

# General Corporate Governance Policy

April 23, 2019

The Board of Administration of NEOENERGIA, SA ("**NEOENERGIA**" or the "**Company**") is responsible for setting the general direction of the business and supervising the management of the Company and its business in order to maximize long-term value for its shareholders. The Board of Administration of NEOENERGIA (the "**Board of Administration**") approved this *General Corporate Governance Policy* (the "**General Policy**") to assist in the exercise of its responsibilities to the Company and its shareholders, ensuring the proper functioning of the Board and its committees. This *General Policy* is subject to periodic review and modification by the Board of Administration.

This *General Policy* is intended to be a flexible structure within which the administration agencies of the Company operate, and should be interpreted in the context of the applicable law, the *Bylaws*, the *Purpose and Values of Neoenergia* and the Corporate Governance System. This *General Policy*, together with the *Bylaws* and other corporate governance policies relating to regulatory compliance, risk and social responsibility (collectively, the "**Corporate Governance System**") form the governance structure of NEOENERGIA and its affiliates (collectively, the "**NEOENERGIA Group**" or "**Group**"). This *General Policy* is an essential part of NEOENERGIA's Corporate Governance System and includes the fundamental aspects and commitments of the Company and the Group in this area.

NEOENERGIA's Corporate Governance System is inspired by and based on a commitment to ethical principles, transparency, and leadership in applying good governance best practices, and is designed to be a framework for principled action, effective decision making, and appropriate monitoring compliance and performance. This *General Corporate Governance Policy* is published on NEOENERGIA's website ([www.neoenergia.com](http://www.neoenergia.com)) and will be available in print format for any shareholder who requests it.

## **Principles of the Policy**

### **1. General principles**

The commitment to good corporate governance and transparency is one of the key elements of the Group's strategy to comply with its purpose, to continue building together each day a healthier, more accessible energy model, according to the *Purpose and Values of the Neoenergia Group*. This commitment guides the conduct of the Board of Administration, the committees thereof and the other decision-making bodies of the Company in its relations with shareholders, investors and other stakeholders,

as well as the development of its corporate governance strategy, which is based on the following principles:

a) The good governance recommendations generally accepted in international markets are taken into account in configuring and updating the Corporate Governance System;

b) The Company conceives of the corporate interest as the common interest of all shareholders of an independent company oriented towards the sustainable exploitation of its corporate object and the creation of long-term value for the shareholders' benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees;

c) Transparency is one of the values that configure NEOENERGIA's relations with markets and with the general public. The Company maintains a corporate webpage, conceived as a vehicle of relationship with the different interest groups, in order to foster its involvement in social life. In addition, the Company makes available to its shareholders and investors relevant information on the progress of NEOENERGIA and Group, as provided by law and the Corporate Governance System;

d) The Corporate Governance System incorporates the necessary mechanisms and procedures to prevent, identify and resolve situations of conflict of competence and interest, whether punctual or structural and permanent.

e) The Company seeks to ensure, to the extent of its possibilities, the honesty, suitability, solvency, competence, experience, qualification, training, availability and commitment of its directors and officers;

f) In appointing a member to the Board of Administration pursuant to the Shareholders' Agreement filed at the Company's headquarters, the shareholder shall ensure that the proposed candidates meet suitability, competence and requirements of unblemished conduct, validated with the support of the Company's Compliance Area;

g) The Corporate Governance System maintains a proper separation between the management and supervisory functions within the Company and the Group, as well as the separation between the central strategy function and the decentralized executive responsibilities. This model makes the decentralized structure compatible with the global integration of the business and its orientation to maximize operational efficiency through

the exchange of best practices among the business units of the different companies that make up the Group;

h) The Company's Board of Administration focuses its activity on approving the Group's strategic objectives, defining its organizational model and supervising the compliance and development of this model;

i) The Company respects the autonomy that the other Group companies must have. To this end, the Corporate Governance System includes appropriate measures to protect the interests of minority shareholders of such companies, even if those interests are not fully aligned with those of the Company; and

j) The Company is permanently committed to the application of ethical governance practices and to the maintenance, development and supervision of the Group's Compliance policies. This includes compliance with applicable regulations and risk management policies, seeking to align the Group's internal procedures with the highest ethical standards. The Compliance Area ensures the application of these standards, reporting to the Audit Committee.

