



Integrated Report

February 2021



NOTICE. This document is a translation of a duly approved Spanish-language document, and its provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish language document that this translation is intended to reflect, the text of the original Spanish-language shall prevail.



Iberdrola's public information

Iberdrola provides its Stakeholders with all relevant information regarding the performance of the company and its strategic lines for the coming years in a systematic and accessible manner.

Annual information

- **Annual Financial Report**

Prepared according to international financial reporting standards and externally audited.

- **Statement of Non-Financial Information. Sustainability Report**

Prepared according to the Global Reporting Initiative (GRI) guidelines and externally assured.

- **Integrated Report**

Prepared following the recommendations of the *International Integrated Reporting Council* (IIRC).

- **Annual Corporate Governance Report**

Prepared according to the form provided by the National Securities Market Commission of Spain.

- **Annual Director Remuneration Report**

Prepared according to the form provided by the National Securities Market Commission of Spain.

- **Annual Activities Report of the Board of Directors and of the Committees thereof**

Prepared following the recommendations of the Good Governance Code of Listed Companies and best international practices.

Additional information

Economic / financial

- Quarterly Results Report
- Presentation of results
- IBE Watch Fact Sheet
- Quarterly Shareholder Bulletin

Environmental

- Corporate Environmental Footprint Report
- Biodiversity Report
- Greenhouse Gas Report

Social

- Diversity and Inclusion Report
- Sustainability
- Social commitment
- Innovation
- Talent
- Culture
- SHAPES

Corporate Governance

- About Us
- Report on Tax Transparency of the Iberdrola group
- Innovation Report
- Shareholders and investors
- Corporate Governance



Access the annual reports for financial year 2020 and supplementary documentation regarding the Iberdrola group by scanning the corresponding QR code using your smart phone or tablet.



This icon refers to related information. It also provides information on other specific reports where more information of interest can be accessed.



Letter from the Chairman & CEO

Ignacio S. Galán
Chairman & CEO of Iberdrola



The year 2020 has marked a turning point in terms of the convergence towards sustainable development worldwide. The plans devised to overcome the health and economic crisis coincide in their focus on a transition to safer, cleaner and more competitive energy systems as the best way of jump-starting the economy and creating quality jobs. The European Union has once again shown its leadership in this field by embracing the Green Deal, approved at the beginning of the year, as one of the main tools for recovery on the Continent.

This scenario confirms Iberdrola's pioneering commitment to the generation of sustainable value for the triangle formed by shareholders, employees and society. Based on investments

in renewable energy, smart grids and storage, our model has enabled us to cement our position as a world leader in the energy industry, and Iberdrola is now one of the three largest electricity companies worldwide and the company with the largest weight on the Spanish stock exchange.

Outlook 2020-2025

In November 2020, Iberdrola unveiled the most ambitious investment plan in its history, totalling 75,000 million euros until 2025. 51% of this amount will be allocated to promoting clean energy, with the aim of doubling the group's renewable capacity in only 5 years and reaching 60,000 MW by the end of the period. Electrical grids, the backbone of the ecological transition, will receive the second-largest share of the investment, accounting for 40% of the total, in order to grow that our base of grid assets by 150%. The remaining 9% will be invested in new products and services that address the needs of our customers in a context of ever-growing electrification of energy uses along with increased digitalisation.

The plan will also help to strengthen the group's internationalisation: the organic investments in all our markets are in addition to the integrations of PNM Resources in the United States, Aalto Power in France, CEB-D in Brazil, and Infigen in Australia, as well as the entry into new countries like Sweden, Japan and Poland through the acquisition of a portfolio of offshore wind projects.

Iberdrola is committed to the creation of sustainable value for shareholders, employees and society.



The unprecedented pace of investment envisioned in the plan, together with the focus on operational efficiency, will enable us to achieve gross operating profits (EBITDA) of 15,000 million euros and net profits of 5,000 million euros in 2025, while maintaining financial strength and increasing shareholder remuneration in line with results until reaching 0.56 euro per share.

Enhancing the social dividend

In this environment of change, Iberdrola reaffirms its commitment to contribute to the United Nations 2030 Agenda by generating a growing social dividend for the benefit of all.

We will boost the business of more than 22,000 local suppliers with our purchases of goods and services (which came to 14,000 million euros worth of orders awarded only in 2020), by increasing the 400,000 jobs we already provide on a worldwide basis, and by extending our sustainability policies to at least 75% of our main suppliers by 2025.

Over the next five years we expect to see almost 20,000 new hirings in the group, and we will deepen our commitment to professional development by further increasing the number of training hours per employee, which already stands at four times the European average. Along these lines, we will intensify our efforts to promote gender equality, with a view to reaching the target of 30% of women in management positions in comparison with the current 20%.

The expected growth in business will also enable us to continue increasing our tax contribution, currently standing at approximately 7,500 million euros.

In the environmental area, we will continue to reduce our emissions (which now come to only 98 g/kWh and are thus two-thirds lower than the European average), achieving emission neutrality in Europe by 2030.

In order to continue to foster the company's sustainability, efficiency and competitiveness, we will strengthen our commitment to R&D and

will further increase the investment in innovation, currently coming to 300 million euros per year.

These initiatives fit within our Governance and Sustainability System, which endorses the best corporate governance practices.

In view of all of the foregoing, Iberdrola sees the coming years as an opportunity to strengthen its sustainable enterprise, in order to continue to create value for our shareholders, our employees and the society we serve.



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Notes:

- The company Iberdrola, S.A., parent company of the Iberdrola group, is referred to as “Iberdrola”, the “Company” or the “company” in this report.
- Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola, S.A. has the power of control or joint control are also referred to as the “Iberdrola group” or the “group”.
- The figures included in this translation follow the customary English convention, with figures in thousands separated by a comma (,) and decimals indicated by a full stop (.).
- €M: millions of euros; \$M: millions of dollars; £M: millions of pounds sterling; R\$ Brazilian reais.
- IFRS-11 is not being applied in the operational indicators (installed capacity, output, etc.).



1. Iberdrola today



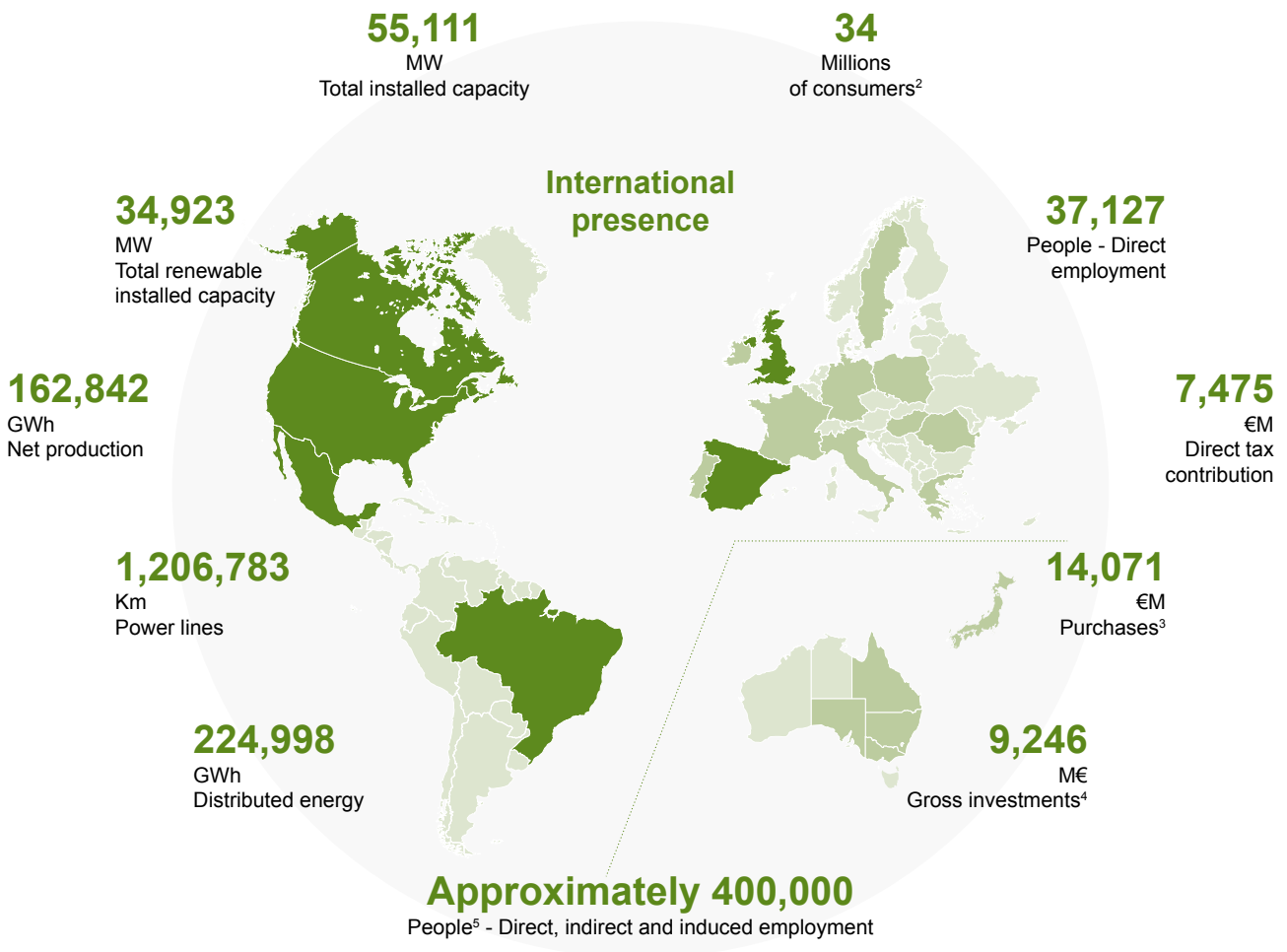
1.1 The utility of the future

With a history of over 170 years, the Iberdrola group today is a **global energy leader**, the **leading wind energy producer** and one of the **world's largest electricity companies by market capitalisation**¹.

The group supplies energy to almost 100 million people in dozens of countries, with over 600,000 shareholders, a workforce of over 37,000 and assets of more than 122,000 million euros¹.

We lead the **energy transition** towards a sustainable model through our investments in **renewable energy**, **smart grids**, **large-scale energy storage** and **digital transformation** to offer the most advanced products and services to our customers.

Key figures of the group



(1) At year-end 2020.

(2) Consumers: for electric power, total number of customers is used where there are areas of electricity distribution and retailing, supply points are used for the other areas. For gas: total number of gas customers is used, except for the United States, where total number of supply points is used.

(3) Volume awarded during the year. Amount invoiced in 2020: €8,494 million.

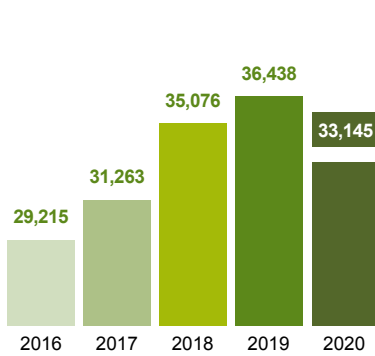
(4) Net total investments for financial year 2020 were €8,436 million.

(5) Data from a Study of Iberdrola's Impact, prepared by PwC, for financial year 2019.

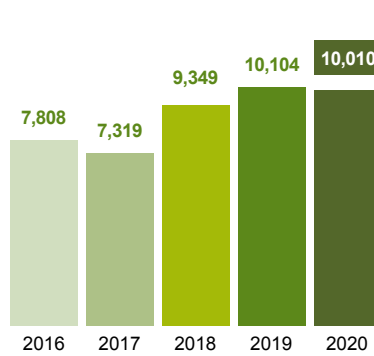


1.2 Company Performance

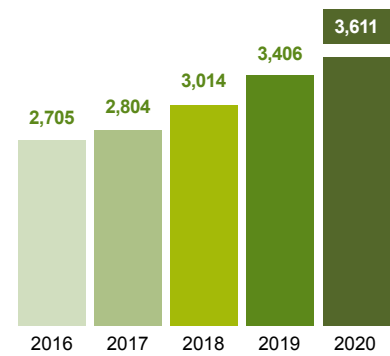
Revenues (€M)



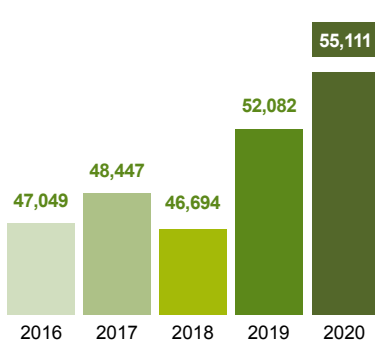
EBITDA (€M)



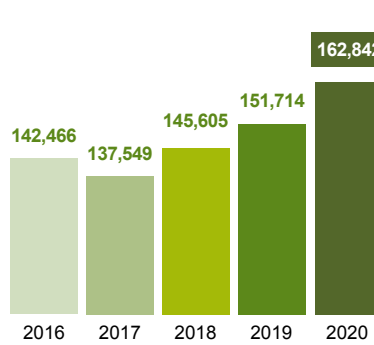
Net profit (€M)



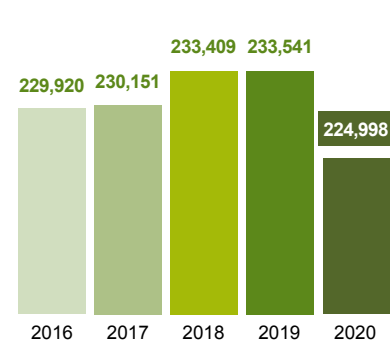
Total installed capacity (MW)^{1,3}



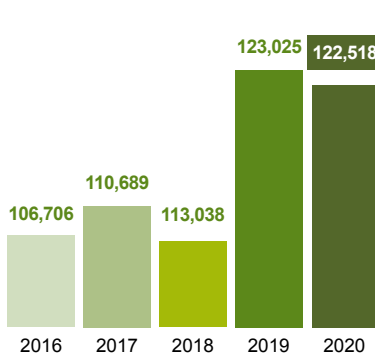
Total net output (GWh)^{1,3}



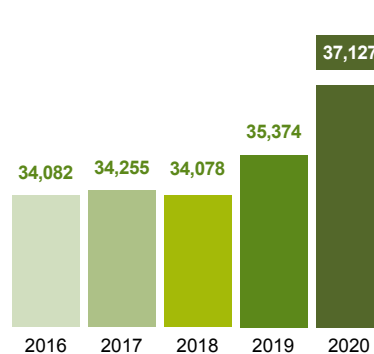
Distributed energy (GWh)²



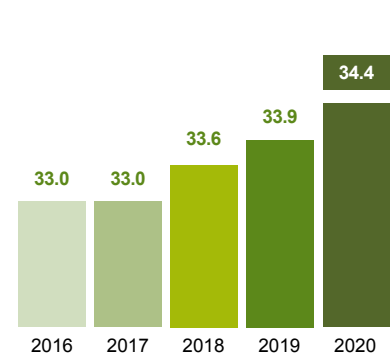
Assets (€M)



Employees¹



Consumers (millions)⁴



(1) Takes into account 100% of Neoenergia since 2016 in order to improve the comparability of the data.

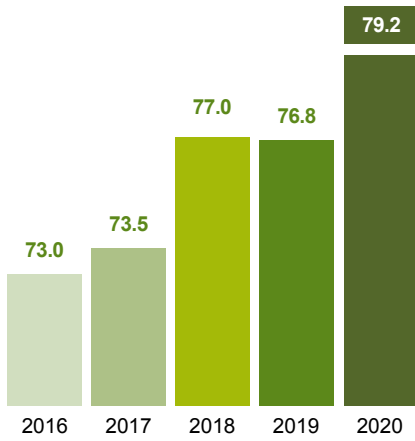
(2) Takes into account 100% of Neoenergia during all periods reported.

(3) All data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.

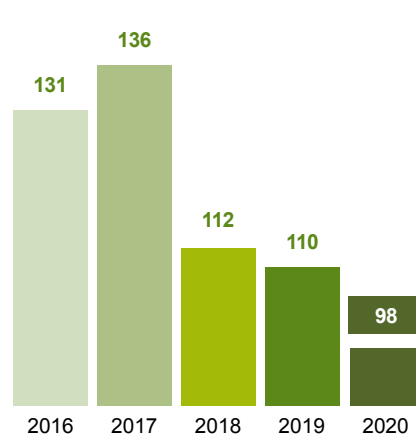
(4) Consumers: for electric power, total number of customers is used where there are areas of electricity distribution and retailing, supply points are used for the other areas. For gas: total number of gas customers is used, except for the United States, where total number of supply points is used.



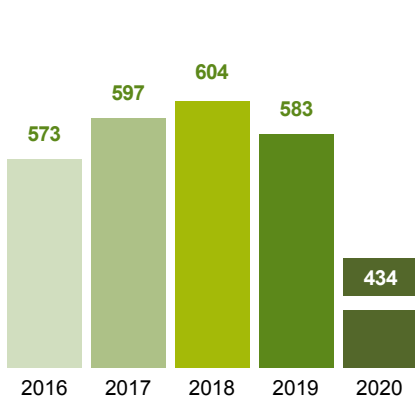
Own emission-free installed capacity (%)



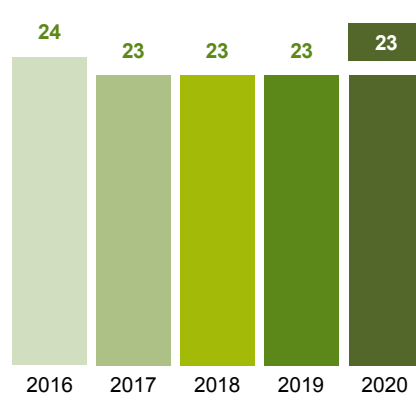
Own specific CO₂ emissions (t/GWh)



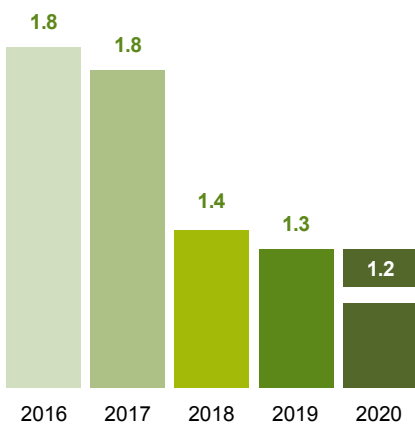
Water use / overall production (m³/GWh)



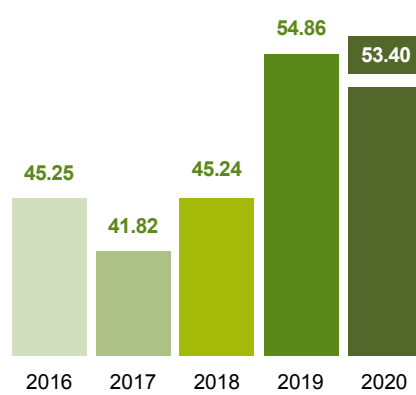
Gender diversity (% women on workforce)



Injury rate¹



Hours of training per employee trained²



(1) Injury rate: (number of accidents with leave*1,000,000) / hours worked.

(2) 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.



1.3 Key figures

Financial performance (€M)

	2016 ¹	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
Revenues	29,215	31,263	35,076	36,438	33,145	3.2
Consolidated gross margin	12,916	13,364	15,435	16,263	16,145	5.7
Consolidated Ebitda	7,808	7,319	9,349	10,104	10,010	6.4
Networks (Regulated) Ebitda	4,082	4,228	4,915	5,262	4,778	4.0
Spain	1,603	1,520	1,709	1,711	1,612	0.1
United Kingdom	976	886	919	987	1,000	0.6
United States	1,270	1,334	1,331	1,330	1,087	(3.8)
Brazil	233	489	955	1,234	1,079	46.7
Renewables Ebitda ²	1,500	1,755	2,446	2,386	2,586	14.6
Spain	497	616	919	736	698	8.8
United Kingdom	267	392	518	525	758	29.8
United States	564	530	573	591	592	1.2
Brazil	25	66	129	125	111	45.4
Mexico	52	53	65	86	93	15.6
International	95	99	242	323	334	36.8
Wholesale and Retail (liberalised) Ebitda ²	2,247	1,464	2,038	2,469	2,565	3.4
Spain	1,521	779	1,001	1,558	1,469	(0.9)
United Kingdom	294	108	307	110	250	(4.0)
Brazil	(3)	51	92	64	59	--
Mexico	436	525	638	762	790	16.0
International			(26)	(25)	0	--
Other businesses Ebitda	(105)	13	29	28	(1)	66.0
Corporation Ebitda and adjustments	84	(141)	(78)	(41)	84	0.0
Amortisation/depreciation, provisions and other	(3,254)	(4,606)	(3,910)	(4,227)	(4,474)	(8.3)
Operating profit (EBIT)	4,554	2,713	5,439	5,877	5,536	5.0
Financial results	(903)	(937)	(1,156)	(1,300)	(991)	(2.3)
Results from equity-accounted investees - net of taxes	49	(29)	56	(51)	(5)	--
Results from non-current assets	48	279	9	203	513	80.6
Profit before Tax (EBT)	3,748	2,026	4,348	4,729	5,053	7.8
Income tax	(905)	1,397	(959)	(914)	(1,083)	(4.6)
Minority interests	(138)	(366)	(323)	(348)	(341)	(25.4)
Net attributable profit	2,705	2,804	3,014	3,466	3,611	7.5
Total assets	106,706	110,689	113,038	123,025	122,518	3.5
Equity	40,687	42,733	43,977	47,195	47,219	3.8
Gross investments	5,009	6,632	6,173	8,158	9,246	16.6
Funds from Operations (FFO)	6,311	6,479	7,328	8,060	8,193	6.7
Adjusted net financial debt	29,230	32,856	34,149	37,769	35,142	4.7

Financial ratios

	2016	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
EBITDA margin (EBITDA/revenues) (%)	26.7	23.4	26.7	27.7	30.2	3.1
Net profit margin (Net Profit/Revenues) (%)	9.3	9.0	8.6	9.4	10.9	4.2
NOE/Gross margin (%)	27.7	31.2	26.9	26.6	26.7	(0.9)
Adjusted net financial debt / EBITDA (multiple)	3.77	4.49	3.653	3.74	3.5	(1.8)
Financial leveraging (%)	42.0	43.5	43.7 ³	44.7	43.2	0.7
Funds from Operations (FFO)/ Adjusted net financial debt (NFD) (%)	21.5	19.7	21.5 ³	21.5	23.5	2.2
Retained cash flow (RCF/NFD) (%)	19.1	17.2	20.2 ³	20.0	21.3	2.8
Return on equity (ROE) (%)	7.3	7.8	8.4 ³	9.2	9.7	7.4

Stock market performance

	2016	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
Stock market capitalisation (€M)	40	40,811	44,898	58,404	74,296	17.0
Number of shares at end of period (millions)	6,362	6,318	6,398	6,362	6,350	(0.0)
Share price (€)	6.23	6.46	7.02	9.18	11.70	17.0
Earnings per share (EPS)	0.42	0.44	0.47	0.53	0.55	7.0
Dividend per share (DPS) ³	0.286	0.317	0.331	0.356	0.405	9.1
Dividend yield (%)	4.59	4.91	4.72	3.87	3.46	(6.8)
Total dividend (including cash payments) (€M)	1,966	1,996	2,077	2,247	2,517	6.4
Payout ratio (%)	72.7	71.2	68.9	66.0	73.9	0.4
Share price / net earnings per share (PER)	14.66	14.55	14.90	17.15	21.79	10.4

- (1) For purposes of this report, 2016 is not re-stated due to the discontinuation of the engineering business, which only appears as such beginning in 2017.
- (2) In financial years 2017 and following, hydroelectric production activity is classified within the Renewables business.
- (3) Data adjusted due to the effect of potential accumulator derivatives on treasury shares (€50 million at 31/12/2018).

