

# General Sustainable Development Policy

March 13, 2019

The Board of Directors of NEOENERGIA SA (the "**Company**") has the attributed competence to prepare, evaluate and review on a permanent basis the Corporate Policies that present the guidelines governing the performance of the Company and the companies integrated in the group, in the sense established by law, is the Company (the "**Group**") and they develop the principles reflected in the Purpose and Values and the other rules of the Corporate Governance System.

Among the different *Corporate Policies* approved, the General Sustainable Development Policy aims to ensure alignment of all the Group's activities with its purpose, that is, to continue constructing, every day, a healthier and more accessible model of electric energy, as well as in its Company's statutory commitment to the social dividend and the Sustainable Development Objectives approved by the United Nations World Organization.

## 1. Purpose

This General Sustainable Development Policy establishes the general principles and bases the basis for the Group's sustainable development strategy to ensure that all corporate and business activities are committed and promote value creation in a sustainable way for society, citizens in general, the shareholders, communities in which the Group is present and clients, equitably repaying all the collectives that contribute to the success of its business project; promoting the values of sustainability, integration and dynamism, favoring the achievement of the Sustainable Development Objectives and rejecting the actions that contravene them or become obstacles.

The real and effective implementation of this sustainable development strategy, together with the Corporate Governance System that supports it, is the virtual core of the Group, one of the key elements that sets it apart from its competitors and which is decisive for its consolidation as the company preferred by its interest groups. The general principles and bases compiled in this General Sustainable Development Policy are developed and specified in specific sustainable development policies that meet certain needs and expectations of the main interest groups of the Company.

## 2. Application Scope

The General Sustainable Development Policy is applicable in all the companies that make up the Group, except for the companies listed or with the presence of minority partners with equivalent policies. In any case, these policies must be in accordance with the principles established in this General Sustainable Development Policy and in other sustainable development policies.

In those subsidiary companies 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, so that they follow the principles and guidelines consistent with those established through this General Policy on Sustainable Development and other sustainable development policies.

### **3. Objectives of the *sustainable development strategy*.**

In the fulfillment of the corporate interest as defined in the Bylaws, there is a sustainable development strategy that favors the "creation of sustainable value" through the development of the activities included in its corporate purpose, taking into account the other groups of interests related to its business activity and its institutional reality.

For this, it should be taken into account that, in accordance with the provisions of the Company's fundamental rule, "(...) maximization of the social dividend and the Company's commitment to creating value in a sustainable way, ethical principles, transparency and good corporate governance, the development of its human team, social commitment, sense of belonging, safety and reliability, quality, innovation, respect for the environment, customer orientation and loyalty are essential values that the Board of Directors takes into account to define the Group's strategy".

In compliance with the statutory mandate imposed by the Company's shareholders, its Board of Directors established a sustainable development strategy aligned with the Group's implementation of a business project oriented towards creating value in a sustainable way for all its stakeholders, providing a quality service through the use of energy sources respectful of the environment, keeping in mind the opportunities offered by the knowledge economy and committed to the Sustainable Development Objectives approved by the United Nations, especially in relation to the objectives seven and thirteen, on universal access to energy and the fight against climate change.

To this end, the Group innovates, undertakes new investments and promotes more efficient, sustainable and clean technologies, promotes growth and develops the talent and technical and human capacities of its professionals, works for the security of people and supplies and strives to build a project of joint business success, with all participants in its value chain, sharing the achievements reached with its stakeholders.

The sustainable development strategy will ensure the achievement of the following objectives, taking as reference the principles included in the Sustainable Development Objectives, approved by the United Nations

- a) To promote the fulfillment of the Purpose, namely, to continue constructing, every day, a collaborative model of electricity, which is healthier and more accessible, as well as the promotion of the Group's three corporate values, that is, sustainable energy, strength the momentum.
- b) Promote the participation in the Company's Business Project of all interested parties through the social dividend generated by the Group;
- c) To promote the achievement of the Group's strategic objectives, in order to provide a safe, reliable, quality and environmentally-friendly supply of energy;

- d) To improve the competitiveness of the Group through the use of management practices based on innovation, equal opportunities, productivity, profitability and sustainability;
- e) To manage in a responsible way the risks and opportunities, maximizing the positive impacts of its activity in the different territories in which it operates, and minimizing, as far as possible, negative impacts, moving away from short-term or non-pondering approaches interests of all interest groups;
- f) To foster a culture of ethical behavior and to increase corporate transparency, in order to generate credibility and trust in the interest groups between which society as a whole is present;
- g) To promote relationships of trust and the creation of value for all its Interest Groups, giving a balanced and integrating response to all of them, paying special attention to involving local communities in order to gather their expectations on possible relevant issues, to take them into account; and
- h) To contribute to the recognition of the Group and to improve its reputation.

