



**NEOENERGIA**



**INTEGRATED  
REPORT  
2021**





## Neoenergia's Public Information

In a systematic and accessible manner, Neoenergia provides its stakeholders with all relevant information regarding the company's performance and its business strategy.

## Annual Information

### Management Report – Standardized Financial Statements

Neoenergia prepares the financial information according to the International Financial Reporting Standards (IFRS) and the Brazilian Securities Commission (CVM) provisions. This report is externally audited.

### Annual Report – ESG+F Statement (Non-financial Information – on Environmental, Social, and Governance Aspects – and Financial Information)

Prepared under the Global Reporting Initiative (GRI) guidelines, the Sustainability Accounting Standards Board (SASB) standards for the electric sector, the Dow Jones Sustainability Index (DJSI) requirements, and the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. This report also informs the progress made on the commitments to the UN Global Compact and Sustainable Development Goals (SDGs). The Annual Report is externally verified.

### Integrated Report

Prepared in accordance with the International Integrated Reporting Council (IIRC) recommendations.

### Fiscal Transparency Report

This report follows the Corporate Tax Policy determinations, developed in 2018 and last updated in July 2021, based on excellence and commitment to good tax practices.



# Contents



## LETTER FROM THE CEO



## NEOENERGIA TODAY

The Energy of the Future  
 Purpose and Values  
 The Value Chain  
 Company evolution  
 Key Indicators  
 2021 Key Facts  
 External recognitions  
 Compared Results



## BUSINESS MODEL AND STRATEGY

Climate Action  
 A Consolidated and Successful Business Model  
 Capital Management  
 Regulatory Environment  
 Network Business  
 Renewables Business  
 Liberalized Business  
 Financial Capital Management  
 Manufactured Capital Management



## ENVIRONMENT

Natural Capital Management  
 Emissions  
 Sustainable Use of Resources and Circular Economy  
 Biodiversity



## SOCIETY

Management of Social and Relationship Capital  
 Materiality Assessment Summary  
 Neoenergia and the SDGs  
 ESG+F Strategy  
 Human Capital Management  
 Community Support Programs and Access to Electricity  
 Innovation, digitization and quality



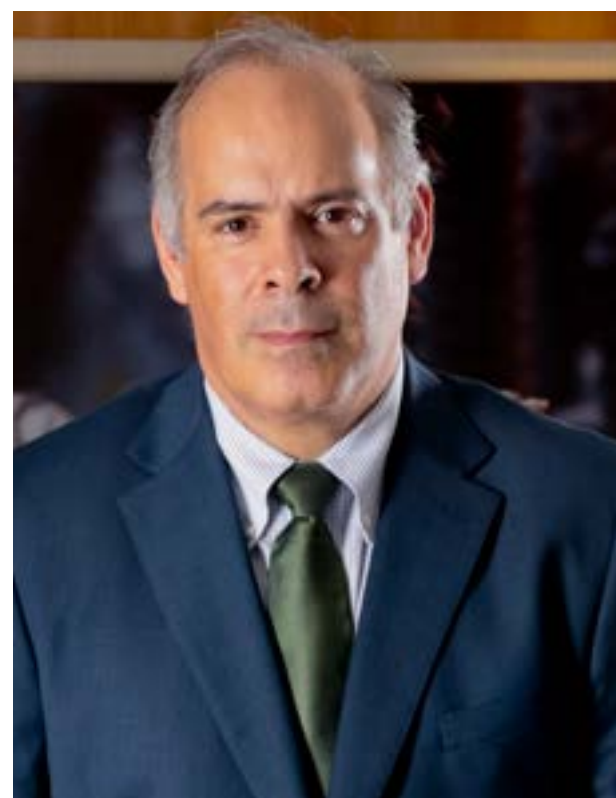
## GOVERNANCE AND SUSTAINABILITY

Governance and Sustainability System  
 The Three Lines Model  
 Risks  
 Ethics and Integrity  
 Cybersecurity and Data Privacy  
 Promotion of Socially Responsible Practices in the Supply Chain  
 Tax Liability

## ABOUT THIS REPORT

Legal Disclaimer on Forward-looking Statements





**Mario Ruiz-Tagle**  
CEO of Neoenergia



We continue to expand our renewable generation assets, delivering clean energy for a low-carbon economy."

In another challenging year like 2021, Neoenergia achieved historical results with resilience and determination. Guided by a sustainable strategy, operating in all electricity sector segments, we have been committed for 25 years to creating value for society, shareholders, consumers, employees, and everyone with whom we interact.

Last year, we invested more than R\$ 9.4 billion in service quality, network expansion and digitization, consumers' experience and satisfaction, in addition to the construction of transmission and generation of renewable energy projects.

We believe that clean energy and the electrification of the economy pave the way to decarbonizing the economy. Therefore, we remain firm in expanding our networks and renewable energy park. We completed the development of the Neoenergia Chafariz Wind Complex in Paraíba. After the conclusion of the Neoenergia Oitis wind farms (Bahia and Piauí) and Neoenergia Luzia solar parks, both scheduled for 2022, the renewable energy generation will correspond to 90% of our matrix.

We keep developing a portfolio of renewable wind and solar photovoltaic projects, training workers, establishing partnerships for the feasibility of offshore wind generation, and developing green hydrogen pilot projects.

Supported by the clean energy world leader Iberdrola Group, our sustainable growth strategy allowed us various sources of financing, such as green and incentivized credits. To optimize project financing, we pioneered the development of the Green Finance Framework, which classifies our sustainable practices.

As a private company, we believe we can and must play a relevant role in developing the regions where we operate. In line with the 10 principles of the UN Global Compact and 17 Sustainable Development Goals, we seek to contribute to the people and economy of our operation areas besides promoting diversity.

Our sustainable practices, aligned with the ESG best practices and integrated into our business model, make us stand out. Today, we are present in important sustainability and governance indexes, such as the FTSE4 Good Index Series (London Stock Exchange), the ISE (B3a), and The Sustainability Yearbook (S&P). In addition, for the fourth consecutive year, Neoenergia was honored with the Pro-Ethics seal, which certified our distributors.

Our first Integrated Report presents the financial and non-financial results of 2021, our strategic actions, and business development with a more direct approach.

**Mario Ruiz-Tagle**  
CEO of Neoenergia



NEOENERGIA TODAY





# The Energy of the Future

A leading company in the energy transition to a carbon neutral economy, Neoenergia operates in three strategic energy business lines: Networks (distribution and transmission), Renewables (wind, hydroelectric, and solar generation), and Liberalized (thermal generation, commercialization, and energy services). Controlled by the Spanish group Iberdrola, Neoenergia is a publicly traded company listed on the Brazilian stock exchange (B3 – Brasil, Bolsa, Balcão) and has equity participation in other power-sector companies.

It operates in 18 states and the Federal District, with a strong presence in the Brazilian Northeast region, serving 15.7 million consumer units. Neoenergia's five distribution companies – Neoenergia Coelba (BA), Neoenergia Pernambuco (PE), Neoenergia Cosern (RN), Neoenergia Elektro (SP/MS), and Neoenergia Brasília (DF) – serve more than 37,6 million customers in five states and the Federal District.

There are 2,334 kilometers of transmission lines in operation in the group's Transmission business and 4,031 kilometers under construction.

Neoenergia has a 4,547 GW installed capacity in operation in the Generation segment, with a significant share of renewables sources. The company has seven hydroelectric plants (3,030.6 MW) and 32 wind farms in operation (984 MW), in addition to 12 wind farms (566.50 MW) and two photovoltaic farms under construction (149 MWp).

Neoenergia also generates energy at combined cycle gas turbine plant Termopernambuco (532.8 MW), which is part of Neoenergia's Liberalized businesses, provides trading of energy and power management services (NC Energia), and develops energy products and solutions, including distributed generation projects (Neoenergia Serviços).