- 📍 Statement of Non-Financial Information. Sustainability Report
- 📍 Quarterly Results Report Consolidated
- 📍 Annual Financial Statements



Operating performance

	2016	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
Total Installed Capacity (MW) ¹	47,049	48,447	46,694	52,082	55,111	4.0
Net Own Capacity	42,707	43,811	42,058	45,702	47,965	2.9
Third-party Capacity	4,342	4,636	4,636	6,380	7,146	13.3
Net production (GWh) ¹	142,466	137,549	145,605	151,714	162,842	3.4
Net Own Output	112,069	105,239	115,134	114,030	123,463	2.5
Net Third-party Output	30,397	32,310	30,471	37,684	39,378	6.7
Distributed energy (GWh)	229,920	230,151	233,409	233,541	224,998	(0.5)
Km. of lines	1,117,444	1,156,611	1,173,672	1,191,513	1,206,783	1.9

Environmental performance

	2016	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
Own emission-free installed capacity (%) ²	73	74	77	77	79	2.1
Own emission-free output (%) ²	72	70	74	72	75	0.9
Own specific CO ₂ emissions (t/GWh) ⁴	131	136	112	110	98	(7.0)
Fuel consumption (GJ)	764,386,296	760,201,810	706,835,480	764,408,401	770,867,957	0.2
Environmental investments (€M)	2,262	2,240	2,133	3,712	5,116	22.6
Environmental expenses (€M)	527	513	550	700	671	6.2
Energy produced under certified environmental management systems (%)	82	80	80	83	78	(1.5)
Water use/overall production (m ³ /GWh)	573	597	604	583	434	(6.7)
Direct emissions of CO ₂ , Scope 1 (kt)	15,637	15,020	13,328	12,928	13,136	(4.3)
Indirect emissions of CO ₂ , Scope 2 (kt)	4,504	3,415	2,544	2,082	2,001	(18.4)
CO ₂ avoided due to efficiency initiatives (kt)	16,853	23,460	24,334	21,799	31,300	16.7
SO ₂ emissions (t/GWh)	0.047	0.038	0.023	0.011	0.008	(35.5)
NO _x emissions (t/GWh) ⁵	0.140	0.113	0.085	0.363 ⁶	0.375	27.9

Social performance

	2016	2017	2018	2019	2020	Δ Annual average 2016-2020 (%)
Consumers (millions) ³						
Electric power	29.0	29.0	29.5	29.8	30.1	1.0
Spain	10.2	10.2	10.1	10.1	10.0	(0.5)
United Kingdom	3.2	3.0	3.0	2.8	2.8	(3.0)
United States	2.2	2.2	2.3	2.3	2.3	0.9
Brazil	13.4	13.6	13.8	14.0	14.3	1.6
IEI	-	-	0.3	0.6	0.7	--
Gas	4.0	4.0	4.1	4.2	4.3	1.8
Spain	0.9	1.0	1.0	1.0	1.1	5.1
United Kingdom	2.1	2.0	2.0	1.9	1.9	(2.3)
United States	1.0	1.0	1.0	1.0	1.0	0.6
IEI	-	-	0.1	0.2	0.3	--
Number of employees	34,082	34,255	34,078	35,374	37,127	2.2
Permanent contracts (%)	98.4	99.4	99.0	99.1	99.6	0.3
Employees with collective bargaining agreement (%)	79.3	77.2	78.9	78.7	77.9	(0.4)
Employee turnover (%)	7.3	7.8	10.7	6.6	6.1	(4.6)
Diversity (men/women)	76/24	77/23	77/23	77/23	77/23	--
Injury rate (IR) ⁹	1.8	1.8	1.4	1.3	1.2	(9.8)
Hours of training (millions of hours) ⁶	1.4	1.5	1.6	1.8	2.0	9.6
Hours of training per employee trained (h) ⁶	45.3	41.8	45.2	54.9	53.4	4.2
Funds for social development (€M) ⁷	106.7	341.2	243.1	92.4	125.9	4.2
Contributions to society (€M)	57.7	63.0	53.5	52.3	83.8	9.8
Rural electrification programmes (€M)	49.0	278.2	189.6	40.1	42.0	(3.8)
Investments in R&D (€M)	211	246	267	280	293	8.5
General procurement (€M billed) ⁸	7,508	8,648	7,753	8,717	8,494	3.1
Purchases from local suppliers (%)	84	88	85	89	89	1.5

- (1) All data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.
- (2) Since 2018 subtransmission in the United States and Brazil is recorded as distribution network. Until then it was recorded as transmission network.
- (3) Consumers: for electric power, total number of customers is used where there are areas of electricity distribution and retailing, supply points are used for the other areas. For gas: total number of gas customers is used, except for the United States, where total number of supply points is used.
- (4) Calculated on own production.
- (5) Change in method for calculating NO_x emissions in Mexico.
- (6) 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.
- (7) Increase in contribution to society in 2020 due to the company's effort in the fight against COVID-19.
- (8) Amount awarded in 2020: €14,071 million.
- (9) Injury rate (IR) = (number of accidents with leave*1,000,000) / hours worked.

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1.4 Presence by areas of activity

Iberdrola in Spain



Francisco Pizarro photovoltaic power plant - Cáceres, Spain

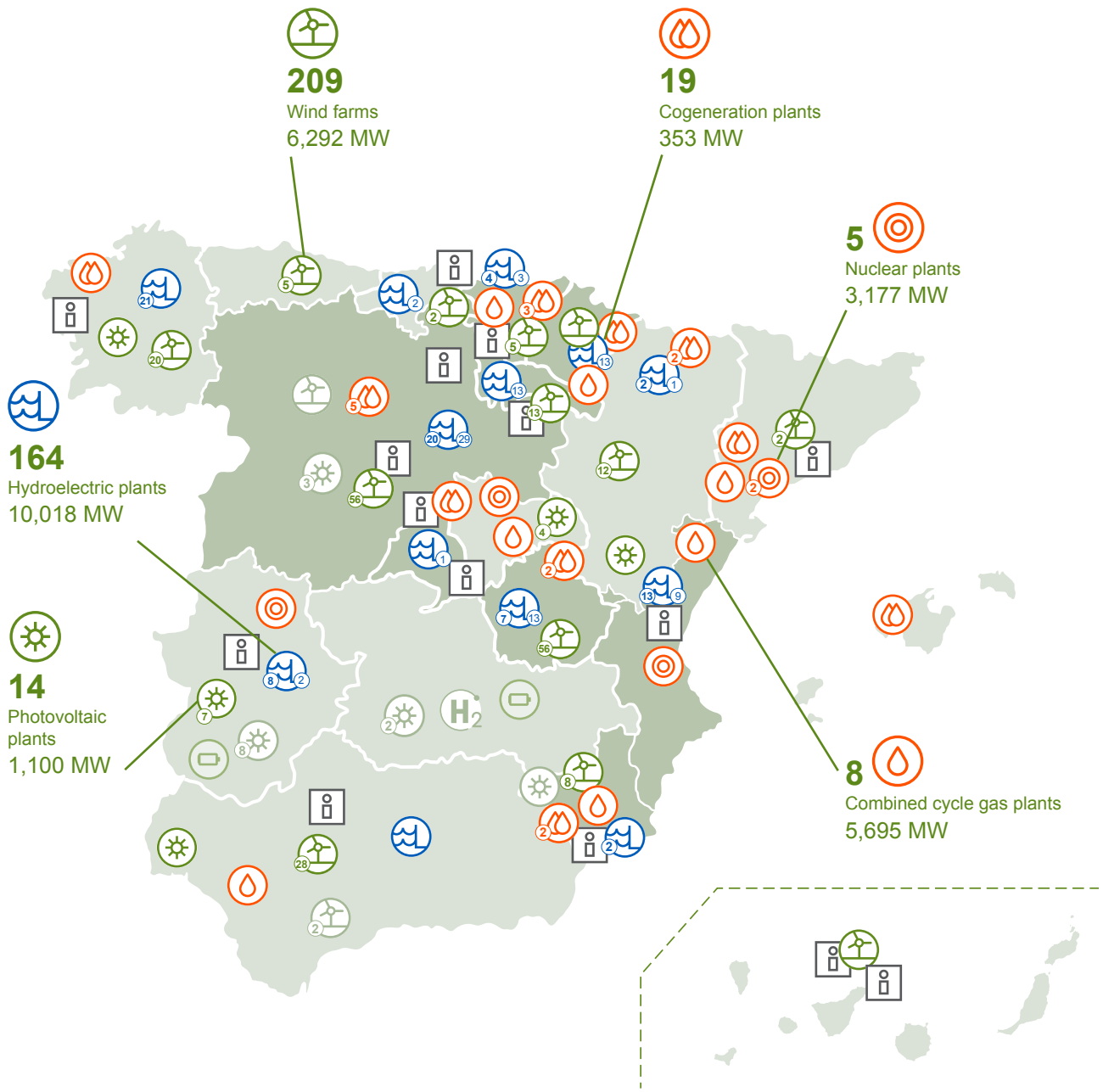
Primary brands

Local brand	Operating brands		
 IBERDROLA ESPAÑA	 IBERDROLA	COMERCIALIZADOR DE ÚLTIMO RECURSO <small>Grupo IBERDROLA</small>	 iDE <small>Grupo IBERDROLA</small>

Key figures 2020

26,635 MW Installed capacity	17,411 MW Renewable installed capacity	59,854 GWh Net production
270,129 Km / Power lines	88,390 GWh Distributed energy	11.1 Millions of consumers ¹
9,594 Employees	2,100 €M Gross investments	3,380 €M Direct tax contribution

(1) Total number of electricity and gas customers.



Principal offices



Electricity distribution



Area of influence



Projects under construction

14 ☀️

4 🌬️

1 H₂

2 🔋

Batteries







Iberdrola in the United Kingdom



East Anglia ONE offshore wind farm - North Sea, United Kingdom

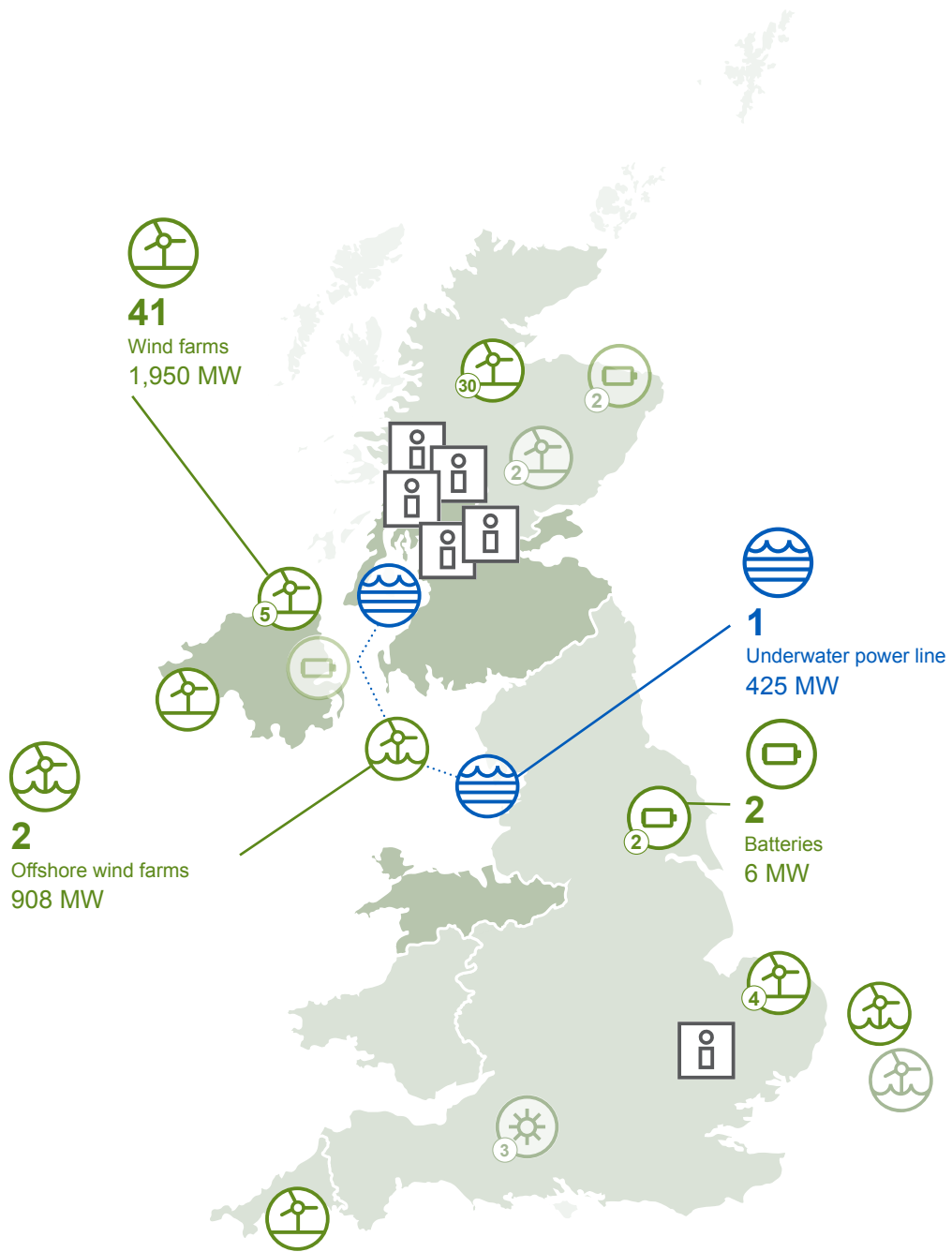
Primary brands

Local brand	Operating brands		
 SCOTTISHPOWER	 SCOTTISHPOWER RENEWABLES	 SCOTTISHPOWER	 SCOTTISHPOWER ENERGY NETWORKS

Key figures 2020

2,864 MW Installed capacity	2,864 MW Renewable installed capacity	6,677 GWh Net production
110,264 Km / Power lines	31,738 GWh Distributed energy	4.7 Millions of consumers ¹
5,563 Employees	1,349 €M Gross investments	630 €M Direct tax contribution

(1) Total number of electricity and gas customers.



Principal offices



Electricity distribution



Area of influence



Projects under construction





Iberdrola in the United States



El Peñascal wind farm - Texas, USA

Primary brands

Local brand



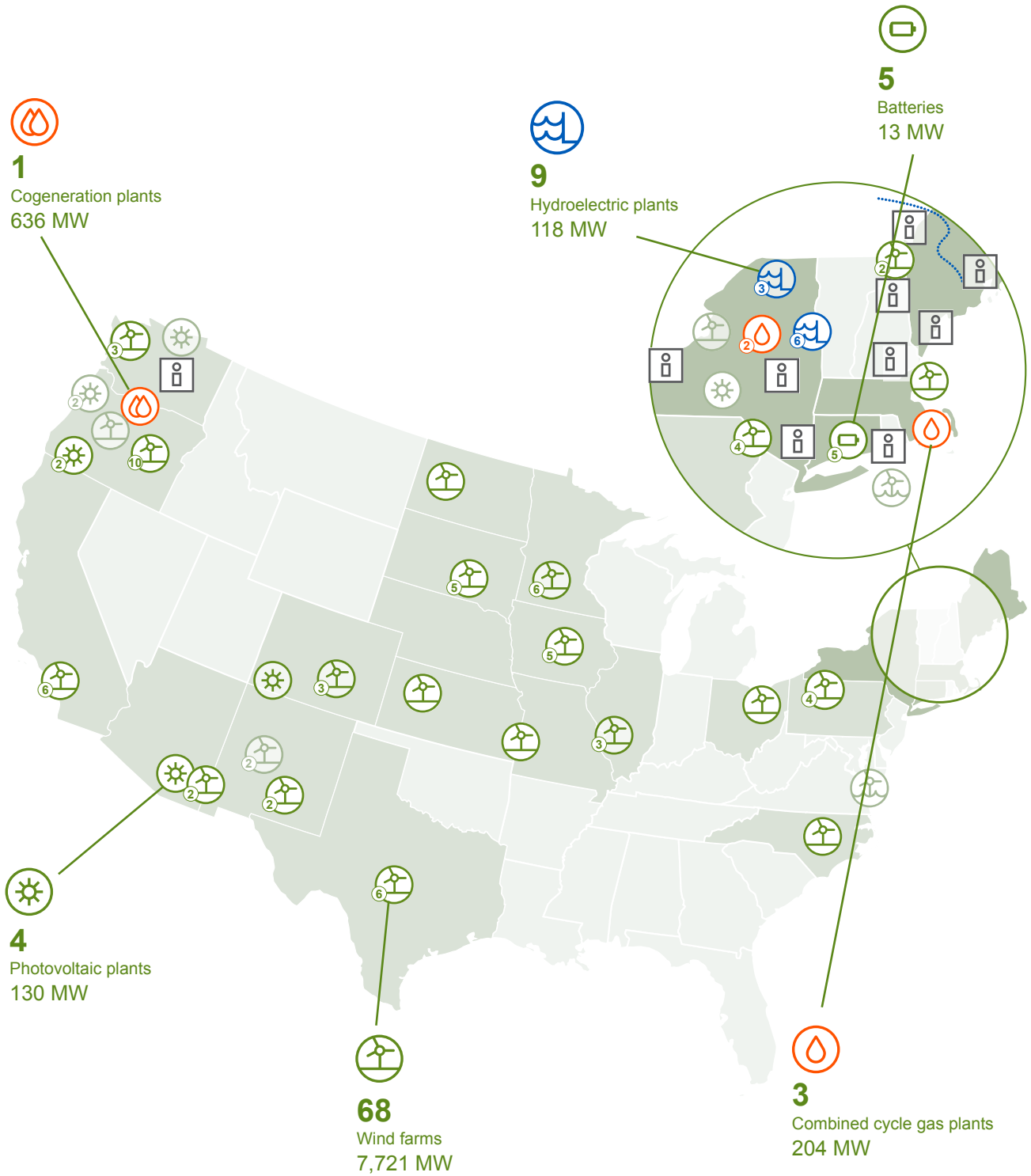
Operating brands



Key figures 2020

8,822 MW Installed capacity	7,982 MW Renewable installed capacity	22,122 GWh Net production
170,821 Km / Power lines	38,012 GWh Distributed energy	3.3 Millions of consumers ¹
7,031 Employees	2,616 €M Gross investments	935 €M Direct tax contribution

(1) Total number of electricity and gas supply points.



Principal offices



Electricity distribution



Area of influence



Projects under construction



1 transmission line (NECEC)



Iberdrola in Brazil



The Baixo Iguazú hydroelectric plant - Paraná, Brazil

Primary brands

Local brand



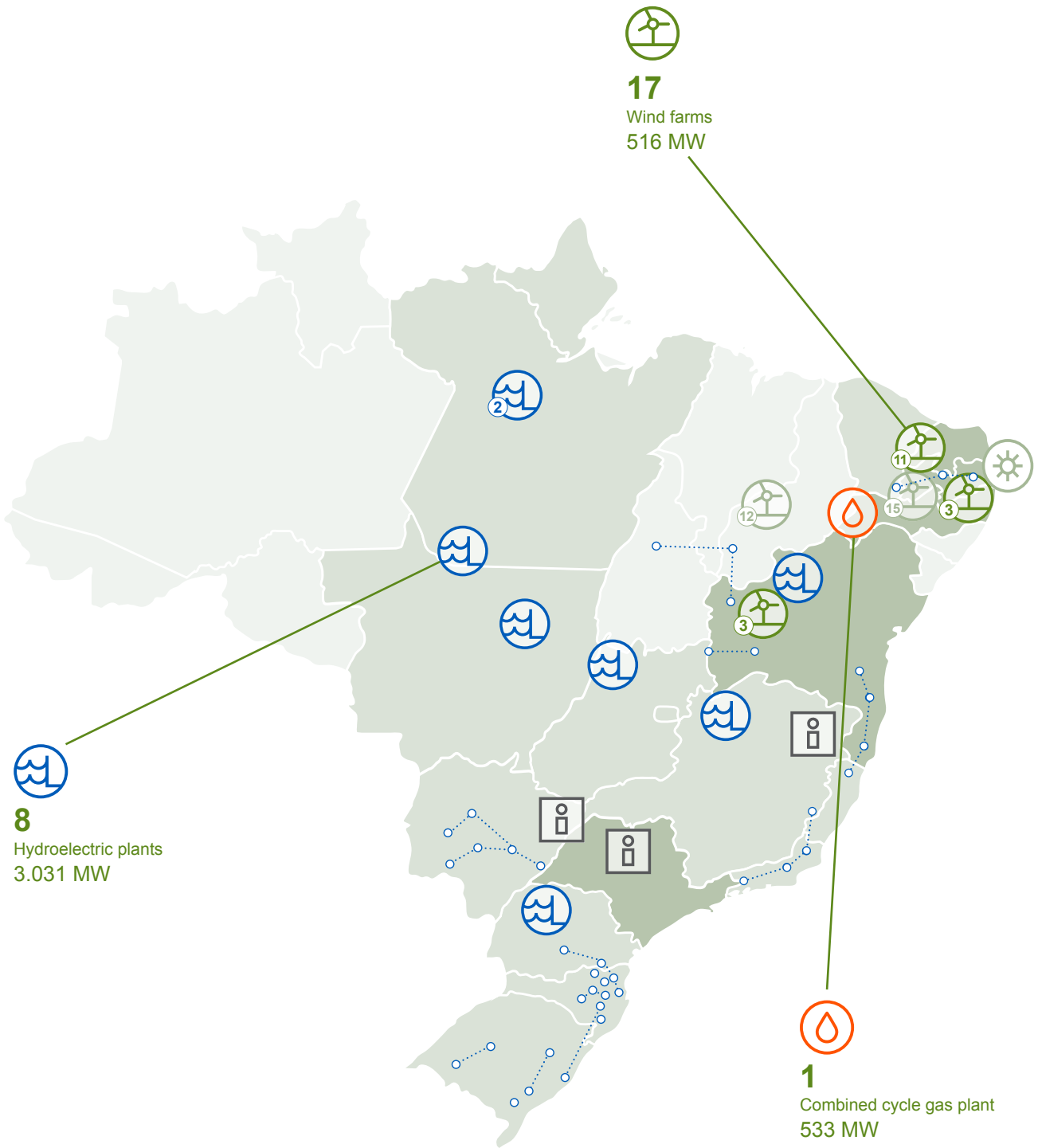
Operating brands



Key figures 2020

4,079 MW Installed capacity	3,546 MW Renewable installed capacity	13,122 GWh Net production
655,569 Km / Power lines	66,857 GWh Distributed energy	14.3 Millions of consumers ¹
12,814 Employees	1,092 €M Gross investments	1,984 €M Direct tax contribution

(1) Total number of electricity supply points.