#### **4. The corporate dividend**

The Company produces and supplies energy to more than 34,149 million people in the concession areas in which it operates.

In accordance with the provisions of its Bylaws, the Company contributes with the social dividend generated by its activities by promoting the business communities in which the Group participates or leads, from both the economic and business ethics perspectives, the promotion of equality and justice, fostering innovation, caring for the environment and commitment to the fight against climate change, as well as taxes collected by the Group companies in the territories in which it operates, quality and, in general, in the fulfillment of its corporate purpose in accordance with the principles established in its sustainable development policies.

The contribution to the communities in which the Group carries out its activities with its social dividend is one of the basic premises for the success of the Company's business project and takes as reference the Sustainable Development Objectives approved by the United Nations World Organization whose principles are accepted and support each other. This strategy aims to put the Group at the forefront of best practices in this area and position it as one of the best companies.

In line with renewable energies, with its commitment to promoting energy efficiency and universal access to energy services, and in line with the provisions of its Climate Change Policy, the Group contributes significantly to the achievement of objectives seven and thirteen, related to the supply of accessible and non-polluting energy and the fight against climate change, respectively.

In addition to being the Group's most significant contributor to the Group's leadership, combating climate change and the development of clean energy that contribute to the decarbonisation of the economy are the two fundamental pillars of the Group's strategy.

Likewise, with its commercial activity and in particular with the way in which it develops, the Group contributes to the fulfillment of the eighth objective, which promotes sustainable and inclusive economic growth, productive employment and decent work; and ninth, in relation to industry, innovation and infrastructures.

However, the Group's commitment to the Sustainable Development Objectives approved by the United Nations World Organization goes further when, in its ordinary activity, the Company must take into account, as a guideline in its decision-making processes, all objectives whose principles report their performances and their daily work, rejecting actions that contravene them or that hinder them.

Thus, society works to measure the social dividend generated by the Group through its business activity, which is the main source of value creation for the communities in which it is present, giving priority to cleaner and safer energies and promoting measures to protect vulnerable groups, with collaborations, sponsorships and specific actions of social content, directly or in collaboration with entities of a foundational nature, linked to the Group and, in general, with an institutional strategy at a global level, committed to business ethics and the Development Objectives (ODS) approved by the United Nations Organization, open to its interest groups, favoring its involvement, as well as the design and periodic execution of awareness on different issues that promote sustainable development.

In this sense, the measurement of the social dividend seeks to cover the main direct, indirect and induced impacts generated by the Group's activities, present and future, consistent with the Company's commitment to creating long-term sustainable value for its shareholders.

Due to the heterogeneity of sustainable development goals and objectives, the Group uses a broad set of indicators to assess the contribution of different points of view. Even when, because of the intangible nature of many of its performances, the indicators do not capture the totality of the impacts generated, the results obtained constitute an effective evaluation tool to verify the accomplishment of the statutory commitment with the social dividend in the communities in which the Group develops its activities. This assessment is taken into account by the Management Board in defining the Group's strategy and is shared in a transparent manner with all stakeholders.

## **5. Implementation and coordination of the Group's sustainable development strategy**

The execution, monitoring and supervision of the sustainable development strategy is the responsibility of the different companies of the Group, in accordance with the corporate and governance structure of the Group, defined in the Corporate Governance System and, in particular, in the General Corporate Governance Policy Corporate governance, and will be carried out in accordance with the principles of decentralized management through the various committees responsible for sustainable development and reputation.

## **6. General Principles of Action**

In order to achieve the objectives proposed in the theme of sustainable development, the Company adopts the following general principles of action:

- a) Comply with the legislation in force in the territories in which it operates and assume the ethical leadership of the business communities in which the Group is present, adopting, in a complementary and voluntary manner, international commitments, norms and guidelines where there is no adequate or sufficient legal development, supporting their relations with the competent public authorities, in each jurisdiction, in their loyalty, trust, professionalism, collaboration, reciprocity and good faith;