# Neoenergia's Main Indicators in 2021

15.7 million costumers

15,058 employees

R\$ 15.8 billion in tax contributions s

R\$ 33.6 billion paid to suppliers

R\$ 9.4 billion in Capex investmen t

43,615 workers, among employees, outsourced professionals, and interns

66,257 GWh of distributed energy

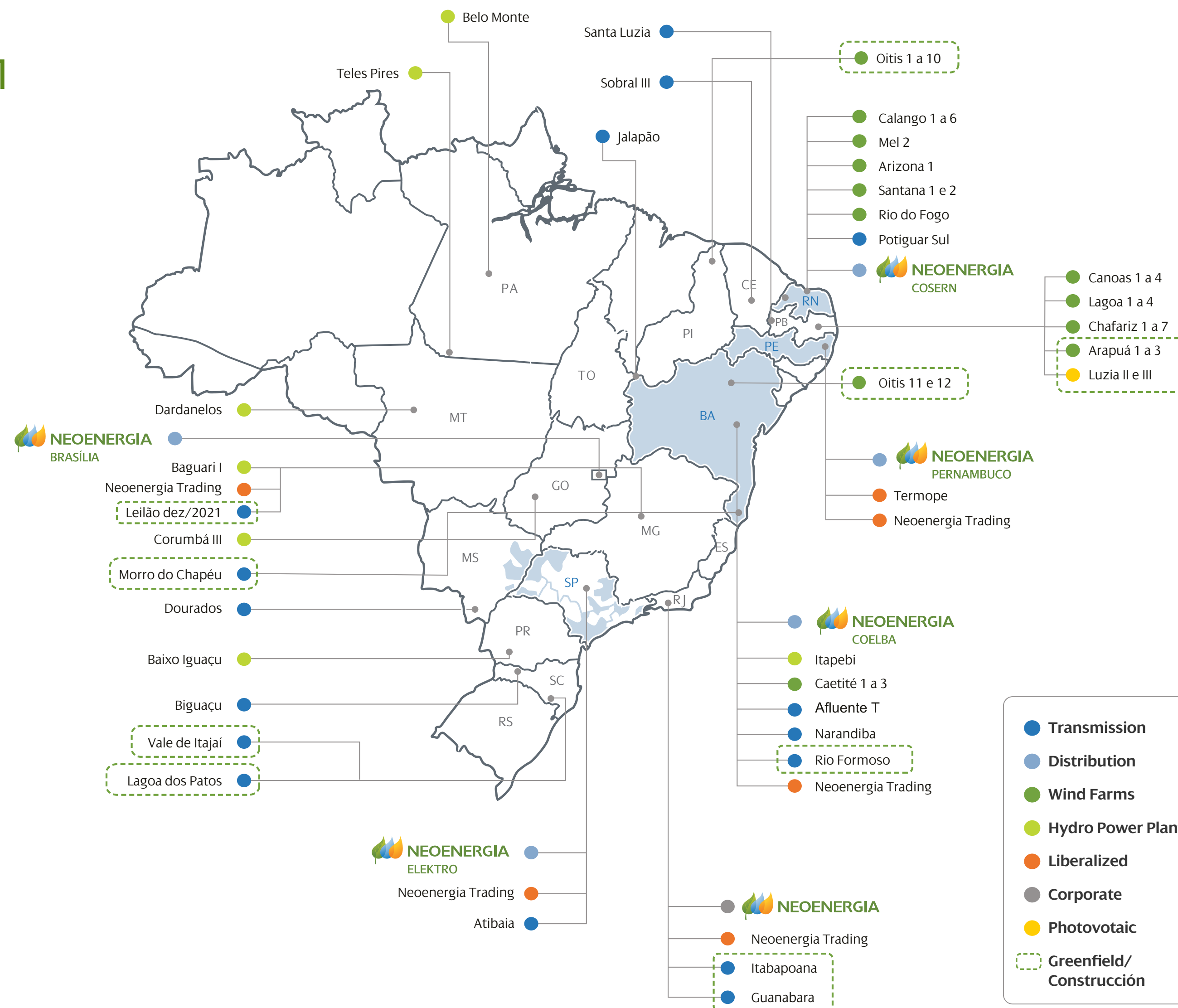
15,129 GWh of generated energy

4,547 MW of installed generation capacity

4,015 MW of renewable sources capacity

2,334 km of transmission networks

668,123 km of distribution networks





# Purpose and Values

Neoenergia's social purpose, in line with the Sustainable Development Goals of the United Nations 2030 Agenda, includes the main social trends and addresses significant economic, social, and environmental challenges. It reflects stakeholders' expectations and defines the company's role as an agent of change and social transformation in the energy sector. It is expressed as follows:

“Keep building, every day in a collaborative way, a model of electricity that is healthier and more accessible.”



This **PURPOSE** expresses:

- | Neoenergia's commitment to the **well-being** of the people and the **preservation** of the planet.
- | The commitment to a real and global **energy transition** based on the **decarbonization** and electrification of the energy sector and the economy contributes to the Sustainable Development Goals, particularly the fight against climate change, while providing new economic, social, and environmental opportunities for development
- | The conviction that a **more electricity-based energy model**, which abandons fossil fuels and expands renewable energy sources, efficient energy storage, smart grids, and digital transformation is also healthier for people whose well-being depends on the environmental
- | The aspiration for the **new energy model** is also to be more accessible to all, promoting inclusion, equality, equity, and social development.
- | The will to promote this new **collaborative model** with all players involved and with the society as a whole.

To attain this Purpose, Neoenergia has condensed its corporate **VALUES** into the following three concepts:

- | **Sustainable energy:** we aim to inspire while creating economic, social and environmental value for all the communities in which we operate, with our sights firmly set on the future.
- | **Integrating force:** we possess great strength and a deep sense of responsibility and we therefore work together and combine our talents towards a purpose that will benefit everyone.
- | **Driving force:** we make small and large changes while being efficient and self-demanding, always in pursuit of continuous improvement.



# The Value Chain

Neoenergia's operations span the entire power sector value chain, from generation through transmission & distribution to wholesale trading.

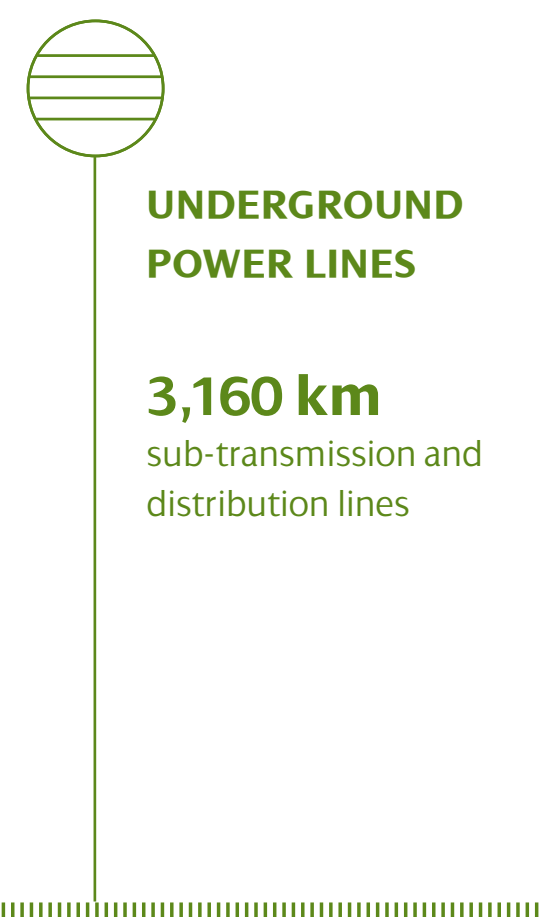
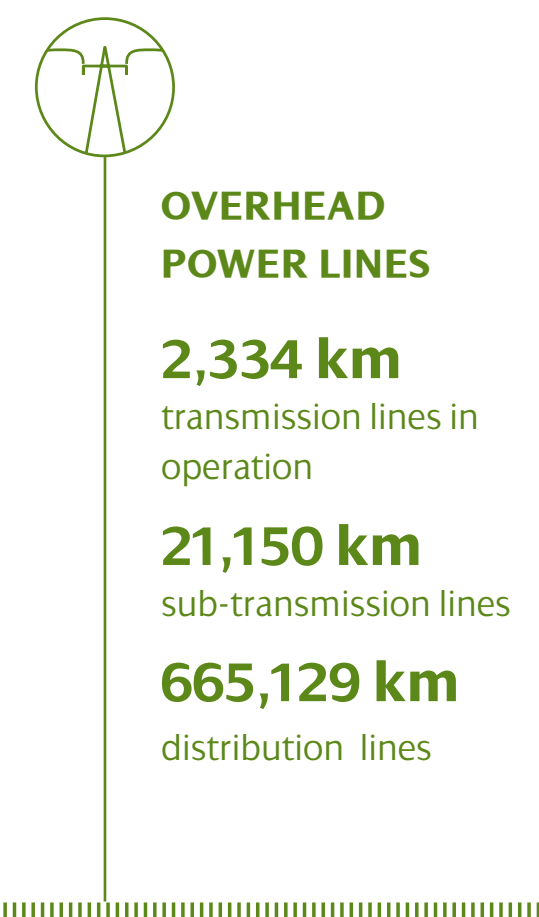
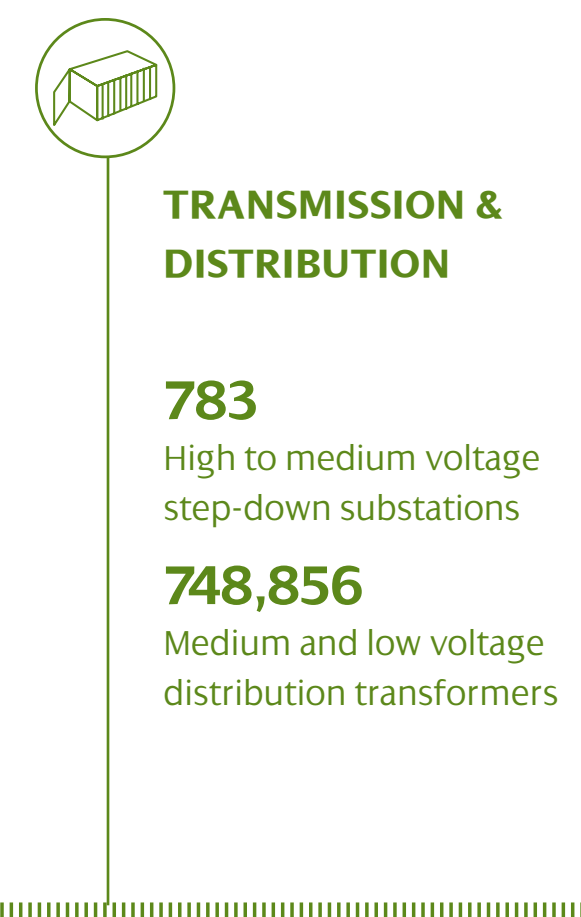
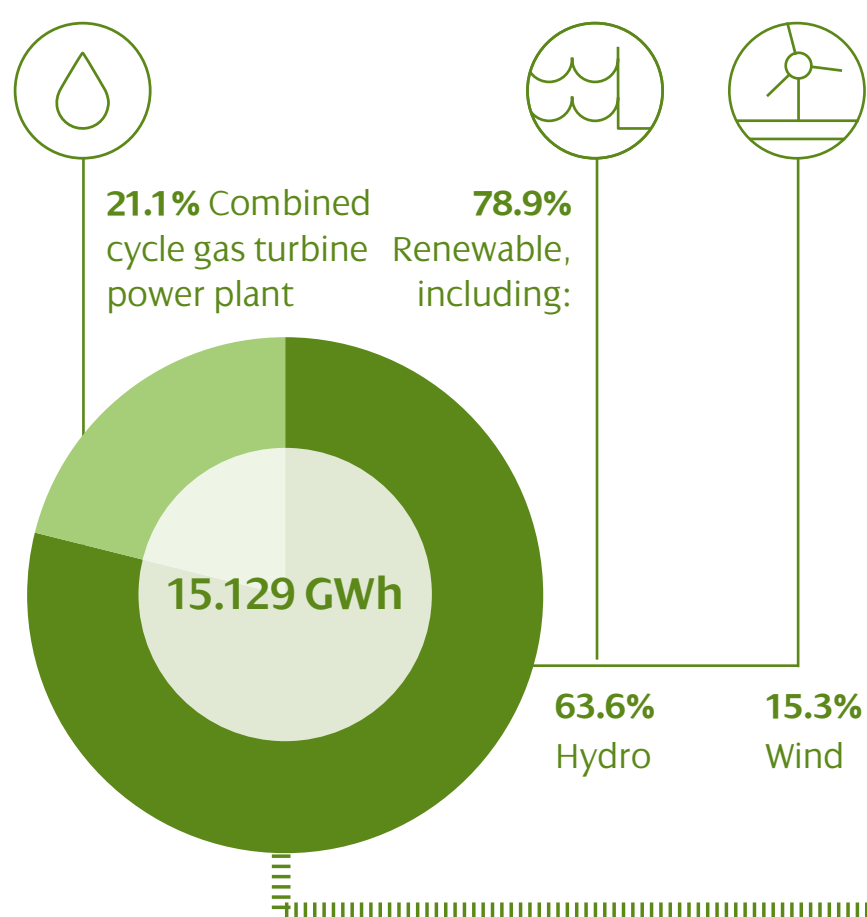
## Generation

