

# Innovation Policy

March 13, 2019

The Board of Directors of NEOENERGIA, S.A. (the “**Company**”) directs innovation in the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), towards an ever more efficient management of available resources and knowledge, while ensuring that the best technologies are efficiently introduced, providing competitive advantages for the Group as well as benefits for the shareholders, customers, employees and other stakeholders of the Company.

## 1. Purpose

Innovation is the Group’s principal tool for ensuring sustainability, efficiency and competitiveness, and is a strategic variable that affects all of its businesses and all of its activities.

In further developing the provisions of the Purpose and Values of the Iberdrola group, this Innovation Policy is intended to define and disseminate the strategy that allows the Company and its Group to be leaders in innovation in the energy sector, leading the transition towards a healthier and more accessible electricity-based energy model. Along these lines, the foundations of the Group’s innovation strategy are the development of renewable energy and emerging technologies, thus contributing to the achievement of goals nine and eleven of the Sustainable Development Goals (SDGs) approved by the United Nations, while fully complying with applicable law as well as other commitments signed by the Group.

The Company sees innovation as an open and decentralized process. It is decentralized because it is carried out independently in each business unit, with the support of and coordinated by the Company’s Innovation, Sustainability and Quality Division, which is subordinate to the Chairman’s Office. It is open because the Company considers itself to be a technology driver and, as such, its vocation is to involve technology suppliers of the Group, such as universities, technology centers and equipment manufacturers, in its innovation process. In this context, support and coordination by the Innovation, Sustainability and Quality Area of NEOENERGIA, S.A., strategic shareholder of the Company, is fundamental to be always addressing the main advances in innovation and to share the best international practices.

## 2. Main Principles of Conduct

The *Innovation Policy* is based on the following principles of conduct:

- a) Lead innovation in clean energies that contribute to decarbonization of the economy, and accelerate the transition towards a healthier and more accessible electricity-based energy model.
- b) Promote research, development and innovation (R,D&I) activities, focusing on efficiency aimed at the ongoing optimization of the Group’s business operations, management of facilities and equipment lifespans, reduction of operation and maintenance costs and decrease in environmental impact, as well as the development of new products and services to satisfy the needs of the customers.

c) Place the Group at the forefront of new technologies and disruptive business models, by practicing a “culture of innovation” that pervades the entire organization and creates motivating work environments that favor and reward the generation of ideas and innovative practices by professionals, accepting risk and recognizing creative contributions.

d) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.

e) Engage in projects in the area of universalization of energy services based on models that are environmentally sustainable, economically feasible and socially inclusive.

f) Incorporate innovation into all training within the companies of the Group by means of courses and specific programs to develop skills relating to creativity.

g) Implement an innovation management system that includes the establishment of annual targets and goals as part of an ongoing improvement process, managing the Company’s human and intellectual capital as an effective support for the entire creative and innovative process.

h) Promote a system of technological monitoring and prospecting to identify opportunities and challenges for the businesses of the Group and detect the need for innovation in processes or services to allow it to act in advance of technological changes in the market.

i) Foster cooperation and alliances with the academic world and with other interested parties, by means of links that make it possible to multiply the innovative capacity of the Group.

j) Circulate internally the knowledge gained, so that all professionals are familiar with the best practices applicable to their activity in the search for efficiency and effectiveness in the processes of the Group.

k) Protect the results of the innovation process, managing intellectual and industrial property suitably and ethically, which shall in every case entail respect for the intellectual and industrial property of third parties.

l) Support innovations that provide added value for users and boost the satisfaction of shareholders, customers, employees and other stakeholders.

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This Innovation Policy was initially approved by the Board of Directors on July 19, 2018 and was last amended on March 13, 2019.