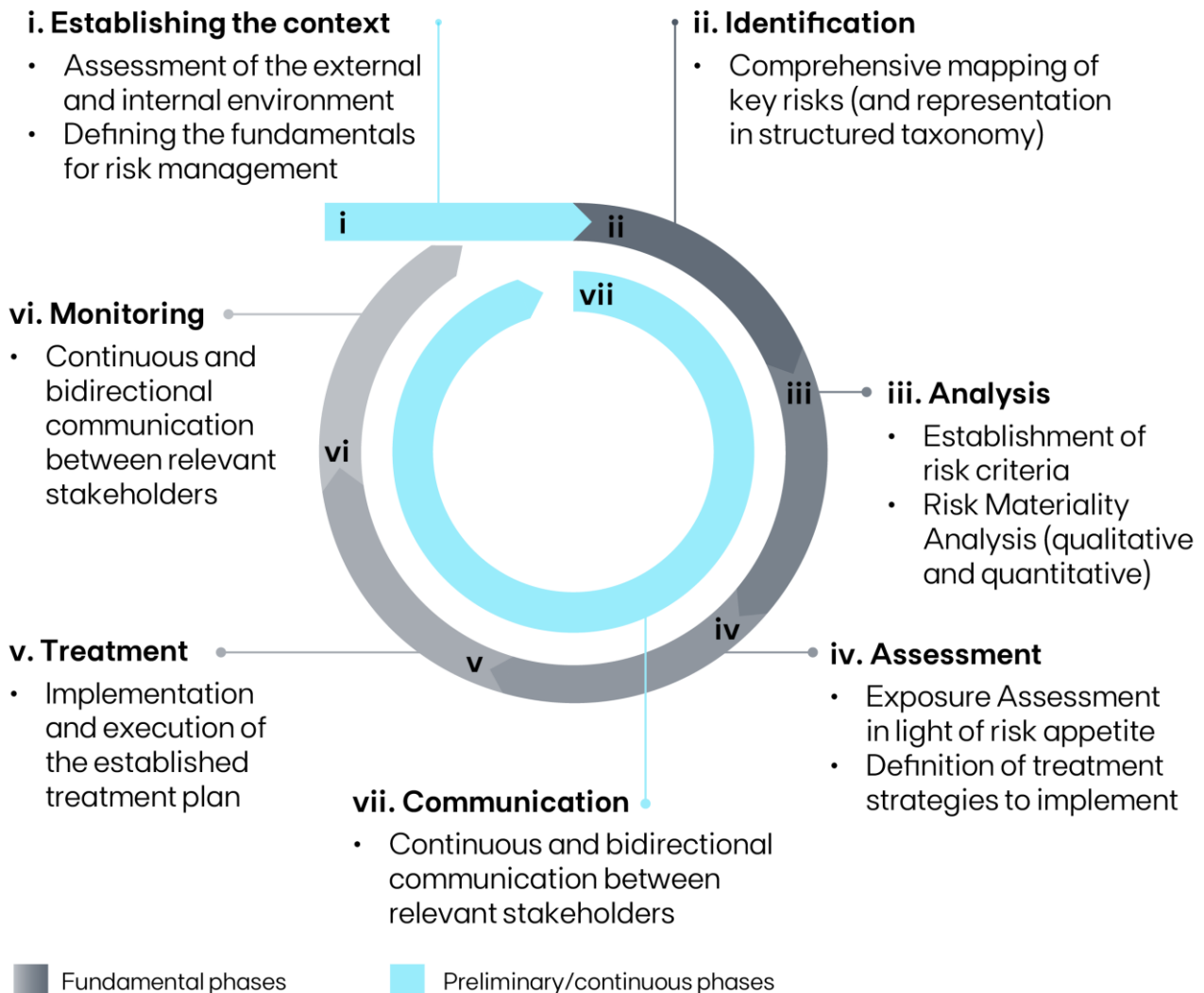




# **Risk Management Process**

## Risk Management Process



- Risk **identification** involves mapping and updating the main risks associated with the Group's activity, as well as representing them in a structured repository - the risk taxonomy. This exercise is primarily the responsibility of each of the Platforms, Regions and Business Enablement Functions within their respective scope, and it is up to RISK Business Enablement Function Centres of Excellence (CoEs), in coordination with the respective Risk Business Partners, to validate and integrate the various exercises into a general repository (at EDP Group level). To this end, a mapping of the EDP Group's main risks against the budget and/or business plan, the main emerging risks and climate risks (in accordance with TCFD recommendations) is carried out on a recurring basis, complemented by local exercises in some Platforms.
- Risk **analysis** involves establishing criteria to assess their nature and materiality, as well as analysing their individual and aggregate exposure in accordance with the criteria defined. This exercise is primarily the responsibility of each of the Platforms, Regions and Business Enablement Functions within their respective scope, and RISK CoEs, in coordination with the respective Risk Business Partners, is

responsible for supporting its implementation, namely by developing the appropriate methodologies. This standardisation and systematisation of analysis and assessment criteria makes it possible to make risks of heterogeneous natures comparable, to inform the various decision-making bodies about the relative orders of magnitude of the various risks and to guide the prioritisation of management and mitigation actions, as well as the definition of clear risk management policies at various levels (including the definition of limits). In addition to analysing individual risks in isolation, risk-return analyses and quantitative risk maps (based on EBITDA@Risk, Net Income@Risk, Cash-flow@Risk or other methodologies) are also systematically carried out to support the Group's main decisions and strategic guidelines (for example, in terms of the Group's Strategic Plan and investment decisions).

- Risk **evaluation** consists of comparing the risk profile with the Group's risk exposure appetite (explicit or implicit), as well as the consequent definition of appropriate strategies for the respective treatment, when necessary. This exercise is the responsibility of the Executive Board of Directors and the various Platforms, supported by the respective Risk Business Partner, who act in conjunction with the business management (risk-owners) and RISK CoEs, led by the Chief Risk-Officer. In this sense, it is worth highlighting the formalisation of a risk appetite for the EDP Group, which simultaneously serves the external purpose of structuring a holistic narrative articulated around the EDP Group's strategic pillar of controlled risk, as well as the internal purpose of promoting reflection on strategic options for risk-return trade-offs.
- Risk **treatment** consists of properly implementing the risk mitigation strategies previously established, including the definition of appropriate control mechanisms. This exercise is the responsibility of each of the Platforms, Regions and Business Enablement Functions, within their respective scope.
- Risk **monitorization** ensures effective action on the risks identified, both in terms of control and periodic reporting of the position of the various risk factors, and in terms of the effective implementation of the policies, standards and procedures established for risk management. This exercise is the responsibility of the Executive Board of Directors and the Group's various Platforms and Regions, with RISK promoting and stimulating risk management and control actions, disseminating best practices and supporting the dissemination of concepts, methods, risk measures and key risk indicators (KRIs). In addition, both by RISK CoEs and Business Partners, a series of reports are developed with defined management information periods, disclosed to the Executive Board of Directors and to the Management Teams of the various Platforms. These reports allow the organisation to regularly monitor KRIs that are aligned with performance metrics and, as such, reflect the risk profile at any given time. In addition, these indicators are subject to risk limits that are in turn aligned with the EDP Group's objectives and strategy, thus allowing it to be effectively implemented at an operational level. This information and the evolution of the company's risk profile is also reported to the General and Supervisory Board, through the Financial Matters Committee/Audit Committee, namely through the Risk Appetite dashboard which is shared quarterly.