Construction, operation and maintenance of generating plants, and purchase/sale of electricity on wholesale markets.

## Transmission and distribution

Construction, operation and maintenance of power lines, substations, transformers and other infrastructure, to bring electricity from production centers to the end user and integrate distributed generation into the network.

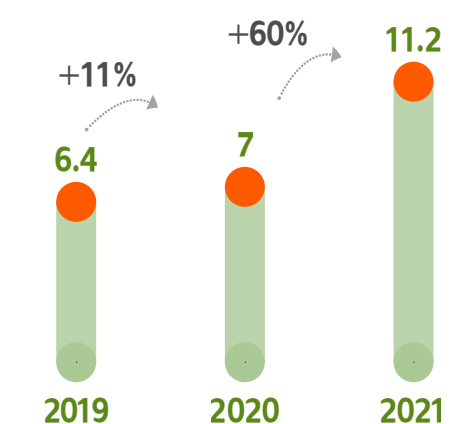
### GENERATION OUTPUT IN 2021



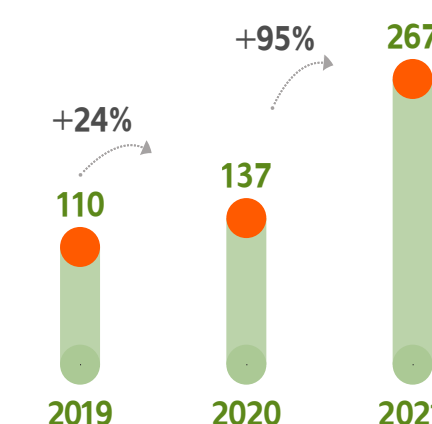
## Electricity trading and services

Electricity sales to end-customers in the Liberalized and provision of products and services.

### ELECTRICITY VOLUME SOLD TO END CUSTOMERS (TWH)<sup>1</sup>

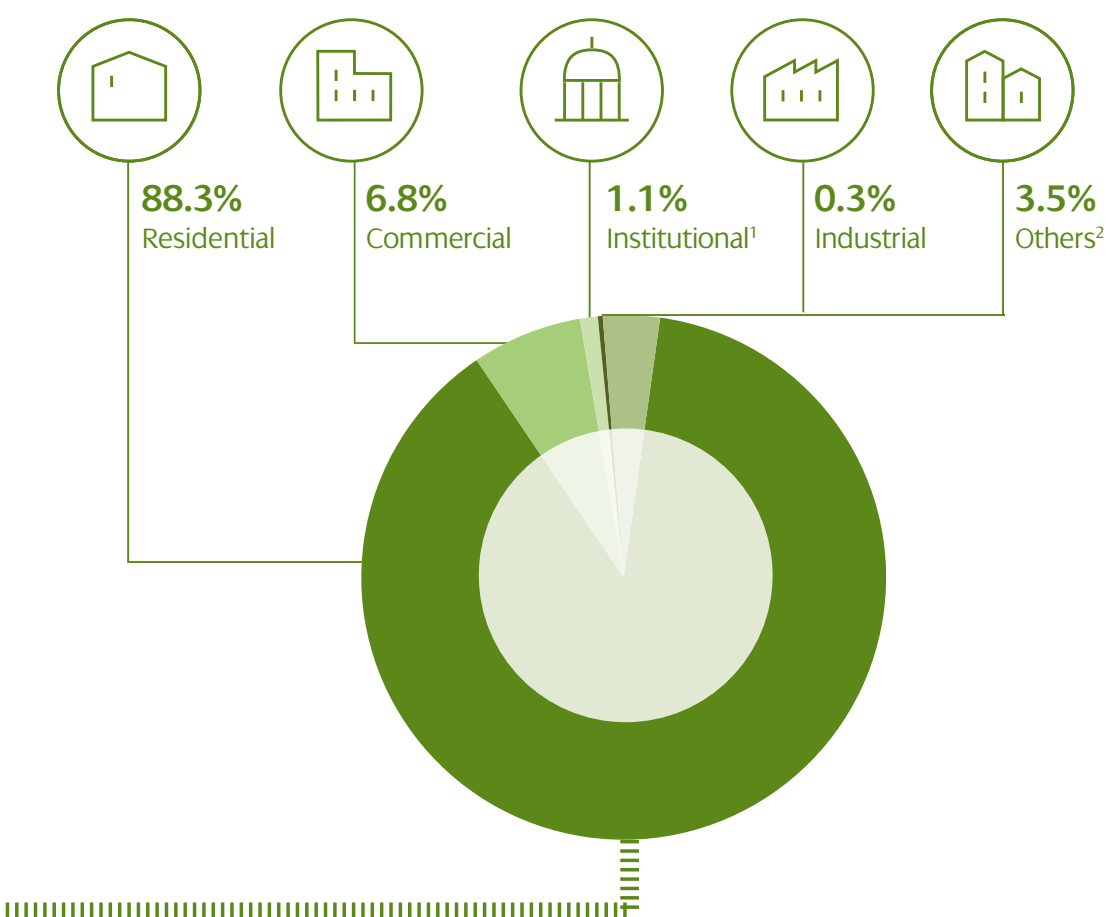


### CUSTOMER BASE FOR PRODUCTS AND SERVICES (THOUSAND)<sup>2</sup>



<sup>1</sup> Volume of electricity sold in the current and future years (under an agreement concluded in 2019).  
<sup>2</sup> Product and services customers include: solar, mass-market, electric mobility engineering.