- b) Support, through adoption and dissemination, the principles of the Sustainable Development Objectives approved by the United Nations and the United Nations World Agreement, and in particular the Universal Access to Energy and the fight against climate change, of the Paris Agreement, as well as other international instruments, especially in the areas of human rights, labor practices, the environment and the fight against corruption;
- c) To align its performance with the Purpose and *Values* and follow the guidelines contained in other Corporate Governance System standards, and especially in the *Code of Ethics*, which regulates the conduct of all those responsible, considering what the Group waiting for its administrators, professionals and suppliers;
- d) To favor free market practices, refusing any kind of illegal or fraudulent practice, implementing effective mechanisms of prevention, vigilance and sanction of irregularities. In particular, a commitment is made to pursue and denounce any corruption practices that may manifest themselves in the Group in any of the territories in which it operates;
- e) Adopt advanced corporate governance practices, aligned with the recommendations of good governance of general recognition in international markets, supported by corporate transparency and mutual trust with Stakeholders; and
- f) Promote communication and dialogue, as well as favor the Group's relations with its shareholders, investors, employees, customers, suppliers and, in general, with all its Interest Groups, in accordance with the provision of the *Policy of Relations with Stakeholders* to strengthen the sense of belonging to an excellent company, achieve a balance between corporate values and social expectations and adapt, as far as possible, the Group's policies and strategies to the interests, concerns and needs of the said groups of interest, using all the communication tools available to them, such as direct contact, social networks, consultation procedures, as well as the Company's corporate website and those of the different Group companies.

## **7. Principles of transversal action.**

The following describes the basic principles of the Group's performance in relation to the different aspects of sustainable development and corporate social responsibility common to all stakeholders. All of them represent the Group's commitment to the social dividend generated by applying these principles of development to the Group's business activities.

### **7.1 Principles of action in relation to the creation of sustainable value**

The creation of sustainable value is the fundamental principle that should govern the Group's policies, strategy and operation and supports the equitable remuneration of all the groups that contribute to the success of the Group's business project and the consideration of the social return of the new investments, generating employment and wealth for society with a long-term vision, in search of a better future without compromising the present results.

Its fundamental principles of action are developed in the Sustainability Management Policy and are synthesized in the following:

- a) Promote universal access to energy, with environmentally sustainable, economically viable and socially inclusive models, leading the fight against climate change and the development of clean energy that contribute to the decarbonization of the economy;
- b) Establish instruments to strengthen the competitiveness of energy products provided through efficiency in the generation, transmission and distribution of energy. Therefore, the Company has special attention to the excellent management of its processes and resources, using the instruments developed in the Quality Policy;
- (c) Implement measures to ensure the safe and reliable supply of energy products;
- d) Promote the sustainable use of resources, promoting the minimization of impacts in line with the provisions of the Company's environmental policies; and
- e) Strengthen the social dimension of the Group's activities and contribute to sustainable development through, among other measures, citizen awareness of responsible consumption of products and services.

## **7.2 Principles of action in relation to transparency**

Transparency is key to conveying confidence and credibility to both markets and investors, as well as officials and the rest of Stakeholders. The Company undertakes to:

- a) Disseminate relevant, true and reliable information about the performance and activities of the Group;
- b) Promote transparency, assuming the commitment to prepare and annually publish financial and non-financial information, of its activity following the accepted methodologies and submitting the information to independent external verification; and
- c) Facilitate the complete and true information about the taxes collected by the companies of the Group in the territories in which they operate.

In particular, the Company shall publish, in addition to the additional information required by applicable legislation or voluntarily assumed by the Company or any of its Group companies, the following reports: the *Annual Corporate Governance Report* and the *Sustainability Report*.

## **7.3 Principles of action in relation to the development and protection of intellectual capital**

Intellectual capital is the main differential element of competitive firms. Therefore, the Company considers its development and protection a fundamental aspect of the *Knowledge Management Policy* and the *Corporate Security Policy*, whose basic principles of action are:

- a) Promote initiatives, procedures and tools that allow real and effective use of the Group's intellectual capital; and

b) Develop specific defense plans that ensure adequate protection of the Group's intellectual capital, especially in the area of cybersecurity and the fight against industrial espionage, in accordance with the provisions of the Corporate Security Policy.

#### **7.4 Principles of action in relation to innovation**

The Company believes that innovation is the Group's main tool for ensuring sustainability, efficiency and competitiveness, and it is a strategic variable that affects all its businesses and all the activities it carries out. The basic principles of action that develop the vocation of the Group to lead in innovation within the energy sector are detailed below and are developed in the *Innovation Policy*:

a) Foster research, development and innovation (R&D&I) activities, focusing on sustainable development and the promotion of renewable energies and emerging technologies;

b) Obtain innovations that favor sustainable growth and efficient management of resources and that contribute to the social and economic development of the environment where the Group carries out its activity;

c) Develop projects in the area of universalization of energy services, based on environmentally sustainable, economically viable and socially inclusive models; and

d) Put the Group at the forefront of new technologies in the company's business models.

