

Sustainable Management Policy

March 13, 2019

The Board of Directors of NEOENERGIA S.A (the “**Company**”) is vested with responsibility for formulating strategy and approving the *Corporate Policies* of the Company, and for organizing the internal control systems. It approves this *Sustainable Management Policy* in the exercise of these responsibilities, aware that the sustainable creation of value is one of the pillars of the Purpose and Values of the Iberdrola group.

1. Purpose

Fulfilment of the corporate interest, as defined in the Bylaws, requires the assumption of policies that favor the “sustainable exploitation of its corporate object”.

According to this mandate and to the provisions of the *Purpose and Values* of NEOENERGIA Group, the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), which conduct their activities primarily in the energy industry, have changed their business model to make it more sustainable, achieving development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The Group desires to continue leading this transformation, following a strategy that is fundamentally based on the fight against climate change and the development of clean energies that contribute to the decarbonization of the economy, and for which purpose it must continue working in order to provide energy products that are increasingly competitive, cause the lowest possible environmental impact and are capable of assuring its customers of reliable supply.

This Sustainable Management Policy reflects the main principles of conduct regarding management that all companies of the Group must comply with and that are a framework of reference for achieving the Sustainable Development Goals approved by the United Nations, as well as certain commitments that affect specific areas of Group activity.

The Sustainable Management Policy is applicable to all companies that are part of the Group, with the particularities they can establish.

In those investees that are not part of the Group, the Company will promote, through its representatives in its management bodies, the alignment of its own policies with those of the Company, in such a way that they follow the principles and guidelines consistent with those established in this *Sustainable Management Policy*.

2. Main Principles of Conduct

Based on these considerations, the Group's commitment to sustainable management rests upon the following main principles of conduct:

a) Competitiveness in the energy products supplied, through the achievement of efficiency in energy generation, transmission and distribution processes such that products can be offered at the best possible price, the use of technologies entailing low operation and maintenance costs, as well as a combination of diversified generation technologies that includes the most competitive energy sources based on weather and market conditions.

b) Safety in the supply of energy products, resorting whenever possible to locally-produced primary energy sources, using renewable energy resources, and ensuring the reliability and availability of generation, transmission and distribution facilities.

c) Reduction of the environmental impact of all activities carried out by the companies of the Group through lower-emission energy generation, the implementation of biodiversity programs, operational efficiency - including a sustainable use of natural resources, the prevention of contamination and the appropriate management of waste generated by the activities carried out.

d) Creation of value for shareholders, customers and suppliers, guarding corporate profits as one of the pillars of the future sustainability of the Company and the Group.

e) The impetus of the social dimension of the activities of the Group, beginning with service to the communities in which it does business, bringing energy to the largest number of people possible, promoting universal access to energy supply, paying special attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing on-going access to energy and gas supply according to the policies established by the competent government administrations in each case. All of the foregoing is carried out with full respect for human rights in the regions in which the Group does business.

3. Sustainable Management

In further development of the principle regarding safety in the supply of energy products, the Group works to maintain high-quality service in order to ensure the availability of energy, as well as to have in place both a robust transmission and distribution network ready to withstand extraordinary events and the means required to restore service within the shortest possible period.

The Group also fosters a responsible use of energy by supporting energy saving and efficiency measures.

In further development of the principle regarding reduction of environmental impact, the Group particularly strives to make a rational and sustainable use of water and to manage the risks relating to the scarcity thereof.

In further development of the principle regarding the creation of value, the best good corporate governance practices available to it are in operation, including codes of conduct and compliance and risk management codes, designed to guarantee transparency in the provision of information and to preserve the creation of shareholder value.

Moreover, the Group works on achieving excellent management of its relations with customers, offering them energy products tailored to their needs and capturing the opportunities provided by the market.

Finally, the Group does business in close cooperation with the large value chain, responsibly performing its role as a powerful business driver within the energy industry.

In further development of the principle promoting the social dimension of its activities, the Group is engaged in responsible, excellent management of human resources and encourages the formation of teams with a sense of commitment through recognition of the work performed, training in line with the skills of its employees and the promotion of gender equality in all of its activities.

In addition, the Group contributes to sustainable development through public awareness campaigns for the efficient consumption of its products and services.

Furthermore, the Group assumes a commitment to leadership in the area of sustainable event management, encouraging the contribution of all participants in its value chain.

For this purpose, all activities, products and services relating to the events organized by the companies of the Group -including their entire management cycle- must be in accordance with the main principles of conduct set forth in the Purpose and Values of the Iberdrola group and in this Sustainable Management Policy. In particular, the events of the Group must scrupulously comply with all applicable requirements in each case (especially including laws on safety and health, noise, waste, privacy and personal data protection), promoting accessibility, inclusion and non-discrimination in the planning and execution thereof.

To ensure compliance with said goals, the Company has established a *Group Events Manual* providing the guidelines that must govern all events of the Group.

In addition, in order to achieve the coordinated and sustainable management thereof, each of the corporate and business divisions of the Group shall be responsible for planning the events to be carried out within their respective areas of activity and to report any corporate event to the Communication Division (or such division that hereafter assumes the duties thereof), which, if appropriate, may make specific recommendations relating to the organization thereof in order to optimize their impact on stakeholders and to rationalize the use of the Group's resources.

After the conclusion of the event, the responsible division must report to the Communication Division regarding the event in accordance with the parameters specified in the *Group Events*

Manual, identifying and evaluating the significance of the economic, social and environmental impacts thereof.

In addition, Group companies shall establish sustainable management systems for events whose importance and complexity so require, in which they shall obtain the engagement of all interested parties and shall take into consideration their needs and expectations.

Finally, the companies of the Group, with the collaboration of their suppliers and the other participants in the value chain, shall obtain continuous improvement of the sustainable event management systems and the performance of each of the events organized, promoting their transparency through the establishment of procedures for communication with interested parties.

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This *Sustainable Management Policy* was initially approved by the Board of Directors on July 19, 2018 on the denomination of *Sustainability Policy* and last updated at the Board of Directors meeting of March 13, 2019.