

Corporate Risk Policies

Financial Risks Policy

April 23, 2019

The *Financial Risks Policy* establishes the basic principles and the general framework of action for controlling and management of financial risks consolidated for the NEOENERGY group, including market, liquidity and solvency risks.

The *Financial Risks Policy* establishes the centralization of the management of all financial risks in the Financial Directorate and aims to:

- a) Ensure liquidity with the minimum of financial expense;
- b) Establish adequate levels of risk, seeking the best risk-return relationship within the established limits;
- c) Transfer to third parties the financial risks that should not be made by the Group;
- (d) Maintain solvency and leverage indicators at levels that support a good credit rating of NEOENERGIA in accordance with the objectives established by the shareholders.

Credit Risk Policy

April 23, 2019

The *Credit Risk Policy* establishes the principles and the framework for controlling and credit risk management and, more broadly, to any counterparty risk that can generate economic or financial loss in the event of contractual counterparty obligations noncompliance.

In particular, the *Credit Risk Policy* establishes the identification and segregation into homogeneous groups by type of credit exposure within the Group, the application of corporate criteria for the acceptance of counterparties and the assignment of risk limits according to credit quality criteria.

Energy Market Risk Policy

April 23, 2019

The *Energy Market Risk Policy* establishes the principles and the framework for controlling and a consolidated basis energy market risk management for the NEOENERGY group. This Policy applies itself to managing economic or financial potential loss of liberalized business, renewable, networks, purchase and sale of energy due to adverse movements in energy prices in the short and long term and the effects of other factors and risks with

affect the prices. These differential criteria are given for activities in the free and regulated market.

Operational Risk Policy in Market Transactions

April 23, 2019

The *Operational Risk Policy in Market Transactions* establishes the principles and the framework for controlling and management of operational risks and all short and long market transactions of energy management and NEOENERGIA group treasury, which may generate direct or indirect economic losses resulting from inadequate internal procedures, technological failures, external or internal events, human error or fraud in market operations.

This *Operational Risk Policy in Market Transactions* is based on the following basic principles:

- a) Strong risk culture;
- b) Adequate segregation of duties;
- d) Formalization of clear policies and processes;
- e) Secure and flexible information systems.

Insurance Policy

April 23, 2019

The Insurance Policy establishes the basic principles and the framework for the controlling and insurance management, in order to mitigate the Group's exposure against construction and transportation operational risks and the respective civil liability risks of all business of NEOENERGY Group.

The *Insurance Policy* defines the coverage limits of insurance policies for property damages, civil liability, cyber risks, among others.

Investment Policy

June 28, 2018

The *Investment Policy* establishes the principles and the framework of action for analysis, monitoring, controlling and management of the associated risks of the new investment and divestment projects of the NEOENERGY group.

In particular, the *Investment Policy* sets limits on profitability and risk term for each project.

Information Technology (IT) Policy

April 23, 2019

The *IT Policy* establishes a governance model, basic principles and a general framework of risk management for IT and telecommunication systems associates, who make up the IT of NEOENERGY Group, as well as the business applications and

necessary infrastructure to enable efficient and effective business.

The *IT Policy* defines the framework of integrated management that allows a global technology focus and seeks to ensure proper management of information technology and the associated risks, boosting the creation of value through effective and innovative use of information technology and satisfaction of internal and external users with the level of commitment and services provided, maintaining a balance between benefit generation, optimization of risk levels and sufficient use of resources.

Cybersecurity Risk Policy

May 22, 2019

The *Cybersecurity Risk Policy* establishes the principles and framework for controlling and management risks derived from threats and vulnerabilities of control systems, information and communications systems of NEOENERGIA group or any other asset that is part of Group Cyberinfrastructure, including information assets.

In addition, establishes guidelines of a common cyber security management model for the entire Group coordinated by a Cybersecurity Committee based on the development of global rules and application rules in all business and corporate functions to promote a solid culture of cybersecurity.

Reputational Risk Policy

April 23, 2019

The *Reputational Risk Policy* establishes the principles and framework for managing opportunities for favorable behavior and reputation risk management, which is part of the group's value creation cycle of NEOENERGY Group.

Purchasing Policy

April 23, 2019

The *Purchasing Policy* establishes the global framework for the controlling and management of market, credit, business, regulatory, operational, reputational, criminal and cybersecurity risks of activities of materials and equipment purchase and works and services contracting throughout the Group with particular emphasis on compliance with the ethical commitments of NEOENERGIA Group and its suppliers.

The *Purchasing Policy* establishes the purchases coordination of companies globally, respecting the standards used, in order to obtain the best purchasing conditions through the use of tools, the necessary resources and structure. In addition, clearly contributes to the responsibilities and delegation of authority at every stage of the purchasing process, according to the

quantity, value and nature of the purchases, ensuring adequate segregation of duties and the full respect of the corporate organization.

Specific Risk Policies for the Group's Different Businesses

Liberalized Business Risk Policy

April 23, 2019

The *Liberalized Business Risk Policy* establishes the basic principles and the overall framework of action to controlling and managing the risks associated with the liberalized business encompassing the activities of thermal generation and the commercialization of energy.

Renewables Business Risk Policy

April 23, 2019

The *Renewables Business Risk Policy* establishes the basic principles and the general framework of action for controlling and management of the risks associated to the renewable business that encompasses the activities of hydroelectric and wind generation.

Network Business Risk Policy

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The *Network Business Risk Policy* establishes the principles and the framework for the controlling and management of the risks associated to the network business that encompasses the activities of distribution and transmission of energy.