### **Shareholders of the Company**

#### **2. Rights and duties of the Shareholders**

Shareholders must exercise their rights vis-à-vis the Company and other shareholders, and must comply their duties, acting with loyalty, in good faith and transparently, within the framework of the corporate interest as the paramount interest ahead of the private interest of each shareholder and in accordance with law and, to the extent applicable, the Corporate Governance System.

Within this context, the Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the above-mentioned principles.

The Company's shareholders signed a Shareholders' Agreement on June 7, 2017, assuring to the tied shareholders the exercise of voting rights, aiming to promote and observe the company's objectives, seek financial return on the investments made, promote adequate services, adopt an agile and efficient administrative structure in compliance with the highest standards of corporate governance and always act in defense of the Company's best social interest.

The General Meeting is the indispensable organ of participation of the shareholders and will be convened and installed in accordance with the Law and the Company's Bylaws, with powers to decide the business related to the object of the company and to take the resolutions it deems appropriate for its defense and development.

## **The Board of Administration and the Committees of the Board**

### **3. The Board of Administration**

The Board of Administration has the broadest powers granted to it by the law and the *Bylaws* to manage and indicate strategic direction to the Company.

The Board of Administration focuses its activity, in accordance with the Corporate Governance System, on approving the strategic goals of the Group, on defining its organizational model and on supervising compliance therewith and further development thereof. The Board of Administration relies on the Executive Committee to perform this supervisory duty.

In the performance of its duties, the Board of Administration pursues the corporate interest and acts with unity of purpose and independent judgement, affording equal treatment to all shareholders in the same situation.

### **4. Composition of the Board of Administration**

The Board of Administration shall be formed according to its Bylaws, and its members shall be elected and dismissed by the General Meeting, with a unified term of office of 2 (two) years, may have their respective alternates, and re-election shall be permitted.

### **5. Selection and appointment of advisors**

The Board of Administration is composed of persons of recognized prestige and professional competence, who act independently of criteria in the performance of the duties inherent to their position.

The *Compliance* Area must ensure that none of the incompatibilities, prohibitions and causes of conflict of jurisdiction or interest established by law and the Corporate Governance System occur.

### **6. Information, updating of knowledge and evaluation of the Board of Administration**

The Company periodically makes presentations to board members regarding the Group's business and economic, legal or political-social issues of interest to the Group.

The advisors have a specific webpage, which facilitates the performance of their duties and the exercise of their right to information. This webpage contains the information deemed appropriate for the meetings of the Board of Administration and its committees, according to the order of the day, as well as the support materials for the directors and the presentations and exhibitions that are made to the Board of Administration.

Likewise, through the webpage of the director, access will be facilitated to the minutes of the meetings of the Board of Administration and its committees, as well as any information that may be requested by the Board of Administration.

The Board of Administration evaluates, on an annual basis, its operation and the quality of its work, the performance of duties by the chairman of the Board of Administration, and the operation of its committees.

The evaluation of the Board of Administration and its advisory Committees contributes to these bodies being effective and allows the improvement of the corporate governance practices of the Company.

The evaluation process consists of the following steps:

- a. Evaluation of the Board of Administration, as a collegiate body, with the assistance of an external consultant; and
- b. Evaluation of the Advisory Committees, as a collegiate body, with the assistance of an external consultant.

The evaluation process is structured taking into account the specific characteristics and responsibilities of the Board of Administration, its members and each of the advisory committees, in order to achieve a high level of specialization during the evaluation. The evaluation criteria include efficiency in the performance of its duties, adequacy of the structure and observance of its operating processes.

## **7. Obligations and duties of advisors**

The advisors must comply with the duties and obligations laid down by law and in the Corporate Governance System, which include the following:

(i) Duty of diligent management, which entails the obligation to adequately prepare and attend the meetings of the Board of Administration and the committees thereof and to participate actively in the deliberations, in order for their opinion to effectively contribute to decision-making. This duty of diligence also includes the duty to inform the Board of

Administration of any irregularities in the management of the Company of which the advisors may have had notice, and to monitor any situation of risk.

