



# **EDP Group's Risk Governance Model**

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- The **General and Supervisory Board**, in particular the Financial Matters Committee (FMC), is responsible for permanently monitoring the effectiveness of the risk management system, namely in terms of risk identification, assessment, control and management and assessing the degree of internal compliance with the Company's risk management system, continuously monitoring its performance and effectiveness, in articulation with the Executive Board of Directors, namely the risk control policies, the identification of key risk indicators (KRI) and the integrated risk evaluation methodologies, and must evaluate and issue its opinion on the EDP Group's strategic guidelines and corporate risk management policy, prior to their final approval by the Executive Board of Directors. The FMC defines in its annual planning sessions dedicated to risk management issues, in order to monitor the evolution of the Group's main exposures and Key Risk Indicators, as well as to address issues related to financial, strategic, ESG, business and operational risks.
- The **Executive Board of Directors (EBD)** is ultimately responsible for the decision, supervision, and control of risk management, and is responsible for setting the EDP Group's management objectives and policies. Its main responsibilities are (i) to provide the Platforms and Regions with adequate resources for an efficient risk management activity, (ii) to formally appoint those responsible for the day-to-day management of relevant risks (risk-owners) and those responsible for energising risk management (Risk Business Partners); (iii) approving and supporting the implementation of Risk Committees, (iv) ensuring that the risks within the scope of its activity are identified, analysed and assessed in a comprehensive, rigorous and consistent manner at Group level, in line with the methodologies established by the Risk Business Enablement Function CoEs, (v) monitoring the evolution of the main risks of its activity and control limits, periodically assessing the effectiveness of existing risk controls, (vi) providing adequate visibility of relevant aspects of risk management, (vii) defining the Risk Appetite set out in the Business Plan, (viii) defining risk policies for the EDP Group (namely the respective exposure limits by risk category) and (ix) allocating resources according to the risk-return profile of the various options available.
- The **Risk Business Enablement Function** headed by the Chief Risk Officer, performs a function that is independent from the conduct of business, and supports the Executive Board of Directors and remaining management bodies at the level of the second line of defence. The Risk Business Enablement Function is divided between:
  - The **Risk Centres of Excellence (CoE)** are divided in three: Corporate CoE, responsible for the Enterprise Risk Management, the analysis and overview of

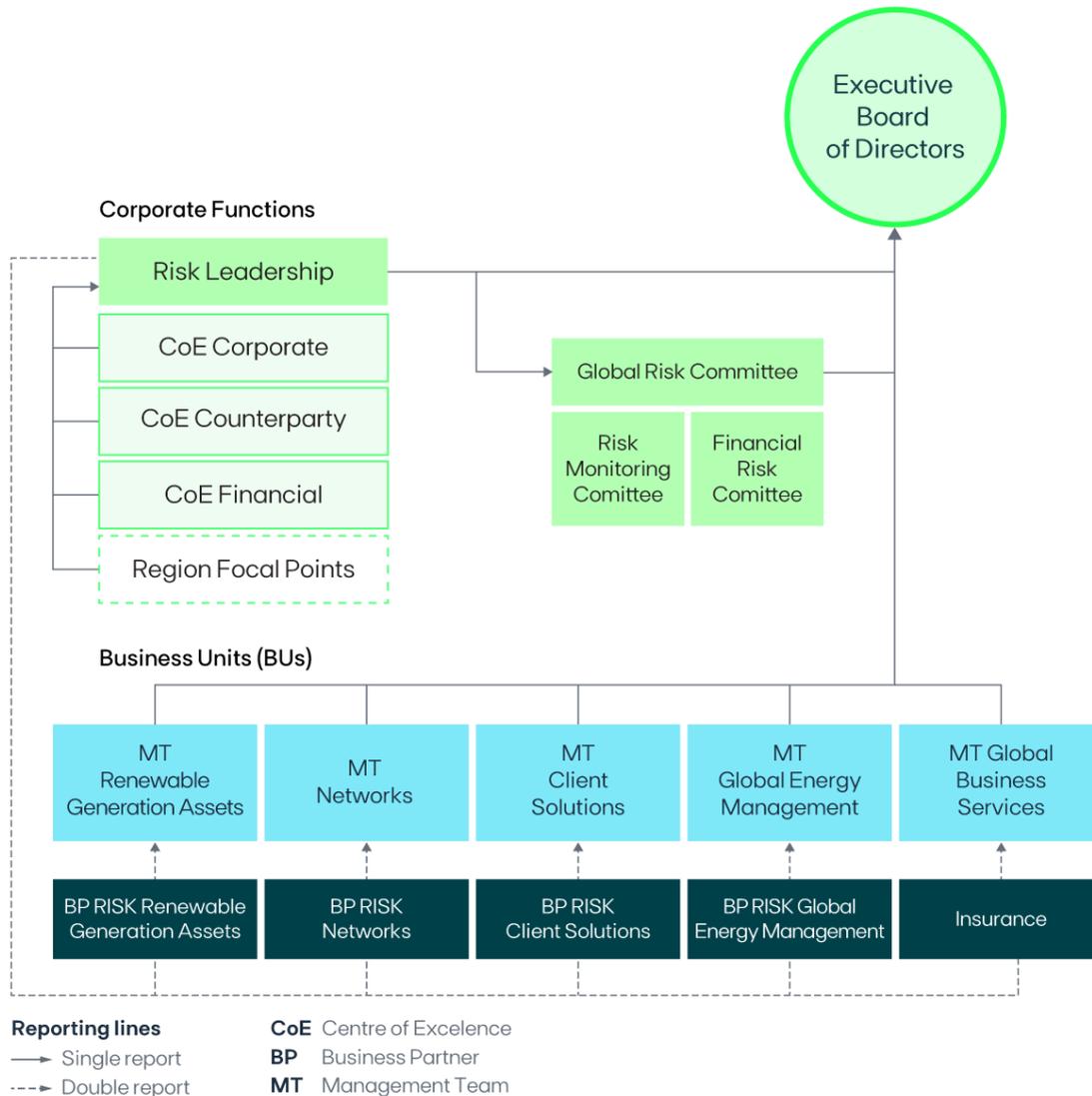
the strategic risks, the aggregation of the full EDP risks and the external risk reporting; Financial CoE, responsible for the management of the financial risks, defining the insurance strategy and developing risk analysis for new investments, and; Counterparty CoE, responsible for counterparty risk management, including the analysis and establishment of limits for the acceptance of new contracts.

