

CORPORATE RISK MANAGEMENT GENERAL POLICY

The **BOARD OF ADMINISTRATION** of NEOENERGÍA, S.A. (“**NEOENERGIA**” or the “**Company**”) is responsible for establishing the *Corporate Policies* which comply with the principles of corporate governance, standardization, compliance with risk limits and socioeconomic responsibility.

The Company’s *Corporate Risk Management General Policy* rests upon the following pillars:

1. Purpose

To establish the basic principles and general framework for the control and management of all kinds of risks facing the Company and the companies belonging to its group (“**NEOENERGIA group**” or “**Group**”).

This Policy is further developed and supplemented by the *Corporate Risk Policies* and the *Specific Risk Policies*.

2. Scope

The *Corporate Risk Management General Policy* applies to all NEOENERGIA group companies, and must be reproduced by its subsidiaries, within the limits established by the respective bylaws and the applicable law.

At those companies in which NEOENERGIA is not a controller, principles, guidelines, and risk limits consistent with those established in the *Corporate Risk Management General Policy* maintenance of the appropriate information channels to ensure the knowledge and monitoring of risks.

3. Main Risks - Definitions

- a) **Corporate Governance Risks:** the NEOENERGIA group accepts the need to achieve the fulfilment of the corporate interest and the sustained maximization of the economic value of the Company and its long-term success, in accordance with the Group’s corporate interest, culture, and corporates vision, taking into account the legitimate public and private interests that converge in the conduct of all business activities, particularly those of the various stakeholders and communities and regions in which NEOENERGIA group and its employees act. A fundamental requirement for the foregoing is compliance with the Company’s Corporate Governance System, made up of the By-Laws, Purpose and Values of the NEOENERGIA group, the Code of Ethics, the *Corporate Policies* and the internal corporate governance rules, and the other internal codes and procedures

approved by the competent decision-making bodies of NEOENERGIA and inspired by the good governance recommendations.

- b) **Market Risks:** Possibility of economic or financial losses due to the exposure to market variables, such as adverse movements in energy prices in the short and long term and to the effects of other factors and risks that impact energy prices, such as: (i) changes in key business variables such as demand and supply, hydrology, entry or delay of new projects in the energy matrix, strategy of the other agents; (ii) changes in the current regulation or in its interpretation; (iii) cost overruns due to changes in volume or price in open positions due to technological failure, human failure or any other operational cause, exchange rates, interest rates, commodity prices, energy prices and financial asset rates others.
- c) **Credit Risks:** Possibility of economic or financial losses due to non-compliance with financial and contractual obligations of counterparties, including the risk of bankruptcy and replacement cost, such as default or non-performance. Counterparties can be end customers, counterparties in financial or energy markets, partners, suppliers, contractors, among others.
- d) **Business Risks:** Possibility of economic or financial losses due to the uncertainty of variables intrinsic to the NEOENERGIA group, such as the balance of supply/demand of electricity, hydrology and the strategy of different players.
- e) **Regulatory and Political Risks:** Possibility of economic or financial losses due to the creation or change in the standards established by the regulatory bodies over which the electric sector supports its operations, such as change in the degree of control of regulated activities and supply conditions, or in environmental or tax regulation, including the risks relating to political changes that might affect legal security and the legal framework applicable to the businesses of the Group in each jurisdiction, nationalization or expropriation of assets, the cancelation of operating licenses, and the termination of government contracts.
- f) **Operational, Technological, Environmental, and Social Risks:** Possibility of economic losses resulting from inadequate internal procedures, technical failures, human error, or as a consequence of certain external events, including the economic, social, environmental, and reputational impact thereof, as well as legal and fraud risks. Said risks include those associated with information technology and cybersecurity, as well as the risk of technological obsolescence, among others.
- g) **Reputational Risks:** Potential negative impact on the value of NEOENERGIA group resulting from conduct on the part of the Company that is below the

expectations created among various stakeholders, as defined in the Stakeholder Relations Policy.