### ACTIVE CONSUMERS BY CLASS – CAPTIVE MARKET

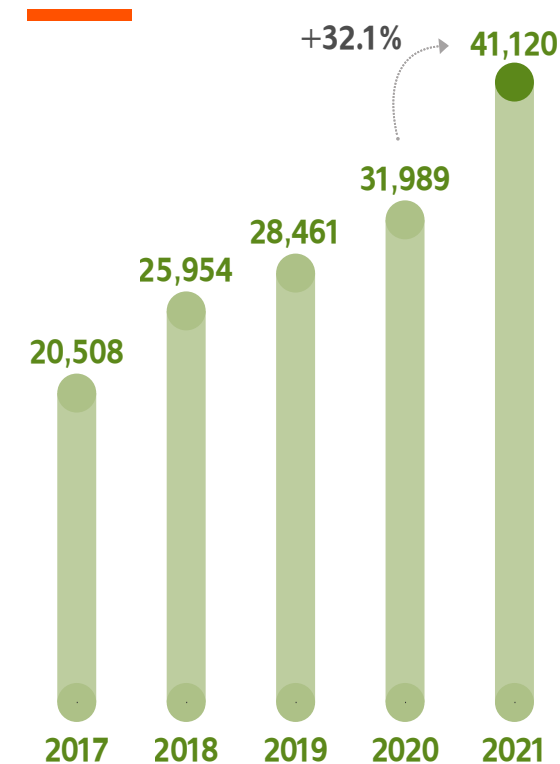


<sup>1</sup> Government, Public lighting and Public services  
<sup>2</sup> Rural and own consumption



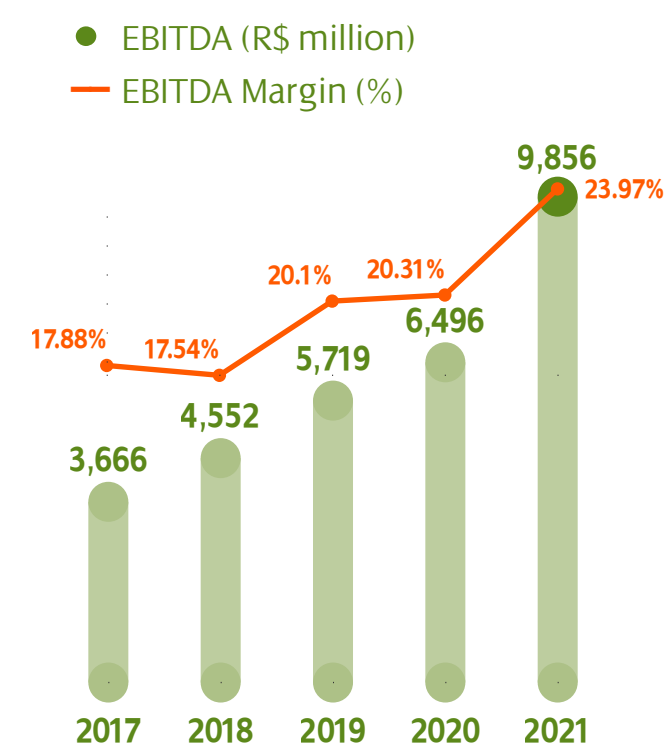
# Company evolution

## NET REVENUE (R\$ million)<sup>1</sup>



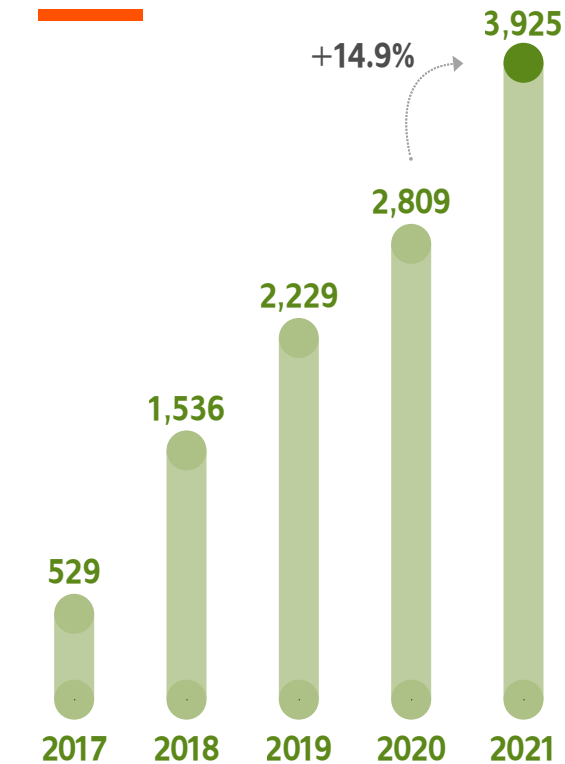
<sup>1</sup> Includes construction revenue.

## EBITDA AND MARGIN



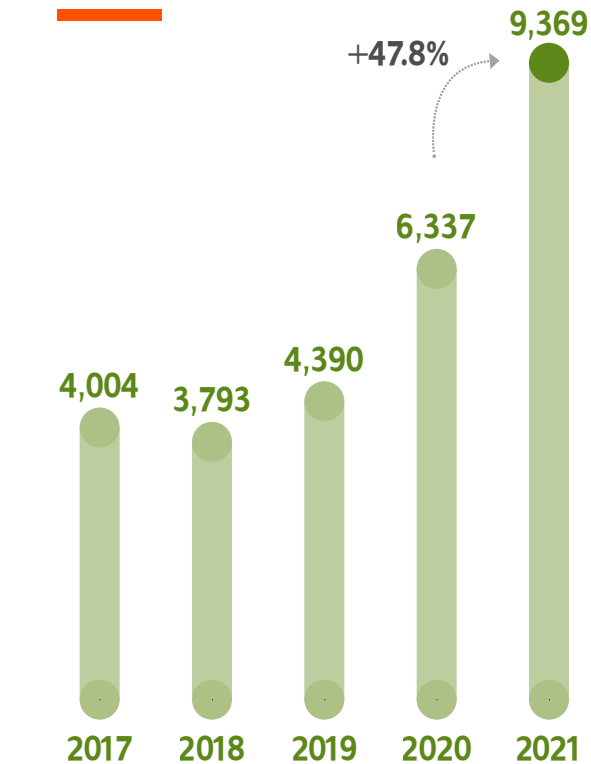
2017 pro forma data, considering 12 months of Neoenergia Elektro

## NET INCOME (R\$ million)

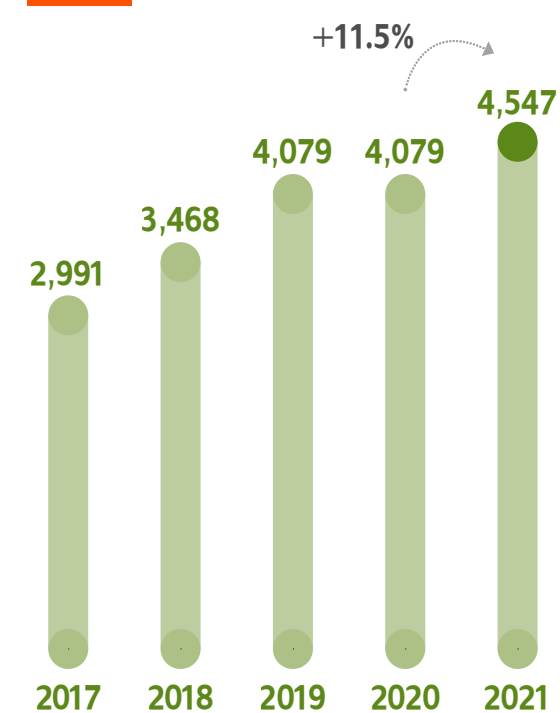


2017 pro forma data, considering 12 months of Neoenergia Elektro

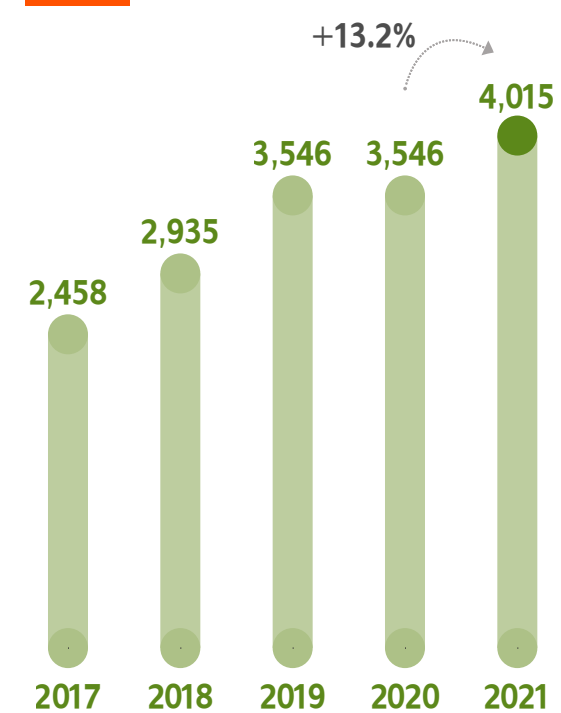
## CAPEX (R\$ million)



