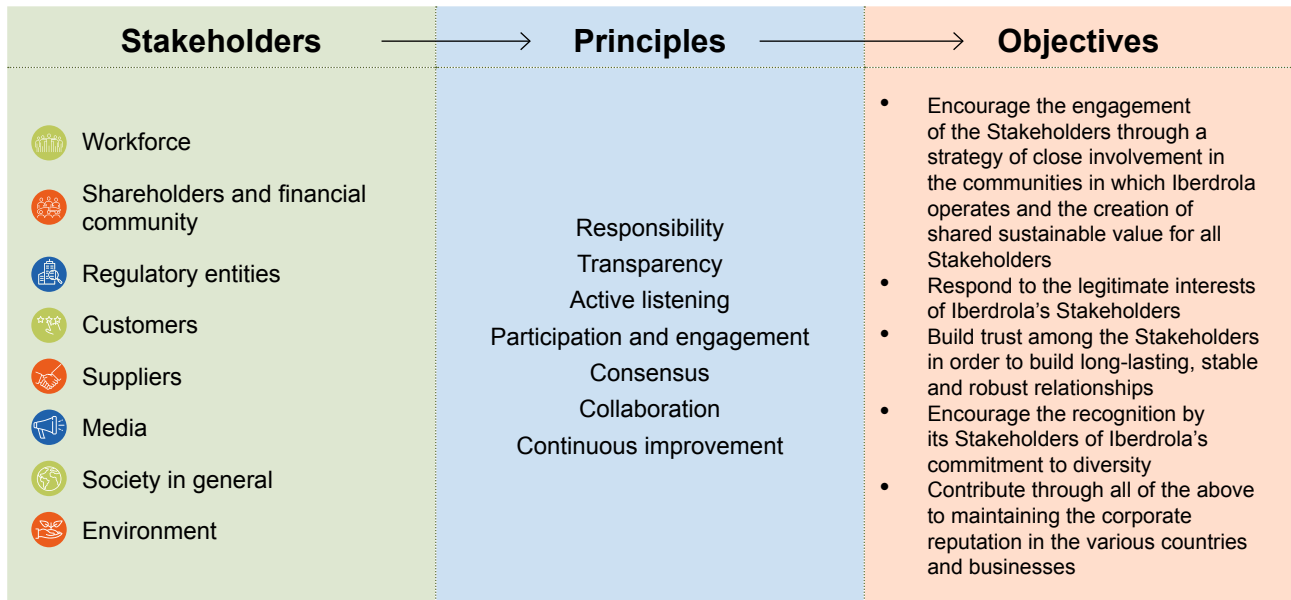
Key figures / Page 12



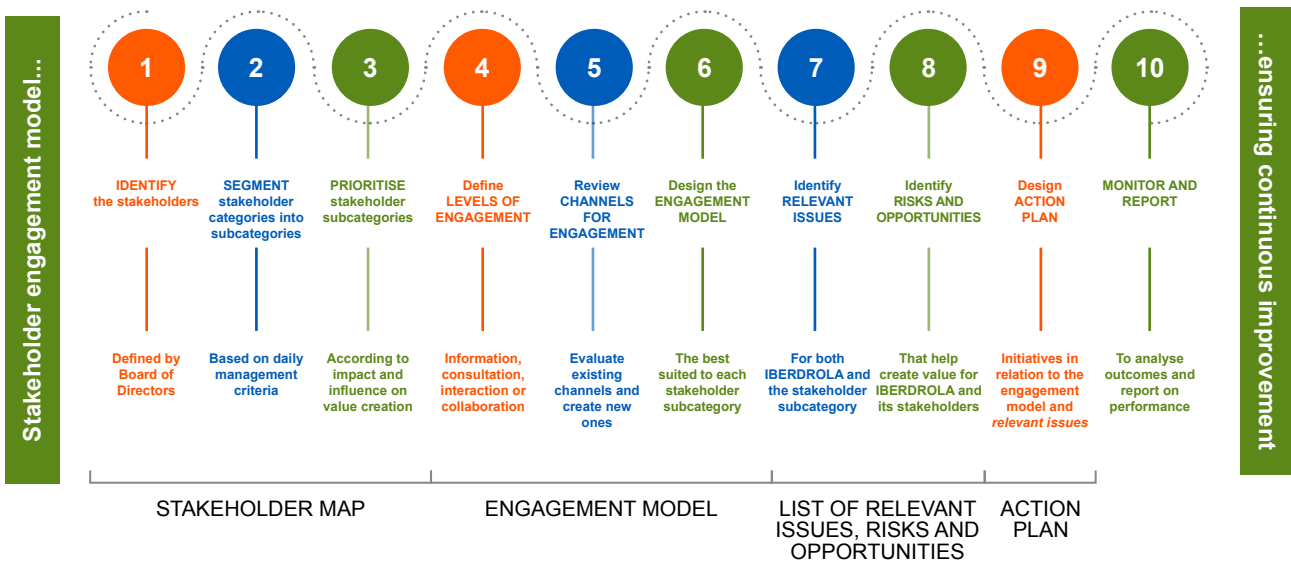
4.6 Social and relationship capital

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 entities and organisations that make up its social and relationship capital, and thus constitute a fundamental element for the sustainable performance of the company.