4. Basic Principles

Board of Administration undertakes to develop all of its capabilities in order for the significant corporate risks to all the activities and businesses of the NEOENERGIA group to be adequately identified, measured, managed, and controlled, and to establish the basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

- a) attain the strategic objectives formulated by the NEOENERGIA group with controlled volatility, with risk management as a strategic tool to support decision making;
- b) provide the maximum level of assurance and guarantees to the shareholders;
- c) protect the results, the image and reputation of the NEOENERGIA group, respecting the *Code of Ethics*, the internal rules and the Law;
- d) defend the interests of customers, shareholders, other groups interested; and
- e) ensure corporate stability and financial strength in a sustained fashion over time.

All actions aimed at controlling and mitigating risks shall conform to the following basic principles:

- a) Integrate the risk/opportunity vision into the NEOENERGIA group's management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions;
- b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control, and monitoring which perform the functions of compliance, internal controls and corporate risk management, ensuring an appropriate level of independence;
- c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law;
- d) Inform regulatory agencies and the principal external groups of interest, in a transparent fashion, regarding the risks facing the NEOENERGIA group and the operation of the systems developed to monitor such risks, maintaining suitable channels that favor communication;
- e) Ensure appropriate compliance with the corporate governance rules established by the Company through its Corporate Governance System and the update and continuous improvement of such system within the framework of the best

international practices as to transparency and good governance, and implement the monitoring and measurement thereof; and

- f) Act at all times in compliance with the law and the NEOENERGIA group's Corporate Governance System and, specifically, with due observance of the values and standards reflected in the NEOENERGIA group's *Code of Ethics* and the principles and good practices reflected in the Corporate Tax Policy, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud.

5. Comprehensive Risk Control and Management System

The *Corporate Risk Management General Policy* and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system supported by the Risk Committee, based upon a proper definition and allocation of duties and responsibilities and upon supporting procedures, methodologies, and tools, suitable for the various stages and activities within the system, including:

- a) The establishment of a structure of policies, guidelines, and limits, as well as of the corresponding mechanisms for the approval and implementation thereof;
- b) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the accounts (including contingent liabilities and other off-balance sheet risks);
- c) The Risk Management Superintendence of the NEOENERGIA group is responsible for defining, evaluating and monitoring the risks identified in the Corporate Risk Policies and in the Specific Risk Policies for the business of the NEOENERGIA group, and may delegate such functions under the terms of the specific policies;
- d) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the NEOENERGIA group as a whole;
- e) The measurement and control of risks following homogenous procedures and standards common to the entire NEOENERGIA group;
- f) The analysis of risks associated with new facilities, as an essential element in risk/return-based decision-making, including the risks of integrality of assets and associated with climate change;
- g) The maintenance of a system for internal control for monitoring of compliance with policies, guidelines, and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialization of risk;

- h) The periodic monitoring and control of profit and loss account risks that might have a significant impact in order to control the volatility of the annual income of the NEOENERGIA group;
- i) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model; and
- j) The audit of the comprehensive risk control and management system by the Internal Audit Division.

6. Structure of Risk Policies

The *General Risk Control and Management Policy* is further developed and supplemented by the *Corporate Risk Policies* and the *Specific Risk Policies* established in connection with certain businesses of the NEOENERGIA group, which are also approved by the Board of Administration:

- *Corporate Risk Policies:*
 - *Financial Risk Policy*
 - *Credit Risk Policy*
 - *Market Transactions Operational Risk Policy*
 - *Energy Market Risk Policy*
 - *Insurance Policy*
 - *Purchasing Policy*
 - *Investment Policy*
 - *Information Technology Policy*
 - *Cybersecurity Risk Policy*
 - *Reputational Risk Policy*
- *Specific Risk Policies for the Various Group Businesses:*
 - *Risk Policy for the Networks Businesses*
 - *Risk Policy for the Liberalized Businesses*
 - *Risk Policy for the Renewable Energy Businesses*

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This Policy was approved in a meeting of the Board of Administration of NEOENERGIA held on 01/12/2017 and modified for the last time on July 16, 2019.