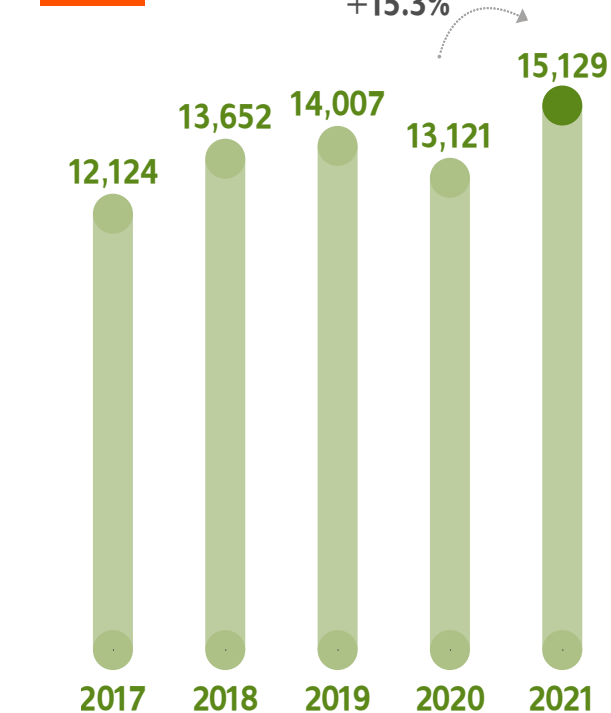
## INSTALLED CAPACITY – GENERATION (MW)



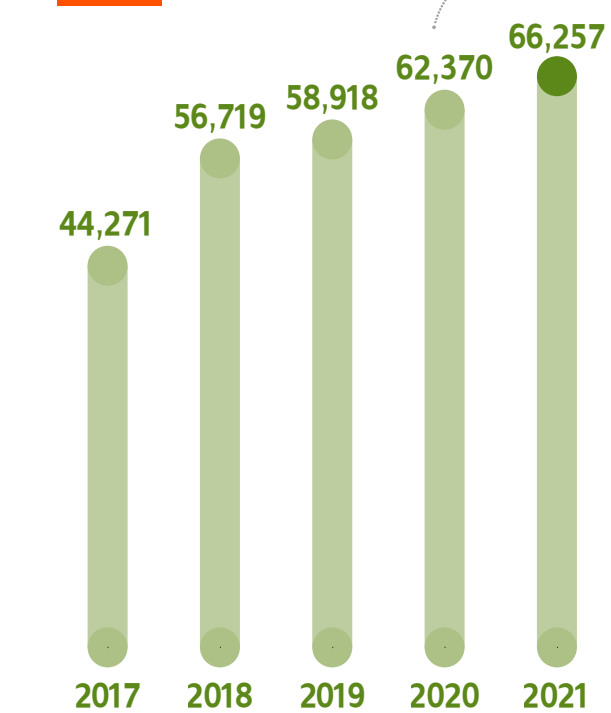
## INSTALLED CAPACITY – RENEWABLE (MW)



## GENERATION OUTPUT (GWh)



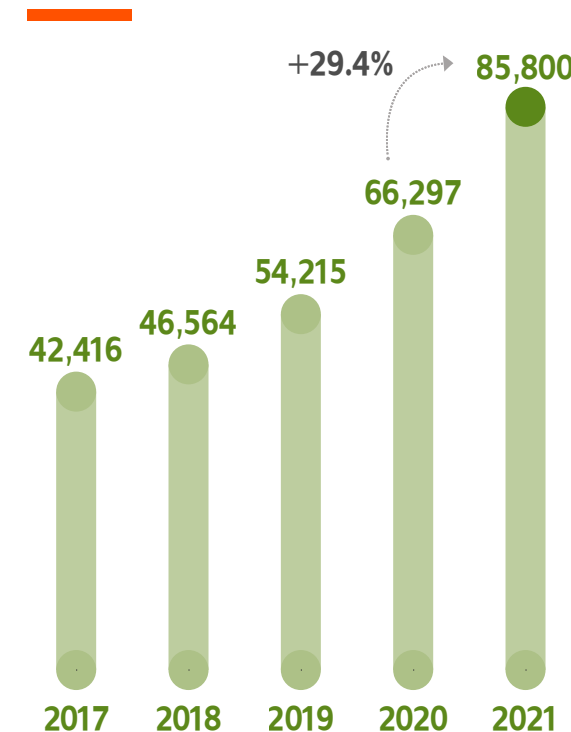
## ELECTRIC POWER DISTRIBUTED (GWh)



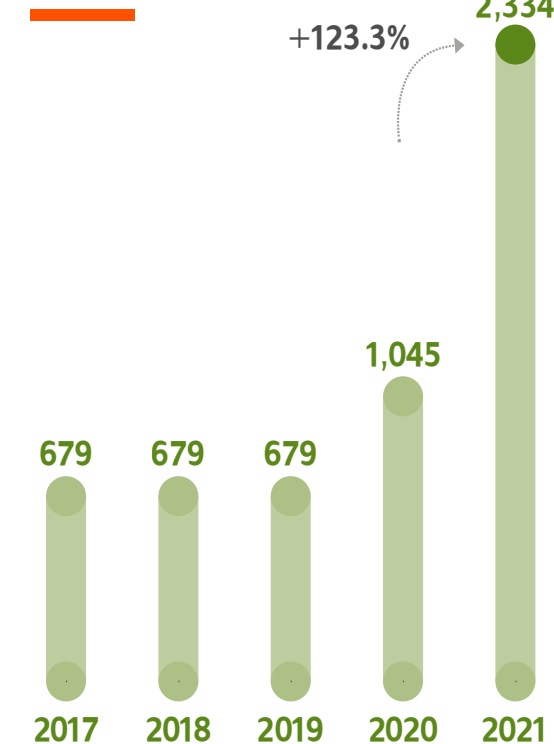
Captive Market + TUSD. Pro-forma 2020 data, considering Neoenergia Brasília.



**ASSETS  
(R\$ million)**



**TRANSMISSION LINES  
(km)**

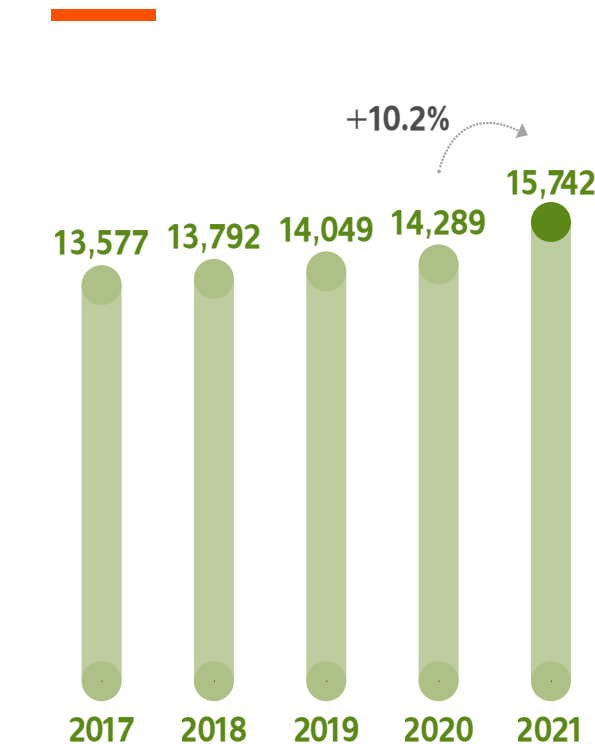


**DISTRIBUTION LINES<sup>2</sup>  
(km)**



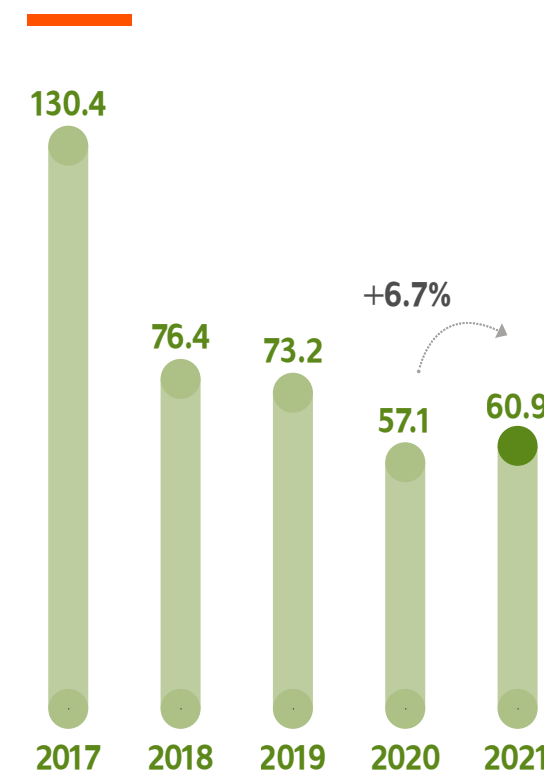
<sup>1</sup> Subtransmission and distribution lines.