(ii) Duty of confidentiality, which requires them to refrain from disclosing any information to which they may have had access while in office, even after the advisor no longer holds such position.

(iii) Duty of loyalty, which includes the obligations to report any conflict of interest and to refrain from participating in deliberations relating thereto, to submit their transactions with companies of the Group to prior approval, and to inform the Company of any fact or event that may be relevant to their activities as director. It also includes a prohibition against using corporate assets (including confidential information) in order to obtain any financial benefit and against taking advantage of business opportunities for their own benefit or for the benefit of related parties. Finally, directors must submit their resignation to the Board of Directors in cases of disqualification, lack of competence, supervening prohibition against performing the duties of director and other instances established in the Corporate Governance System.

Board members must also observe the standards of conduct set forth in securities market legislation.

Advisors must also conform their conduct as advisors to the ethical principles and duties set forth in the *Code of Ethics of the Advisor*.

The obligations imposed upon the directors shall equally bind the individuals appointed to represent corporate directors in the performance of their duties and, in the manner established in the Corporate Governance System, the individuals and legal entities related to the advisor.

## **8. Advisor Remuneration**

The overall remuneration of the Board of Administration will be approved at the General Meeting. The advisors may waive their remuneration individually, by means of a manifestation at a meeting of the Board of Administration. The resignation may be reflected in the minutes of the meeting or, alternatively, a waiver may be submitted in a separate document.

The expenses necessary for the performance of the activities of the Board of Administration are included in the budget designated by the Company, and should be sufficient for its proper functioning.

The call and attendance of the Alternate Advisor at the ordinary or extraordinary meeting of the Board of Administration, due to the absence of the Main Advisor, shall imply that the Alternate Advisor shall be entitled to 50% of the monthly compensation of the Main Advisor, who shall not be entitled to remuneration referring to that month.

The Advisors will receive additional compensation for their participation in Committees and/or other advisory bodies. The members of the Committees will receive, as a monthly fee, the same amount of this additional remuneration, even if they are not advisors.

#### **9. Meetings of the Board of Administration**

Meetings of the Company's Board of Administration shall be held ordinarily at least once every month, or, extraordinarily, whenever called by the Chairman of the Board of Administration, or, failing that, by his substitute or advisor elected in his place or by any 2 (two) Advisors.

The Board of Administration will approve the proposal of the Annual Calendar of ordinary meetings and dates of the General Meetings. The proposal will be presented by the Secretary of the Board of Administration at the last meeting of each fiscal year.

Exceptionally, the Company's Chief Director may request meetings with the Board of Administration, stating reasons.

The meetings of the Board of Administration shall be called by electronic means by the Secretary of the Board of Administration. The presence of all the Advisors will allow a meeting of the Board of Administration, regardless of the call notice.

Any requests regarding the composition of the agenda or convening of ordinary or extraordinary meetings of the Board of Administration, by the Advisors or the Chief Executive Director, shall be forwarded to the Secretary of the Board of Administration, who shall submit the proposal to the Chairman of the Board of Administration and shall inform the Advisors and the Chief Executive Director of its decision.

#### **10. Positions on the Board of Administration**

a) The Chairman of the Board of Administration.

The Chairman of the Board of Administration holds the Company's strategic management, directs debates, ensures the proper operation of the Board of Administration and stimulates the participation of all the Advisors in the meetings and

deliberations. The chairman also chairs the General Shareholders' Meeting and directs its debates and deliberations.

b) **The Secretary of the Board of Administration**

The Secretary of the Board of Administration is responsible for the formal and material legality of the actions of the Board of Administration and its regularity, in accordance with the Corporate Governance System, among which are the drafting of the minutes of its meetings, which will include the deliberations that take place and the resolutions adopted, including the interventions of the Advisors, when they expressly request, or those that result, in the opinion of the Secretary, relevant to understand the meaning of the deliberations. Likewise, it advises the secretaries of the advisory committees of the Board of Administration in compliance with the Corporate Governance System.

