

# SECOND PARTY OPINION

## on Iberdrola's Sustainability-Linked ECP Programme

V.E is of the opinion that Iberdrola's Sustainability-Linked short-term Notes are aligned with the Sustainability-Linked Loan Principles (SLLP) 2020 and aligned with four of the five core components of the Sustainability-Linked Bond Principles (SLBP) 2020. The Bond Characteristics pillar has not been developed for short-term capital market instruments\*. The Issuer has transparently communicated the potential variation on the short-term Notes Characteristics. ✓

### Issuance

	Weak	Limited	Robust	Advanced	Characteristics	
KPI's Relevance	[Advanced]				Audit of the Data	Yes
Target's Ambition	[Advanced]				Three-year Historical Data	Yes
SDG Mapping					Nature of the Impacts on the short-term Notes Characteristics	See page 17
					Disclosure of measures to achieve the SPT(s)	Yes

\*As of today, there are no international standards for short-term Sustainability-linked Notes/Commercial Paper Programs. The SLBP have been used as the best available proxy standard to assess these short-term capital market instruments. V.E cannot confirm that the variation defined by the Issuer will result in a financial/structural variation as recommended by the SLBP. Consequently, our assessment has been limited to the disclosure and transparency of the commitments made by the Issuer (p. 17).

### Sustainability Performance Target (SPT)

#### KPI 1: GHG emissions intensity

- 100g CO<sub>2</sub>/kWh for the year end 2022

#### KPI 2: Share of women in Leadership position

- 25% for the year end 2022

#### KPI 3: Implementation of the eleven TCFD recommendations

- 11 recommendations followed and published, being audited in the Sustainability Report for the years end 2021, 2022 and 2023

	2019	2021*	2022*	2023*
KPI 1	110gCO <sub>2</sub> /kWh	-	100gCO <sub>2</sub> /kWh	-
KPI 2	20%	-	25%	-
KPI 3	-	Full	Full	Full

\*Trigger events

### Issuer

#### ESG Performance as of June 2020

	Weak	Limited	Robust	Advanced
Environment	[Advanced]			
Social	[Advanced]			
Governance	[Advanced]			

#### ESG Controversies

Number of controversies	3
Frequency	Isolated
Severity	Significant
Responsiveness	Reactive

#### Controversial Activities

Advanced

Advanced

Limited

Robust

Weak

Animal welfare

Fossil Fuels industry

High interest rate lending

Pornography

Cannabis

Coal

Human Embryonic Stem Cells

Reproductive medicine

Chemicals of concern

Gambling

Military

Tar sands and oil shale

Civilian firearms

Genetic engineering

Nuclear power

Tobacco

Alcohol

## Keys findings

V.E is of the opinion that Iberdrola's Sustainability-Linked short-term Notes are aligned with the Sustainability-Linked Loan Principles (SLLP) 2020 and aligned with four of the five core components of the Sustainability-Linked Bond Principles (SLBP) 2020. The Bond Characteristics pillar has not been developed for short-term debt instruments. The Issuer has transparently communicated the potential variation on the short-term Notes Characteristics.

### Selection of the Key Performance Indicator (KPI) – aligned with the SLBP and best practices identified by V.E

- The KPIs are relevant and material from an environmental, social and governance standpoint.
- The KPIs are measurable, externally verifiable and can be benchmarked.
- The KPIs definition, the rationale behind their selection, the calculation methodologies and coverage are clearly defined.

### Calibration of the Sustainability Performance Target (SPT) – aligned with the SLBP

- The SPTs demonstrate an advanced level of ambition<sup>1</sup>.
- The timeline, baseline and trigger events are clearly disclosed.
- The measures to achieve the SPTs are clearly disclosed.

### Bond Characteristics

- The Issuer has transparently communicated the variation in case the SPTs are not reached at the observation dates (i.e. trigger events).

### Reporting– aligned with the SLBP and best practices identified by V.E

- The internal control and reporting processes are relevant, transparent and support the provision of reliable data.
- The Issuer commits to annual reporting on all relevant information related to the KPIs and its associated SPTs, including results, underlying methodologies, and assumptions.

### Verification–aligned with the SLBP and best practices identified by V.E

- The KPIs will be externally verified on an annual basis until maturity of the Programme<sup>2</sup>.
- The achievement of the SPTs will be externally verified at least on an annual basis and the verification assurance reports will be made publicly available.

## Type of External Reviews supporting this Issuance

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI(s) reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

## Contact

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<sup>1</sup> According to V.E assessment, KPI 1 and KPI 3 demonstrate an advanced level of ambition and KPI 2 demonstrates a robust level of ambition. As KPI 1 and KPI 3 are considered the most material sustainability challenges for the Issuer and for its industry sector, we have provided an overall advanced level of ambition.

<sup>2</sup> Until expiration of the STEP Label of the Programme, which is expected 3 years after the signing date (on or around 15 April 2024).