**NUMER OF CUSTOMERS  
(thousand)<sup>1</sup>**

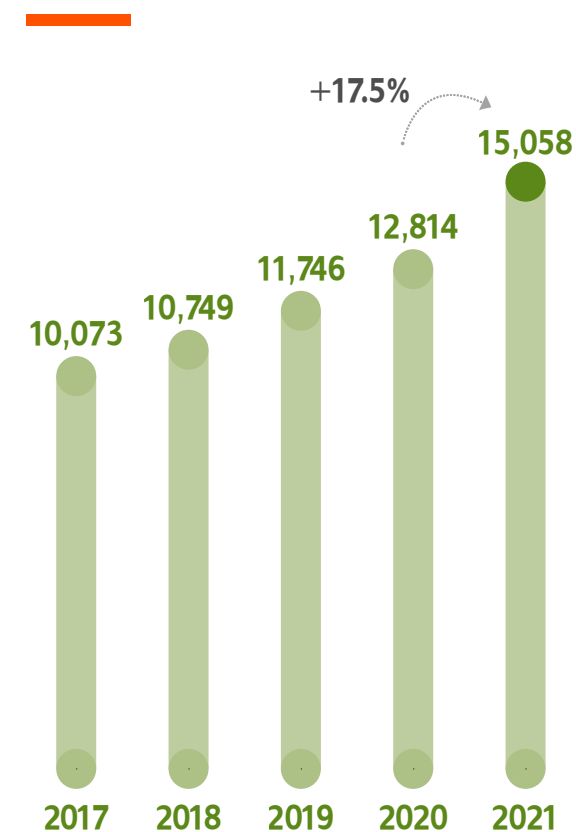


<sup>1</sup> Considers Neoenergia Brasília from March 2021.

**GHG EMISSIONS INTENSIVY  
(gCO<sub>2</sub>/KWh generated)**

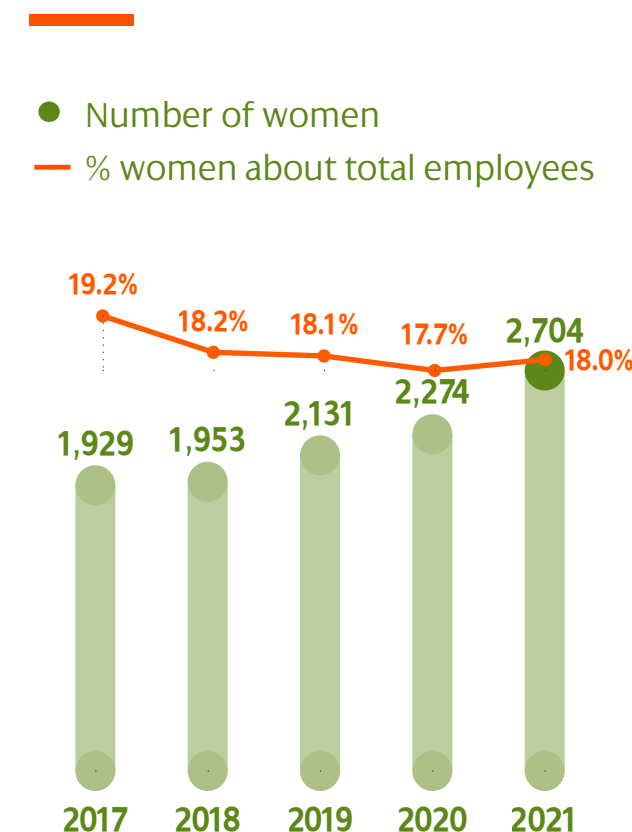


**OWN EMPLOYEES**

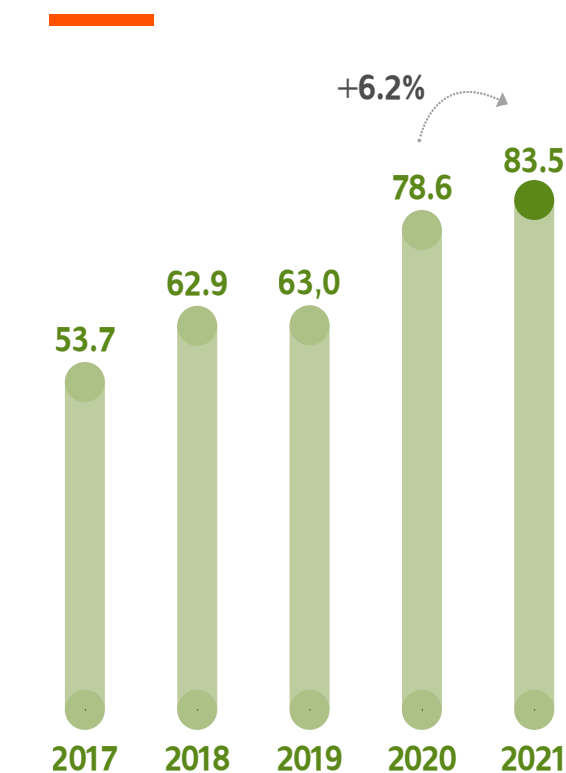


<sup>1</sup> Considers Neoenergia Brasília from March 2021.

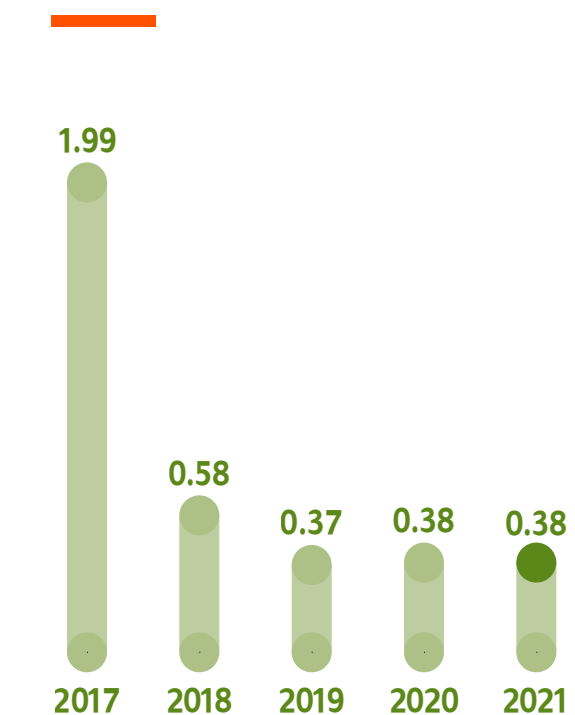
**GENDER DIVERSITY**



**TRAINING HOURS PER  
EMPLOYEE PER YEAR**



**ACCIDENT FREQUENCY  
RATES<sup>1</sup>  
(Own employees)**



<sup>1</sup> (Accidents with lost time/hours worked) X 1,000,000.



# Key Indicators

## FINANCIAL PERFORMANCE (million R\$)

	2017	2018	2019	2020	2021
Net operating revenue	20,508	25,954	28,461	31,989	43,165
Gross margin	6,034	7,857	9,164	10,226	14,146
Consolidated EBITDA <sup>1</sup>	3,666	4,552	5,719	6,496	9,856
Networks EBTIDA <sup>2</sup>	N/A	3,730	5,025	5,787	8,891
Renewables EBITDA <sup>2</sup>	N/A	579	634	595	521
Liberalized EBITDA <sup>2</sup>	N/A	401	268	347	665
Amortization and depreciation	880	1,128	1,299	1,473	1,777
Operational result	2,124	3,270	4,273	4,878	7,872
Financial result	-1,394	-1,169	-1,341	-1,030	-2,283
Result before income taxes	730	2,101	2,932	3,848	5,589
Consolidated net profit <sup>1</sup>	529	1,594	2,309	2,905	4,066
Attributed to controllers	529	1,536	2,229	2,809	3,925
Attributed to minority shareholders	N/A	58	80	96	141
Total assets	42,146	46,564	54,215	66,297	85,800
Net worth	15,602	17,577	19,259	21,509	24,238
Capex investments	4,004	3,793	4,390	6,337	9,369
Cash and cash equivalents	3,856	3,934	4,041	9,692	5,709
Net debt	13,510	15,865	17,134	18,527	30,749
Paid taxes	8,192	10,910	11,945	11,983	15,783