Principal offices



Electricity distribution



Area of influence



Projects under construction

27

1

9

transmission lines



Iberdrola in Mexico



Hermsillo solar photovoltaic power plant - Sonora, Mexico

Primary brands

Local brand



Operating brands



Key figures 2020

3,527 MW Own installed capacity	1,222 MW Own renewable installed capacity	18,138 GWh Own output
7,146 MW Third-party installed capacity	103 MW Third-party renewable installed capacity	39,378 GWh Third-party output
1,307 Employees	449 €M Gross investments	243 €M Direct tax contribution



Principales instalaciones en México



Principal offices



Area of influence



Area with projects under construction



Projects under construction





Iberdrola Energía Internacional



Wikingen offshore wind farm - Baltic Sea, Germany

Primary brands

Operating brands



Key figures 2020

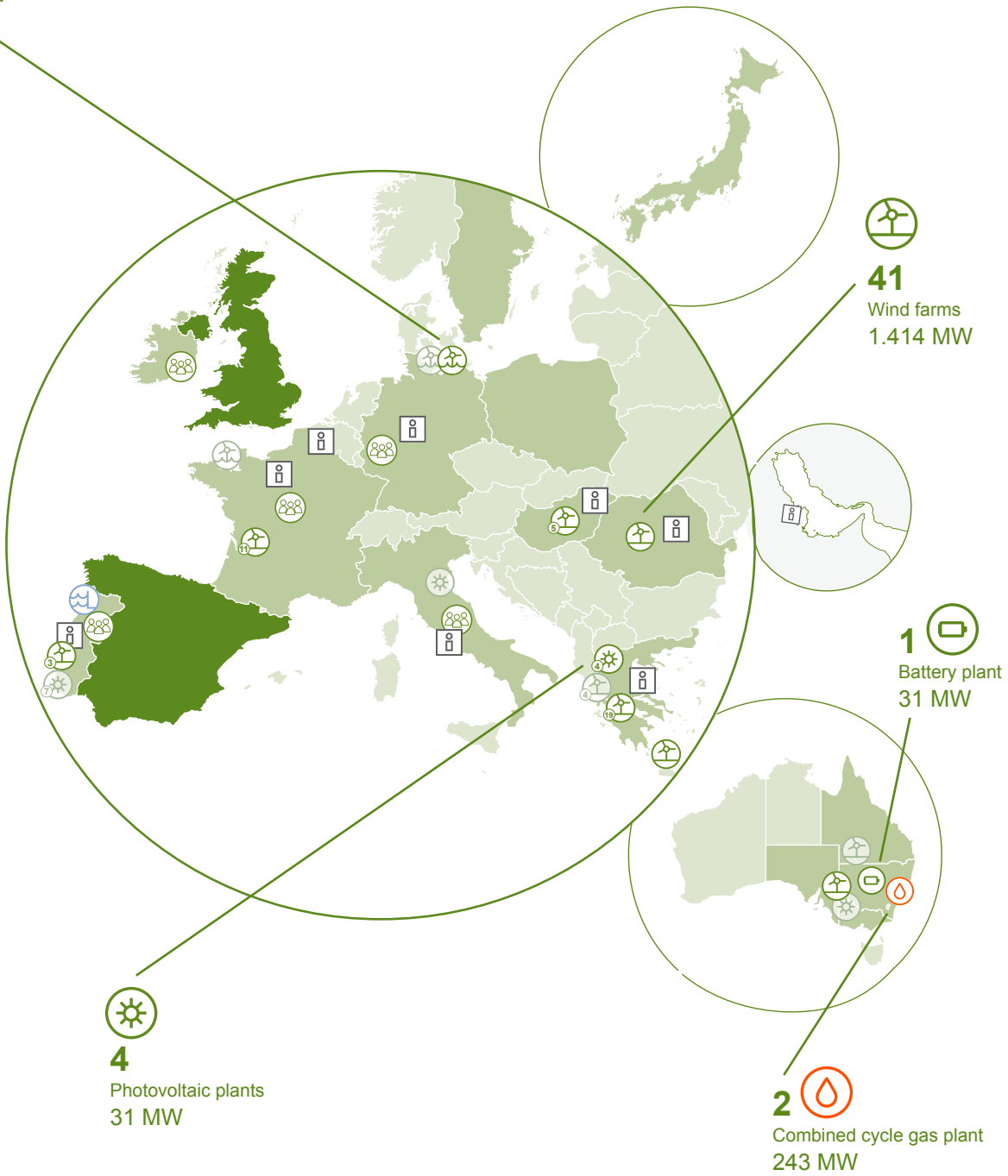
2,038 MW Installed capacity	1,795 MW Renewable installed capacity	1.0 Millions of consumers ¹
3,550 GWh Net production	3,540 GWh Net renewable production	818 Employees
1,641 €M Gross investments	303 €M Direct tax contribution	

(1) Total number of electricity and gas customers.



1

Offshore wind farm
350 MW



Principal offices



Electricity distribution



Area of influence



Projects under construction





Installed capacity and production by country and technology

Installed capacity (MW)^{1 2}

	Spain		United Kingdom		United States		Brazil		Mexico				IEI		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	Own		For third-parties		2020	2019	2020	2019
									2020	2019	2020	2019				
Renewables	17,411	16,526	2,858	2,520	7,982	7,521	3,546	3,546	1,222	860	103	103	1,795	965	34,923	32,042
Onshore wind	6,292	6,005	1,950	1,906	7,721	7,259	516	516	579	492	103	103	1,414	609	18,574	16,890
Offshore wind			908	614									350	350	1,258	964
Hydroelectric	9,715	9,715		0	118	118	3,031	3,031							12,864	12,864
Mini-hydroelectric	303	306													303	306
Solar and others	1,100	500	6	-	143	143			642	368			31	6	1,923	1,018
Nuclear	3,177	3,177													3,177	3,177
Combined cycle	5,695	5,695			204	204	533	533	2,103	1,946	7,043	6,277	243	-	15,820	14,654
Cogeneration	353	353			636	636			202	346					1,191	1,335
Coal	-	874													0	874
Total	26,635	26,624	2,864	2,520	8,822	8,361	4,079	4,079	3,527	3,152	7,146	6,380	2,038	965	55,111	52,082

Net electricity production (GWh)^{1 2}

	Spain		United Kingdom		United States		Brazil		Mexico				IEI		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	Own		For third-parties		2020	2019	2020	2019
									2020	2019	2020	2019				
Renewables	25,919	22,191	6,677	4,640	19,371	17,478	10,681	10,674	1,658	1,424	218	227	3,540	2,665	68,064	59,299
Onshore wind	11,617	12,491	3,581	3,706	18,930	16,953	1,878	1,993	929	693	218	227	2,249	1,379	39,402	37,443
Offshore wind			3,097	934									1,283	1,277	4,380	2,211
Hydroelectric	13,111	9,082			120	179	8,803	8,680							22,034	17,941
Mini-hydroelectric	682	618													682	618
Solar and others	509	0			321	346			729	731			8	9	1,568	1,086
Nuclear	24,316	23,738													24,316	23,738
Combined cycle	7,216	9,697			6	3	2,440	3,334	14,841	9,233	39,160	37,281	10		63,673	59,547
Cogeneration	2,166	2,500			2,745	3,477			1,640	2,848					6,550	8,825
Coal ³	237	349													237	349
Total	59,854	58,474	6,677	4,640	22,122	20,959	13,122	14,007	18,138	13,505	39,378	37,508	3,550	2,665	162,842	151,758




































(1) All data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.

(2) Totals may vary due to rounding of decimals.

(3) Coal-fired electricity production prior to the final closure of coal-fired power plants in Spain.








1.5 Key milestones of 2020

	At the Davos Forum, Ignacio Galán highlighted the role of electrification for the success of the Green Deal.	January	Member of the Global 100 Most Sustainable Corporations and Bloomberg Gender Equality indexes.	
		February	Presentation of 2019 results: Record net profit of €3,406 million.	
	Plan to accelerate recharging infrastructure in Spain, with an investment of over €150 million, to reach over 150,000 recharging points over the next 5 years.	March	Launch of the plan to combat COVID-19: • Award of procurement contracts totalling €2,900million • Guarantee of electricity supply • Donation of healthcare material • Plan to assist customers with bill payments	
	Inauguration of the Núñez de Balboa photovoltaic power plant, the largest in Europe to date.	April	Mobilisation of 1,000 volunteers in social initiatives to combat COVID-19.	
	Signing of a collaboration agreement with Mazda for the promotion of electric mobility in Spain.	May	Acquisition of the French renewables company Aalto Power.	
	Presentation by the EU of the Green Deal.			
	Agreement for the development of the largest portfolio of offshore wind farm projects in Sweden, with a total of 9 GW.	June	Startup of the Cavar wind farm (Spain).	
	Inauguration with Fertiberia of the largest green hydrogen plant for industrial use in Europe.		First company to achieve the worldwide AENOR certification of its action plan against Covid-19.	
	Signing by <i>Avangrid Renewables</i> of an energy supply agreement with Apple.	July	Signing of a strategic collaboration agreement with SEAT and Volkswagen Group for the promotion of electric mobility in Spain.	
	Iberdrola celebrates eleven consecutive years as a member of the FTSE4Good index.			
	Award of the contract for the construction of three new wind projects in Greece.	August	Inauguration of the East Anglia ONE offshore wind farm in the United Kingdom, the company's largest to date.	
	Award of a new hybrid project (photovoltaic with storage) in Portugal.			
	Acquisition of a Japanese developer to develop the 3.3 GW offshore wind portfolio in that country.	September	Commencement of the 2021 Iberdrola Social Program (Fundación Iberdrola España), aimed at mitigating the negative impact of COVID-19 on the most vulnerable groups.	
	4,000 volunteers participate in the company's International Volunteer Day.			
	Acquisition of PNM Resources, a power company operating in New Mexico and Texas (USA), with approx. 790,000 supply points and 2.8 GW of installed capacity.	October	Construction of Iberdrola's first hybrid solar-wind plant in the world begins in Australia.	 
			Completion of largest issue in its history in record time, in the amount of €3,000 million.	
	Iberdrola launches a plan to invest €75,000 million by 2025 as a decisive contribution to the economic recovery.	November	Publication of the first Diversity and Inclusion Report, covering the company's strategic initiatives in this area.	
	Signing of a strategic collaboration agreement with Porsche for the promotion of electric mobility in Spain.		Presentation of the Trees programme for the reforestation of 8 million trees by 2030.	
	Acquisition, through Neoenergia, of the Brasilia distributor CEB-Distribuição, which supplies electricity to 3 million people.	December	Iberdrola reforms its governance and sustainability system, based on ESG standards.	
			Acquisition of a stake in the Polish market for the joint development of offshore wind projects of up to a total of 7.3 GW.	



1.6 External awards / recognitions

<p>Only European electric utility included for the past 21 years.</p>		<p>Iberdrola classified as Prime.</p> 
<p>Iberdrola selected in 2020.</p>		<p>Iberdrola classified as top utility and top 10 in the world in the 2020 Sustainability Reporting Performance report.</p> 
<p>Selected for the index for the last 11 years.</p>		<p>Iberdrola selected for Forbes 2020 Global 2000: World's Largest Public Companies.</p> 
<p>A- rating in CDP Climate Change Index 2020.</p>		<p>Iberdrola included in the leading indices.</p> 
<p>Iberdrola chosen as CDP Supplier Engagement Leader.</p>		<p>Iberdrola second-place utility worldwide in the EI Green Utilities Report 2020.</p> 
<p>Iberdrola selected AAA.</p>		<p>Gold EcoVadis Medal, Iberdrola as one of the companies with the best performance.</p> 
<p>Iberdrola selected in various Euronext Vigeo Eiris indices.</p>		<p>Among the 500 most valuable brands globally.</p> 
<p>Classified as "Silver Class" in the electricity sector.</p>		<p>Iberdrola among the highest rated utilities.</p> 
<p>Iberdrola among the 10 best-ranked companies in <i>mercoEMPRESAS 2020</i> and <i>mercoRESPONSABILIDAD Y GOBIERNO CORPORATIVO 2020</i>.</p>		<p>Iberdrola among the top 5 of the world's 50 most influential electric utilities.</p> 
<p>Iberdrola included in the Fortune 500 index.</p>		<p>Iberdrola included in the index.</p> 
<p>Iberdrola included in the STOXX Global ESG Leaders index and in the most important indexes.</p>		<p>Iberdrola 2020 disclosure score above the average.</p> 
<p>Iberdrola among the 10 best-rated companies.</p>		<p>Iberdrola ranked as the leading Spanish company in the first edition of the OpenODS Index, with the highest score among Ibx-35 companies.</p> 
<p>Only Spanish electric utility included in all editions.</p>		



2. Business model and strategy



2.1 The future of energy

Combat climate change

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

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

The energy sector is an important player, responsible for over 75% of CO₂ emissions, for which reason its contribution is essential to achieving the Paris Agreement's decarbonisation targets, and neutrality by 2050.

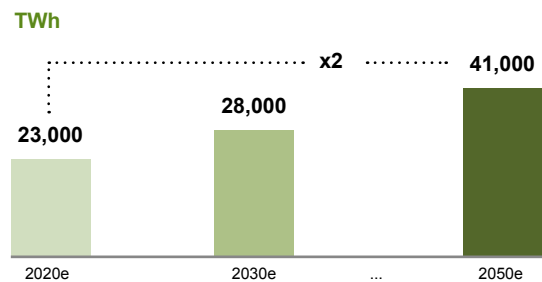


Current energy context

According to the IPCC¹, achieving this goal will require a 45% reduction in emissions by 2030 compared to those in 2010 and achieving zero net emissions by 2050. This puts electricity from renewable sources at the epicentre of decarbonisation, with the need to electrify sectors like transport and buildings, in which polluting energies still play a predominant role.

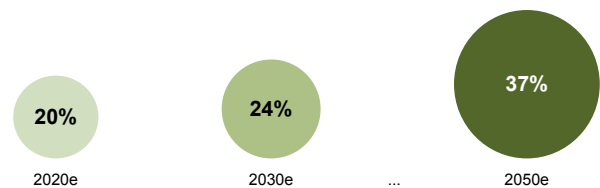
Increase in electricity demand

Several bodies, including the International Energy Agency (IEA), emphasise that progressive electrification of the economy will cause global demand for electricity to increase over the period, reaching 41,000 TWh² by 2050.



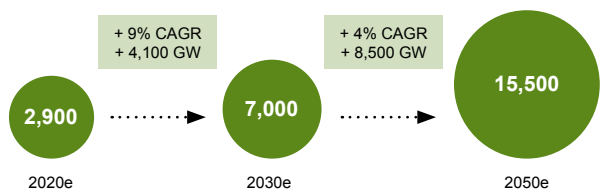
Electrification of final demand

Electricity's share of total energy consumption is thus expected to rise from 20% this year to 37% by 2050².



Mass use of renewable resources

This electrification of consumption will require 2.5 times current renewable capacity, to around 7,000 GW, by the end of this decade³, in order to replace existing thermal capacity and meet the demand arising from new uses like transport, buildings and industry, etc.



(1) Special Report of the Intergovernmental Panel on Climate Change (IPCC) on Global Warming of 1.5 °C.

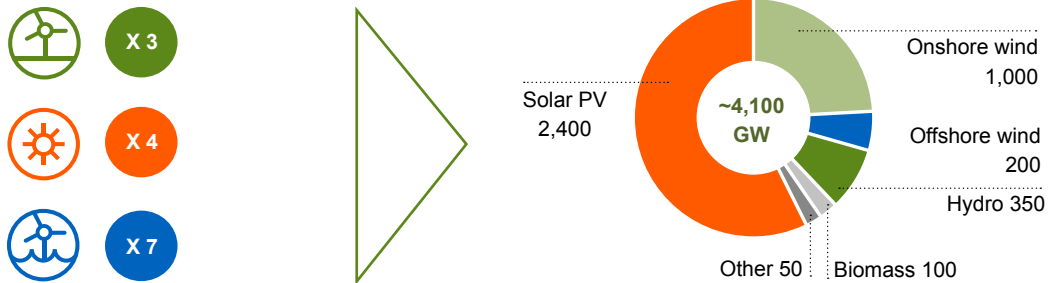
(2) Source: Data calculated internally based on the Sustainable Development scenario in the International Energy Agency's *World Energy Outlook 2020*.

(3) *Bloomberg New Energy Finance (BNEF) (2020). New Energy Outlook.*



Electricity generation

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

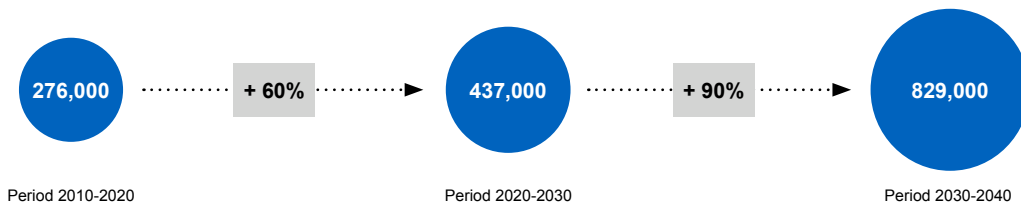


Growth in installed capacity, 2030 vs 2020¹

Additional capacity in 2030 by technology (GW)¹

Power transmission and distribution

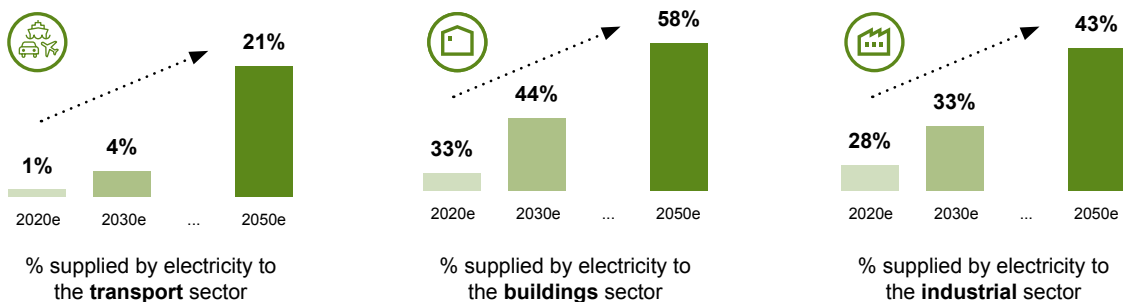
The electrification of the economy accords an essential role to an efficient, smart and flexible electricity transmission and distribution infrastructure, capable of integrating more renewable energy and meeting new requirements in terms of connectivity, digitalisation and demand management.



Annual average investment in grids (\$M)²

Uses of electricity

The challenge of decarbonisation means that electrification from renewable sources is an increasingly necessary option in every sector, which means that electricity demand will grow rapidly in those sectors that implement it as the most efficient solution for reducing their CO₂ emissions.

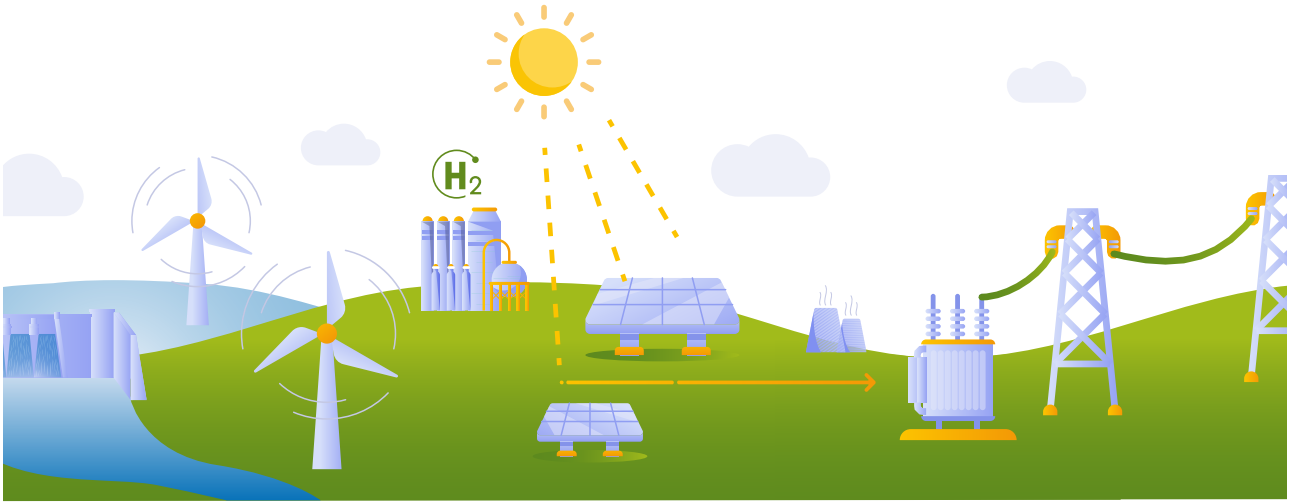


An innovative use of renewable electricity generation will be the production of **green hydrogen** through the use of electrolyzers. Green hydrogen will enable progress on two fronts: emissions reduction in sectors that currently consume hydrogen, produced by processes that emit CO₂, and the adoption of hydrogen in sectors that are difficult to electrify (such as heavy, air and sea transport).

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



2.2 Value Chain



Generation of electricity and green hydrogen

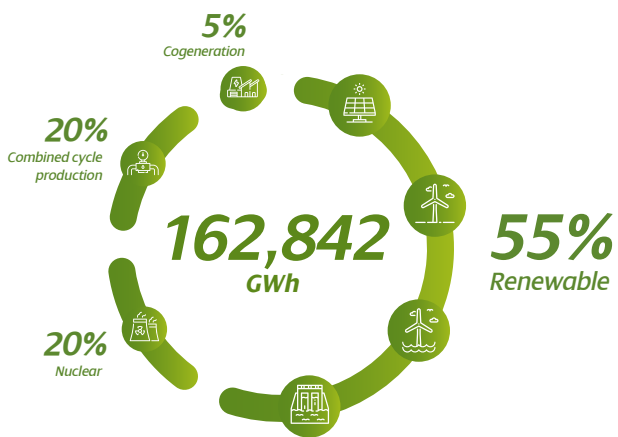


Transmission and distribution

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

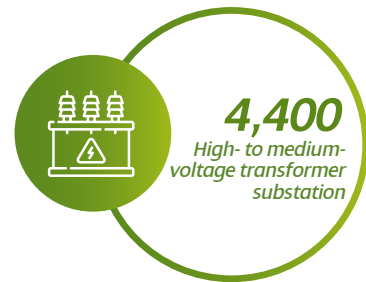
Construction, operation and maintenance of electrical lines, substations, transformer centres and other infrastructure, to bring electrical power from production centres to the end user.