## SCOPE

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V.E was commissioned to provide an independent opinion (hereafter “Second Party Opinion” or “SPO”) on the integration of three sustainability factors to the Sustainability-Linked short-term Notes<sup>3</sup> (the “short-term Notes”) issued by Iberdrola (“Iberdrola” or the “Issuer”). The SPO aims to highlight both the Issuer’s sustainability strategy and sustainable finance strategy while demonstrating its alignment with the LMA’s Sustainability-Linked Loan Principles and ICMA’s Sustainability-Linked Bond Principles. In addition, the SPO includes the Issuer’s commitment to achieve specific targets (“Sustainability Performance Targets” or “SPTs”) regarding one environmental key performance indicator, one social key performance indicator and one environmental governance key performance indicator (hereafter the “KPIs”) proposed as part of its sustainability strategy.

The debt instruments included in the SPO are intended to finance general corporate purposes, as opposed to other sustainable financial instruments such as green/social notes or green/social loans. The facilities are agnostic on how funds are used. The main feature of this type of financing is the variation of the note’s financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability performance objectives.

For these so-called Sustainability-Linked short-term Notes, the selected KPIs to be linked to the note’s financial and/or structural characteristics are the following:

- KPI 1: Greenhouse gas (GHG) emissions intensity, gCO<sub>2e</sub> pr kWh (Scope 1), with the following target and trigger event:
  - o SPT 1: To reach a carbon intensity of 100gCO<sub>2</sub>/kWh in 2022
- KPI 2: Percentage of women in leadership position, with the following target and trigger event:
  - o SPT 2: To reach 25% of women in leader position by 2022
- KPI 3: Implementation of TCFD- Climate-related Financial Disclosures- recommendations with the following targets and trigger events:
  - o SPT 3: To have all 11 TCFD recommendations followed and published, being audited in the Sustainability Report for the years end 2021, 2022 and 2023

Our opinion is established using V.E Environmental, Social and Governance (“ESG”) assessment methodology, the Loan Market Association’s Sustainability-Linked Loan Principles (“SLLP”), edited in May 2020 and the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”), voluntary guidelines, published in June 2020. This opinion is strictly limited to the integration of three sustainability factors in the short-term Notes. This opinion does not cover the integration of broader sustainability factors or the labelling of the short-term Notes where the final decision is left to Iberdrola. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Issuance: we assessed the short-term Notes’ alignment with the four core components of the SLLP 2020 and with four out of five components of the SLBP 2020: Selection of KPIs, Calibration of the SPTs, Reporting and Verification. Our assessment of the Bond Characteristics pillar has been limited to the Issuer disclosure commitments.
2. Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>4</sup>.

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<sup>3</sup> The “Sustainability-Linked short-term Note” is to be considered as the short-term Note to be potentially issued, subject to the discretion of the Issuer. The name “Sustainability-Linked short-term Note” has been decided by the Issuer: it does not imply any opinion from V.E.

<sup>4</sup> The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.



Our sources of information are multi-channel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from V.E exclusive ESG rating database, and (iii) information provided by the Issuer through documents.

We carried out our due diligence assessment from March 3<sup>rd</sup> to April 15, 2021. We consider that we were provided with access to all the appropriate documents we solicited. Reasonable efforts have been made to verify data accuracy.

# ISSUANCE

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The Issuer has described the main characteristics of the short-term Notes in the “ESG Notes provision” and in the answers to V. E’s assessment questionnaire. The Issuer has committed to make this SPO publicly accessible on its website at the issuance date, in line with good market practices.

## Alignment with Sustainability-Linked Bond Principles

### Selection of the Key Performance Indicator (KPI)



### COHERENCE

V.E considers that the selected KPIs are coherent with Iberdrola’s strategy and priorities in terms of sustainability.

Iberdrola has a Climate Change Policy<sup>5</sup> which recognises the threat of global warming and formalizes the company’s commitment to assume a position of leadership in the fight against climate change.

In order to address this general commitment, the Climate Change Policy set a series of specific commitments including, among others:

- To contribute to the mitigation of climate change and to the decarbonisation of their energy mode by: gradually reducing the intensity of greenhouse gas emissions globally to place it below fifty grams of CO<sub>2</sub> per kWh by 2030, continuing the development of electric energy from renewable sources, focusing innovation efforts in more efficient technologies with a lower intensity of carbon dioxide emissions, and progressively introducing them in their facilities, until reaching carbon neutrality by the year 2050.
- To maintain global leadership in renewable energy and in investment in and operation of smart grids, which would allow the strong integration of renewable energy, promote the replacement of energy generation systems based on the use of fossil fuels with higher carbon content and favour the improvement of efficiency in generation, in transmission and in the final use of energy.
- To integrate the climate change variable in internal decision-making processes as well as in the analysis and management of long-term risks for the Group.

As part of its effort towards its climate-change commitments, Iberdrola announced in 2020 a €75 billion investment plan for 2025, and a longer-term investment of €150 bn towards 2030 to achieve a renewable installed capacity of 60 GW by 2025 and 95 GW by 2030<sup>6</sup>.

In 2017, the Task Force on Climate-related Financial Disclosures released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. These recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management and metrics and targets.

Iberdrola was one of the first companies to publicly commit itself to implementing the TCFD recommendations in its public reports for 2020. In its Statement of Non-financial information (Sustainability Report) 2018, the company devoted a section to reporting its alignment with these recommendations and the progress made.<sup>7</sup>

<sup>5</sup> <https://www.iberdrola.com/corporate-governance/governance-sustainability-system/environment-climate-change-policies/policy-against-climate-change>

<sup>6</sup> <https://www.iberdrola.com/about-us/progress-2020-2025-plan>

<sup>7</sup> <https://www.iberdrola.com/sustainability/climate-change-risk-management-tcf>



Moreover, the Issuer is committed to promote diversity and boost human capital across its business. Iberdrola has an Equal Opportunity and Conciliation Policy which provides equal pay for men and women conducting equal work and a wage review with uniform criteria for both genders.