## FINANCIAL INDEXES

	2017	2018	2019	2020	2021
EBITDA margin (EBITDA/net revenue) (%)	17.9%	17.5%	20.1%	20.3%	22.8%
Net margin (net profit/net revenue) (%)	2.2%	5.9%	7.8%	8.8%	9.1%
Return on equity (ROE) (%)	2.9%	8.7%	11.6%	13.1%	16.2%
Net financial debt/EBITDA (times)	4.38	3.49	3	2.85	3.12
Operating cash flow/net debt (%)	28.5%	24.8%	23.6%	52.3%	18.6%



Rio do Fogo  
Wind Farm



**STOCK MARKET <sup>3</sup>**

	2017	2018	2019	2020	2021
Number of shares	N/A	1,213,797,248	1,213,797,248	1,213,797,248	1,213,797,248
Share price (R\$)	N/A	15.65	24.88	17.62	16.20
Market value (R\$ million)	N/A	18,996	30,199	21,387	19,664
Net earnings per share (R\$)	N/A	1.28	1.84	2.39	3.35

**OPERATING PERFORMANCE**

	2017	2018	2019	2020	2021
Power generation installed capacity (MW) <sup>4</sup>	3,162	3,467	4,079	4,079	4,547
Total net production (GWh)	12,215	13,652	14,007	13,121	15,129
Electric power distributed – free + captive (GWh) <sup>5</sup>	44,271	56,719	58,918	57,026	66,257
Transmission lines – 230 kV + 500 kV (km)	679	679	679	1,045	2,334
Sub-transmission lines – 69 kV 138 kV (km)	18,634	19,398	19,147	20,262	21,361
Distribution lines – < 69 kV (km)	590,197	603,916	620,591	634,624	668,123

**ENVIRONMENTAL PERFORMANCE**

	2017	2018	2019	2020	2021
Renewable installed capacity (MW)	2,629	2,935	3,546	3,546	4,015
Renewable installed capacity (%)	83,1%	84,6%	86,8%	86,9%	88,3%
Emissions intensity (gCO <sub>2</sub> /kWh generated) <sup>6</sup>	130.4	77	73	53	61
Fuel consumption (GJ)	U/A	26,313,061	25,847,952	18,294,705	23,987,769
Environmental investments (R\$ million) <sup>7</sup>	646	919	947	518	4,934
Water use (m <sup>3</sup> /GWh generated)	U/A	22,063	23,664	18,198	16,105
Direct GHG emissions (Scope 1) (tCO <sub>2</sub> e) <sup>6</sup>	U/A	1,043,248	1,024,241	750,128	986,065
Indirect GHG emissions (Scope 2) (tCO <sub>2</sub> e) <sup>6</sup>	U/A	488,001	538,802	490,242	967,717
SO <sub>2</sub> emissions (t/GWh)	0	0.0031	0.0030	0.0016	0.0031
NOx emissions (t/GWh)	0.0589	0.0622	0.0615	0.0578	0.0607


 Corumbá HPP



**SOCIAL PERFORMANCE**

	2017	2018	2019	2020	2021
Number of customers	13,577	13,792	14,049	14,289	15,742
Employees	10,096	10,749	11,746	12,814	15,058
Open-ended contracts (%)	U/A	99.9%	99.9%	99.9%	99.9%
Number of outsourced workers	22,382	21,604	25,704	24,743	27,993
Workers with collective agreements (%)	97.1%	99.9%	99.9%	99.9%	100%
Employee turnover (%)	8.5%	8.9%	9.9%	8.7%	7.6%
Voluntary employee turnover (%)	U/A	1.4%	1.4%	1.4%	3.3%
Diversity – men/women (%)	81%/19%	82%/18%	82%/18%	82%/18%	82%/18%
Diversity – women in leadership roles (%) <sup>8</sup>	U/A	U/A	19.4%	27.6%	26.2%
Employee accident rate	0.28	0	0.52	0.86	0.44
Employee accident frequency rate	1.99	0.58	0.37	0.38	0.38
Training (hours)	570,747	676,408	739,524	1,023,922	1,307,921
Training (hours per employee)	53.7	62.9	63	79.9	83.5
Investment in social development (R\$ thousand)	78,016	69,990	9,204	74,723	19,361
Rural electrification investment – “Light for All” program, excluding federal subsidies (R\$ thousand)	798,288	261,551	177,673	247,853	326,039
Rural electrification program – “Light for All” (number of connections)	22,382	21,716	26,034	17,644	16,966
I+R&D investments (R\$ thousand) <sup>9</sup>	U/A	U/A	100,047	145,411	174,030
Amount paid to suppliers (R\$ thousand)	17,222,005	21,518,564	22,672,632	25,587,000	33,612,000
Purchases from local suppliers (%)	79.6%	79.3%	98.6%	99.5%	99.3%

<sup>1</sup> EBITDA and net income data from 2017 considers Elektro pro forma. This distribution company was incorporated entirely in 2018.

<sup>2</sup> Neoenergia’s structuring in these segments took place in 2018.

<sup>3</sup> Neoenergia went public in 2019.

<sup>4</sup> Excludes the Tubarão Plant, owned by Neoenergia Pernambuco (4.8 MW capacity), installed in Fernando de Noronha.

<sup>5</sup> The 2020 data consider Neoenergia Brasília pro forma. This distribution company has operated as part of Neoenergia since March 2021.

<sup>6</sup> Preliminary 2021 data to be audited. The final emissions inventory will be published at Neoenergia’s Sustainability website ([www.neoenergia.com](http://www.neoenergia.com)).

<sup>7</sup> Data from 2021 include investments in new renewable generation units.

<sup>8</sup> Women in leadership positions: Directors, superintendents, managers.

<sup>9</sup> Investment in R&D does not include resources for the National Scientific and Technological Development Fund (FNDTC), Ministry of Mines and Energy (MME), and Energy Development Account (CDE).

N/A – Not applicable.

U/A – Unavailable.





# Installed Capacity and Production

## INSTALLED CAPACITY BY SOURCE (MW)

	2017	2018	2019	2020	2021
Renewables	2,629	2,935	3,546	3,550	4,015
Wind	516	516	516	516	984
Hydroelectric	2,113	2,419	3,031	3,031	3,031
Combined cycle	533	533	533	533	533
<b>Neoenergia's total<sup>1</sup></b>	<b>3,162</b>	<b>3,467</b>	<b>4,079</b>	<b>4,079</b>	<b>4,547</b>

<sup>1</sup> Excludes the Tubarão Plant, owned by Neoenergia Pernambuco (4.8 MW capacity), installed in Fernando de Noronha.

## GENERATED ELECTRIC POWER BY SOURCE (GWh)

	2017	2018	2019	2020	2021
Renewables	8,168	10,099	10,673	10,681	11,935
Wind	1,865	2,120	1,993	1,878	2,313
Hydroelectric	6,303	7,979	8,680	8,803	9,622
Combined cycle	3,956	3,553	3,334	2,440	3,194
<b>Neoenergia's total<sup>1</sup></b>	<b>12,215</b>	<b>13,652</b>	<b>14,007</b>	<b>13,121</b>	<b>15,129</b>

<sup>1</sup> Excludes the Tubarão Plant, owned by Neoenergia Pernambuco (4.8 MW capacity), installed in Fernando de Noronha.

## TRANSMISSION AND DISTRIBUTION LINES (km)

	2017	2018	2019	2020	2021
Transmission (230 kV + 500 kV)	679	679	679	1,045	2,334
Subtransmission (69 kV 138 kV)	18,634	19,398	19,147	20,262	21,361
Distribution (< 69kV)	590,197	603,916	620,591	634,624	668,123



Teles Pires HPP



# 2021 Key Facts

## January

- Start of commercial operation in the third section of the Dourados (MS) transmission line, 19 months ahead of schedule.
- Debut on B3's Carbon Efficient Index (ICO2).

## February

- Donation of 700 scientific refrigerators to 673 municipalities in Bahia and Pernambuco in support of immunization campaigns against Covid-19.

## March

- Neoenergia takes over distribution utility CEB-D, acquired in an auction at the end of 2020.
- Start of wind turbines' assembly at the Chafariz Wind Complex (PB).
- Digital Connection project completes one year, with 6 million digital attendances.
- Recertification of the Integrated Management System of Hydroelectric Power Plants (ISO 9001, ISO 14001, and ISO 45001).

## April

- CEB-D renamed Neoenergia Distribuição Brasília.
- Launch of the "Publicações Neoenergia" application, with educational content on energy efficiency for clients.
- Operational start of the fourth and penultimate section of the Dourados (MS) transmission lot, successfully bid at auction 005/2016.
- Installation of a new spare transformer in Termopernambuco.

## May

- Adherence to the Brazilian Business Commitment for Biodiversity.
- Smart Network Management Center (Cegri) in Salvador begin to focus on digital assets management.