Electricity production¹

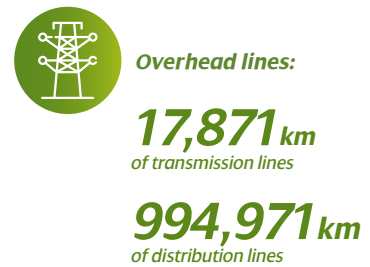


(1) of 2020 net output

Electric networks²



(2) At 31 December 2020





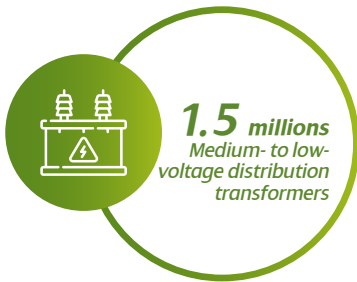
of electric power



Retail sale of electricity and gas

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

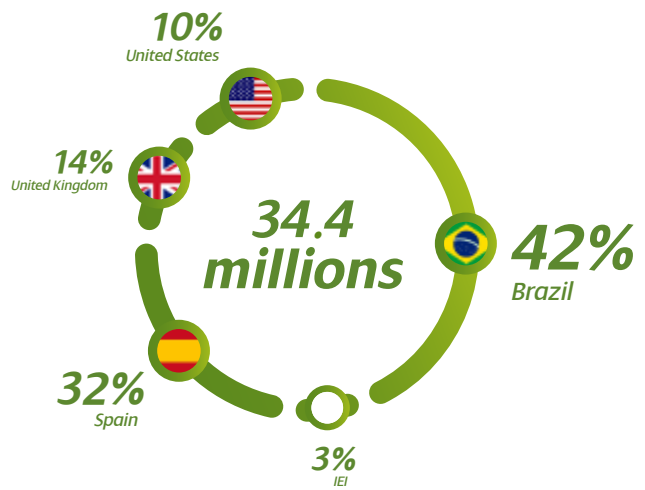
Consumers



Underground lines

1,234km
of transmission lines

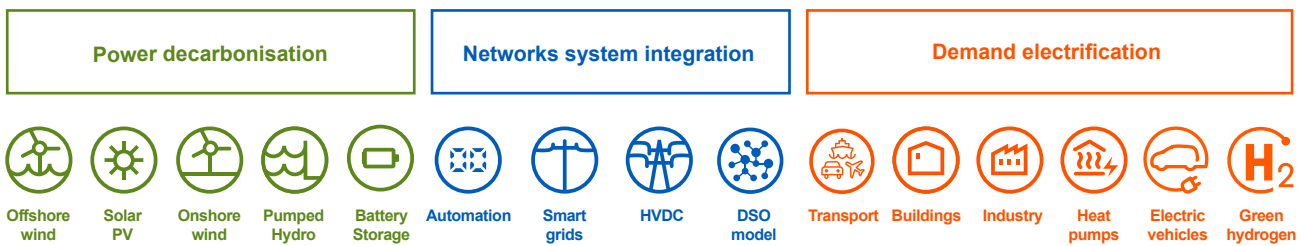
192,707km
of distribution lines





2.3 A successful and well-established business model

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



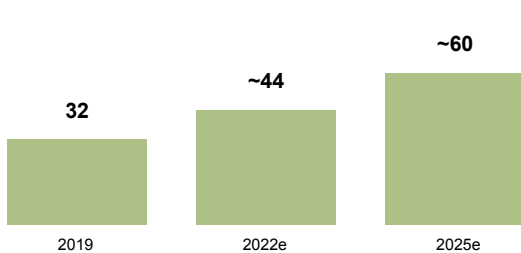
“After 20 years anticipating the energy transition, our business model makes us a key agent in the transformation of the industrial fabric. With our experience, our engagement with society and our financial strength, we are advancing a model for long-term sustainable capable of meeting the current challenges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

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

+ Renewables

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

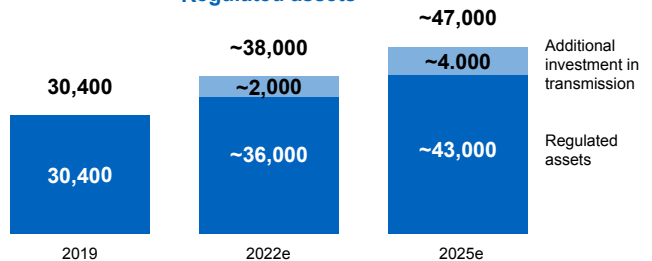
Renewable installed capacity (GW)



+ Networks

Increasingly smart networks.

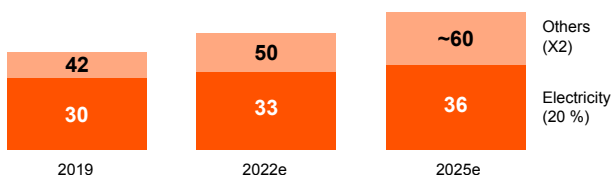
Regulated assets



+ Customer services

New solutions for its customers.

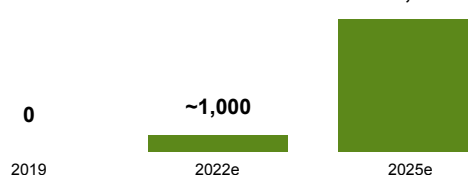
Contracts (millions)



+ Innovation

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

tons of green H₂





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



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

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



Iberdrola's business model allows it to:

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

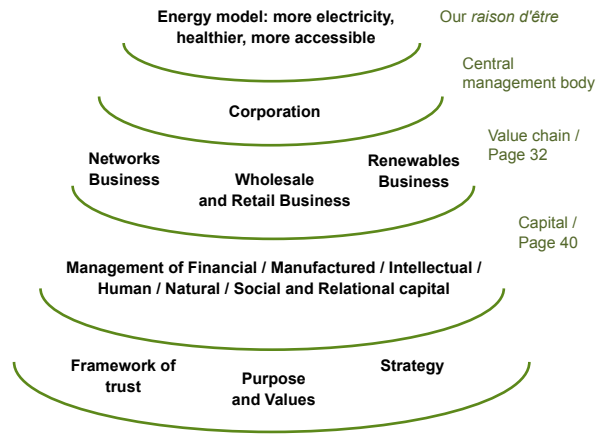


2.4 Iberdrola, an ESG+F leader

Differentiating elements of the company

- The **Purpose** as *raison d'être* and social contribution, and the **Values** as culture of the Iberdrola group, defined by the Board of Directors.
- A **framework of trust** that ensures the sustainability of the business model:

- Corporate Governance System consistent with international best practices.
- Corporate ethics, internalised by the management bodies and the organisation as a whole.
- Sustainable development policies, which respond to the expectations of the Stakeholders and guide the strategy of the company.
- Advanced risk control system, to maintain an optimal risk / opportunity balance.



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

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

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

This **Purpose** expresses:

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

To achieve this Purpose, Iberdrola's corporate **values** have evolved into the following concepts:

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

- Governance and Sustainability System / Page 82
- Sustainable Development / Page 94



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

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

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

Leader in ESG

		2020	2022e	2025e	
E	Emissions per kWh	<i>gCO₂/kWh</i>	98	~100	<70
	Biodiversity: reforestation	<i>Trees, in Million</i>	-	2.5	8
	Water consumption	<i>m³/GWh</i>	434	<500	<420
	Smart Grid implementation	<i>% of HV and MV grids</i>	70	75	83
	Smart meters	<i>Number, in Million</i>	14,9	16.7	21.2
	R&D investment	<i>Million Euros</i>	293	330	400
S	Training hours	<i>Hours / employee year</i>	53	>55	>55
	Customers: smart services	<i>Number, in Million</i>	9	12	18
	Jobs supported	<i>Contribution to employment</i>	~400,000	>400,000	>500,000
	Women in leadership positions	<i>% of management positions</i>	22	25	~30
	Gender pay gap	<i>% women / men ratio</i>	+7,3%	+/-2%	+/-2%
	Electricity for All	<i>Beneficiaries, in Million</i>	8	11.5	14
	Foundation	<i>Beneficiaries, in Million</i>	-	1.3	1.4
G	Best practices in Governance¹	<i>Inclusion in Corporate Governance System</i>	✓	✓	✓
	Cybersecurity	<i>Annual number of security assessments</i>	1.200	1,800	2,000
	Suppliers	<i>% of supplier with sustainable policies</i>	47%	70%	75%

At the end of the **2020-2025 period**, investments in **R&D** will rise to **400 million euros**, we will have contributed to the maintenance of **500,000 jobs** around the world, **tripled** our **activities** regarding **cybersecurity** and ensured that **75%** of our **suppliers** have **sustainability policies**. We also expect to hire **20,000 people** and we will continue to **increase** the hours of **training** per **employee**, which is already four times the European average. On the environmental front, our strategy of investing in clean energy and networks will make us **carbon-neutral** in Europe by 2030 and will **reduce** our **global CO₂ emissions** by 86%, to **50g/kWh**.



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



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

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

	<p>Electricity for All programme: Goal of 16,000,000 beneficiaries by 2030. Reached 8.2 million by year-end 2020. A global renewable leader: close to 35,000 MW installed by the end of 2020.</p>		<p>Iberdrola has set the following targets: Be carbon neutral by 2050 and reduce its emissions to 50g of CO₂/kWh at the global level by 2030. Reduce greenhouse gas (GHG) emissions of absolute scope 1, 2 and 3, approved by the SBTi initiative.</p>
	<p>Special rates for vulnerable groups in 2020 to mitigate the effects of COVID-19. Social programs offered by the various foundations.</p>		<p>1.3 million beneficiaries of the Iberdrola foundations' programs over the 2020-2022 period. A total of 10,000 volunteers participated in the Corporate Volunteering Programme in 2020.</p>
	<p>Provide over 90,000 free meals for indigent people in Spain. Distribute over 10,000 food parcels in Mexico's most vulnerable communities.</p>		<p>Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation. Goal: Install over 150,000 electric vehicle charging points in Spain by 2025.</p>
	<p>Iberdrola contributes to reducing the noxious effects on health of greenhouse gases with its commitment to reduce these gases. Goal: Over 90% of workers in Europe to be covered by OHSAS 45001 / ISO 18001 certification.</p>		<p>Goal: 70% of providers to have sustainability policies by 2022. Goal: Reduce the use of paper by increasing electronic billing. 70% of bills to be electronic.</p>
	<p>Goal: Training for our employees: more than 55 hours of training per employee trained in 2022. Scholarship and research grant programme continues during the 2020-2021 academic year.</p>		<p>Monitoring of marine mammals at the East Anglia ONE wind farm for the installation of noise mitigation measures, with the aim of preserving the marine ecosystems. Acoustic insulation techniques (bubble curtains) during the construction of offshore wind projects.</p>
	<p>Goal: Promotion of women to important positions, to reach 30% by 2025. Iberdrola supports the Women's Universe (<i>Universo Mujer</i>) programme of the Higher Council for Sport (<i>Consejo Superior de Deportes</i>) (CSD), supporting 16 Spanish female federations.</p>		<p>Goal: Promote biodiversity through reforestation, by planting over 2.5 million trees by 2022, reaching 20 million by 2030. Overhead Lines Improvement Project, in which 30,234 supports have already been adapted for birdlife protection.</p>
	<p>Goal: 50% reduction in water use / production intensity ratio by 2030 compared to 2019. Pollution prevention programs for facilities.</p>		<p>Goal: Obtain independent external certifications or validations of the compliance systems of the holding company and of all of the country subholding companies of the group by 2022. The company has renewed the <i>UNE-ISO 37001</i> and <i>UNE 19601</i> certifications regarding anti-bribery and compliance.</p>
	<p>Goal: Over 500,000 jobs (direct, indirect and induced employment) by 2025. Approximately 400,000 direct, indirect and induced jobs throughout the world¹. More than €34,000 million in impact on the GDP of the countries in which it does business¹.</p>		<p>Goal: Promotion of the SDGs in the supply chain, by launching conceptual capsules, journeys, videos and information aligned with the groups sustainability strategy. Recognised as a LEAD participating company in the United Nations Global Compact.</p>
	<p>Goal: €400 million annually in R&D by 2025. Iberdrola is the European Union's leading private sector utility by volume of investments in R&D².</p>		



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









*Aldeadávila hydroelectric plant
(Salamanca, Spain)*



2.5 Capital management

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

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



Social dividend as an increase in the value of capital

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

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

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



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



2.6 Strategic foundations 2020-2025

Market conditions

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

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

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

Challenges and opportunities

Challenges

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

Opportunities

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



Growth vectors 2020-2025

Investments: growth and acceleration

United States:

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

Brazil:

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

United Kingdom:

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

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

Spain:

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

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

International:

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

Efficiency in operations and investments

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



Strategic foundations

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

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

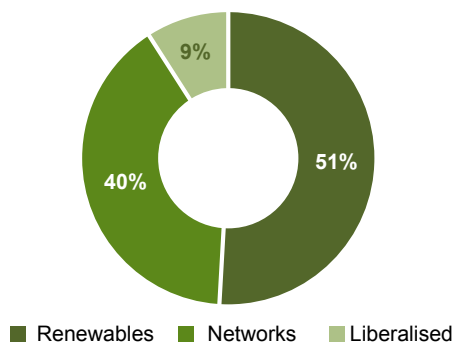
Balanced growth

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

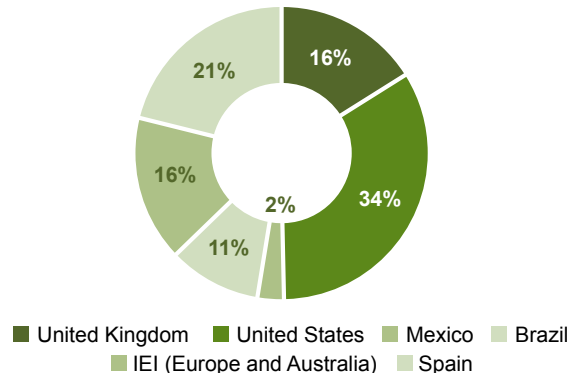
- The policies on decarbonisation and technological progress play an important role, as they drive significant investments in renewable generation, as do the deployment and strengthening of networks, which have an essential role in the integration of both large-scale and distributed renewable generation,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

Gross organic investment by business and country 2020-2025

Gross organic investment of the Businesses



Gross organic investment by country





2.7 Iberdrola and COVID-19

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

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

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

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

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



2.8 Comparative results and awards

Comparative analysis¹

Comparative financial variables 2020

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

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

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

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

Comparative performance of total shareholder return

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

Iberdrola's performance

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

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

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

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

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



Awards / Recognitions:



For the company:

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

To the chairman:

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

To other members of the company:

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

*Cimiche II Wind farm
(Canary Island, Spain)*





3. Iberdrola's primary businesses



3.1 Regulatory environment



United Kingdom

- Following the United Kingdom's formal exit from the EU on 31 January 2020, negotiations on its future relations with the EU continued throughout the year, resulting in a trade and cooperation deal (including a section on energy) shortly before the end of the transition period on 31 December 2020 and the effectiveness of its exit.
- After the government amended the Climate Change Act in 2019 to introduce a new legally binding objective "net zero emissions" target for 2050, it announced in December 2020 a Nationally Determined Contribution under the Paris Agreement, to reduce the UK's emissions by at least 68% by 2030 compared to 1990 levels. To make progress with this scale of ambition, the UK Government published in late 2020 a 'Ten Point Plan for a Green Industrial Revolution' and an Energy White Paper which start to set out long-term decarbonisation plans for the UK.



Spain

- In January 2020 Spain sent to the European Commission its *National Integrated Energy and Climate Plan (Plan Integrado de Energía y Clima)* (PNIEC) proposing ambitious national goals for decarbonisation of the economy by 2030, which has been well received by Brussels.
- A *Draft Law on Climate Change and Energy Transition*, a tool for incorporating the objectives of the PNIEC into the legal system, has begun to be processed, and the *2050 Decarbonisation Strategies and the Renewable Hydrogen Roadmap*, among others, have been published.
- To offset the effects of the pandemic, the government has published various legal provisions to protect domestic consumers, the industry and companies, including compensation to reduce the impact on the electricity sector.
- The CNMC has published the Circular on toll methodology. The application of the new access tariffs is pending government approval of the methodology for calculating and allocating charges.
- The Ministry has approved the Royal Decree regulating access and connection to the network, though the CNMC has still to publish the Circular establishing capacity assignment standards, among other things.
- A hearing was held on the draft bill creating the National Fund for the Sustainability of the Electricity System (*Fondo Nacional para la Sostenibilidad del Sistema Eléctrico*) (FNSSE), which will allow for the cost of the policies to promote renewables, cogeneration and waste (RECORE) to be shared among all energy sources (oil, gas and electricity).



European Union

- In the framework of the Communication on *A European Green Deal*, which is a package of measures to be implemented over the next 5 years to efficiently transform the European Union into a carbon-neutral economy by 2050, consultations and studies have been launched to modify the legislation and in particular to set a legally binding zero net emissions target for the EU by 2050. This will strengthen the 2030 emission reduction target to at least 55%, as adopted by the European Council in December 2020, (as compared to the current 40%), and the targets for renewable energy and energy efficiency (currently 32% and 32.5%, respectively) will subsequently be revised.
- In parallel, the Commission has published various strategies for the Green Deal's regulatory priorities. These include the *New European Industrial Strategy* (reforms to state aid, determination of key projects of European interest and a border carbon pricing adjustment mechanism), *Renovation Wave* (energy renovations in buildings), *Hydrogen Strategy* (objective of 40 GW of electrolyzers by 2030), and *Strategy on Energy System Integration* (commitment to electrification and the efficient development of clean hydrogen in niche sectors), *Offshore Wind Strategy* (objective of 60 GW installed by 2030, infrastructure planning, and market integration model) and the *Offshore Renewable Energy Strategy* (electrification of transport, with 30 million zero-emission cars by 2030).
- The launch of the debates and studies coincided with the COVID-19 crisis and the EU's response. A *Recovery Plan* has been approved that will involve €750,000 million to support the countries most affected by the crisis (Spain is to receive approximately €140,000 million) through direct aid and credits, especially for the energy (Green Deal) and digital translations.



United States and Canada

- On 7 November 2020 Joe Biden was declared the winner of the US presidential election, defeating Donald Trump, and was sworn in as President on 20 January 2021. The Biden administration has set out an ambitious agenda to address what they call the climate crisis, and is moving quickly using executive orders and other executive powers. In the first days in power, the administration returned to the *Paris Agreement*, revoked the executive order allowing the Keystone XL oil pipeline, set goals for a carbon-free electricity industry by 2035, began reshaping the way environmental impacts are considered, and began to reverse previous regulations that are inconsistent with these goals.

The administration also plans to leverage the federal government's purchasing power to support the use of electric vehicles, renewable energy contracts and the development of new technologies. Following this initial activity, the administration will face challenges, as any legal changes will have to go through the regulatory process.



Mexico

- During 2020 changes in energy policy and regulation have been promoted in the country that are contrary to foreign private investment and the development of renewables. In this context:
- In May 2020 the CRE approved an increase in the transmission rates for renewable and efficient cogeneration plants (transition stamp), and in the transmission rates for conventional technologies.

In May 2020 two regulations on reliability were published. Due to the pandemic, the National Energy Control Centre published a *Resolution to Guarantee the Reliability of the National Electricity System*, establishing strategies and measures prohibiting pre-operational tests of wind and photovoltaic plants. The Energy Secretariat subsequently published a *Policy on Reliability, Security, Continuity and Quality in the National Electricity System*. The Policy provides for changes regarding hedging contracts, existing generation permits and new requests, and new interconnection requirements.

- In October 2020 the CRE published a modification of the rules for self-supply and cogeneration companies dedicated to Electricity Generation. It prohibits the registration of load centres that have entered into a basic supply contract under the Electricity Industry Law (*Ley de la Industria Eléctrica*) (LIE), preventing changes in beneficiaries. It also restricts the rights of permit-holders to return to the previous system after they have migrated to the Wholesale Electricity Market.



Brazil

- The COVID-19 pandemic affected all segments of the electricity market, giving rise to various government measures to ensure supply and avoid the financial collapse of the industry. The most significant measure was the creation of a finance mechanism in the form of a bank credit known as the COVID Account, guaranteed by tariff credits to the distributors, which will allow for maintaining payment flows between distribution, transmission and generation companies.
- Resolution No 895, which sets out the regulations under Law 14,052/20 providing for the renegotiation of the hydrological risk assumed by the hydro generators since 2012, was approved on 3 December 2020. The outstanding financial value will be quantified and reimbursed by the granting of a concession. Once all required actions stipulated in the ANEEL timetable have been completed, the short-term market, where there had been a deficit in the settlements, will return to normal operation.
- The short-term market price will be hourly (PLDh) beginning in January 2021.

Maintenance of electricity supply during the Filomena storm (Spain).





3.2 Networks

Regulatory environment



Spain

- 1 January 2020 saw the beginning of the second regulatory period (2020-2025) for the activity of electricity distribution, which establishes a remuneration rate for the distribution activity at 6.003% for 2020 and 5.58% for the remaining years.
- The CNMC has approved the value of the 2020 Global Ratios Index (IGR) for companies engaged in the transmission and distribution of electrical energy. The IGR measures the financial prudence of regulated activities, weighting 5 financial ratios. i-DE broadly meets all ratios, so the 2020 IGR is 1.
- Royal Decree 23/2020 was published in 2020, increasing the investment limit from 0.13% to 0.14% of GDP for the period 2020-2022.



United Kingdom

- In December 2020 a final decision on the new RIIO-T2 regulatory framework was approved for transmission activities, and will enter into effect from April 2021 until March 2026. It establishes a cost of equity of 4.25%, a cost of debt of 1.82% and an annual TOTEX of £1,433 million (nominal). Companies may appeal this decision to the Competition Market Authority in the 20 working days following publication of the terms of the new license on 4 February.
- Ofgem continues the process of designing the RIIO-ED2 regulatory framework for transmission, which will be applicable from 2023.
- During 2020, SP Transmission Ltd. as well as SPD Ltd. and SPM Plc continued to do business under the RIIO-T1 and RIIO-D1 tariff frameworks, complying with all investment and quality goals agreed with Ofgem.