Among the commitments defined in the Equal Opportunity and Conciliation Policy we find:

- A commitment to guarantee the quality of employment as a fundamental means to promote equal opportunity and non-discrimination, fostering the maintenance of stable and high-quality jobs, with occupational contents that guarantee a continuous improvement in the abilities and skills of professionals.
- To further develop the principle of equal opportunity in the workplace, the observance of which is one of the basic pillars of professional development, and which entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the Group's workforce.
- To promote gender equality within the Group as regards access to employment, professional training, and promotion, and working conditions, as a manifestation of social and cultural reality.
- To analyse affirmative action measures in order to correct inequalities that appear and to promote access by the less represented gender to positions of responsibility in areas in which it is underrepresented or not present.
- To Strengthen mechanisms and procedures for selection and professional development that facilitate the presence of the less represented gender with the required qualifications in all areas of the organisation in which it is underrepresented, particularly including the implementation of specific training and professional development monitoring programmes for women that promote the Group having a significant number of female senior managers.
- To achieve a balanced representation within the various decision-making bodies and levels, guaranteeing participation in all consultative and decision-making areas of the Group on the basis of equal opportunity.

The Company and the Group have the management responsible for achieving the objectives established in its Policy, which management reports to the Company's Human Resources Division, in charge of implementing, monitoring, and verifying compliance with the Policy and the Diversity and Inclusion Policy.

SDG CONTRIBUTION

The selected KPIs are likely to contribute to five of the United Nations’ Sustainable Development Goals (“SDGs”), namely:

KPI	SDG	SDG TARGETS
SHARE OF WOMEN IN LEADERSHIP POSITION		5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
GHG EMISSIONS INTENSITY		7.2 By 2030, substantially increase the share of renewable energy in the global energy mix.
GHG EMISSIONS INTENSITY IMPLEMENTATION OF TCFD CLIMATED CLIMATE-RELATED FINANCIAL DISCLOSURES		13.2 Integrate climate change measures into national policies, strategies, and planning.
IMPLEMENTATION OF TCFD CLIMATED CLIMATE-RELATED FINANCIAL DISCLOSURES		16.6 Develop effective, accountable, and transparent institutions at all levels
IMPLEMENTATION OF TCFD CLIMATED CLIMATE-RELATED FINANCIAL DISCLOSURES		17.6 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

## MATERIALITY

### KPI 1: GHG EMISSIONS INTENSITY

The Issuer has disclosed its materiality matrix and the KPI reflects the most material issues identified by the company in its materiality matrix as well as reflects the most relevant sustainability challenge for its industry sector.

The Electric & Gas Utilities sector has a major role to play regarding climate change and energy efficiency through the promotion of renewable energy sources, energy efficiency as well as by reducing the greenhouse gas emissions from power plants. Companies are expected to set ambitious climate change strategies, backed by relevant targets and widespread environmental management systems. Companies are also expected to dismiss their carbon-intensive means of production, meaning dismissing their fossil fuel powered plants.

The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen companies' abilities to deal with the impacts of climate change and support them in their efforts. The Paris Agreement is the first-ever universal, legally binding global climate change agreement, adopted at the Paris Climate Conference (COP21) in December 2015.

Iberdrola's materiality matrix which is included in the Sustainability Report, includes climate change and energy transition as part of the priority issues to be addressed by the company.

### KPI 2: SHARE OF WOMEN IN LEADERSHIP POSITIONS

The Issuer has disclosed its materiality matrix and the KPI reflects one of the most material issues identified by the company in its materiality matrix as well as reflects a relevant sustainability challenge for its industry sector.

The prevention of discrimination is embedded in the Universal Declaration of Human Rights and several UN texts and fundamental ILO declarations. ILO Discrimination (Employment and Occupation) Convention, published in 1958 defines discrimination as: *"any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation."*

According to the International Energy Agency (IEA) gender diversity in the energy sector is vital for driving more innovative and inclusive solutions for clean energy transitions all over the world. The latest data shows that fewer women reach senior roles in the energy sector than in the broader economy, with notable variations between sub-sectors. In the European Union, these differences are evident — more senior roles are held by women (>20%) in the sub-sectors of water, mining of metal ores and manufacture of chemicals compared with the sub-sectors of extractive industries, mining of coal and lignite and the manufacture of coke and refined petroleum products (<15%).<sup>8</sup>

Iberdrola's 2020 materiality matrix includes Diversity and Equal opportunity as of a priority issue for the company.

### KPI 3: IMPLEMENTATION OF TCFD CLIMATED CLIMATE-RELATED FINANCIAL DISCLOSURES

The Issuer has disclosed its materiality matrix and the KPI reflects the most material issues identified by the company in its materiality matrix as well as reflects the most relevant sustainability challenge for its industry sector.

