

Management Compensation Policy

April 23, 2019

1. INTRODUCTION

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

2. PURPOSE

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

3. WHO IT APPLIES TO

This Policy is applicable to members of the Board of Directors, its Committees and the Company's Executive Board.

4. COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND THE EXECUTIVE BOARD

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

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

The General Meeting will establish the global amount of compensation for the Board of Directors and Executive Board, and the participation in the Company's profit. The Board of Directors will distribute the fixed compensation among its members and the Executive Board. In turn, the distribution of the compensation set for the Executive Board among the Company's Officers will be carried out upon proposal by the Compensation and Succession Committee.

4.1. Board of Directors

Established by the General Assembly, the compensation of the Board of Directors consists of a fixed compensation, which is based on market practices and aims to recognize the value of the Directors internally and externally. Said fixed compensation is paid monthly, with no additional compensation provided for when holding and/or participating in more than one meeting of the Board of Directors within the same month.

Directors may waive their compensation upon communication to the Board of Directors, through the Secretary of the Board of Directors.

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

The compensation of the Secretary of the Board of Directors who is not a Director, member of the corporate bodies or employee of the Company will be approved by the Board of Directors, upon deliberation of the majority of its members.

4.2. Committees of the Board of Directors

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

4.3. Executive Board

The Compensation and Succession Committee will advise the Board of Directors on Directors' compensation matters, being responsible for the following functions, among others established in its internal regulations: (i) proposing compensation levels for Executive Directors, including variable compensation depending on function the results obtained; (ii) propose the formulation and evaluation of the Company's strategic objectives for the purposes of variable compensation for the Neoenergia Group's Directors; (iii) plan and recommend strategic actions for the succession of members of the Executive Board of Neoenergia Group companies; (iv) propose selection, evaluation, development and compensation policies for members of the Executive Board of Neoenergia Group companies.

The compensation of Executive Directors is set by the Board of Directors, always observing the global compensation limits established by the General Assembly.

When setting the compensation of the Executive Directors, the Board of Directors takes into account the Company's results, the individual performance of the Executive Directors, market compensation research and other aspects such as retention risks, skills and knowledge, experience and potential of each executive.

4.3.1. Executive Board Compensation

The Executive Board's total compensation is made up of the following elements:

- (i) Fixed Compensation: It aims 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 role. Fixed compensation is reviewed annually.
- (ii) Variable Compensation: Its objective is to reward the achievement and surpassing of the Company's and individual goals, aligned with the budget, strategic planning and market. It is composed of an annual variable element (short term) and another element linked to the Company's performance in relation to certain concrete economic-financial, industrial and operational parameters, predetermined, quantifiable and aligned with the strategic objectives of the Company and the Neoenergia Group (long term).

The parameters will be related, for the most part, to the economic-financial, industrial and operational aspects and will be concrete, predetermined, quantifiable and aligned with the Company's social interests and strategic objectives, as well as with the creation of long-term value in a sustainable manner for shareholders, taking into account the area of activity of senior management and their individual performance.

- (iii) Benefits: A set of assistance benefits, including insurances and pension systems and compensation in kind.

Compensation levels are based on market practice, obtained annually through salary surveys conducted by specialized consultancies, from which specific panels of companies are selected that reflect a combination of the following characteristics: (i) size similar to that of the Company, in terms of sales revenue; and (ii) the Company's sector of activity.

4.3.2. Evaluation of the Executive Board

The Executive Board's evaluation aims to allow the review and analysis of the contribution of the Company's group of executives, so that the strategic objectives established by the Board of Directors are achieved.

A systematic and structured process for evaluating the Executive Board contributes to promoting superior and consistent performance for the Company.

Regular evaluation of Directors and other leaders of the organization is a way of recognizing talents and efforts, rewarding those responsible for the results obtained and correcting any identified flaws or deficiencies.

The Company's Board of Directors must, with the assistance of the Compensation and Succession Committee: (i) define financial and non-financial performance goals for the Chief Executive Officer at the beginning of their term of office, in accordance with the proposal of the Remuneration 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, in accordance with the proposal of the Remuneration and Succession Committee; (iii) annually carry out a formal evaluation of the Company's Chief Executive Officer; and (iv) annually carry out or delegate to the Chief Executive Officer the formal evaluation of the Company's other Executive Directors, which refers to both agreed goals and other subjective evaluation elements.

In the evaluation of the Chief Executive Officer and analysis and approval of the results of the other members of the Executive Board, if applicable, the Board of Directors or the Chief Executive Officer, as the case may be, may count on the support of external consultants and internal resources that they consider convenient for that.

When the Chief Executive Officer is delegated the definition of goals and evaluation of the other Directors, they must implement an annual and systematic process of evaluating the Board's performance. The definition of goals and the results of the Executive Board's evaluation must be shared with the Board of Directors.

5. FINAL PROVISIONS

This Policy was approved by the Board of Directors on April 23, 2019, following the opinion of the Compensation and Succession Committee, and will come into effect on the date of publication of the announcement of the start of the public offering for the secondary distribution of common shares issued by the Company.