United States

- New tariff conditions entered into force in February 2020 for the electricity distribution company CMP (Maine), with a recognised ROE of 9.25% (with a temporary adjustment based on four customer service metrics) and an equity percentage of 50%.
- In November 2020 new tariff conditions were approved for the distributors in New York state (NYSEG and RG&E), with retroactive effect to 17 April 2020 and valid until 30 April 2023. A ROE of 8.8%, an equity percentage of 48% and a \$4,275 million four-year investment plan were recognised.
- The Federal Energy Regulatory Commission (FERC) approved changes to the formula for the recovery of New England transmission providers costs in tariffs (Formula Rate). This represents significant improvements in the automatic recovery of costs, such as the elimination of volume risk for transmission companies. The changes will take effect for tariffs as from 1 January 2022.



Brazil

- In March 2020 ANEEL approved the new methodology for the annual definition of the regulatory distribution WACC.
- There was a regular annual readjustment in April for Coelba, Cosern and Celpe, the application of which was postponed until the end of June in order to avoid increasing rates during the COVID-19 pandemic, with a tariff asset being created to be recovered at the next tariff revision. The increase in tariffs mainly reflects the change in the General Price Index and recognises the improvement in supply quality. The Elektro readjustment was carried out in August as normal.



Objectives, risks and principal activities

Objectives

- Zero accidents.
- Offer our customers excellent service based on the quality of supply and information regarding the network.
- Maximise efficiency in system operations through operational excellence and the digitalisation of our assets.
- Lead the energy transition towards a cleaner model favouring a more efficient integration of renewable energy (centralised and distributed) and the deployment of electric vehicles and heat pumps, through the use of smart grids.

Significant risks

- Operational risks: impacts on supply as a result of meteorological events and work-related and third-party accidents at owned facilities.
- Technological and cybersecurity risks affecting the security of the facilities and service to our customers.

Principal activities 2020

- **Spain:** Investments are planned to meet the decarbonisation and electrification targets of *the Integrated National Energy and Climate Plan*, with a focus on digitalising the Low Voltage network.
- **United Kingdom:** Implementation of investments set out in RIIO-T1 and RIIO ED1. Joined the *Low Carbon Strategic Partnership*, focused on the role of electricity networks in favouring the energy transition. Progress on projects under the *Green Economy Fund* in Scotland to favour decarbonisation and accelerate the deployment of electric vehicle recharging infrastructure.
- **United States:** Permits for the *New England Clean Energy Connect* (NECEC) project awarded in 2018 have been obtained, with a planned investment of \$950 million, for the construction of a 233 kilometre transmission line between Canada and New England, which will allow for the supply of 1,200 MW of 100% hydroelectric power to Massachusetts beginning in 2023.
- **Brazil:** In December 2020 Neoenergia was awarded lot 2, with 2,000 million reais of investment, in the auction by the Brazilian regulator ANEEL for the construction of a 1,000 km transmission line and a substation in the states of Bahia, Espírito Santo y Minas Gerais. This brings the total won by Neoenergia in auctions since 2017 to 12 projects with a total investment of approximately 10,000 million reais. The acquisition of licences and construction of these projects is proceeding according to plan, with the placement into service of the first sections of the lot 4 line from the April 2017 auction during 2020.

Customer service

- In response to the COVID-19 pandemic, there have been additional inspections of the network and reinforcement of facilities using generators to ensure the supply of electricity to essential facilities, especially hospitals, in our distribution areas.
- The customer service channels have also been reinforced, disconnections of customers have been suspended and customers are being offered payment arrangements.
- Spain has seen the launch of the DATADIS online platform, which enables customers to use a common channel to access private information on the electricity consumption of all their supply points, even if they are from different distributors.
- In the United States, 2020 was a year with strong storms in all of our distribution areas, and restoration of supply required tremendous efforts. The distributors Avangrid CMP, NYSEG and UIL have received an award from the *Edison Electric Institute* in recognition for their response to some of the 2020 storms (Nor'easter and Isaias).
- i-DE has earned the ISO 10002:2018 certification, which recognises that it has an effective and efficient system for attending to complaints and claims.
- The roll-out of mobile apps for all our distributors in the United States has been completed. The apps improve the user experience, facilitating self-service and simplifying online processes.

Operational excellence

- The adjusted evolution of operating expenses continues in order to maintain and improve efficiency ratios in all countries.
- New plans and models continue to be developed to end fraud in electricity consumption in Spain and Brazil, and also to comply with the parameters defined by the regulators. In addition, Iberdrola has been declared the winner of the *Big Data Talent Award 2020* for its project on the use of advanced data analysis for the identification and reduction of non-technical losses.

Digitalisation of the network and Flexibility

- ScottishPower Networks has announced its biggest flexibility services auction to date, for the period between 2023 and 2028 (corresponding to the ED2 regulatory period), for 900 MW of active power and 38 MVar of reactive power in Scotland, England and North Wales.
- i-DE was a winner at the *2020 enerTIC Awards in the Smart Data Center* category, with the e-LVIS project, and in *Intelligent IT Infrastructures*, with the *Intelligent Transformation Centre* project.
- Iberdrola has announced the launch of the *Global Smartgrid Innovation Hub* (located in Bilbao), a global centre of innovation in smart grids to lead the energy transition. It will be inaugurated in mid-2021 and will bring together the innovative potential of over 200 professionals in the development of R&D projects related to the electricity networks of the future. Over 120 innovation projects have been identified, with a value of €110 million, related to digitalisation, data processing, new consumption models, electric mobility and self-consumption. The Hub has the support of the Biscay Provincial Government.



Key figures of the Networks Business

Item	Unit	Spain		United Kingdom		United States		Brazil		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gross margin	€M	1,964	2,117	1,302	1,311	2,775	2,875	1,575	1,828	7,615	8,131
EBITDA	€M	1,612	1,711	1,000	987	1,087	1,330	1,079	1,234	4,777	5,262
Distributed energy	GWh	88,390	93,509	31,738	33,711	38,012	38,441	66,857	67,879	224,998	233,541
Supply Points (Electricity)¹	Millions	11.2	11.1	3.5	3.5	2.3	2.3	14.3	14.1	31.3	31.0
Gas supply	GWh	--	--	--	--	59,134	64,234	--	--	59,134	64,234
Supply Points (Gas)	Millions	--	--	--	--	1.0	1.0	--	--	1.0	1.0
Gross investments	€M	554	536	567	736	1,589	1,435	905	916	3,614	3,624
Workforce	No. of people	3,544	3,574	2,958	3,000	5,699	5,375	12,308	11,287	24,509	23,236

• IFRS 11 has been applied to the financial information.

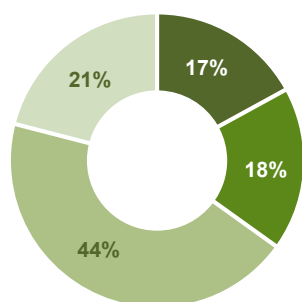
(1) Supply points in Spain include Conquense and other small distributors.

📍 Quarterly Results Report

Outlook 2020 - 2025

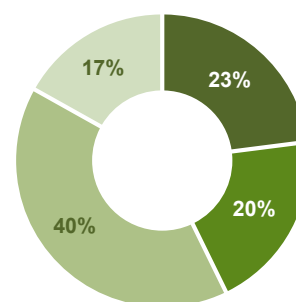
- Over the 2020-2025 period, investment will exceed €27,000 million (including PNM and awaiting the inclusion of CEB's investments in Brazil), laying the foundations for higher growth in every country, where approximately 90% of the investments are already assured.
- The spread of electric vehicles, the integration of distributed renewable generation, the electrification of the economy and the resilience and digitalisation plans in the United States and Brazil are vectors for growth.
- The supply quality target (-25% compared to 2017) was achieved two years ahead of schedule in 2020, while a new target for a further 10% improvement in the duration of power outages has been set for 2025, thus continuing to improve customer satisfaction.

Gross investment of €27,000 million between 2020 and 2025, with heavy investment in the United States



■ Spain ■ United Kingdom ■ United States ■ Brazil

Growth in asset base in all countries, to €47,000 million, by 2025



■ Spain ■ United Kingdom ■ United States ■ Brazil

Fernando de Norhona photovoltaic plant (Brazil)





3.3 Renewables

Regulatory environment of the business



Spain

- Royal Decree 960/2020 regulating the new financial regime for renewable energy (*régimen económico de energías renovables*) (REER) was published on 4 November and includes a very flexible tariff framework, based on the recognition of a fixed price for energy (€/MWh). On 11 December the first auction was called for 3 GW (with at least 1 GW wind and 1 GW PV) and a contractual duration of 12 years, in which new installations or extensions of existing ones located in mainland Spain could participate. This auction took place on 26 January 2021, with an award to Iberdrola of 300 MW of photovoltaic energy.



United Kingdom

- In 2021, offshore auctions are expected, as are CfD (contracts for difference) auctions, with strong demand.



United States

- The Democratic victory in the presidential and congressional elections point to a more favourable environment for renewable development.
- In December 2020 Congress published a package of omnibus funds that include:
 - 1) Extension of PTCs and ITCs for onshore wind projects begun in 2021.
 - 2) A 2-year extension of ITCs for solar projects.
 - 3) A new 30% ITC for offshore wind projects beginning construction before 2025.
- State (RPS) and corporate (IRP / RfP) interest in renewables remains, with their own objectives.



Brazil

- Due to weak demand in 2020 and the interruption of auctions in December due to COVID-19, the timetable for auctions for new and existing energy has been revised (Implementing regulations No 435-436/2020) for years 2021-2023.
- There are regulatory advancements for the inclusion of offshore technologies and solutions for hybridisation and storage.



International

- The other countries within the International scope in which Iberdrola has a presence (Australia, France, Italy, Germany, Poland, Japan, Sweden, etc.) are also setting more ambitious decarbonisation targets which, together with the appropriate regulatory developments, will drive the development and construction of renewable projects in the various technologies.

The business will engage in sustainable growth, mainly based on onshore wind, offshore wind, photovoltaic, hydroelectric and pumped storage investments in the countries that are most important to the group.



Objectives, risks and principal activities

Objectives

- Occupational safety and health.
- Efficiency in operations to optimise the operation of assets.
- Efficiency in development and construction costs to maximise the competitiveness of all renewable projects.
- Profitable growth from various technologies in strategic countries for the group, and in new countries of interest.
- Development of a robust portfolio that covers the company's growth plan.

Significant risks

- Regulatory risk: changes in regulations in the countries in which it operates.
- Operational risk: availability rate of facilities and potential incidents with environmental impact.
- Market risk: changes in prices of energy in short-term markets.
- Risk of access to evacuation networks and limits on production due to technical restrictions of the networks.
- Technological and cybersecurity risks affecting the facilities.

Principal activities 2020

- **2,890 MW of new installed capacity¹** was added during the year:
 - **Onshore wind:** 287 MW in Spain, 468 MW in the United States, 88 MW in Mexico, 670 MW in Australia (Infigen), 118 MW in France (Aalto Power), 44 MW in the United Kingdom and 16 MW in Greece.
 - **Offshore wind:** 294 MW in the United Kingdom, which complete East Anglia ONE (total of 714 MW).
 - **Photovoltaic solar:** 600 MW in Spain, notably Ceclavín, and 274 MW in Mexico.
 - **Batteries:** 6 MW in the United Kingdom and 25 MW in Australia.
- There are also **approximately 7,000 MW under construction**, of which more than 1,800 MW are onshore wind in Spain, the United States, Brazil and Mexico, and more than 2,800 MW are photovoltaic solar in Spain, the United States, the United Kingdom, Brazil, Australia, Italy and Portugal. Batteries are also being installed the United Kingdom and Spain. Construction of the Tâmega hydroelectric complex, with 1,158 MW, continues in Portugal.
- Following the construction of the 714 MW East Anglia ONE project in the United Kingdom, **offshore wind** continues to grow with the **construction** of the **496 MW St. Brieuc project in France** and the **476 MW Baltic Eagle project in Germany**, the **800 MW Vineyard project** and **804 MW Park City project in the United States**, and the development of the other projects in the portfolio.

Load factor and availability

Maximising the load factor of facilities and availability, through operating and maintenance measures, as well as other external factors, optimising production.

Operation and maintenance costs

Continuous improvement in efficiency through global standardisation and systematisation processes, exploiting digitalisation opportunities.

Project portfolio

Development of the portfolio of onshore wind and photovoltaic projects in Spain, the United Kingdom, the United States, Brazil, Mexico and International (Continental Europe, Australia and South Africa) and offshore wind projects in France, Germany, the United Kingdom and the United States, together with the new development agreements in Japan and Sweden.

(1) The new additional renewable capacity is 2,881 MW, due to the disposal of 9 MW from the Iberdrola portfolio.



Key figures of the Renewables Business

Item	Unit	Spain		United Kingdom		United States		Brazil		Mexico		IEI		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gross margin	€M	1,218	1,251	957	678	893	852	145	174	118	113	428	378	3,758	3,446
EBITDA	€M	698	736	758	525	592	591	111	125	93	86	334	323	2,586	2,386
Load factor¹	%	18.0	15.9	28.5	24.8	29.4	29.1	33.0	29.0	25.2	29.5	30.5	31.6	23.2	21.3
Gross investments	€M	1,173	766	597	907	1,027	1,397	166	87	242	129	1,555	50	4,760	3,335
Workforce	No. of people	1,731	1,567	549	418	939	752	352	225	139	136	461	257	4,171	3,355

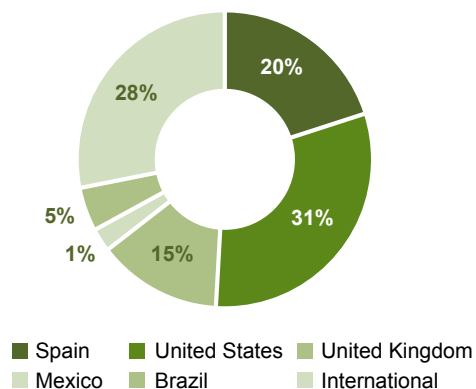
• IFRS 11 has been applied to the financial information.
(1) The load factor includes all renewable technologies.

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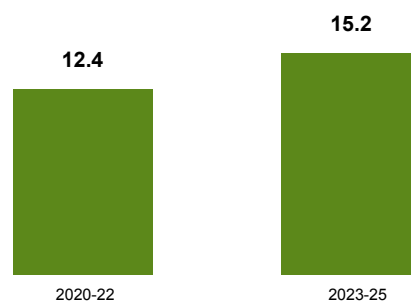
Outlook 2020-2025

- Investments of €34,000 million, destined mainly to increasing the installed capacity in Spain, the United States, the United Kingdom, Brazil and International.
- 28 GW are expected to be installed during the 2020-2025 period, including the St. Brieuc (496 MW), Baltic Eagle (476 MW), Vineyard (800 MW) and Park City (804 MW) offshore wind farms, the Ceclavín (328 MWdc) and Francisco Pizarro (590 MWdc) solar photovoltaic plants, and the Tâmega hydroelectric plant (1,158 MW).
- Operational excellence thanks to the life cycle management of assets through digitalisation, maximising revenues and continuing with the advanced operation and maintenance model

Investment plan of €34,000 million during the period



Accumulated new additional capacity in the 2020-2025 period (GW)





IBERDROLA
Green Hydrogen





3.4 Wholesale and Retail

Regulatory environment



Spain

- The *Hydrogen Roadmap*, which identifies renewable hydrogen as a key solution for decarbonising those industries that are difficult to electrify, was approved in October 2020. The document sets national objectives to be reached by 2030, including the installation of at least 4 GW of electrolyser capacity, a 25% minimum contribution of renewable hydrogen to total consumption by the industry, and specific minimums for the HGV fleet and hydrogen refuelling stations. These objectives are aligned with the *European Hydrogen Strategy*, which sets milestones for three time horizons (2024, 2030 and 2050) and forms part of the policies to achieve carbon neutrality in the EU by 2050.



United Kingdom

- In October 2020 the government extended the price cap applicable to customers with variable rates, default tariffs or prepayment meters until end 2021.



Brazil

- Implementing regulation (*Portaria*) No. 465 to expand the free market, which provides that from January 2021 consumers with a capacity above 1.5 MW can purchase conventional energy from any retailer, was published in December 2019. Similarly, consumers with a capacity above 1 MW can do so as from January 2022, and consumers with a capacity above 0.5 MW can do so as from January 2023.



Mexico

- In November 2020, the CRE approved resolutions to extend the term of legacy contracts between CFE generation companies and CFE Suministrador de Servicios Básicos (basic services supplier).
- The industrial basic supply tariff has remained stable during 2020. On 17 December the update of the final tariffs for basic supply for 2021 was approved, together with the transmission and distribution tariffs.



International

- During 2020, the geographical areas where Iberdrola markets energy approved various packages of emergency measures to combat the COVID-19 pandemic, with the aim of extending measures of protection for vulnerable customers, providing for more flexible bill payments and avoiding suspensions of supply.
- In Italy, Decree Law no 162/2019, postponing the liberalisation of the electricity and gas market for domestic customers and micro-enterprises until 1 January 2022 was published in January 2020. Resolution 491/2020/R/eel, regulating the liberalisation of electricity tariffs for small businesses as from 1 January 2021, was published in December 2020.
- In April 2020 the Portuguese parliament extended the validity of the regulated electricity tariffs for medium voltage until end 2021. The special low voltage tariffs were extended until year-end 2022 and other low voltage tariffs until year-end 2025.



Objectives, risks and principal activities

Objectives

- Occupational safety and health.
- Development of growth opportunities and new energy solutions, putting the customer at the centre of the transition: electrification of energy demand and new services.
- Competitive supply and excellence in service to customers.
- Operational excellence and continuous improvement in efficiency.
- Environmental management and protection of biodiversity.
- Risk identification and minimisation.

Significant risks

- Regulatory risk: Changes in regulations in the countries in which it operates.
- Operational risks: Availability rate of facilities and potential incidents with environmental impact.
- Market risk: Commodity prices and competition levels in liberalised markets.
- Technological and cybersecurity risks affecting the security of the facilities or the information of our customers.

Principal activities 2020

- **Spain: Continuous development of products and services** meeting the needs of customers (*Customised Plans, Smart services, Smart mobility, Smart solar, Smart home, Smart clima and Smart Cities*). Development of green hydrogen projects.
- **United Kingdom:** Responsibility is assumed for the supply of 375,000 new contracts with customers from two retailers that ceased operations during 2020. A cumulative total of 1.7 million smart meters has also been installed in the United Kingdom.
- **Mexico:** Completion of CC Topolobampo III (779 MW capacity) and 514 MW thermal under construction.
- **Europe:** Growth of retail activity and connection to customers through *Smart Solutions*, which has led to a total of 9.3 million smart contracts worldwide during 2020.

Efficiency

- Digitalisation of processes and services to improve the customer experience.
- Optimisation of production and increase in availability of thermal facilities.
- Flexible operation to participate in complementary markets.

Growth

- Spain: development of the largest complex in Europe for green hydrogen for industrial use, operational in Puertollano (Ciudad Real) in 2021. This is the first milestone in a plan to develop 800 MW of green hydrogen with an investment of 1,800 million euros by 2027.
- United Kingdom: continued widespread deployment of smart meters.

- Mexico: 3,500 MW of installed capacity in the last three years (largest private sector electricity producer in the country).
- Loyalty-building and development of new digital products and smart solutions meeting the needs of customers, which promotes efficiency and the consumption of renewable energy.
- Expansion of retail activity in Europe with sustained growth due to an efficient and established management model.



Key figures of the Wholesale and Retail Business

Item	Unit	Spain		United Kingdom		Brazil		Mexico		IEI*		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gross margin	€M	2,916	2,932	798	684	89	92	913	935	77	45	4,794	4,688
EBITDA	Millions	1,469	1,558	250	110	59	64	790	762	0	(25)	2,568	2,469
Electricity contracts	Millions	10.0	10.1	2.8	2.8	0.0	0.0	0.0	0.0	0.7	0.6	13.6	13.5
Gas contracts	Millions	1.1	1.0	1.9	1.9	0.0	0.0	0.0	0.0	0.3	0.2	3.3	3.1
Smart solutions contracts	Millions	6.3	5.7	2.1	1.9	0.2	0.1	0.0	0.0	0.8	0.7	9.3	8.4
Contracts total	Millions	17.4	16.8	6.8	6.6	0.2	0.1	0.0	0.0	1.8	1.5	26.2	25.1
Gross investments	Millions	261	318	157	218	17	31	199	381	87	85	721	1,033
Workforce	No. of people	2,602	2,646	1,413	1,552	164	128	982	997	282	191	5,443	5,514

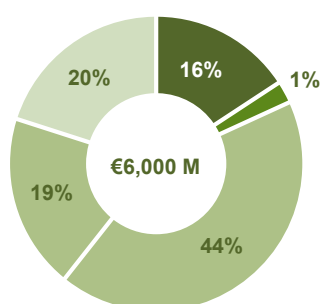
- IFRS 11 has been applied to the financial information.
- * IEI- Iberdrola Energía Internacional.

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Outlook 2020 - 2025

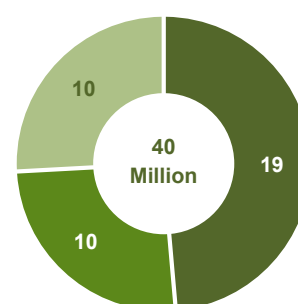
- Gross investment of more than **€6,000 million during the period**, for:
 - Retail expansion in new markets and growth of smart solutions for customers, to reach 40 million contracts.
 - Production of green hydrogen, as an alternative to decarbonisation in consumption niches where electrification is not possible or competitive.

Gross investment 2020-2025 (€M)



■ Mexico ■ Brazil ■ Spain ■ IEI ■ United Kingdom

Customer contracts in 2025 (million contracts)



■ Spain ■ United Kingdom ■ IEI

*Oiz mountain wind farm
(Basque Country, Spain)*





4. Our assets

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

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

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



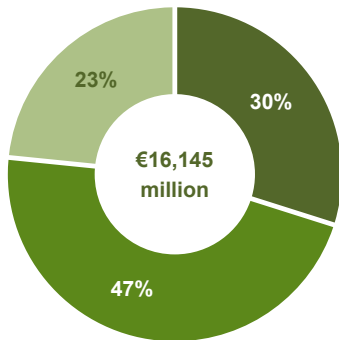
4.1 Financial capital

	Management approach	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.