#### **7.5 Principles of action in relation to responsible supervision**

The taxes collected by the Group, in the places where it operates, are the main contribution of the Group companies to the maintenance of public charges and, therefore, one of their contributions to society.

Within the scope of the *Corporate Tax Policy*, the Group makes the following commitments:

a) Compliance with tax legislation in the different places in which it operates;

b) Adoption of tax decisions on the basis of a reasonable interpretation of the applicable regulations and in close connection with the Group's activity;

c) Not to constitute or acquire companies resident in tax havens, with the sole exception of the cases in which it may be obliged to do so, since it is an indirect acquisition in which the company resident in a tax haven is part of a group of companies being acquired;

d) Waiver of the use of structures of an unclear or artificial character, unrelated to the Group's own activities and with the sole purpose of reducing its tax burden. In particular, a commitment is made not to carry out transactions between entities bound by motivations exclusively for erosion of the tax base or transfer of benefits to low taxation territories; and

e) Relations with the authorities, in matters of taxation, based on trust, good faith, professionalism, collaboration, loyalty and reciprocity, without prejudice to the legitimate

controversies that, respecting previous principles and in defense of social interest, can be generated with such authorities in relation to the application of standards.

## **8. Principles of action in relation to the main Stakeholders**

### **8.1 With the shareholders**

The guiding principles of the relationship are:

- a) The shareholders must exercise their rights vis-à-vis the Company and other shareholders, fulfilling their duties with loyalty, good faith and transparency, within the scope of the corporate interest as a priority interest, vis-à-vis the individual shareholder and in accordance with the Corporate Governance System of Company; and
- b) The Company favors the informed participation of the shareholders in the General Shareholders' Meeting and adopts the appropriate measures to facilitate that it effectively exercises its functions and competences according to the law, the Shareholders' Agreement and the Corporate Governance System.

### **8.2 With the communities in which the Group operates**

In its operation, the Group assumes the following operating principles regarding the different territories and communities in which it operates:

- a) Build firm relationships with the communities in which the Group carries out its activity and, in this way, generate trust and strengthen a sense of belonging to an excellent company, of which they feel an integral part;
- b) Harmonize the activities of the Group in the different territories in which it works with the different social and cultural realities;
- c) Strengthen relations of trust with the different communities with which it interacts, by supporting the different public administrations and social organizations of reference, promoting, where advisable, consultation processes to meet the expectations of interest groups affected by relevant issues;
- d) Favor access to energy, both for groups with special economic difficulties and isolated communities;
- e) Strengthen respect for the rights of ethnic minorities in all communities where the Group is present;
- f) Develop corporate volunteer programs and campaigns that promote the participation of the Group's professionals in solidarity actions, with the purpose of promoting the improvement of people's quality of life, care for the environment and sustainable development, universal access to energy and the eradication of hunger, including collection campaigns for projects that seek to meet social needs;
- g) Support the promotion and conservation of the cultural and artistic heritage of the territories and communities in which the Group operates; and

h) Support initiatives that contribute to a healthier, egalitarian and just society, with the support to the empowerment of women, promoting the reconciliation of personal and professional life or equality in sport.

In addition, the Group collaborates with specific projects in developing regions, as well as in areas of humanitarian crisis, actively participating in the search for sustainable solutions to access modern forms of energy.

### **8.3 With the environment**

The Company aims to be the preferred global energy company, among other things, for respect for the environment, as it stands out and develops in the following policies: *Environmental Policy*, *Policy against Climate Change* and *Biodiversity Policy*.

The Group's leadership in combating climate change and the development of clean energy, which contribute to the decarbonization of the economy and respect for the environment, is the pillar of its energy production model and the distinguishing factor in the sector as one of the world's leading groups. This is based on the following fundamental principles of action:

a) To preserve and promote the biodiversity of the ecosystems, landscapes and species of the environments in which the Group carries out its activity, both in the construction phase and in the exploration and dismantling of its infrastructures;

(b) To boost the decarbonisation of the economy to gradually prevent contamination by greenhouse gas emissions, by continuing the development of electricity from renewable sources and progressively introducing more efficient and less carbon intensive technologies in its facilities ;

c) To integrate the climate change variable into the internal decision-making processes as well as the long-term risk analysis and management for the Group;

d) To contribute to the awareness of society on the phenomenon of climate change, its consequences and solutions; and

e) To optimize the management of hazardous and non-hazardous waste by means of established systems that set goals and targets on, among other aspects, waste reduction, use of good practices and use of recycled materials.