The Secretary of the Board of Administration also advises the Board of Administration on the situation of the Corporate Governance System at all times, ensuring that the Board of Administration's acts contain the recommendations of good governance applicable to the Company and keep them informed about the new national and international corporate governance initiatives.

**11. Advisory Committees of the Board of Administration**

The Company's Board of Administration has four advisory committees: Remuneration and Succession Committee, Audit Committee, Financial Committee and Related Parties Committee, whose guidelines and suggestions do not bind the votes of the Advisors.

(i) Audit Committee has the function of overseeing the efficiency of the Group's internal control and risk management systems, inspecting the Internal Audit Area, which functionally depends on this Committee, to ensure the auditor's activity and independence, to supervise the process of elaboration of the economic-financial information, to supervise the fulfillment of the Compliance system.

(ii) Compensation and Succession Committee aims to assist the Board of Administration in supervising the activities and decisions on compensation and succession of the Officers and other Directors of the NEOENERGIA Group, to evaluate and recommend the concepts of performance classification of the Company's Board of Executive Directors and propose general human resources policies and strategies.

(iii) Financial Committee has the function of advising the Board of Administration on matters related to the financial operations

of the NEOENERGIA Group, evaluating the selection process of financial service providers and the guarantees to be provided by the Company, its subsidiaries and affiliates, examining issues financial statements that require further study and / or detail of their impact, and carrying out studies, analyzes and proposals required by the Board of Administration.

(iv) Related parties Committee, aims to advise the Board of Administration on matters related to transactions between related parties, verifying and pointing out the advantages of the transaction to the Company and observance of market conditions.

### **Board of Directors**

#### **12. Board of Directors**

The Board of Directors is the executive body of the Board of Administration. It shall be comprised of at least five (5) members and a maximum of twelve members, one Chief Executive Director, one Finance Executive Director and the other directors without a specific name. The Directors will have their attributions fixed by the Board of Administration, observing the provisions in the Company's Bylaws.

The Board of Directors shall meet ordinarily, weekly or extraordinarily whenever the interests of the Company so determine, having as main objectives:

I - To comply with its obligations defined in the Company's Bylaws and in the Shareholders' Agreement, registered at the Company's headquarters;

II - To ensure the financial health of the Company and its subsidiaries, following the orientations and guidelines of the Board of Administration, coordinating, planning and executing its activities with a view to achieving its corporate purpose;

III - To comply with and enforce the policy and general direction of the company's business established by the management bodies;

IV - To act in an exempt manner, always in the interest of the Company;

V - To establish guidelines and general principles aimed at safeguarding the organization and governance of the NEOENERGIA Group, recommending practices and measures aimed at aligning the global vision of the NEOENERGIA Group and coordinating its operations; and

VI – To streamline the decision-making process and coordination of its activities, without losing a global vision of the NEOENERGIA Group.

#### **Governance model of the Group**

### **13. Corporate and governance structure and Business Model of the Group**

NEOENERGIA is part of a group of companies whose parent company is the Spanish company, Iberdrola, S.A.

NEOENERGIA is the subholding company of the Iberdrola group in Brazil and gathers certain interests in other entities that develop the energy business.

As a holding company, one of NEOENERGIA's main functions is to assume the functions of organization and strategic coordination in Brazil, in relation to the companies in its group, taking into account its characteristics and singularities, as well as to centralize the provision of common services to operating companies, always in accordance with the provisions of its Shareholders' Agreement and applicable law.

This structure favors an agile and fast process of taking the ordinary management decisions regarding operating companies, while at the same time favoring an adequate coordination within the NEOENERGIA group with its shareholders.

#### **Corporate Website**

### **14. Corporate Website**

The corporate website is one of the principal means to channel the relations of the Company with all of its stakeholders, encourage the engagement thereof, reinforce their sense of belonging, strengthen the NEOENERGIA brand, promote the development of the Group's businesses and the digital transformation thereof and show the Company's commitment to the provisions of the Purpose and Values.