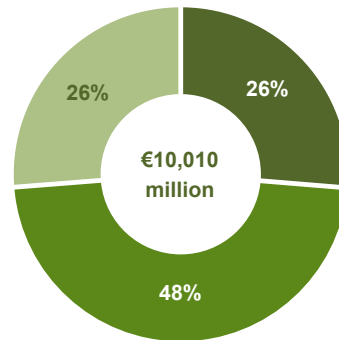
Create value for shareholders with sustainable growth

Gross margin by business 2020



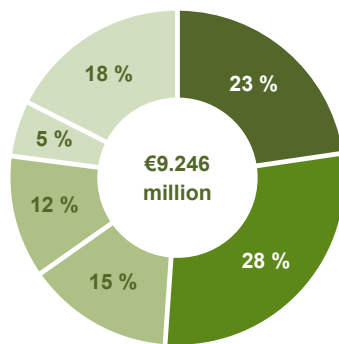
■ Wholesale and Retail ■ Networks ■ Renewables

EBITDA by business 2020



■ Wholesale and Retail ■ Networks ■ Renewables

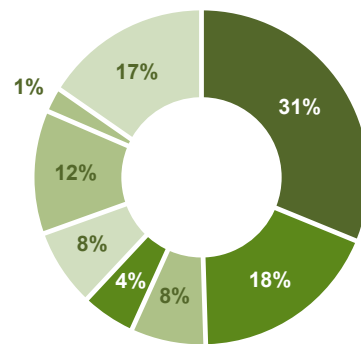
Gross investment by geographical area 2020



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

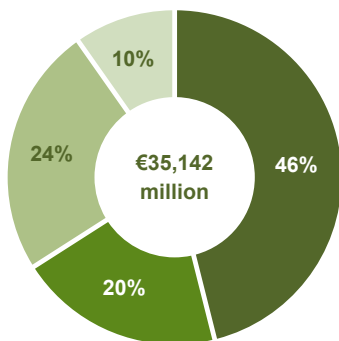
Diversification of investments, with a heavy concentration outside of the euro zone.

Gross financial debt 2020 by product type



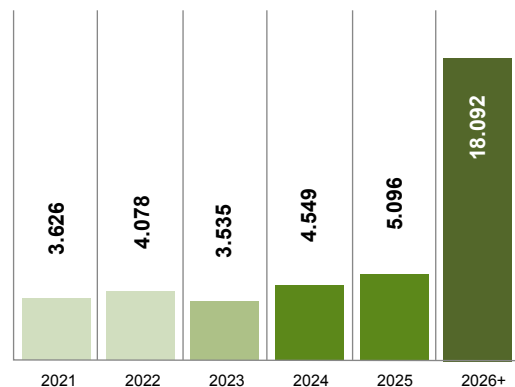
■ EUR market bonds ■ USD market bonds ■ GBP market bonds ■ Other Bonds ■ Notes ■ Structured ■ Bank loans ■ Multilaterals

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.



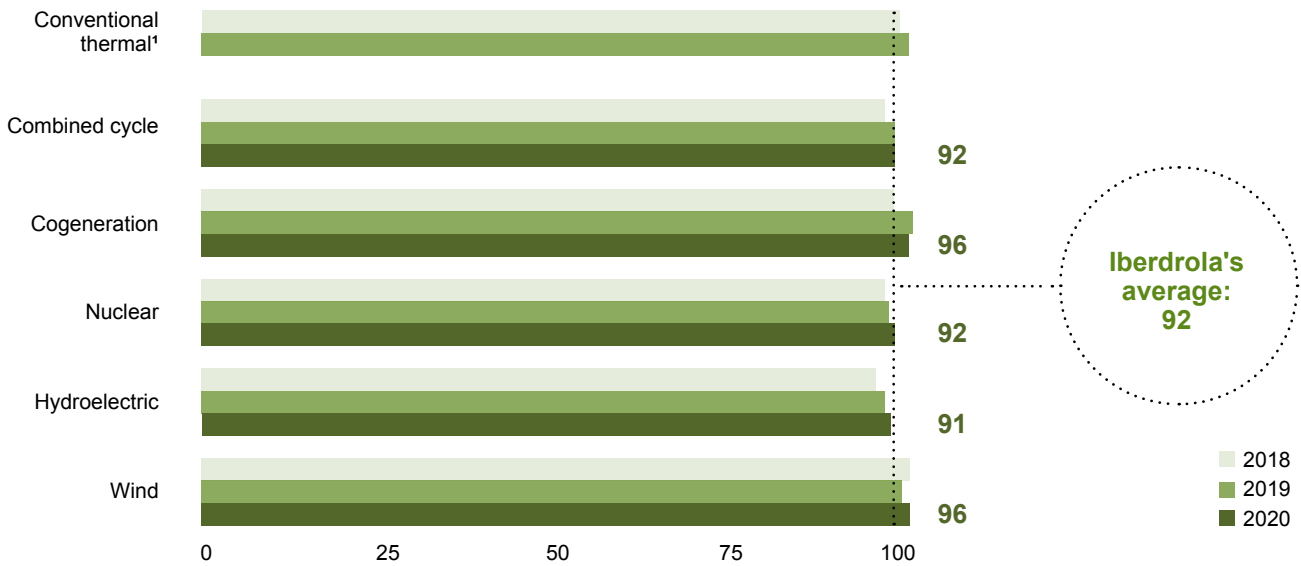
4.2 Manufactured capital

	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 (%)



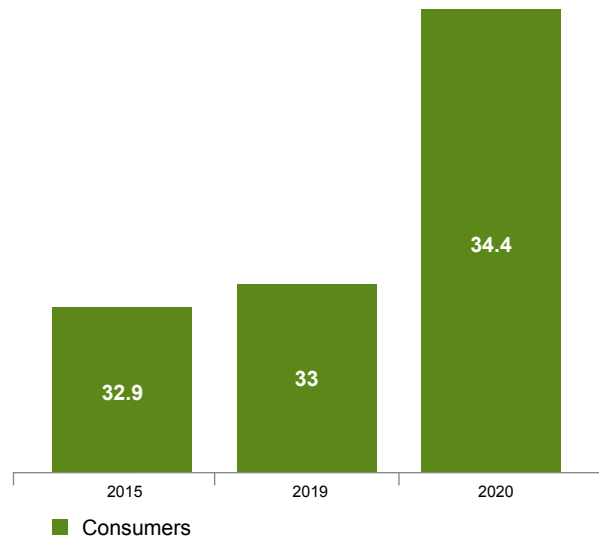
(1) No availability factor is provided for the conventional thermal plants due to the cessation of activity at the coal plants in Spain in 2020.

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)



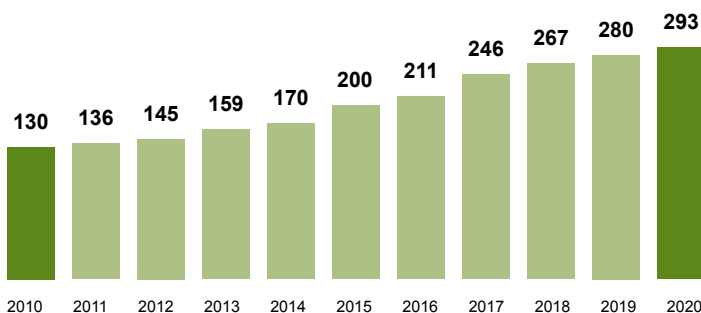
TIEPI: Installed Capacity Equivalent Interrupt Time.
 CML: Customer Minutes Lost Per Connected Customer.
 CAIDI: Customer Average Interruption Duration Index.
 DEC: Equivalent Duration of Interruption by Consumer Unit.
 NIEPI: Installed Capacity Equivalent Interrupt Number.
 CI: Customer Interruptions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



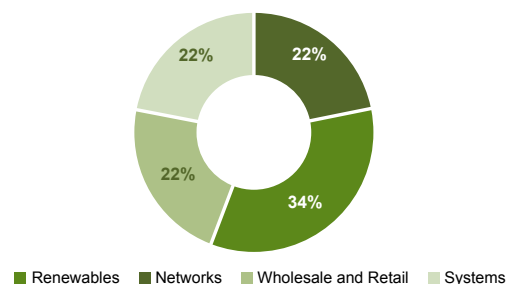
4.3 Intellectual capital

	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.





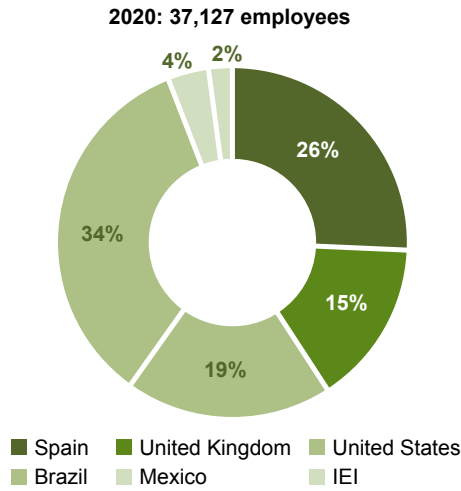
4.4 Human capital

	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.

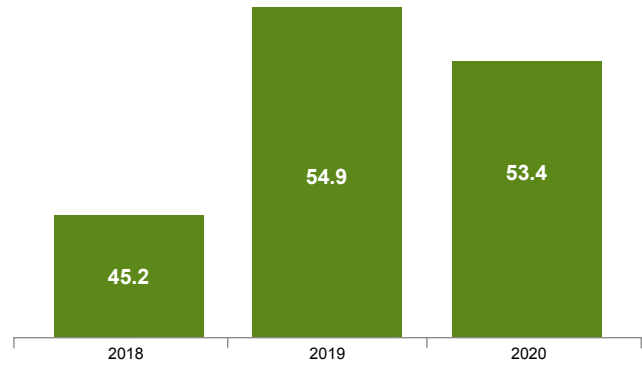


Ensure the availability of a committed, qualified and diverse workforce in a safe and stable environment.

Geographic diversification of the workforce



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



Key figures / Page 12

Social commitment



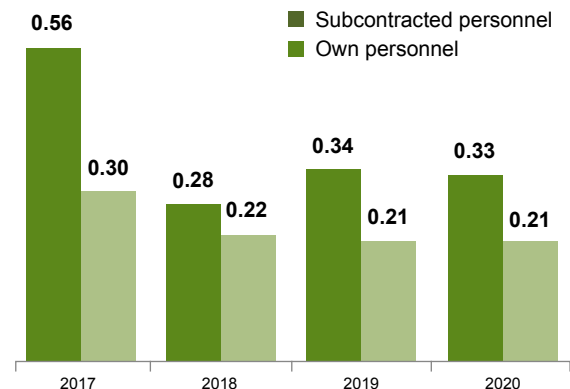
Various corporate volunteer activities by employees around the world. (Photos: Brazil, Mexico and Spain).

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

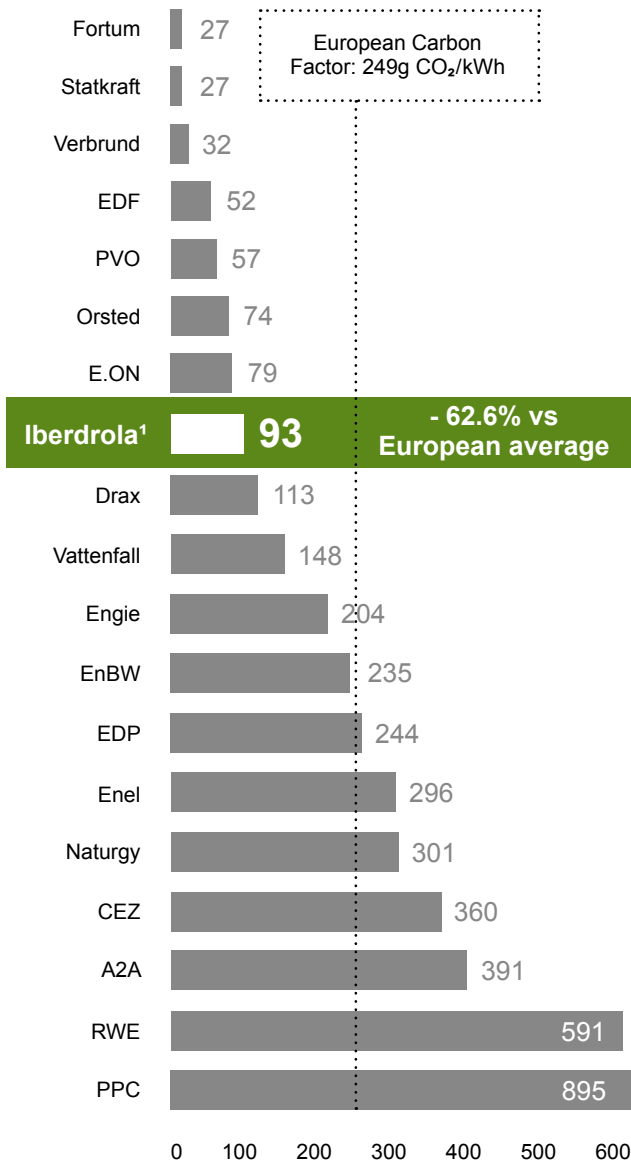
	Management approach	Principal activities 2020	Outlook
Protect the environment and stop the loss of biodiversity	<ul style="list-style-type: none"> Conserve and recover the ecosystems associated with our activities, coordinating the biodiversity plans of the businesses in affected areas. Improve the compatibility 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.



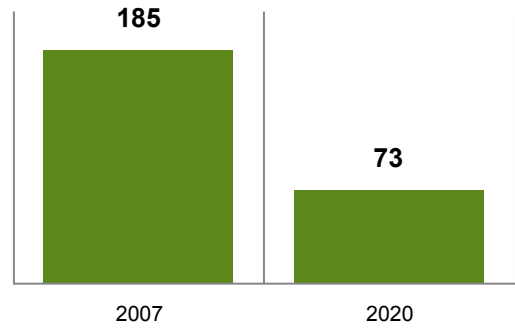
The environmental dimension is a key factor in the concept of sustainability

Specific CO₂ emissions from facilities in Europe

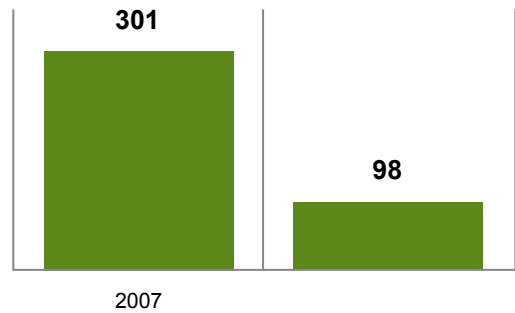
(Carbon factor in g of CO₂/MWh)



Intensity of emissions in Spain (g CO₂/kWh)

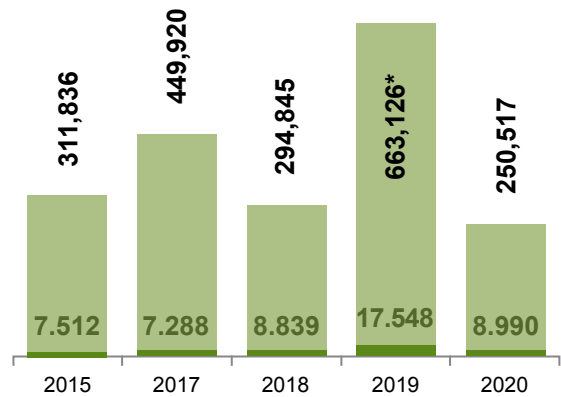


Overall intensity of the group's emissions (g CO₂/KWh)¹



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.

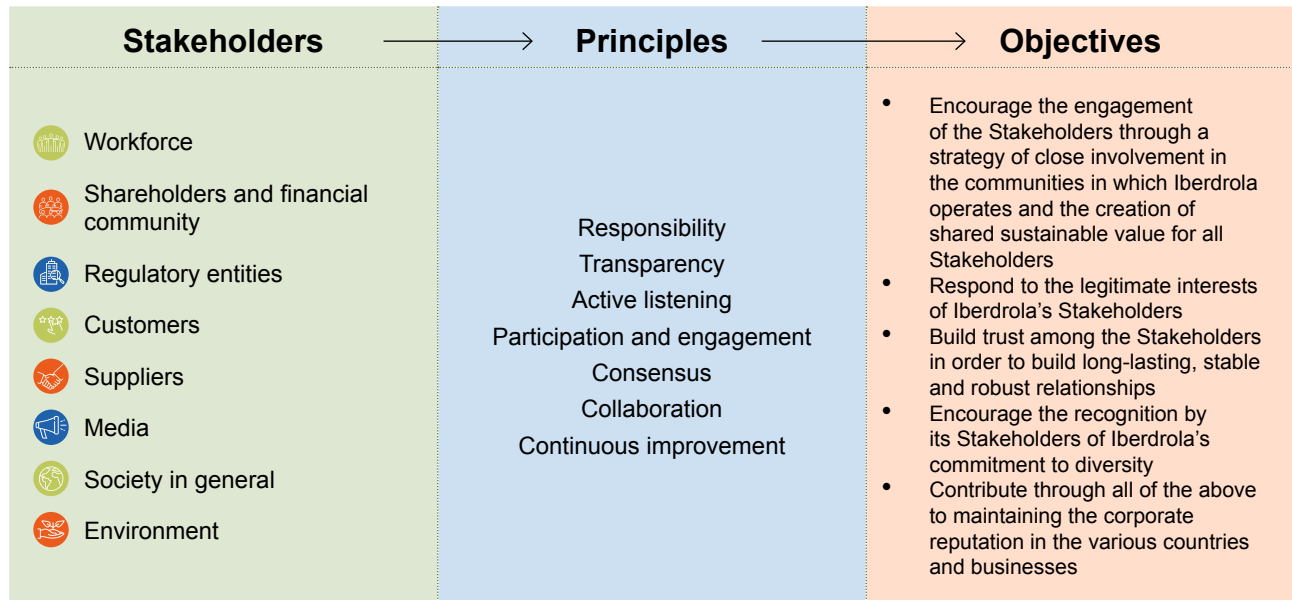
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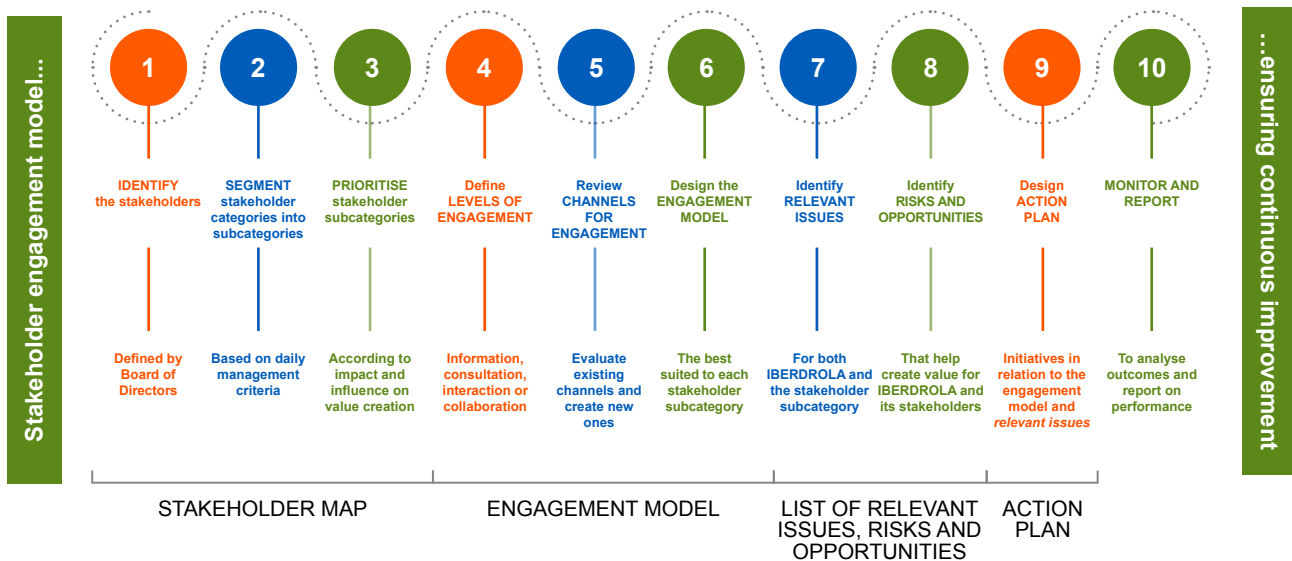
4.6 Social and relationship capital

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.



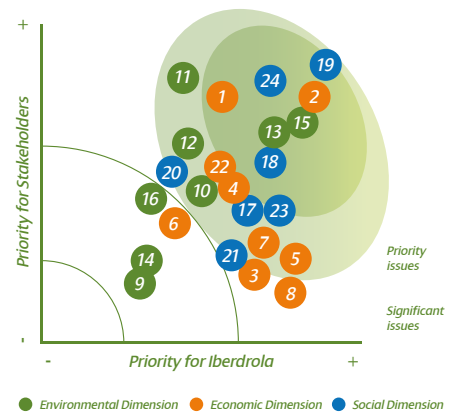
Key figures

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

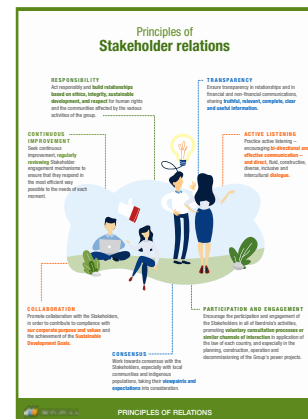
- | |
|---|
| 16 Availability and management of water |
| 6 Public policy |
| 14 Management of biodiversity |
| 9 Management of natural capital |

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

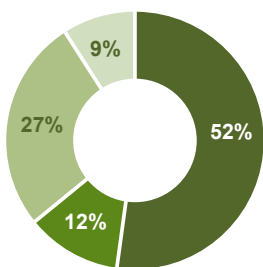
Activities 2020

- 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

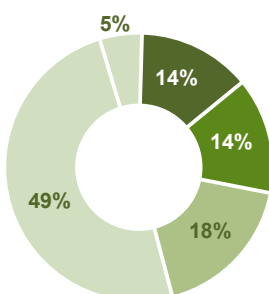
- The SDGs recognise energy as an engine for sustainable development.
- The *Electricity for All* programme is Iberdrola's response to the need to expand universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. This initiative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

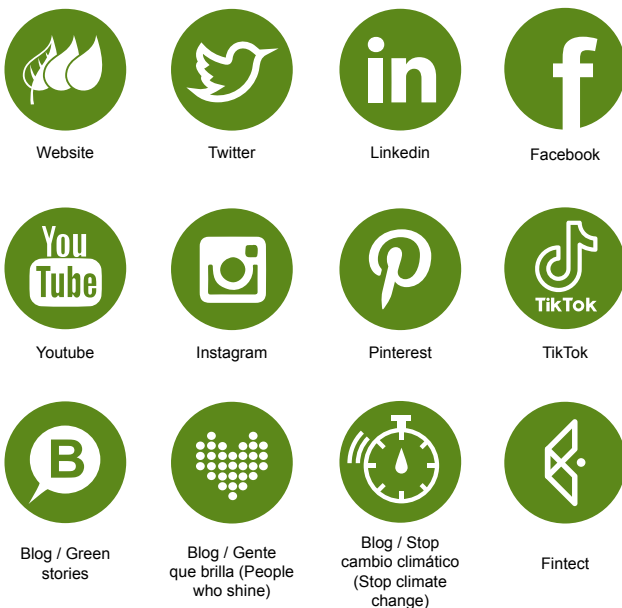
- Management of the brand so that it transmits the essence of the Iberdrola group's Purpose and reflects the company's strategy to commit to the environment and to Sustainable Development.
- Consolidation of an international brand, strengthening communication and alignment under a single brand positioning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

Iberdrola Tower (Spain)





5. A framework of trust



5.1 Governance and Sustainability System

Always in the lead of international best practices, Iberdrola's former Corporate Governance System has evolved, based on ESG standards, with the contents being reordered to emphasis environmental performance, social commitment and best corporate governance practices. Particularly notable is the new pioneering Inclusion and Diversity Policy.