### **8.4 With the collaborators and talents**

The Group considers its employees a strategic asset and makes a point of preserving them by providing a good working environment, fostering their development, training and conciliation measures, and promoting equal opportunities.

That is why the companies of the Group work to capture, boost and retain talent, as well as to foster the personal and professional growth of all the people who belong to their human team, making them act as part of their business success project and guaranteeing them a decent and safe job.

The interrelationships between the different Group companies and their employees follow the following principles:

a) To respect the human and labor rights recognized in national and international legislation, especially those whose violation degrades the collective of workers, reprimanding child labor and forced or compulsory labor and respecting freedom of association and

collective bargaining, as well as the rights of ethnic minorities in the places where it carries out its activity, in the terms established in the *Human Rights Policy*;

b) To recruit, select and retain talent under a favorable framework of labor relations, based on equal opportunities, non-discrimination and consideration of diversity in all its variables, encouraging measures to integrate disadvantaged groups or with different capacities, and reconciliation of personal and professional life;

c) To recognize and value family and personal ties among the Group's professionals, as a consequence of the strong local roots of this in the communities in which it has historically developed its business, establishing measures that ensure that employees are neither favored nor discriminated against in internal recruitment or promotion with this link;

d) To establish a remuneration policy that favors the hiring of the best professionals and strengthens the Group's human capital;

e) To promote the formation and qualification of workers, favoring professional promotion and adapting human resources to a diverse and multicultural work environment. This principle of action is developed in the *Policy of Knowledge Management*; and

f) To prioritize a safe and healthy work environment in the Group, as well as in its areas of influence. The measures that favor this objective are described in the *Occupational Health and Safety Policy*.

The above principles are developed in the *Human Resources Policy Framework*, in the *Equal Opportunities and Conciliation Policy* and in the *Recruitment and Selection Policy*.

## **8.5 With the clients**

The Group companies work to meet the needs and expectations of their customers, to offer them the best solutions, defending the smooth functioning of the market in free competition, striving continuously to take care of and increase their satisfaction, to strengthen their connection with the Group and responsible consumption, and therefore assumes the following principles of action:

a) To respect and comply with the norms that regulate communication and marketing activities and assume the voluntary codes that give transparency and veracity to such actions;

b) To prioritize the health and safety of its customers in all the life cycles of the products it markets, by complying with the legislation in each applicable case and to training and informing consumers through various instruments: corporate web pages, billing information and development training and information campaigns;

c) To facilitate information to its customers in each state in which it markets its products and services, allowing a more rational, efficient and safe use of electricity;

d) To pay attention to economically disadvantaged clients or in any other situation of vulnerability, establishing specific amparo procedures and collaborating with the policies that the competent public administrations establish in each case, in order to facilitate the continuous access to the electric power supply;

e) To facilitate the effective access of clients with language or sensory difficulties to the information they need in relation to the services provided by the Group, through the implementation of the appropriate instruments for this purpose;

f) To adopt the necessary instruments, in accordance with the provisions of the *Code of Ethics* and applicable legislation, to guarantee the confidentiality of the data of its clients; and

g) To monitor the quality of the service provided to its clients in the different states in which it operates, through a survey that measures their satisfaction and also with customer service.

#### **8.6 With suppliers**

It is imperative to ensure that all stakeholders in the value chain of the Group companies respond to and conform to the ethical and social responsibility principles of general acceptance, in addition to current legislation and the Corporate Governance System. Therefore, the main lines of action are:

a) To adopt responsible practices in supply chain management; and

b) To ensure that all participants in the value chain comply with the principles and values detailed in the *Code of Ethical Conduct for Suppliers*, regarding business ethics and transparent management, labor practices, health and safety, the environment, quality and safety of marketed products and services, as well as developing responsible practices in the value chain, promoting the strict respect for human and labor rights recognized in national and international legislation, in the development of its activity.

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This General Sustainable Development Policy was initially approved by the Board of Directors on July 19, 2018 on the denomination of General Policy for Corporate Social Responsibility, changed to General Policy for Sustainable Development at a Meeting of the Board of Directors on December 19, 2019 and revised and approved at a meeting of the Board of Directors on March 13, 2019.