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. In 2017, the TCFD released 11 climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

<sup>8</sup> <https://www.iea.org/commentaries/gender-diversity-in-energy-what-we-know-and-what-we-dont-know>

These recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets. Iberdrola started reporting on its alignment to the TCFD recommendations and progress on these issues in 2018. The implementation of the TCFD recommendations is in line with Iberdrola's materiality assessment which identified climate change and energy transition as priority issues, as reported in its materiality matrix.

#### MEASURABILITY AND VERIFICATION

The KPI is measurable and externally verified. The calculation methodology is consistent, and the Issuer commits to inform the investors of changes in the methodology.

KPI 1 and KPI 2 are included in the Issuer's sustainability scorecard <sup>9</sup> and Sustainability Report which is externally audited since 2006.

KPI 3's methodology relies on the TCFD climate-related recommended disclosures.

#### CLARITY

The KPIs are clearly defined and disclosed to investors.

The KPIs definitions rely on external references allowing their benchmark, namely:

KPI 1 - GHG emissions intensity is based on the GHG Protocol.

KPI 2 – Women in leadership positions is based on the Global Reporting Initiative (GRI) 405-1 indicators.<sup>10</sup>

KPI 3 – Methodology relies on the TCFD disclosure recommendations.

The Issuer has communicated clearly to investors the rationale and process according to which KPIs have been selected.

#### EXHAUSTIVENESS

The KPIs covers more than 90% of the company's total activity.

For KPI 1 the scope of the verification is established for the activities provided by the companies in the regions of Spain, the United Kingdom, the United States, Mexico, and Brazil. The Issuer indicates CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub> and HFCs are considered as part of the greenhouse gases emissions.

For KPI 2 the reporting of the data includes total Iberdrola S.A. operations, as well as subsidiaries and affiliates considered to be significant for sustainability purposes.

For KPI 3 the coverage follows the same scope considered in KPI 2.

<sup>9</sup> <https://www.iberdrola.com/sustainability/sustainable-management/sustainability-scorecard>

<sup>10</sup> <https://www.globalreporting.org/standards/media/1020/gri-405-diversity-and-equal-opportunity-2016.pdf>

## BEST PRACTICES

- ⇒ The company has disclosed its materiality matrix and the KPIs reflect the most material issues identified by the company in the materiality matrix
- ⇒ The Issuer is communicative and the rationale and process for KPI selection are clear
- ⇒ The Issuer commits conduct a post-issuance review (which will be made available to bondholders) in case of material changes to the KPI's coverage, calculation methodology, and in particular the SPT calibration.
- ⇒ The KPIs covers more than 90% of the company's total activity.
- ⇒ The KPI(s) definition relies on external references (i.e. GRI, GHG protocol) allowing their benchmark.
- ⇒ The KPIs were previously disclosed and have historical externally verified values covering at least the previous 3 years (KPI 1 & 2 and not relevant for KPI 3).



### Calibration of the Sustainability Performance Target (SPT)



#### AMBITION

##### KPI 1: GHG EMISSIONS INTENSITY

By using the intensity value of GHG emissions per year, the data set should fairly show positive or negative KPI trend, reflecting the Issuer’s commitment to fight climate change, thus enabling investors to make an appropriate assessment of the overall environmental performance.

Table 2 –GHG emissions intensity Scope 1 (measured in gCO<sub>2</sub>/kWh)

KPI	REPORTED DATA			OBJECTIVES
	2017	2018	2019 (Baseline)	2022*
	136	112	110	100
Annual variation (%)	N/A	-17.6%	-1.6%	
Overall GHG emissions reduction (%)	-19.1%			-9.1%
	-26.5%			
Average annual variation (%)	-10.1%			-3%

\*Trigger event

The SPT is consistent with the Issuer’s existing targets set in its overall sustainability strategy. The objective is to reach 100 gCO<sub>2</sub>/kWh of GHG emissions intensity by 2022. This represents a 9.1% reduction of GHG emissions intensity compared to its 2019 levels and is in line with the Issuer’s global target to reduce its emissions intensity to 50gCO<sub>2</sub>/kWh in 2030.

Based on several points of comparison, we consider that Iberdrola’s target demonstrates an advanced<sup>11</sup> level of ambition.

#### Business-as-usual Trajectory Benchmark Analysis

The SPT demonstrates a robust level of ambition compared to the Issuer’s Business as Usual (BaU). The Issuer has provided historical data on the KPI, which indicates that there has been a continuous decrease of GHG emissions intensity over the years. Although the data shows that GHG emissions intensity reduction between 2017 and 2019 (19.1%) was significantly higher than the expected decrease from 2019 to 2022 which is estimated at 9.1%, the SPT represents a continuous decrease over the years, with an overall reduction of 26.5% compared to 2017 levels, demonstrating Iberdrola’s efforts and commitments towards the achievement of its 2030 target.

<sup>11</sup> VE scale of assessment: Weak / Limited / Robust / Advanced

### Sector Peers Benchmark

The SPT demonstrates an advanced level of ambition compared to sector peers' performances. According to the data provided by the Transition Pathway Initiative (TPI) the average carbon intensity for Electricity Utilities sector in 2020 was of 0.45 metric tonnes of CO<sub>2</sub> per MWh electricity generation, while Iberdrola stands at 0.11 MtCO<sub>2</sub>/MWh). In terms of projections, the same data show that for the companies that disclose targets towards 2022, the average emissions intensity will stand at 0.41, when Iberdrola expected to reach 0.100 (MtCO<sub>2</sub>/MWh)<sup>12</sup>.