Board of Directors

Position	Director	Status	Date of last appointment	Expiry of mandate
Chairman & CEO	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	29-03-2019	29-03-2023
Vice-Chair and Lead Independent Director	Juan Manuel González Serna (Madrid, Spain, 1955)	Independent	31-03-2017	31-03-2021
Member	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	02-04-2020	02-04-2024
Member	Samantha Barber (Dunfermline, Fife, Scotland, United Kingdom, 1969)	Other external	02-04-2020	02-04-2024
Member	María Helena Antolín Raybaud (Toulon, France, 1966)	Independent	29-03-2019	29-03-2023
Member	José Walfredo Fernández (Cienfuegos, Cuba, 1955)	Independent	29-03-2019	29-03-2023
Member	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	29-03-2019	29-03-2023
Member	Xabier Sagredo Ormaza (Portugalete, Spain, 1972)	Independiente	29-03-2019	29-03-2023
Director – Business CEO	Francisco Martínez Córcoles (Alicante, Spain, 1956)	Executive	31-03-2017	31-03-2021
Member	Anthony L. Gardner (Washington, D.C., U.S.A., 1963)	Independent	13-04-2018	13-04-2022
Member	Sara de la Rica Goiricelaya (Bilbao, Spain, 1963)	Independent	29-03-2019	29-03-2023
Member	Nicola Mary Brewer (Taplow, United Kingdom, 1957)	Independent	02-04-2020	02-04-2024
Member	Regina Helena Jorge Nunes (São Paulo, Brazil, 1965)	Independent	02-04-2020	02-04-2024
Member	Ángel Acebes Paniagua (Ávila, Spain, 1958)	Independent	20-10-2020	2021 General Shareholders' Meeting

**The purpose of the group, its *raison d'être*, is none other than:
To continue building together each day a healthier, more accessible
energy model, based on electricity.**



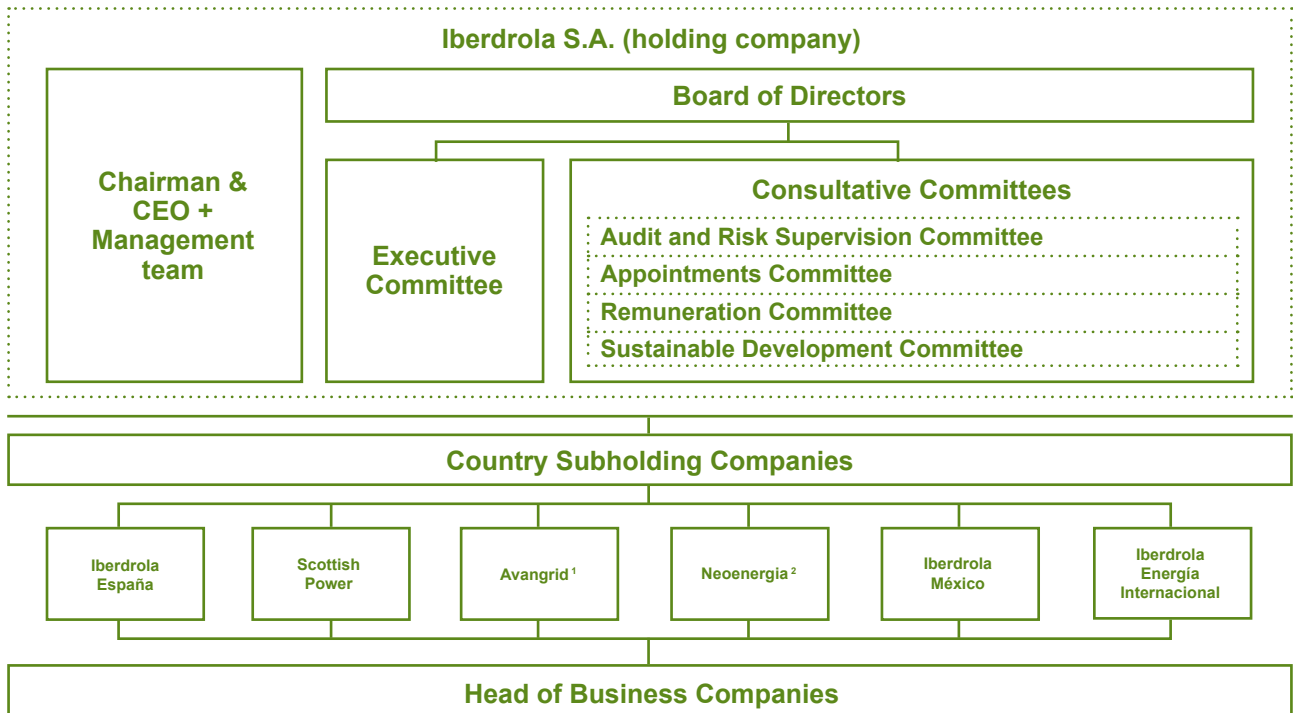
Corporate and governance structure

The Iberdrola group is structured on three levels that differentiate the functions of strategy, supervision and control of the group as a whole (attributed to the holding company), those of organization and coordination with regard to the countries (corresponding to the country subholding companies) and those of the administration and effective management of each of the businesses (within the purview of the head of business companies).

It is based on a system of checks-and-balances that avoids an accumulation of power:

- Iberdrola’s Board of Directors, made up of a large majority of independent directors (one of whom is the vice-chairman and lead independent director), focuses its activity on the determination, supervision and monitoring of the policies, strategies and general guidelines of the Iberdrola group. Especially important is the supervision of the development and application by the group companies of the new Governance and Sustainability System.
- The chairman of the Board of Directors & chief executive officer and the rest of the management team are responsible for the organisation and strategic coordination of the group.
- In the principal countries in which the group operates, organisation and strategic coordination is implemented through country subholding companies, which group together equity stakes in the head of business companies and centralise the provision of common services to the head of business companies.
- Country subholding companies have boards of directors, including independent directors, and their own audit and compliance committees, internal audit divisions and compliance units or divisions. Listed country subholding companies like Avangrid, Inc. and Neoenergia, S.A. have a framework of strengthened autonomy.
- The head of business companies are in charge of the day-to-day administration and effective management of each of the businesses. They also have boards of directors, which include independent directors, and specific management teams.

Corporate and governance structure



(1) Company listed on the New York Stock Exchange.

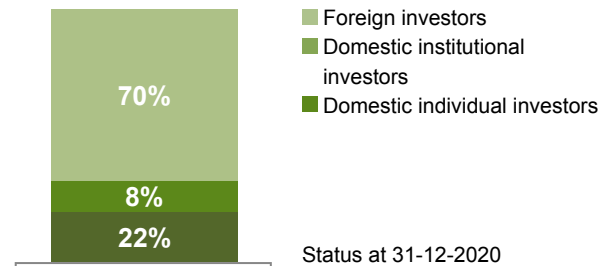
(2) Company listed on the New Market segment of BOVESPA (Brazil).



Ownership structure

Iberdrola has approximately 600,000 shareholders throughout the world, and none of them has a controlling interest.

Investment funds, pension funds and other foreign institutional shareholders account for 70% of the capital.



Iberdrola in the vanguard of governance and sustainability

Strategy

The key elements defining Iberdrola's governance and sustainability strategy are:

- Environmental performance.
- The promotion of diversity, inclusion, equal opportunity and excellence at all levels.
- Shareholder engagement.
- Active listening to the legitimate interests of the Stakeholders.
- Social dividend and contribution to the Sustainable Development Goals.
- Zero tolerance towards corruption and fraud.
- Prudent and balanced management of risks.

Continuous improvement of its corporate governance rules and practices

On corporate governance matters, the Company looks to the *Good Governance Code of Listed Companies*, updated by the CNMV in June 2020, and generally accepted practices in the international markets.

The aim of the Diversity and Inclusion Policy is to achieve a favourable environment that facilitates and enhances diversity and inclusion among the group's professionals.

Remuneration policy

Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting.

Executive directors' variable remuneration tied to financial and non-financial targets.

Clause on cancellation and reimbursement of variable remuneration (malus and claw-back).

Operation of the Board

71.4% of the directors are independent.

System of checks and balances, including the vice-chairman and lead independent director.

Gender diversity: five women on the Board, two of whom chair board committees.

Diversity of skills, experience, nationality and origin.

Annual evaluation of the governance bodies with the participation of an independent expert.

Sustainable Development and Corporate Reputation

Sustainable Development Committee.

Monitoring of the group's strategy and performance on sustainable development and ESG objectives.

Climate Change Action Plan and adoption of the recommendations of the *Tax Force on Climate-related Financial Disclosures (TCFD)*.

Value creation for Stakeholders and reputation of the Company.



Commitment to shareholders and investors

- The Iberdrola group has a industrial and financial model based on balanced growth, focused on the networks businesses, renewables and long-term contracted assets, focused on the achievement of targets that combine financial, environmental and social results.
- The *Shareholder Engagement Policy* is intended to understand the opinions and concerns of the shareholders in the areas of corporate governance and sustainable development, encourage their sense of belonging, and align their interests with those of Iberdrola.
- The company encourages shareholders' participation throughout the year, especially at the General Shareholders' Meeting.



All the resolutions of the 2020 General Shareholders' Meeting were approved with a majority vote in favour of the Board of Director's proposals.

Remuneration policy

- The current Director Remuneration Policy was approved by the shareholders at the General Shareholders' Meeting.
- Director remuneration is aligned with strategic objectives and shareholder return.

Remuneration model for the Board of Directors		
Type of remuneration	External (non-executive) directors	Executive directors
Fixed.	According to their duties.	On market terms.
Short-term variable.	Not applicable.	Tied to financial and non-financial targets.
Long-term variable.	Not applicable.	Tied to multi-annual targets payable in shares (3-year accrual period and payment deferred over 3 years following accrual).

Parameters to which the annual variable remuneration of executive directors is tied in 2021

Operational / Financial	Net Profit. Shareholder remuneration. Financial strength. Efficiency in costs. Installed capacity. Project portfolio.
Sustainable Development	Female presence in management positions. Presence on major international indexes. Training.

Parameters to which the multi-annual variable remuneration of executive directors is tied (Strategic Bonus 2020-2022)

- Net profit.
- Financial strength.
- Total shareholder return.
- Sustainable Development Goals (fight against climate change, boost sustainability in the supply chain and commitment to salary equality between men and women).



Main activities of the Board of Directors

Key topics in 2020

Balanced growth	Review and presentation of results: level of achievement of the Outlook.
	Approval of the budgets for financial year 2021 .
	Performance and expectations of each of the businesses of the group.
	Analysis of the impacts of the measures taken to fight the COVID-19 pandemic .
	Opportunities for investment in strategic markets: PNM Resources (United States), Infigen Energy (Australia), Aalto Power (France), Acacia Renewables (Japan), Svea Vind Offshore (Sweden).
Sustainable remuneration of shareholders	Shareholder remuneration in line with <i>Outlook 2018-2022</i> .
	Implementation of the <i>Iberdrola Flexible Remuneration</i> optional dividend system and renewal for the next year.
Sustainability	Review of the risks and opportunities deriving from Climate Change .
	Publication of the Statement of Non-Financial Information. Sustainability Report .
	Monitoring of the targets for the reduction of greenhouse gas emissions .
	Supervision of the group's activities having an impact on Stakeholders , and alignment with the Sustainable Development Goals .
	Approval of the new <i>Diversity and Inclusion Policy</i> .
	Modification of the <i>General Sustainable Development Policy</i> and of the <i>Human Resources Framework Policy</i> .
	Publication of the <i>Fiscal Transparency Report</i> .
	Publication of the <i>Diversity and Inclusion Report</i> .
Analysis of Talent Management trends and best practices.	
Financial strength	Approval of major financial transactions , prioritising the issuance of green bonds .
	Monitoring of key financial indicators .
	Disposal of non-strategic assets: sale of the equity interest in Siemens Gamesa Renewable Energy S.A.



Control of corporate risks	Review and update of Risk Policies and approval of guidelines on risk limits.
	Monitoring of risk control and management systems and of level of compliance with the Corporate Tax Policy .
	Proposal to re-elect the statutory auditor and appointment of the provider assuring the Statement of Non-Financial Information .
Corporate governance and compliance	Reordering of the Corporate Governance System and transition to the Governance and Sustainability System , based on environmental, social and corporate governance standards (ESGs).
	Holding of a fully remote General Shareholders' Meeting .
	Appointment and re-election of directors .
	Selection and composition of the governance bodies .
	Proposals for the appointment of independent directors at the various country subholding companies.
	Adaptation of the Corporate Governance System (now the Governance and Sustainability System) to the update of the CNMV's Good Governance Code of Listed Companies .
	Remuneration of the Board of Directors and of senior management.
	Monitoring of contacts with shareholders .

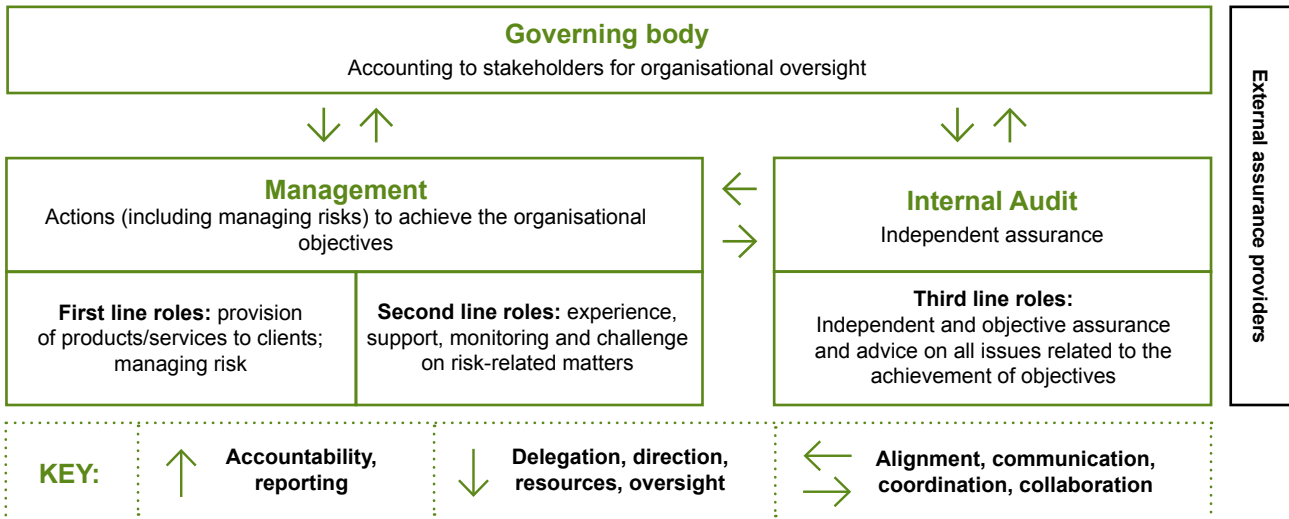
The main objective of Iberdrola's Board of Directors is to establish, supervise and implement the strategy of the company and its group; and to continuously review and update its *Governance and Sustainability System*, and particularly its corporate policies.



5.2 Three Lines Model

A principles-based model

The Internal Control System of Iberdrola and the companies of its group is configured by reference to international best practices. The *Three Lines Model*, published on 20 June 2020 by the Institute of Internal Auditors, updates the previous *Three Lines of Defense Model*, and is based on an assurance system combined around three lines, providing a comprehensive view of how the different parts of the organisation interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity's significant risks.



Based on the document "The IIA's Three Lines Model 2020. An update of the Three Lines of Defense". IIA 2020.

Iberdrola adopts the Three Lines Model to ensure its internal control system.

Principle 1: Governance

Iberdrola's governance has structures and processes that enable:

- **Accountability** by the Board of Directors to stakeholders for organisational oversight through integrity, leadership and transparency.
- **Actions** (including managing risk) by management to achieve the objectives of the strategic plan through risk-based decision-making and application of resources.
- **Assurance and advice** by an internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous research and insightful communication.

Principle 2: Governing body roles

Iberdrola's Board of Directors:

- Ensures that appropriate structures and processes are in place for effective governance.
- Ensures that organisational objectives and activities are aligned with the prioritised interests of the stakeholders.
- Delegates responsibility and provides resources to management to achieve the objectives of the organisation while ensuring legal, regulatory and ethical expectations are met.
- Establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.



Principle 3: Management and first and second line roles

Management's responsibility to achieve organisational objectives comprises both first and second line roles. The management team and the professionals of Iberdrola and its group are the direct managers of the entity's risks. Thus, the company's Management is responsible for maintaining effective control and for implementing procedures to control risks on a continuous basis, based on the Internal Control objectives of the COSO model (operational, reporting and compliance – *Committee of Sponsoring Organizations*, May 2013).

🕒 Significant risks facing Iberdrola's primary businesses / Pages 54, 58, 62

The primary assurance functions within Iberdrola, within their respective areas of responsibility, are: (i) the group's Risk Division, within the framework of its duties within the Comprehensive Risk Control and Management System; (ii) the Internal Assurance Division, belonging (like the Risk Division) to the Risk Management and Internal Assurance area, in its responsibilities relating to the internal risk management and control systems in relation to the preparation of financial information (Internal Control over Financial Reporting System, or ICFRS) and non-financial information (Internal Control over Non-Financial Reporting System, or ICNFRS) and the SAP environment; (iii) the Compliance Unit, which is responsible for proactively ensuring the effective operation of the Compliance System (notwithstanding which, in the financial and non-financial information processes it is considered to have a third line role as it provides independent assurance regarding the risk of non-compliance with the legal framework); and (iv) the Cybersecurity Division within the Corporate Security Division, through the supervision, monitoring and reporting of cybersecurity risks.

🕒 Comprehensive Risk Control and Management System / Page 90
 🕒 Compliance Unit / Page 93

Principle 4: Third line roles

The Internal Audit area proactively ensures the proper operation of the internal control, risk management and governance systems, systematically auditing the roles of the first and second lines in the performance of their respective duties of management and control.

To ensure its independence, the director of the Internal Audit Area reports hierarchically to the chairman of the Board of Directors and functionally to Iberdrola's Audit and Risk Supervision Committee (ARSC).

The Audit and Compliance Committees (ACC) and Internal Audit divisions of the various country subholding companies have this same positioning, and are coordinated under the framework of the *Basic Internal Audit Regulations*. These regulations, approved by the Board of Directors, form part of the Governance and Sustainability System and establish the rules, duties, competencies and powers of Internal

Audit, as well as its framework of relations within the group. The 2020 annual activities plans of Iberdrola's Internal Audit Area and of the Internal Audit divisions of the group, with a risk-based focus, responded to the requirements established by the ARSC and the respective ACCs of the country subholding companies, and included:

- Half-yearly reviews of the operation of the most critical ICFRS controls, as well as reviews of the various cycles of financial information preparation, within the framework of the revision of the entire ICFRS over a 5-year period.
- Audits of key corporate and business process and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.
- Audits of the compliance programmes.

Iberdrola satisfactorily completed the Quality Assurance evaluation performed by the Internal Auditors Institute of Spain in 2020.

Principle 5: Third line independence

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority and credibility. At Iberdrola this is established by: accountability to the Board of Directors; unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the provision of audit services.

Principle 6: Creating and protecting value

At Iberdrola, all of the roles are aligned with each other and with the interests of the stakeholders, contributing to the creation and protection of value.

External assurance providers

Regulators establish requirements to strengthen the organisations' controls and perform an independent oversight role. The powers of the ARSC and the ACCs include striving to preserve the independence of the statutory auditors, who provide assurance of the true picture provided by Iberdrola's financial information..

🕒 Audit Report on the Consolidated Financial Statements



5.3 Risks

Risk management within the Iberdrola group is based on foresight, independence, commitment to the group’s business objectives and the engagement of senior management and the Board.

Commitment of the Board of Directors and of senior management

Iberdrola’s Board of Directors and senior management is strongly committed to and engaged in the management of the group’s risks:

- **Ex-ante:** acceptable levels of risk tolerance are reviewed and approved on an annual basis through risk policies and limits that establish the qualitative and quantitative risk appetite at the group level and at each of the main businesses and corporate functions.
- **Ex-post:** periodic monitoring of significant risks (key risk maps) and threats and the various exposures of the group, as well as of compliance with the approved risk policies, limits and indicators.

- Attain strategic goals with controlled volatility.
- Ensure the group’s corporate stability, financial strength and reputation (Stakeholders).
- Contribute to meeting the SDGs, with a special focus on goals seven and thirteen.
- Imbue a risk culture.

At the operational level, the Comprehensive Risk Control and Management System is structured around a Risk Committee and an independent specialised Risk Management and Internal Assurance Division, functionally reporting to the Audit and Risk Supervision Committee, that analyses and quantifies the risks within the main businesses and corporate functions of the group.



By way of supplement, the group has a Compliance System, linked to the Board’s Sustainable Development Committee, with elements that include the Code of Ethics and the Compliance Unit.

Comprehensive Risk Control and Management System

The *General Risk Control and Management Policy* of the group approved by the Board of Directors establishes the mechanisms and basic principles for appropriate management of the risk / opportunity ratio, at a risk level that makes it possible to:

Duties of the Risk Division

Active management

Credit risk

- Analysis and approval of counterparties and limits, establishment of approval criteria, and monitoring of exposures in order to minimise credit losses.

Market risk

- Analysis and approval of detailed limits and monitoring of exposures in order to delimit the effects of volatility in the markets in which the group operates.

Enterprise Risk Management (ERM) focus

Ensure, under the internationally recognised three lines model, that there are mechanisms for all significant risks of the group to be adequately identified, measured, managed and controlled at all times and that they are regularly reported to the various committees and externally.

Instruments and reports:

- Risk policies and risk limits and indicators.
- Quarterly report on key risks.
- Continuous monitoring and detection of emerging risks and other non-financial risks, including environmental, societal and governance (ESG) risks with significant reputational consequences.

Operational risk is centrally managed through the group’s corporate Insurance, Information Technology, Security and Cybersecurity, and Occupational Safety and Health units.