In addition to the content set forth in the Bylaws, the corporate website contains the most relevant information for the main interest groups regarding the Company.

It is structured around specific sections whose purpose is to identify the Company, the Group and its activities; describe the Company's position on corporate governance, sustainability and the environment; and boost their relationships with the most relevant interest groups (shareholders and investors, employees, customers and suppliers) and with society in general.

The Company shall promote the accessibility of the corporate website.

## ***Compliance System and Code of Ethics***

### **15. Compliance Unit**

The Company's compliance system integrates all norms, formal procedures and material actions that are intended to guarantee its performance in accordance with ethical principles and applicable legislation, as well as to safeguard conduct that is incorrect or contrary to ethics, law or the Corporate Governance System which can be committed by Company professionals within the organization (the "**Compliance System**").

The Company has a Compliance Unit, which is an associated internal and permanent entity, linked to the Company's Audit Committee, responsible for proactively ensuring the effective functioning of the Compliance System for which it has broad attributions, budgetary autonomy and independence of action.

The Compliance Unit has a Compliance Agent, who depends, hierarchically, on the Board of Administration.

The Compliance Unit annually evaluates the effectiveness of the Compliance System of the Company and other Group companies, with the collaboration of the different Compliance managements, and produces a report with the results of this evaluation.

The Compliance Agent manages the functioning of the Compliance Unit and its budget, being responsible for executing the corresponding measures and action plans and for ensuring that the Compliance Unit proactively fulfills the functions assigned to it in the System of Compliance. Corporate governance.

The Compliance Unit, through its Agent or Compliance managements, whenever applicable by law, has access to the information, documents and offices of the Group's companies, administrators, officers and employees, including the minutes of the governing bodies. administration, supervision and control, which are necessary for the adequate exercise of its functions. In this regard, all employees, directors and advisors of such companies must provide the Compliance Unit with the collaboration required for the proper performance of their duties.

As far as possible and whenever this does not affect the effectiveness of its work, the Compliance Unit acts in a transparent manner, informing when it is possible and appropriate for the administrators, directors and employees affected about the object and scope of their actions.

The Compliance Unit and the management of the other Group companies perform their functions under the principles of

cooperation and coordination, respecting the autonomy of each society.

#### **16. The Code of Ethics**

The Group has a *Code of Ethics* that consolidates and develops Purpose and Values and serves as a guideline for the performance of its professionals in a complex global environment. The *Code of Ethics* covers the Company's commitment to the principles of business ethics and transparency in all areas of activity, establishing a set of guiding principles and guidelines to ensure the ethical and responsible behavior of all Group professionals.

The competencies of the Compliance Unit include promoting the dissemination, knowledge and compliance of the *Code of Ethics*, the general and superior interpretation and the linking of the *Code of Ethics*, prioritizing and coordinating the application of the *Code of Ethics*, resolving any queries or in relation to the content, interpretation, application or compliance of the *Code of Ethics* and, in particular, in relation to the application of disciplinary measures by the competent bodies, and to promote the procedures for proving and investigating complaints received and issuing appropriate resolutions on the files processed.

#### **17. Ethics Mailboxes**

The Company and any country subholding or head of business companies of the Group shall have Ethics Mailboxes enabling the professionals of the Group's companies, the suppliers and subcontractors thereof, and the Company's shareholders, as applicable, to confidentially report any conduct that may involve a breach of the Corporate Governance System or the commission by any Group professional, supplier or contractor of an act that is illegal or in violation of the rules of conduct of the Code of Ethics applicable thereto. The Group undertakes not to make any direct or indirect retaliation against persons that have reported an instance of irregular conduct through such ethics mailboxes.

The Compliance Unit and, as the case may be, the Compliance managements set up in controlling companies of the Group's businesses, as applicable, are responsible for processing communications sent through the ethics mailboxes.

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This *General Corporate Governance Policy* was initially approved by the Board of Administration on September 6, 2018 and last updated at a meeting of the Board of Administration on April 23, 2019, with effectiveness conditioned to the publication of the

announcement of the beginning of the public offering of secondary distribution of common shares issued by the Company.