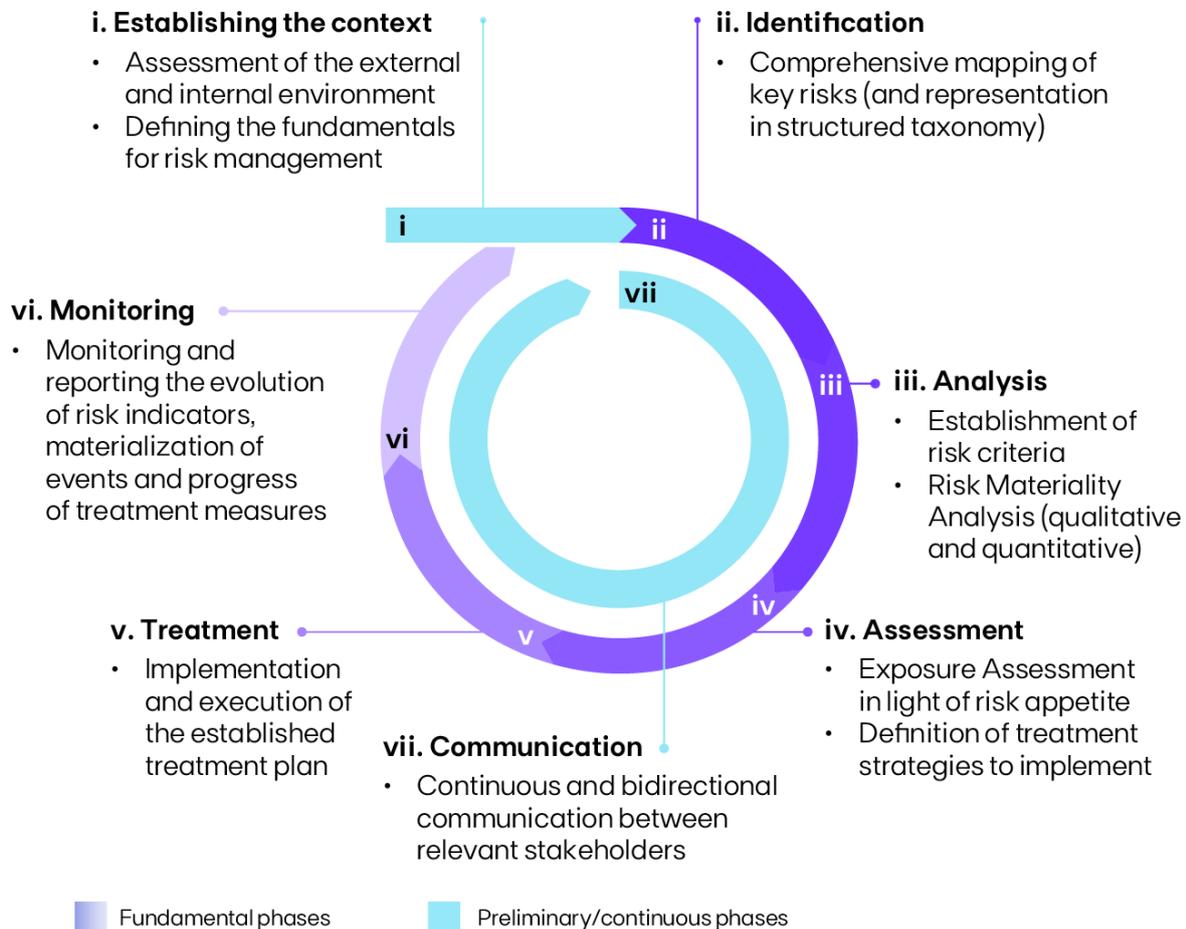




# **Risk Management Process**

## 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 the 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 defined criteria. 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, are responsible for supporting its implementation, namely by developing the appropriate

methodologies. The standardisation and systematisation of risk analysis and assessment criteria enable the comparison of risks with heterogeneous characteristics. This harmonised approach strengthens the quality and clarity of the information provided to the decision-making bodies, allowing them to better understand the relative magnitude of each risk and the organisation's overall exposure. It also supports the effective prioritisation of management and mitigation measures, ensuring that resources are directed towards the most material risk areas, as well as the development of clear and coherent risk management policies at multiple levels of the organisation, including the establishment of explicit risk limits aligned with the Group's strategic objectives. In addition to analysing individual risks, risk-return analyses and quantitative risk maps (based on EBITDA@Risk, Net Income@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 work collaboratively with the business management (risk-owners) and Risk CoEs. In this context, the EDP Group has formalised its risk appetite, which serves both the external purpose of supporting a coherent and integrated narrative anchored in a resilient and low-risk portfolio, and internal purpose of promoting a structured reflection on strategic options and their respective 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 **monitoring** 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 the Risk CoEs and the Business Partners produce a series of reports, prepared according to predefined management information cycles which are shared with the Executive Board of Directors and with 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, namely through the Risk Appetite dashboard which is shared quarterly.