### Official International Targets and Scenarios Benchmark Analysis

The SPT demonstrates an advanced level of ambition compared to sector standards. According to the Transition Pathway Initiative (TPI) latest assessment (March 2020), Iberdrola's target towards 2022 is aligned with the 1.5°C scenario'. TPI's projections for the Electricity Utilities sector indicate that in order to be align with the 2DS, companies need to reach a carbon intensity of 0.418 (MtCO<sub>2</sub>/MWh) by 2022, and considering Iberdrola's current target, the company is expected to reach a level of carbon intensity of 0.11 MtCO<sub>2</sub>/MWh by 2022.

### MEASURES TO ACHIEVE THE SPT

The means for achieving the SPT are disclosed and these are credible.

The Issuer reports it plans to achieve its SPT mainly through an increase of renewable sources in its generation matrix and other energy efficiency measures.

Iberdrola's renewable installed capacity is expected to grow from 32 GW in 2019 to 44 GW in 2022 and to reach approximately 60 GW in 2025, meaning they will almost double their renewable installed capacity in only 6 years<sup>13</sup>. From the 44 GW installed in 2022, half (22 GW) will come from onshore wind energy, followed by hydro energy (14 GW) and solar PV (7 GW).

In terms of energy efficiency Iberdrola works on projects aiming to develop cost-cutting and energy efficient solutions including projects to build offshore wind substations, to reduce offshore wind technology costs, and to create models and simulations about using wind farm energy storage sites.

In addition, the Issuers continues to implement energy efficiency measures in its buildings and offices globally, as well as enhancing the performance of climate control (heating and cooling), thermal insulation and lighting in buildings, and the automation of related facilities.

In 2020 Iberdrola reported a reduction of 76,000 GJ compared to previous year, thanks to the with the implementation of these measures.<sup>14</sup>

<sup>12</sup> Of note: this projected intensity for Iberdrola is considering public disclosed targets until 31 of March 2020.

<sup>13</sup> Iberdrola strategic Vision 2020

<sup>14</sup> <https://www.iberdrola.com/sustainability/environment/energy-efficiency>

## KPI 2: WOMEN IN LEADERSHIP POSITION

By using the share of women in management positions reported by the Issuer per year, the data set should fairly show positive or negative KPI trend, reflecting the Issuer's commitment to promote gender equality, thus enabling investors to make an appropriate assessment of the overall social performance.

Table 3 – Women in leadership positions (measured in %)

KPI	REPORTED DATA				OBJECTIVES
	2017	2018	2019	2020	2022*
	21	20	20	21.5	25
Annual variation (%)	N/A	-4.7%	0%	+1.5%	
Overall variation (%)	+2.38%				+16.3%
Average annual variation (%)	+0.8%				+7.8%

\*Trigger event

The SPT is consistent with the Issuer's existing targets set in its overall sustainability strategy. The objective is to reach 25% of women in Leadership positions (reported by the Issuer as "women in management" in its Sustainability Scorecard) by 2022.

Based on several points of comparison, we consider that Iberdrola's target demonstrates a robust<sup>15</sup> level of ambition.

### Business-as-usual Trajectory Benchmark Analysis

The SPT demonstrates an advanced level of ambition compared to the Issuer's Business as Usual (BaU). The historical data provided by the Issuer shows that their share of women in management position slightly decreased between 2017 and 2018 (-4.7%), had no variation between 2018 and 2019, and finally reached 21.5% in 2020. The 2022 target sets a higher annual average variation compared to the Issuer's past performance. While for the 2017-2020 period the annual average variation was of +0.8%, the annual variation for the 2020-2022 period is expected to be of +7.8% in average. The Issuer targets to reach a 25% of women in leadership in 2022, which compared to its latest reported data (2020) represents a 16.3% increase in 2 years. Overall, the target sets a positive trend, compared to the Issuer's past irregular trend, which can be considered as a material improvement.

### Sector Peers Benchmark

The SPT demonstrates an advanced level of ambition compared to sector peers' performances. Iberdrola's target appears to be in line with the commitments disclosed by companies in the Electric & Gas utilities sector (according to V.E rating methodology). For instance, Snam targets to have 25% of executives and managers from less represented gender by 2022. Similarly, Verbund aims to raise the proportion of women at the executive level to 20% by 2025.

<sup>15</sup> V.E scale of assessment: Weak / Limited / Robust / Advanced

There are also companies with more ambitious targets in terms of gender balance, such as RWE which aims to have 30% women in its first management level and 20% in second management level, both by 2022, and Tennet Holdings which sets a target to have 36% of women at management level (managers and senior managers) by 2023.

#### Official International Targets and Scenarios Benchmark Analysis

As of today, there are no official standards to benchmark this SPT against a globally recognized target.<sup>16</sup>

#### MEASURES TO ACHIEVE THE SPT

The means for achieving the SPT are disclosed and these are credible.

