



Innovation Policy



17 December 2019

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) believes that innovation is a strategic variable that affects all of the businesses and activities of the Company and of the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”).

Therefore, it promotes the creation of an innovative ecosystem based on the attraction of outside talent and the exploration of new pathways for collaboration, in order to design new solutions that allow for the sustainable creation of value for the Company and its stakeholders. It also promotes internal talent, implementing a culture of innovation at all levels, that facilitates the successful handling of the challenge of incorporating new technologies.

1. Purpose

The wager on innovation is a priority for ensuring sustainability, efficiency and competitiveness and for keeping the Company at the forefront of developing the new products, services and business models that are transforming the industry.

Pursuant to the provisions of the *Purpose and Values of the Iberdrola group*, this *Innovation Policy* (the “**Policy**”) is intended to define and disseminate the strategy that allows the Company and its Group to continue 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 sustainable development, the promotion of renewable energy and the exploitation of the opportunities offered by digitisation and automation, **as well as** a wager on emerging technologies and driving the digital transformation of its businesses, 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 to which the Group subscribes.

The Company sees innovation as an open and decentralised process. It is decentralised because it is carried out independently in each business unit, but consistently, thanks to the support and coordination provided by the Company’s Innovation, Sustainability and Quality Division, which reports 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 all of its technology suppliers, including universities, technology centres and equipment manufacturers, in its innovation process.

2. Main Principles of Conduct

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

- a. Lead innovation in clean energies that contribute to decarbonisation of the economy and accelerate the transition towards a healthier and more accessible electricity-based energy model.
- b. Promote research, development and innovation (RD&I) activities, focusing on efficiency aimed at the ongoing optimisation 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. Drive the digital transformation of the Group’s businesses in order to improve the operation and maintenance of its assets and to increase the availability of its generation plants.
- d. Keep the Group at the forefront of new technologies and disruptive business models, by encouraging a “culture of innovation” that pervades the entire organisation and promotes motivating work environments that favour and reward the generation of ideas and innovative practices by professionals, accepting implicit risk and recognising creative contributions.
- e. Encourage innovation in collaboration with start-ups, entrepreneurs and suppliers in order to develop new disruptive business models, favour the exchange of knowledge and have a knock-on effect among them.
- f. Foster cooperation and alliances with the academic, intellectual and technology world, by means of links that make it possible to multiply the innovative capacity of the Group.
- g. 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.
- h. Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible and socially inclusive.
- i. Incorporate innovation into all training within the companies of the Group by means of courses and specific programmes to develop skills relating to creativity.
- j. Implement an innovation management system that includes the establishment of annual targets and goals as part of an ongoing improvement procedure, managing the Company’s human and intellectual capital as an essential support for the entire creative and innovative process.
- k. 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 and the new needs and risks of the market.
- l. Circulate internally the knowledge gained, so that all professionals are familiar with the best practices applicable to their

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activity in the search for efficiency and effectiveness in the processes of the Group.

- m. 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.
- n. Support innovations that provide added value for users and boost the satisfaction of shareholders, customers, professionals and other stakeholders.

3. Innovation Strategy of the Listed Country Subholding Companies of the Group

The provisions of this *Policy* shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own innovation strategy, which must be consistent with the policy established for the rest of the Group and with the provisions of this *Policy*.

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This *Policy* was initially approved by the Board of Directors on 18 December 2007 and was last amended on 17 December 2019.