To meet its objectives in this area, Iberdrola has a *Global Stakeholder Engagement Model* based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES, 2015), on the AA1000 AccountAbility Principles 2018 (AA1000AP, 2018), and on its four principles of inclusiveness, relevance, responsiveness and impact. This Model aims for all areas and businesses of Iberdrola to 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 Iberdrola's Stakeholders and businesses. This Hub meets periodically, sometimes with the presence of outside experts.



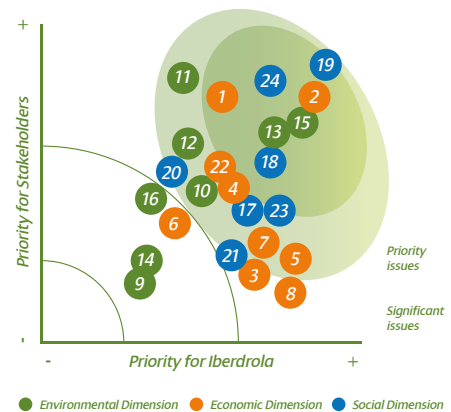
Key figures

Through its *Stakeholder Engagement Model*, in 2020 Iberdrola has detected:

- Over 1,200 entities with which its has relations.
- Almost 6,000 relationship channels.
- Over 3,600 significant issues.
- Around 60 emerging trends.

The main trends and significant issues guide the company in its decisions and, in many cases, form part of the *Iberdrola Sustainable Development Plan 2020-2022*. They are also aligned with the latest *Materiality Study* performed by an independent firm based on external information sources.

Materiality matrix 2020



Significant issues

- | | |
|---|----------------------------------|
| 11 Innovation and new business models | 10 Circular economy |
| 22 Vulnerable customers | 7 Smart grids and supply quality |
| 4 Ethics and integrity (anti-corruption and free competition) | 5 Responsible supply chain |
| 17 Customer satisfaction | 21 Human Rights |
| 23 Attraction, Development and Retention of Human Capital | 3 Transparency |

Other material issues

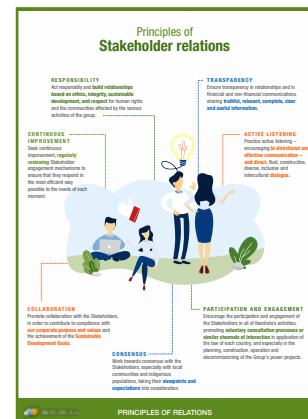
- | |
|---|
| 16 Availability and management of water |
| 6 Public policy |
| 14 Management of biodiversity |
| 9 Management of natural capital |

Best practices

To mitigate the effects of the COVID-19 pandemic, Iberdrola has carried out numerous good practices for each Stakeholder group. Some of these are shown below:

- **Workforce:** Serological testing for the workforce.
- **Shareholders and financial community:** Holding of General Shareholders' Meeting remotely.
- **Regulatory entities:** Donation of healthcare and preventive material.
- **Customers:** Protection of vulnerable customers and suspension of service cut-offs.
- **Suppliers:** €14,000 million in orders awarded in 2020.
- **Media:** Enhancement of information on coronavirus on corporate websites.
- **Society in general:** Strengthening of service and establishment of priority service channels for hospitals, health centres and other essential infrastructure.
- **Environment:** Boost to the Manifesto for a green recovery (*Green Deal*).

Global internal communication campaign: The principles of engagement with our Stakeholders.





Community support and electricity access programmes

Primary programmes

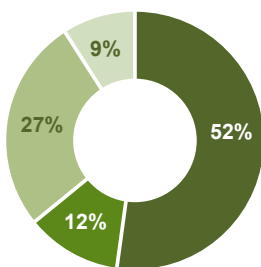
Activities 2020

- Contribution of over €83 million to the community, measured according to the *London Benchmarking Group* (LBG) international standard, in the countries in which Iberdrola operates.
- Volunteer activities. A total of over 10,000 volunteers have participated in activities mainly centred this year on actions to support groups affected by COVID-19.
- Entrepreneurial support: €91 million of purchases from companies in operation for less than 5 years, and €70 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 almost €42 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

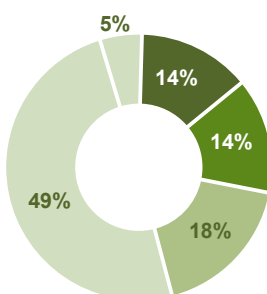
- The SDGs recognise energy as an engine for sustainable development.
- The *Electricity for All* programme is Iberdrola's response to the need to expand universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. This initiative 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. The programme had reached 8.2 million users by year-end 2020.