The Issuer reports it will continue to implement its Equal Opportunity and diversity policies as all its associated initiatives such as trainings and awareness-raising, in order to achieve its target. In particular, the Issuer reports on the following measures:

- Reinforce the commitment of the Group to gender equality both within the organization and in society and raise awareness on this topic in both spheres.
- Guarantee the principle of equal opportunity in professional development, removing any obstacles that may hamper or limit a professional career by reason of gender.
- Analyze affirmative action measures in order to correct inequalities that appear and to promote access by the less represented gender to positions of responsibility in areas in which it is underrepresented or not present.
- Strengthen mechanisms and procedures for selection and professional development that facilitate the presence of the less represented gender with the required qualifications in all areas of the organization in which it is underrepresented, particularly including the implementation of specific training and professional development monitoring programmes for women that promote the Group having a significant number of female senior managers.
- Strive to achieve a balanced representation within the various decision-making bodies and levels, guaranteeing participation in all consultative and decision-making areas of the Group on the basis of equal opportunity.
- Promote the organization of working conditions with a gender perspective, allowing for the reconciliation of the personal and working life of all professionals employed by the Group, ensuring the elimination of all gender-based discrimination.
- Protect pregnancy and childbirth as specific situations of the female professional group, avoiding negative repercussions thereof on their professional career.
- Promote programmes of collaboration with educational institutions to encourage the presence of the less represented gender in careers and training programmes relating to the businesses of the Group in which the presence of one of the genders is substantially lower than that of the other.
- Collaborate in the fight against gender violence through the establishment of specific programmes that include measures of protection, support and information, in order to accompany and protect the victims of gender violence".

<sup>16</sup> Under V.E methodology, the assessment of the ambition of a target requires the KPI to be benchmarked against (i) the Issuer's business as usual performance, (ii) its sector peers, and (iii) compared to an official sector standard. The lack of an official sector standard does not allow to provide an advanced level of ambition for the defined SPT, therefore robust is the highest possible score for this SPT.



**KPI 3: IMPLEMENTATION OF TCFD RECOMMENDATIONS**

The Issuer has committed to implement all 11 recommendations by the Task Force Group on climate-related financial disclosures and to have these disclosures reported in its Sustainability Report as well as audited in 2021, 2022 and 2023.

**Table 4 –TCFD recommendations**

	GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
RECOMMENDED DISCLOSURE	Describe the board’s oversight of climate-related risks and opportunities.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Describe the organization’s processes for identifying and assessing climate-related risks.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
	Describe management’s role in assessing and managing climate-related risks and opportunities.	Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	Describe the organization’s processes for managing climate-related risks.	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
		Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

The SPTs are consistent with the Issuer’s existing target set in its overall sustainability strategy. The Issuer has committed to implement all 11 recommendations by the Task Force Group on climate-related financial disclosures and to have these disclosures reported in its Sustainability Report as well as audited in 2021,2022 and 2023.

We consider that Iberdrola’s targets demonstrate an advanced<sup>17</sup> level of ambition.

**Business-as-usual Trajectory Benchmark Analysis**

Please note that the Business-as-Usual (BaU) trajectory benchmark is not relevant for this KPI.

**Sector Peers and Official International Targets Benchmark Analysis**

The SPT demonstrates an advanced level of ambition compared to sector peers’ performances and compared to the international standard.

According to the TCFD 2020 progress report <sup>18</sup>, out of 1,100 companies’ disclosures, the number of TCFD recommendations implemented increased from only 2.8 in 2016 to 3.6 in 2019. The same report indicates that from a survey with 485 company responses, 91% of companies decided to fully or partially implement the TCFD recommendations, but only 67% plan to a full implementation within 3 years. Iberdrola expects to have full implementation in their 2021 Sustainability Report.

<sup>17</sup> VE scale of assessment: Weak / Limited / Robust / Advanced

<sup>18</sup> [https://assets.bbhub.io/company/sites/60/2020/10/TCFD\\_Booklet\\_FNL\\_Digital\\_March-2020.pdf](https://assets.bbhub.io/company/sites/60/2020/10/TCFD_Booklet_FNL_Digital_March-2020.pdf)

## MEASURES TO ACHIEVE THE SPT

The means to achieve the SPT are disclosed and credible.

In 2017 Iberdrola publicly committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>19</sup>. As part of this, the company created an internal multidisciplinary working group to coordinate all the work performed in this area.

### BEST PRACTICES

⇒ The measures for achieving the SPT are disclosed.

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<sup>19</sup> [https://www.iberdrola.com/wcorp/gc/prod/en\\_US/corporativos/docs/gsm21\\_IA\\_SustainabilityReport20.pdf](https://www.iberdrola.com/wcorp/gc/prod/en_US/corporativos/docs/gsm21_IA_SustainabilityReport20.pdf)

## Bond Characteristics

### The Issuer has transparently communicated the variation in case the SPTs are not reached at the observation dates (i.e. trigger events).

As of today, there are no international standards for Sustainability-linked short-term Notes/Commercial Paper Programs. The SLBP have been used as a proxy to analyse the sustainability of these short-term capital market instruments. Due to both a lack of standards and comparison data, V.E does not have sufficient information to confirm that the meaningfulness of the variation of the notes' characteristics defined by the Issuer will result in a financial/structural variation, in order to be in line with the recommendations of the SLBP. Consequently, our assessment in this pillar has been limited to the disclosure and transparency of the commitments made by the Issuer.

