



## DIRECTOR REMUNERATION POLICY

April 23, 2019

### 1. INTRODUCTION

Neoenergia S.A.'s ("**Company**") Director Remuneration Policy ("**Policy**") aims to ensure the alignment of the directors' performance with its strategic objectives, in accordance with the best market practices.

### 2. PURPOSE

This Policy aims to define the compensation structure of the Board of Administration, its Advisory Committees and the Company's Executive Board.

### 3. TO WHOM IT APPLIES

This Policy applies to the members of the Board of Administration, its Committees and the Company's Executive Board.

### 4. REMUNERATION OF THE MEMBERS OF THE BOARD OF ADMINISTRATION, ITS COMMITTEES AND THE EXECUTIVE BOARD

The objectives of the compensation programs are to attract and retain professionals with the competencies and values required by the Company, and motivate them to achieve results and create value for shareholders and other stakeholders. In this way, the programs seek to recognize and reward the individual performance related to the Company's results, at competitive levels to those of the market.

The Company's compensation policy is based on the following assumptions of the best interest of shareholders in creating sustainable and long-term value; goals and strategies; best market practices; and in the Company's *Purpose and Values*.

The General Meeting shall determine the total amount of the remuneration of the Board of Administration and of the Executive Board, and the participation in the Company's profit. The Board of Administration shall distribute the remuneration established between its members and the Board of Directors. In turn, the distribution of the remuneration fixed to the Board of Directors among the Company's Directors will be carried out upon proposal of the Remuneration and Succession Committee.

#### **4.1. Board of Administration**

Established by the General Meeting, the remuneration of the Board of Administration is based on a fixed remuneration, which is based on market practices and aims at recognizing the value of the Board Members internally and externally. Such fixed remuneration is paid monthly, and no additional remuneration is foreseen when holding and/or participating in more than one meeting of the Board of Administration within the same month.

The Directors may waive their remuneration by notifying the Board of Administration, through the Secretary of the Board of Administration.

The Directors are not entitled to variable remuneration due to the exercise of their respective positions.

The remuneration of the Secretary of the Board of Administration who is not a Director, member of the corporate bodies or employee of the Company shall be approved by the Board of Administration, upon resolution of the majority of its members.

#### **4.2. Committees of the Board of Administration**

The remuneration of the members of the Advisory Committees is defined by the Board of Administration. The Board Members will receive additional compensation for their participation in Committees and/or other advisory bodies of the Company, as defined by the Board of Administration.

### **4.3. Executive Board**

The Remuneration and Succession Committee shall advise the Board of Administration on the matters of remuneration of the Directors, and shall be responsible for the following functions, among others established in its bylaws: (i) to propose levels of remuneration for Executive Officers, including variable remuneration of the results obtained; (ii) to propose the formulation and evaluation of the strategic objectives of the Company for purposes of variable remuneration of the Board of Administration of the Neoenergia Group; (iii) to plan and recommend strategic actions for the succession of the members of the Executive Board of the companies of the Neoenergia Group; (iv) to propose policies for the selection, evaluation, development and compensation of the members of the Board of Directors of the companies of the Neoenergia Group.

The remuneration of the Executive Officers is fixed by the Board of Administration, always observing the global remuneration limits set by the General Meeting.

In determining the compensation of the Executive Officers, the Board of Administration takes into consideration the Company's results, the individual performance of the Executive Officers, market remuneration surveys and other aspects such as retention risks, skills and knowledge, experience and potential of each executive.

#### **4.3.1. Remuneration of the Board of Directors**

The total remuneration of the Board of Administration is composed of the following elements:

- (i) Fixed Remuneration: Its purpose is to recognize and reflect the value of the position internally and externally, as well as the individual performance, experience, training and knowledge of the executive. The fixed remuneration is reviewed annually.

- (ii) Variable Remuneration: Its objective is to reward the achievement and overcoming of Company and individual goals, aligned with the budget, strategic planning and market. It is composed of an annual (short-term) variable element and another linked to the Company's performance in relation to certain concrete economic, financial and industrial parameters, predetermined, quantifiable and in line with the strategic objectives of the Company and the Neoenergia Group).

The parameters will relate, in large part, to economic, financial, industrial and operational aspects and will be concrete, predetermined, quantifiable and in line with the Company's corporate interests and strategic objectives, as well as the creation of long-term and sustainable value for the shareholders, taking into account the area of activity of the top management and their individual performance.

- (iii) Benefits: A set of welfare benefits, including insurance and pension systems and in kind reimbursements.

The remuneration levels are based on market practice, obtained annually through salary surveys conducted by specialized consultants, from which specific panels of companies are selected that reflect a combination of the following characteristics: (i) similar size to the Company in terms of revenues; and (ii) the Company's area of operation.

#### **4.3.2. Evaluation of the Executive Board**

The purpose of the Executive Board's evaluation is to allow the review and analysis of the contribution of the Company's executive group, in order to achieve the strategic objectives established by the Board of Administration.

A systematic and structured process of evaluation of the Executive Board contributes to promote a superior and consistent performance of the Company.

The regular evaluation of the Directors and other leaders of the organization is the

way to recognize talents and efforts, to reward those responsible for the results obtained and to correct any identified flaws or deficiencies.

The Board of Administration of the Company shall, with the assistance of the Remuneration and Succession Committee: (i) set financial and non-financial performance targets for the Chief Executive Officer at the beginning of his term of office, as proposed by the Compensation and Succession Committee; (ii) define or delegate to the Chief Executive Officer the definition of financial and non-financial performance targets for the other Directors at the beginning of their term of office, as proposed by the Remuneration and Succession Committee; (iii) annually conduct the formal evaluation of the Company's Chief Executive Officer; and (iv) annually conduct or delegate to the Chief Executive Officer the formal evaluation of the other Executive Officers of the Company, which refers to both agreed targets and other subjective evaluation elements.

In the evaluation of the CEO and analysis and approval of the results of the other members of the Executive Board, if applicable, the Board of Administration or the Chief Executive Officer, as the case may be, may rely on the support of external and internal consultants he deems convenient for such.

When the CEO is assigned with the duty of defining targets and evaluating the other Directors, he must implement an annual and systematic process of evaluating the performance of the Board of Administration. The definition of goals and the results of the evaluation of the Executive Board should be shared with the Board of Administration.

## **5. FINAL PROVISIONS**

This Policy was approved by the Board of Administration on April 23, 2019, after the opinion of the Remuneration and Succession Committee, and will come into force on the date of publication of the announcement of the public offering of secondary distribution of common shares issued by the Company.