- The **Platform Business Partners**, which play the main role in operationalising risk management and are under the direct hierarchical dependence of both the Group's Chief Risk-Officer and of the respective Platform Management Team, acting in a segregated manner and independent from the conduct of the business.
- The **risk-owners of the Platforms, Regions and Business Enablement Functions** are all the business managers who assume risk in their day-to-day activities and act in accordance with the defined risk strategies.

The Governance Model of EDP Group, as well as overall the Enterprise Risk Management (ERM) framework, is supported by EDP's Group Risk Management Policy, which is aligned with international best practices (ISO Standard 31000, and COSO-ERM framework). The ERM framework of EDP Group is in continuous improvement, and the last external audit took place in 2022 and focused on assessing the level of maturity of the Enterprise Risk Management system at group and Business Unit levels (assessing ERM framework maturity and identify opportunities for improvement in relation to the reference standards and practices, namely the identified previously).

Within the organization, there is a performance evaluation model for employees that influences short-term incentives. This performance model is designed to assess and enhance employee contributions towards the organization's goals. The model encompasses performance indicators related to various risk areas, including safety, digital, financial and compliance. By doing so, it ensures a comprehensive approach that aligns with the organization's strategic objectives and standards of excellence. Employees contribute to this model by striving to meet and exceed these performance indicators in their tasks, thereby directly influencing their performance evaluations and the corresponding short-term incentives. This approach not only motivates employees to perform at their best but also promotes a culture of accountability and continuous improvement within the organization.

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In addition, there are a number of regular forums for debating, analysing and issuing opinions on risk issues:

- The **Global Risk Committee's** main objective is to support the decisions of the Executive Board of Directors in identifying, analysing, assessing, treating, and monitoring risk. New policies and risk limits or update of those are discussed and approved in this forum. This Committee meets on a quarterly basis. The Committee is made up of the main decision-makers and those responsible for the Group's recurrent risk management (members of the Executive Board of Directors, regional and platform heads, key corporate areas and members with responsibility for risk management of the main platforms/geographies).
- The **Financial Risk Committee** main objective is to review main financial risks and discuss the execution of mitigation strategies. Exchange rate risk, interest rate risk, liquidity risk, commodities risk and credit risk from financial counterparties are most relevant risks reviewed in this committee. Additionally, an overview of the risk assessments developed for the new investments is also discussed. This Committee

meets on a quarterly basis. The Committee is made up of the main finance decision-makers and those responsible for the Group's recurrent financial risk management (members of the Executive Board of Directors, regional and platform heads, key Finance team members, key corporate areas and members with responsibility for risk management of the main platforms/geographies).

- The **Risk Monitoring Committee** meets monthly to provide an overview of the most relevant risk exposures, namely growth execution risk, energy market risk, regulatory risk and counterparty risk. Additionally, a status of all risk limits is provided, focusing on the exposures that are beyond the limit and/or that had relevant changes. The Committee is made up of the main decision-makers and those responsible for the Group's recurrent risk management (members of the Executive Board of Directors, regional and platform heads, key corporate areas and members with responsibility for risk management of the main platforms/geographies).
- The **Platform Risk Committees** are set up and carried out at the level of the Group's Platforms when the structure of the Platform and the degree of complexity of risk management justifies it, assuming a structure replicated from the Group's Risk Committee. These Committees are typically coordinated by the respective Risk Business Partner and are attended by members of the Platform Management Team, key areas of the Platform, as well as the Chief Risk Officer, to ensure alignment at Group level.