The Issuer reports that in case the SPTs (referred by the Issuer as "ESG Goals") are not reached at the observation dates (i.e. trigger events) the Issuer may continue issuing short-term Notes under the Programme, but the short-term Notes will no longer be designated as "ESG Notes"<sup>20</sup>. In case the ESG Goals Under the Programme were not met, a communication from the Issuer to the Dealers under the Dealer Agreement would take place as soon as reasonably practicable informing about the non-compliance with the ESG Goals Under the Programme and subsequently that the short-term Notes are no longer being qualified as ESG Notes. The Notes could eventually gain their "ESG Notes" name one year later, only if the ESG Goals Under the Programme are met.

In addition, the Issuer reports that losing the ESG qualification of its short-term Notes will have an impact on its investor base which requires an ESG label for their investment mandates. According to the Issuer, the impact on its investor base could have an impact on pricing. V.E has no tangible proof nor visibility that this will occur.

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<sup>20</sup> The name "ESG short-term Notes" has been decided by the Issuer: it does not imply any opinion from V.E.

## Reporting

Not Aligned

Partially Aligned

Aligned

Best Practices

KPI 1, KPI2, KPI 3

## REPORTING PROCESS

The Issuer reports that data monitoring and collection is through an internal data collection system. Consolidation of data related to the KPIs is under the responsibility of the Corporate Social Responsibility and Reputation Division, which is also in charge of elaborating the Sustainability reports.

## CONTROL

The Issuer's internal data collection system includes a procedure for internal assurance to ensure appropriate internal control of the data. The Issuer has provided V.E with the 'Tool for preparing the Statement of Non-Financial Information Sustainability' report, demonstrating data is appropriately controlled.

The KPI related data are also verified by an external auditor (KMPG).

## ACCESIBILITY OF RESULTS

The intended scope and granularity of the reporting is clear and covers all the required elements.

All relevant information is disclosed by the company in public documentation (including information on the performance of KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines)

The reporting will be published annually and for any material changes, for the whole period that is relevant for assessing the SPTs and related trigger events, in Iberdrola's website.

## BEST PRACTICES

- ⇒ KPI data undergoes both internal and external verification
- ⇒ The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements
- ⇒ The reporting on the KPIs will be published annually until maturity of the Programme

## Verification



The Issuer commits to undergoing an external verification of the performance of each KPI against each SPT, and the related impact, and timing of such impact, on the note’s structural characteristics.

The verification will be conducted annually and in case of material changes impacting the note’s structural characteristics (such as ESG labelling), until maturity of the Programme.

The verification assurance reports will be publicly available.

BEST PRACTICES
⇒ The verification will be conducted annually for the SPT of the KPI until maturity of the Programme

# ISSUER



Iberdrola, S.A. is engaged in the generation, transmission, distribution, sale, and retail of electricity. The company generates electricity through several resources including hydroelectric, nuclear, coal and cogeneration. Iberdrola also stores, trades distributes and retails natural gas.

## ESG Performance

The Issuer’s ESG performance was assessed through a complete process of rating and benchmarking.

As of June 2020, Iberdrola displays an overall advanced ESG performance, ranking 2<sup>nd</sup> in our Electric & Gas utilities sector, which covers 66 companies. The company is advanced in all 3 pillars: Environmental, Social, and Governance.

DOMAIN	COMMENTS	OPINION
Environment	<p><u>Iberdrola’s performance in the Environmental pillar is considered advanced.</u></p> <p>Iberdrola aims to reach global carbon neutrality by 2050 and expects its emissions intensity in Europe to be practically zero by 2030. In addition, 70% of its total installed capacity is from renewables.</p> <p>In 2019, the share of energy generation from renewable sources represented 51.9% of Iberdrola’s total own generation.</p> <p>In terms of renewable installed capacity, the Issuer’s renewable mix in 2019 was composed of 12,864 MW of hydro energy (representing 28.15% of total installed capacity), 17,649 Mw of wind (38.6%) and 1,018 MW of solar and other sources (2.2%).</p> <p>At the same time, Iberdrola has invested in all relevant technologies to reduce air emissions, including use of natural gas, low NOx combustion and particulate matter capture technologies. Comprehensive measures appear to be in place to protect biodiversity including biotope management plans. Moreover, the specific volume of total radioactive nuclear waste produced decreased by 16% between 2015 and 2019.</p> <p>Lastly, Iberdrola monitors data on energy saving of green products and services by customers.</p>	Advanced
		Robust
		Limited
		Weak