Foundation programs 2020



Contribution by region (%)

- Spain
- United Kingdom
- United States
- Mexico and Brazil



Contribution by area (%)

- Training and research
- Art and culture
- Institutional collaboration
- Biodiversity and Climate Change
- Social action

Foundation programs 2020

Activities 2020

- 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 2020 reached a total of **€11.9 million**.
- In the **Training and research** area, the promotion of equal opportunity is being strengthened through the *Research Grants Programme* programme and the inclusion of STEM scholarships, with a special emphasis on women. Also of note are the international mobility scholarships (Fundación Carolina, Fulbright).
- In **Art and Culture**, the aim is to **protect and safeguard artistic and cultural heritage**, promoting conservation and restoration and stimulating local development. The major lighting projects have been at the Monastery of Guadalupe and the Supreme Court in Spain and the façade of Câmara Cascudo in Brazil. Exhibitions include *The Prado in the Streets* and, lastly, the restoration of the statue of Nathan Hale in the United States.
- In **Biodiversity and climate change**, the aim is to **protect the environment and improve biodiversity** to contribute actively to the **fight against climate change**. This includes reforestation of 43 hectares of fields in Chinchilla and Valladolid with more than 25,000 native trees as part of the *Forest Defence-Iberdrola* plan and the MIGRA programme in Spain, *Swift City* in the United Kingdom, projects in partnership with *National Fish and Wildlife Foundation* (NFWF) in the United States, the project to preserve the Cañón de Fernández park in Mexico and the CORALIZAR project in Brazil.
- In the **Social Action** area, Iberdrola is **contributing to sustainable human development by supporting the most vulnerable individuals and groups**. Over 100 partnerships have been established in the five countries with an impact on over 100,000 people.
- **The fight against COVID-19:** In Spain, 840,000 euros have been invested in the provision of 112,000 free meals in Madrid and Biscay and the donation of 15 laptops and 57 tablets and of masks for the disabled. In the United States, one million dollars has been donated in association with national organisations and local networks and agencies across the country, like the *American Red Cross*, *Feeding America* and *Americares*. In Mexico, there have been donations of 1.8 million units of healthcare materials in 19 states of the country, and more than 11,000 food parcels and cleaning products in 75 communities. In Brazil, over 2 million reais has been invested to provide resources (food, cleaning products, etc.) to assist over 100,000 families.

📍 Sustainability Report



Corporate reputation

Soundness and strength of the brand

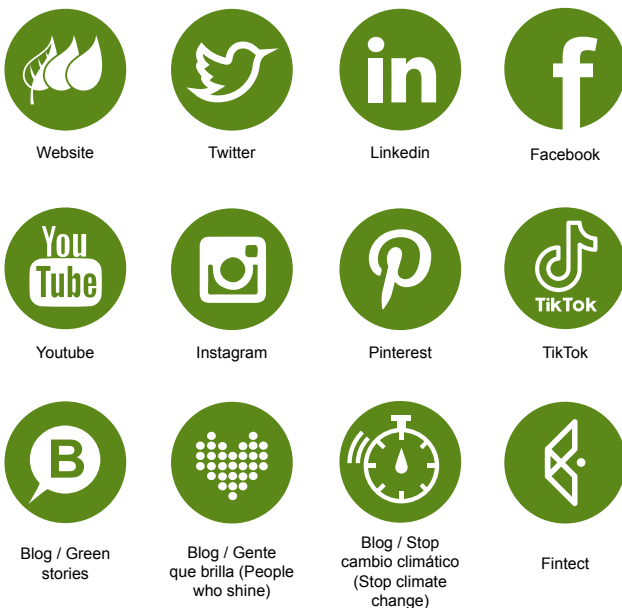
- Management of the brand so that it transmits the essence of the Iberdrola group's Purpose and reflects the company's strategy to commit to the environment and to Sustainable Development.
- Consolidation of an international brand, strengthening communication and alignment under a single brand positioning 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 and retention of talent, business relations with customers, valuation of the company in the capital markets, and integration within the communities in which it does business, and therefore the overall performance of the company.
- What Iberdrola currently is, does, communicates or how it engages its Stakeholders leads to their opinions, attitudes and behaviours, which go into making up the company's global reputation, which is also influenced by the social perception of the electricity sector.
- Iberdrola therefore manages and measures its reputation with a dual objective:



Bring out opportunities that trigger favourable behaviour of the Stakeholders towards the company.



Minimise and mitigate the reputational risks inherent to its activities.

- Management: Reputation management is carried out by all of Iberdrola's areas and businesses, and includes two key 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 activities of Iberdrola's areas and businesses, 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; reputational risk maps and assessment of the level of impact of reputational risk.
- 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.