Risk policies and limits of the Iberdrola group

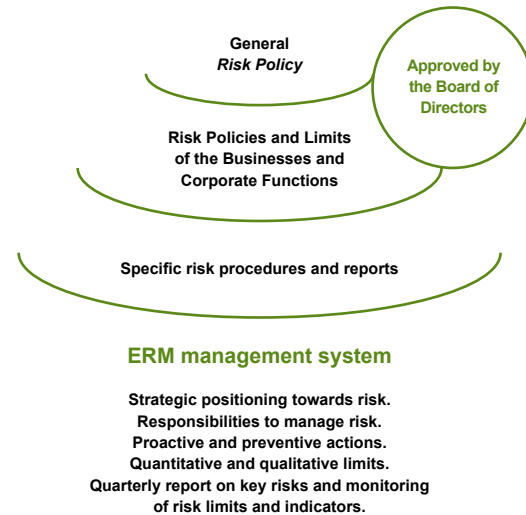
The *General Risk Control and Management Policy* is further developed and supplemented with the following specific policies established in relation to certain risks, corporate functions or businesses of the group, which are also annually approved by the Board of Directors at the head of the group, and which include limits and indicators that are subsequently monitored:

Specific risk policies of the businesses:

- *Liberalised Businesses of the Iberdrola group.*
- *Renewable Energy Businesses of the Iberdrola group.*
- *Networks Businesses of the Iberdrola group.*
- *Real Estate Business.*

Corporate risk policies:

- *Corporate Credit Risk Policy.*
- *Corporate Market Risk Policy.*
- *Operational Risk in Market Transactions Policy.*
- *Insurance Policy.*
- *Investment Policy.*
- *Financing and Financial Risk Policy.*
- *Treasury Share Policy.*
- *Risk Policy for Equity Interests in Listed Companies.*
- *Reputational Risk Framework Policy.*
- *Purchasing Policy.*
- *Information Technologies Policy.*
- *Cybersecurity Risk Policy.*
- *Occupational Safety and Health Risk Policy.*



The country subholding companies adopt the group's risk policies and specify the application thereof, approving the guidelines on specific risk limits, based on the nature and particularities of the businesses in each country. The listed country subholding companies, and companies with significant interests held by other shareholders, approve their own policies under their own special framework of strengthened autonomy.

Principal risk factors of the Iberdrola group

The group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and which may prevent it from achieving its objectives and implementing its strategies. These risks are grouped into:

Corporate governance risks: those that endanger the corporate interest and the strategy of the company.

Market risks: exposure to volatility in variables like prices of electricity and other energy commodities, emission rights, exchange rate, interest rate, etc.

Credit risks: possibility of contractual breach by a counterparty, causing economic or financial losses, including liquidation and replacement cost risks.

Business risks: deriving from uncertainty as to the behaviour of variables intrinsic to the business (characteristics of demand, hydraulic resources, wind, solar, etc.).

Regulatory and political risks: coming from regulatory changes made by the regulators that can affect remuneration of the regulated businesses, environmental or tax provisions, etc.

Operational, technological, environmental, social and legal risks: losses resulting from external events, inadequate internal procedures, technical failures, human error, pandemics, climate change, technological obsolescence, cybersecurity, fraud and corruption, litigation, etc.

Reputational risks: potential negative impacts on the company's reputation arising from situations or events that fail to meet the expectations of its Stakeholders.

Given the multidimensional nature of the risks, the taxonomy defined in the system contemplates additional classification variables for better monitoring, control and reporting of such risks. These additional categories include the classification of risks into Structural Risks, Hot Topics and Emerging Risks, the latter being understood as potential new threats, the impact of which is as yet uncertain and the probability of which undefined, but which are growing and could become significant for the group.



Risk factors and mitigation measures

● < 15 €M ● 15 - 50 €M ● > 50 €M of annual impact

Price and demand risks

Changes in the price of electricity	<p>The main variable affecting the results of the group's Wholesale and Retail Businesses as regards market prices is the price of electricity, which relatively corresponds to the price of fuel and applicable emission rights, required to produce such electricity.</p> <p>The group's Renewables Businesses preferentially sell their energy at: i) regulated rates; or ii) fixed prices via PPAs. The remaining market exposure of the Renewables Businesses of Spain, the United Kingdom, Brazil and Mexico is transferred to the Wholesale and Retail Business of such countries to be managed.</p> <p>Offsetting at-risk positions between wholesale and retail activities allows for a large reduction in the group's market risk; the remaining risk is mitigated via diversification of purchase / sale agreements, and by trading in derivatives.</p>	<p>Possible impact of a 5% change in the price of electricity and / or of energy commodities and CO₂</p>	<ul style="list-style-type: none"> ● Spain. Integrated Wholesale, Renewables and Retail risk ● United Kingdom. Integrated Retail and Renewables (power from wind farms with ROCs) risk ● Mexico. The PPAs with the CFE do not have a market risk ● Brazil. Integrated Wholesale, Renewables and Retail risk ● United States. For windfarms exposed to the market ● International. For windfarms exposed to the market
Change in demand	<p>Wholesale, Retail and Renewables: moderate short-term impact, given the nature of the group's generation facilities and the structure of the long-term power purchase agreements.</p> <p>Networks: no impact, except for the Brazilian subsidiaries in between tariff periods.</p>	<p>Possible impact of 1% reduction in demand for each country</p>	●

Resource risks

Change in hydroelectric resources - Spain	<ul style="list-style-type: none"> • In the medium-to-long term, humid years are offset by dry years. The storage capacity of multi-year reservoirs and the group's portfolio of power plants mitigate the level of volatility during the year. 	<p>Lower hydroelectric production - Spain</p>	<p>Renewables Business - Spain</p>	●
Change in wind resources - group	<ul style="list-style-type: none"> • Mitigated thanks to the high number of facilities in operation and the geographic dispersion thereof. • In the medium-to-long term, years with more wind are offset by years with less wind. 	<p>Lower wind output - group</p>	<p>Renewables Business - group</p>	●

Financial risks

Change in interest rate	<p>The Iberdrola group maintains a fixed-rate and variable-rate debt structure, based on the structure of its revenues and the sensitivity thereof to changes in interest rates.</p>	<p>Possible impact on financial cost of +25 bps increase</p>	<p>Group financial cost</p>	●
Change in exchange rate	<p>This risk is mitigated by taking on debt and realising all its financial flows in the functional currency corresponding to each company, whenever possible and economically efficient, and managing its open positions with derivatives. The risk associated with the translation of results from subsidiaries is closed out annually.</p>	<p>Possible impact on financial cost of 5% increase in currency</p>	<p>Group financial cost</p>	●

Other risks

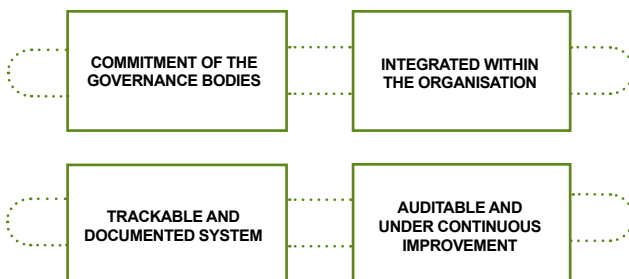
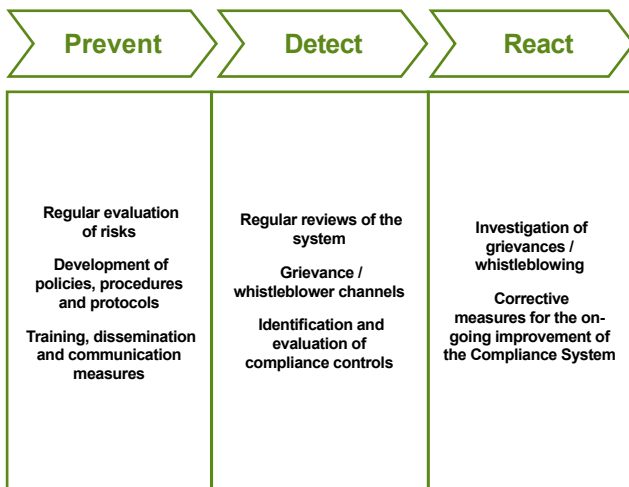
Credit risk	<ul style="list-style-type: none"> • Main sources: amounts outstanding (customers, suppliers, banks, partners, etc.) and cost of replacement. • Retail: cost of late payments / defaults has been kept to levels slightly above 1% of total invoicing. • Networks: In Spain and in the United Kingdom there is no retail sale of energy, in the United States and Brazil late payments are generally recovered through the tariffs.
Operational risk	<p>These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programmes (supported by quality systems), planning appropriate training and skills development for staff, and finally by obtaining appropriate casualty and civil liability insurance.</p>
Regulatory and political risk	<p>The group is subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countries in which it does business. The introduction of new laws / regulations or amendments to existing ones could adversely affect operations, annual results and the financial value of the businesses of the group (including risks relating to commercial trade between the EU and the United Kingdom).</p>
Climate change risk	<p>Includes the risks of transition (regulatory or market associated with emissions reduction goals) and physical risks (deriving from potential impacts of an increase in extreme climate phenomena, increase in temperatures, increase in sea level, changes in rain patterns, etc.).</p> <p>Iberdrola believes that it is well positioned with respect to this risk, given the nature of its current businesses and its main goals for growth.</p>



5.4 Ethics

Compliance System

Iberdrola's Compliance System is made up of all of the rules, formal procedures and significant actions intended to ensure that the company conducts itself in accordance with ethical principles and applicable law and to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals thereof within the organisation.



The Code of Ethics, which forms part of Iberdrola's Corporate Governance System, was approved by the Board of Directors in 2002 and is regularly updated.

Compliance Unit

Iberdrola, S.A.'s Compliance Unit is a collective, internal and permanent body, linked to the Sustainable Development Committee of the Board of Directors, responsible for proactively ensuring the effective operation of the group's Compliance System.

In addition, there is a Compliance Division linked to the corresponding Audit and Compliance Committees at each country subholding company and each head of business company.

Powers of the Unit

The Compliance Unit has powers related to the *Code of Ethics*, the *Anti-Corruption and Anti-Fraud Policy*, the *Crime Prevention Policy*, the *Internal Regulations for Conduct in the Securities Markets*, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of the company or that are established in the Iberdrola group's Corporate Governance System.

Main areas of the Compliance System

The main activities and areas of activity within the framework of the group's Compliance System are: (i) the implementation and improvement of the crime prevention programmes, which are developed within the scope of the provisions of the Spanish Criminal Code (without prejudice to additional actions required by the laws of any other jurisdiction in which the group does business), (ii) training and communication activities aimed at all professionals of the group, (iii) the development and implementation of rules and controls to minimise the risk of crime, particularly fraud and corruption, (iv) actions to ensure compliance with the rules on market abuse and separation of activities, and (v) management of the ethics mailboxes.

Principal awards / recognitions

In 2018 Iberdrola obtained the Compliance Leader Verification certification provided by the Ethisphere Institute to those companies that show they have an ethical culture implemented within all of their businesses and activities as well as a robust and effective compliance system.

In 2020 Iberdrola renewed the certifications provided by AENOR in 2017: UNE-ISO 37001 on anti-bribery management systems and UNE 19601 on penal compliance management systems. The companies of the Spain subgroup also renewed these certifications.

Iberdrola has been chosen for the seventh consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies 2020* ranking prepared by the *Ethisphere Institute*, thus recognising the ethical leadership and conduct of the organisation.





5.5 Sustainable Development

The Iberdrola group has transformed its business model in recent years to make it more sustainable, achieving development that meets the needs of the present without compromising those of future generations.

Sustainable Development Plan: Energy to thrive

Iberdrola is firmly committed to sustainable development and to improving the quality of life of people. Its contributions in the environmental, social and governance (ESG) areas are reflected in numerous projects and activities that constitute the group's 2020-2022 Sustainable Development Plan: Energy to thrive. Using this plan, the company works towards all the Sustainable Development Goals (SDGs) of the 2030 Agenda of the United Nations.

Thus, the more than 350 tasks in this plan constitute Iberdrola's ESG objectives, a portion of which were presented at Capital Markets Day 2020.

Priorities of the 2020-2022 Sustainable Development Plan Energy to thrive.

SUSTAINABLE DEVELOPMENT PLAN 20-22 "ENERGY TO THRIVE"

The "Energy to thrive" Plan demonstrates Iberdrola's commitment to fight against climate change and to the well-being of the society, through the development of more than 350 actions at environmental, social and governance level. These responds the demands of our stakeholders and places the company on the highest standards at sustainable development field.

Environmental

We led the energy transition for more than two decades to combat climate change through the innovation and the production of clean energy.

2022 Main targets:

- Green energy:** we will increase green energy consumption with an additional 3,300 MW
- Digitalization:** 16.7 million smart meters installed
- Fight against climate change:** we will reduce our emissions until 100 g CO₂/kWh
- Water:** reduction of water consumption, up to <500 m³/GWh
- R&D:** Research and development investments of 330 M €
- Green Hydrogen:** Projects to produce more than 50 MW of green Hydrogen
- Our networks:** reaching up to 75% of digitalized networks in HV & MV
- Sustainable mobility:** We will install 150,000 recharging points by 2025
- Renewables:** We will accelerate investment in clean energy, incorporating more than 12 GW
- Biodiversity:** we will reforest with 2.5 million trees, reaching 8 million by 2025
- Circular economy:** 100% of office waste will be recycled and recovered

Social

We work for the universal access to energy, contributing to improve people's life quality, creating employment and assisting those most vulnerable.

2022 Main targets:

- Training:** We will increase the number of employee training hours up to 55
- Sensitization:** Support for the initiative Universo Mujer of CSD across 16 federations
- Driver of employment:** creating more than 400,000 at direct, indirect and induced level
- Training an Education:** More scholarships and grants reaching 33,000 beneficiaries
- Access to energy:** reaching 11.5 million people through the Electricity for all program.
- Safety:** Achieve 99 % of permanent contract
- Social Action:** To reach 1.3 million beneficiaries through the Social Foundations Program
- Excellence:** Iberdrola U Universities Program, with more than 40 initiatives
- Equality:** Reach 25% of women in managerial positions and maintain equal pay
- Intelligent solutions:** More products and services tailored to our customers, reaching up to 12 million

Governance

We develop the best practices at corporate governance level, supporting the sustainable financial market and promoting social responsible practices in the supply chain.

2022 Main targets:

- Cybersecurity:** More than 1,800 Cybersecurity analysis of per year
- Plans for 80% of suppliers** with identified needs for improvement
- Responsible supply:** To have 70% of our suppliers with sustainability policies
- Sustainable events:** Increase in the certification of sustainable events, with at least 5 per year
- Sustainable financing:** Maximize green financing, currently above €15 billion
- Compliance:** Continuous improvement of the compliance systems of the holding company and the group's subholding companies
- Implement best practices** in the Governance and Sustainability System
- New system for 100% centralized purchases**



6. About this report

This report, which Iberdrola directs to both its shareholders and all other Stakeholders, has been prepared adopting the IIRC guidelines, and constitutes one more example of the group's interest in the area of transparency.



6.1 About this report

Integrated Report

- This report has been prepared in accordance with the reporting framework published by the International Integrated Reporting Council (IIRC) and in accordance with the recommendations thereof, taking into consideration the separate and consolidated annual financial statements formulated by the Board of Directors, audited and pending approval by the shareholders at the General Shareholders' Meeting of Iberdrola.
- A multi-disciplinary team made up of corporate businesses and areas was created in order to provide a complete view of the group, its business model, the challenges and risks it faces, and its social, environmental, financial and governance performance. The participating organisations guarantee the completeness of the information included.
- The content of this report has been supervised by the company's Operating Committee. All operating and financial figures were approved by the Board of Directors at its meeting held on 23 February 2021, after a favourable report from the Sustainable Development Committee, and the strategic forecasts were approved by the Board of Directors on 20 October 2020 and published during *Capital Markets Day 2020*.

Material aspects identified

- Iberdrola has channels of communication and dialogue with its Stakeholders, developed in accordance with the principles of the *AA1000 Assurance Standard*, as described in detail in the *Stakeholder Relations Policy* and in the *Statement of Non-Financial Information. Sustainability Report 2020*.
- The company also performs materiality analyses that help identify matters of significance to its Stakeholders, bringing to light particularly sensitive financial, environmental or social, and

corporate governance issues related to the business in the various communities and geographic areas in which the group operates.

- The contents of this report have been selected by taking into account the existing channels for dialogue as well as the materiality analyses and the framework defined by the IIRC for this kind of information.

Information boundaries

- The information submitted covers Iberdrola and its subsidiaries and affiliates. The information boundaries are defined in the group's consolidated annual financial statements and *Statement of Non-Financial Information. Sustainability Report 2020*.

🌱 [Social and relationship capital / Page 76](#)

Assurance

- This report has been subject to a process of internal assurance, by means of a limited review performed by the Management of the Internal Audit Area of Iberdrola.
- Although it has not been subject to a process of independent external assurance, a significant portion of the information contained herein relating to financial year 2020 and to previous years comes from annual financial reports and sustainability reports, all of which have been the subject of an external audit or assurance for which the respective certificates are available. The remaining information comes mainly from other reports or public presentations made by the company.

Information boundaries

- The information submitted covers Iberdrola and its subsidiaries and affiliates. The information boundaries are defined in the group's consolidated annual financial statements and *Statement of Non-Financial Information. Sustainability Report 2020*.

Iberdrola's performance

- The group's performance in recent years has been influenced by external corporate transactions, which the reader should take into account in order to properly interpret this report. These transactions and activities are described in the group's public information, the following being particularly noteworthy:

- In the United States, the integration of UIL Holdings Corporation and the initial public offering of the group's US subholding company, Avangrid, Inc. (December 2015), together with the merger agreement for the acquisition of 100% of the share capital of PNM Resources, Inc. by Avangrid, Inc. This latter agreement, signed in October 2020, is subject to acquisition of the required approvals and authorisations.

- In Brazil, the inclusion of all the businesses that the group had through Elektro Holding S.A. within Neoenergia S.A., which thus became the Iberdrola group's country subholding company in Brazil (August 2017), the initial public offering of Neoenergia S.A. (July 2019) and the award at public auction of 100% of the share capital of the Brazilian company CEB Distribuição S.A. to a wholly-owned subsidiary of Neoenergia S.A. (December 2020).

- Transactions finalised during 2020 included: in France, the acquisition of 100% of the share capital of the Saint-Brieuc offshore wind farm (March) and the purchase of the Aalto Power renewables company (July); in Sweden, the framework agreement with Svea Vind Offshore AB for the development of offshore wind projects (June); in Japan, the agreement with Macquarie's Green Investment Group for the acquisition of the local developer Acacia Renewables (September); and in Australia, the acquisition of 98% of the share capital of Infigen Energy Limited and Infigen Energy RE Limited by Iberdrola Renewables Australia Pty Ltd (October).



Legal disclaimer with respect to forward-looking statements

- This document contains forward-looking information and statements about Iberdrola and its affiliates. Such information or statements include projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions.
- Although Iberdrola believes that the expectations reflected in such forward-looking information or statements are reasonable, investors and holders of the Company’s shares are cautioned that forward-looking information and statements are subject various to risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents filed by Iberdrola with the Comisión Nacional del Mercado de Valores and which are available to the public.
- Forward-looking information and statements speak only as of the date on which they were made, are not guarantees of future performance and have not been reviewed by the auditors of Iberdrola. You are cautioned not to place undue reliance on the forward-looking information or statements. All the forward-looking information and statements hereby made are qualified by the cautionary statement above and are based on information available on the date of approval hereof. Except as required by applicable law, Iberdrola undertakes no obligation to publicly update any statements or revise forward-looking information, whether as a result of new information, future events or otherwise.



Integrated Report, February 2021

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Glossary of terms and abbreviations

Term	Definition	Term	Definition
AENOR	Spanish Association for Standardisation and Certification (<i>Asociación Española de Normalización y Certificación</i>). Pages 27, 93.	ITC	Investment Tax Credit. Page 57.
ANEEL	National Electrical Energy Agency (<i>Agência Nacional de Energia Elétrica</i>). Pages 43, 51, 53, 54, 68.	LBG	London Benchmarking Group. Page 78.
BOVESPA	São Paulo Stock Exchange (<i>BOlsa de Valores do Estado de São Paulo</i>). Page 83.	MVAr	Mega Volt Ampere Reactiv. Page 54.
CEO	Chief Executive Officer. Page 47.	NECEC	New England Clean Energy Connect. Pages 19, 43, 54, 68.
CfD	Contracts for Difference. Page 57.	NYSEG	New York State Electric and Gas Corporation. Pages 53, 54.
CFE	Federal Electricity Commission (<i>Comisión Federal de Electricidad</i>). Pages 61, 92.	SDGs	Sustainable Development Goals. Pages 38, 47, 72, 74, 78, 90, 94.
CMP	Central Maine Power Company. Pages 53, 54.	Ofgem	Office of Gas and Electricity Markets (United Kingdom). Page 53.
CNMC	National Commission on Markets and Competition (<i>Comisión Nacional de los Mercados y la Competencia</i>). Pages 50, 53.	OHSAS	Occupational Health and Safety Assessment Specification. Pág. 38, 72.
CNMV	<i>National Securities Market Commission (Comisión Nacional del Mercado de Valores)</i> . Pages 84, 87.	UN	United Nations. Page 90.
COSO	Committee of Sponsoring Organizations of the Treadway Commission. Page 89.	GDP	Gross Domestic Product. Pages 38, 41, 53.
COVID-19	COronaVirus Disease 2019. Pages 6, 11, 13, 27, 38, 42, 45, 50, 51, 53, 54, 57, 61, 66, 72, 73, 77, 78, 86.	PTC	Production Tax Credit. Page 57.
CSD	Higher Council for Sport (<i>Consejo Superior de Deportes</i>) Page 38.	RIIO	Revenue= Incentives+Innovation+Outputs. Pages 53, 54.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization. Pages 5, 10, 12, 46, 55, 59, 63, 66, 67.	ROE	Return on equity. Pages 12, 53.
ERM	Enterprise Risk Management. Pages 90, 91.	RPS	Renewable Portfolio Standard. Page 57.
ESG	Environmental, Social and Governance. Pages 6, 27, 28, 35, 36, 37, 42, 82, 84, 87, 90, 94.	SBTI	Science Based Targets. Pages 38, 74.
FFO	Funds from operations. Pages 11, 66.	ICFRS	Internal Control over Financial Reporting System Page 89.
GHG	Greenhouse Gases. Pages 38, 74.	ICNFRS	Internal Control over Non-Financial Reporting System. Page 89.
HVDC	High Voltage Direct Current. Pages 34, 68.	SPD	ScottishPower Distribution. Page 53.
R&D	Research + Development + innovation. Pages 38, 40, 41, 54, 70, 71.	SPM	ScottishPower Manweb. Page 53.
IFRS	International Financial Reporting Standards. Pages 7, 55, 59, 63.	STEM	Science, Technology, Engineering and Math. Page 78.
IIRC	International Integrated Reporting Council. Pages 3, 65, 95, 96.	TCFD	Task Force on Climate-related Financial Disclosure. Page 84.
IPCC	Intergovernmental Panel on Climate Change. Page 30.	UE	European Union. Pages 27, 35, 50, 61, 92.
ISO	<i>International Standards Organization</i> . Pages 38, 54, 72, 74, 93.	WACC	Weighted average cost of capital. Page 53.