DOMAIN	COMMENTS	OPINION
Social	<p><u>Iberdrola's performance in the Social pillar is considered advanced.</u></p> <p>The Issuer appears to address most of the social issues impacted by its operations.</p>	Advanced
	<p>In terms of Health &amp; Safety (H&amp;S) issues, Iberdrola discloses a formalised commitment in its Occupational Safety and Health Policy, which is backed by different measures including trainings, internal monitoring of H&amp;S indicators, and internal audits. In addition, the Issuer's occupational H&amp;S management system is OHSAS 18001 certified.</p> <p>Iberdrola's lost-time injury rate decreased but not continuously by 34% between 2015 and 2019, to stand at 1.30 accidents per 200,000 hours worked in 2019.</p> <p>Regarding Human Rights, Iberdrola seems to have allocated extensive measures to prevent discrimination and promote diversity in all its sites, including affirmative action programmes, training, and monitoring of salary disparities. Moreover, the share of employees with disabilities increased between 2017 and 2019.</p>	Robust
	<p>The Issuer's commitment to human rights is backed by permanent systems including internal and external audits, and external investigation of allegations. Finally, monitoring of labour rights risks and occasional risk mapping is conducted to monitor the respect of freedom of association within the Company's operations.</p>	Limited
	<p>In terms of Community Involvement Iberdrola reports extensive measures to reduce fuel poverty and improve access to energy including social tariffs, rural electrification programmes and customer assistance. Moreover, indicators on access to energy show an improvement between 2015 and 2019. Capacity building programmes and social impact assessments are among the measures allocated to promote local social and economic development.</p> <p>Lastly, Iberdrola reports transparently on taxes paid in all the countries where it operates.</p>	Weak
Governance	<p><u>Iberdrola's performance in the Governance pillar is considered advanced.</u></p> <p>In terms of Corporate Governance, the Issuer appears to be transparent on most issues assessed and to incorporate sustainability in its overall strategy.</p>	Advanced
	<p>The Audit Committee plays a comprehensive role in overseeing internal and external controls, and now all CSR risks inherent to the Company's business operations seem to be covered by its internal controls system. In addition, the Company's CSR strategy is presented to investors covering relevant CSR issues namely climate change and H&amp;S.</p>	Robust
	<p>Moreover, 64% of the Board is considered independent and 43% of directors are women. Finally, climate change objectives are considered in the executive's variable remuneration.</p> <p>In terms of Business Behaviour, the Issuer appears to properly address issues related to prevention of corruption and anti-competitive practices.</p>	Limited
	<p>Iberdrola monitors quantitative data on the compliance of its suppliers with social standards. The Company also has in place a complaint management system to ensure customer relations. Finally, the total budget dedicated to lobbying practices is publicly disclosed.</p>	Weak

## Management of ESG Controversies

As of today, Iberdrola is facing three stakeholders related ESG controversies, linked to two domains we analyse, namely:

- Community Involvement, in the criterion “Social and economic development”.
- Business Behaviour, in the criteria “Information to customers” and “Customer relations”

Frequency: Overall, the controversies are considered isolated<sup>21</sup>, in line with the sector average.

Severity: The severity of the impact on both the company and its stakeholders for all controversies is considered significant<sup>22</sup>, in line with the sector average.

Responsiveness: Iberdrola is considered overall reactive<sup>23</sup>, in line with the sector average.

## Involvement in Controversial Activities

As of April 2021, Iberdrola appears to be involved in two of the 17 controversial activities screened under our methodology, namely:

- Major involvement in Fossil Fuels industry: Grupo Iberdrola has an estimated turnover from fossil fuels which is between 20% and 30% of total turnover. This turnover is derived from fossil fuel-powered electricity generation and the storage of natural gas. The Company owns and operates 26 combined cycle gas plants and 25 co-generation plants. It also previously owned two coal-fired power plants. However, these were closed midway through 2020. Fossil fuels represented 43.2% of the Company’s power generation fuel mix in 2020.
- Major involvement in Nuclear Power: Iberdrola has an estimated turnover from involvement in nuclear power which between 10% and 33% of total turnover. This turnover is derived from the generation of electricity from nuclear power and the provision of services to the nuclear power industry. Notably, Iberdrola Generacion Nuclear owns and operates the Cofrentes Nuclear Power Plant in Spain.

The Issuer appears to be not involved in any of the other 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

<sup>21</sup> V.E scale of assessment: Isolated / Occasional / Frequent / Persistent.

<sup>22</sup> V.E scale of assessment: Minor / Significant / High / Critical.

<sup>23</sup> V.E scale of assessment: non-communicative/ Reactive/ Remediative / Proactive.

# METHODOLOGY

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In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity, or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council. All employees are signatories of V.E' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

## ISSUANCE

### Alignment with the Sustainability-Linked Bond Principles

Scale of assessment: Not aligned, partially aligned, Aligned, Best Practices

*The Issuance has been evaluated by V.E according to the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer overall sustainability strategy and with the Issuer sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

### Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

### Bond characteristics

Disclosure of the bond characteristics' variation, meaningfulness of these variation.

### Reporting

Reporting process formalisation and verification, data's accessibility.

### Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

## ISSUER

### Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.*

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility, and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks, and controversies.

## Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented, and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications, or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented, and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

## Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

**V.E'S ASSESSMENT SCALES**

Scale of assessment of the Issuer's ESG performance, the KPI(s) materiality and the associated SPT(s) ambition.	
Advanced	Advanced commitment: strong evidence of command over the issues dedicated to achieving the sustainability objective.
	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.
	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.
Robust	Convincing commitment; significant and consistent evidence of command over the issues.
	The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.
	A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues.
	The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially address relevant environmental, social and/or governance challenges of the industry sector.
	A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues.
	The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.
	A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.

Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles.

# DISCLAIMERS

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Transparency on the relation between V.E and the Issuer: V.E has executed previous audit missions for Iberdrola (Second Party Opinion deliveries on previous Green Instruments – bonds and loans) and no consultancy over the past 5 years. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Notes, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Note, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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