## June

- Publication of the Green Finance Framework, which guides sustainable investments.
- Launch of Logo Project, a real-time construction management platform.
- Installation of the first synchronous compensators in Santa Vitória do Palmar and Santana do Livramento (RS), located at Lot 14 (Aneel Transmission Auction 004/2018).

## July

- Neoenergia completes 24 years.
- Commercial operation starts at the Chafariz wind project's first generating units.
- A substation and a transmission line in Santa Luzia (PB) start their operations.
- The new Integrated Operations Center (COI) is inaugurated at Neoenergia Brasília.

## August

- Brand unification and incorporation of a new visual identity in the five distributors: Neoenergia Coelba (BA), Neoenergia Cosern (RN), Neoenergia Elektro (SP/MS), Neoenergia Pernambuco (PE), and Neoenergia Brasília (DF).
- Four mini solar generation systems (851 kWp capacity) start their operations in Pernambuco.
- The last stage of the Dourados (MS) project, successfully bid in transmission auction 005/2016, begins its operations.
- New Distribution Centers (DCs) are inaugurated in Bahia and Rio Grande do Norte.
- The publication of the Greenhouse Gas Inventory 2020 receives a gold seal from the Brazilian GHG Protocol Program.
- The Abradee Award acknowledges Neoenergia Elektro, Neoenergia Cosern, and Neoenergia Pernambuco.
- Acknowledged by the Anefac's Transparency Award.

## September

- Solange Ribeiro, Deputy CEO of Neoenergia, becomes Vice-Chair of the Council of the UN Global Compact.

## October

- Implementation of electric mobility stations at operational bases in the Brazilian Northeast region.

## November

- First Investor Day is held in São Paulo.
- ISO 37001 recertification on anti-bribery management.
- Energization of Santa Luzia (PB) transmission line's second stretch.

## December

- Acknowledged with the Pro-Ethics company seal.
- Termopernambuco will sell energy at Aneel's reserve capacity auction, starting in 2026, over a 15-year period.
- Lot 4 successfully bid at the 2021 transmission auction: A substation in Ibiraci (MG) and 3 synchronous compensators.
- Received an A- score in the company's debut at Climate CDP.
- Neoenergia remains in the 17th portfolio of B3's Corporate Sustainability Index (ISE).
- Prior licenses for the Morro do Chapéu transmission lines' project (BA/MG/ES).
- Inauguration of the Transmission Operation Center (COT) in Campinas (SP) after renovation and technological modernization.



# External recognitions

**Award ABERJE** – #BrilhaNeo, a livestreamed event in December 2020, received the ABERJE award in the Corporate Events category.

**Cliente S.A. Award** – Neoenergia received a Silver award in the Best Customer Relationship Management Project category of the Cliente SA 2021 awards, for a case study about the Neoenergia chatbot and creating new experiences for customers.

**Smart Customer** – The company was the grand winner of the 2021 Smart Case of the Year Award, for the same chatbot that won the Cliente S.A. award. The company received the top award in this year's edition, with its case study receiving the highest score in the event.

**ABRADEE Award** – Neoenergia distribution utilities received ABRADDEE awards for operational performance. Neoenergia Elektro came 1st place in the Governance category and 2nd place in the Southeast. Neoenergia Cosern ranked 2nd for Social and Environmental Responsibility and Quality of Governance, and was well ranked in the Northeast. Neoenergia Pernambuco was 3rd for Quality of Governance

**100 Open Startups** – Neoenergia was ranked Top 2 in the Renewable Energy category and Top 4 in the Energy category of the 100 Open Startups List, which recognizes organizations' engagement with startups.

**Troféu Transparência (Transparency Trophy)** – Neoenergia was among the top 10 companies with net revenue higher than

R\$ 8 million in the Troféu Transparência awards, one of the most prestigious accolades in Brazil for quality of financial statements.

**Pró-Ética Mark** – For the fourth consecutive year the company received a Pró-Ética 2021 Mark from the Federal Audit Court (Controladoria-Geral da União - CGU), which is awarded to companies that are engaged in fighting corruption and have effective integrity programs in place. Neoenergia Coelba, Neoenergia Pernambuco, Neoenergia Elektro and Neoenergia Cosern were also certified, demonstrating a group-wide commitment to effective anti-bribery management.

**ANEEL Ombudsman Award** – Neoenergia Cosern ranked 3rd nationally and 1st in the Northeast in ANEEL's Quality of Supply List. Quality is measured on the basis of equivalent outage duration (EOD) and equivalent outage frequency (EOF).

**The Sustainability Yearbook** – Neoenergia was ranked in the S&P Global ESG Annual list, which brings together organizations demonstrating outstanding environmental, social and governance (ESG) practices. More than 7,000 companies were assessed and the 15% best-ranked companies in each industry were included in the list. ESG reporting provides investors with a frame of reference by which to assess an organization's sustainability.

**ISE – Corporate Sustainability Index** – Neoenergia was again named to the 17th Corporate Sustainability Index (ISE B3) portfolio, for

the period from January 3, 2022 to December 30, 2022. This is the company's second consecutive year as a constituent of the index.

**FTSE4Good Index Series** – Neoenergia was a constituent of the FTSE4Good Index Series for the second consecutive year. FTSE4Good is published by Financial Times Stock Exchange (FTSE) Russell, a division of the London Stock Exchange

**CDP** – Neoenergia received a score of A- for its first response to the CDP questionnaire, the world's most extensive climate change reporting system.

**B3 Carbon Efficient Index** – Neoenergia was a constituent of the Brazilian stock exchange B3's Carbon Efficient Index (ICO2) during the three first quarters of 2021

**Brazilian GHG Protocol Program** – Neoenergia was awarded Gold reporting status within the program for its 2020 greenhouse gas emissions inventory, which was independently audited and provided transparent information about the company's strategy to decarbonize the economy

**Valor 1000** – Neoenergia was among the top-ranked companies in business newspaper Valor Econômico's Valor 1000 list 2021, in recognition of its performance in the previous year. Neoenergia ranked 25<sup>th</sup> among Brazil's largest companies. Among companies in the power sector, Neoenergia ranked 7<sup>th</sup> in an overall assessment and took 1<sup>st</sup> place in its industry for sustainable growth.



# Compared Results

From 2017 to 2021, Neoenergia increased its assets by 103.6%, its net revenue by 110.5%, and its operating cash flow (EBITDA) by 218.4%, showing the business' sustained growth. The compound annual growth rate (CAGR) reaches 26.1% per year in EBITDA and 55.2% in value added to shareholders, including dividends, interest on capital, and retained earnings.

## ECONOMIC-FINANCIAL VARIABLES

	31/12/2017	31/12/2021	Variation (%)	CAGR (%) <sup>1</sup>
Assets (R\$ million)	42,146	85,800	103.6%	19.4%
Net revenue (R\$ million)	20,508	41,120	110.5%	20.4%
EBITDA (R\$ million) <sup>2</sup>	3,666	9,856	168.8%	28.0%
Net profit (R\$ million) <sup>2</sup>	529	3,925	668.8%	66.5%
Dividends and Interest on Equity (R\$/share) <sup>3</sup>	0.2471	0.4378	77.2%	15.4%
Net debt/EBITDA (times)	4.38	3.12	-1.26 p.p.	-
Value added to shareholders (R\$ million)	452	4,066	799.6%	55.2%

<sup>1</sup> CAGR: Compound Annual Growth Rate.

<sup>2</sup> Pro forma data from 2017 covering 12 months of Neoenergia Elektro.

<sup>3</sup> The amount considers Interest on Equity (IOE) and minimum mandatory dividends.



Transmission line and wind turbine



**BUSINESS MODEL  
AND STRATEGY**





# Climate Action

Neoenergia firmly believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically viable, and socially necessary.

Therefore, the company has led the energy transition through a sustainable business model, implemented with innovation, flexibility, and efficiency in all its lines of action.

Neoenergia's Climate Action Policy establishes a framework for the company's strategy and business model, in line with the Paris Agreement and the United Nations (UN) 2030 Agenda in the fight against climate change. The company commits to contributing to a carbon neutral and sustainable future and taking on the Task Force's recommendations on Climate-Related Financial Disclosures (TCFD) and other standard-setting organizations.

Neoenergia firmly believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically viable, and socially necessary.

## Climate Governance

Neoenergia has various governance bodies that monitor the implementation of its policies. The Climate Action Policy, first approved by the Board of Directors in July 2018 and updated in July 2021, formalizes the Board of Directors' obligation to design, assess, and review the Governance and Sustainability System, specifically related policies such as the Climate Action Policy.

In response to the need for professionalization, diversification, and qualification on critical issues, the Board runs a training and refresher program for its members, including topics regarding Environmental, Social, and Corporate Governance (ESG) aspects.

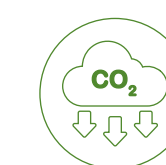
The remuneration structure for executive directors and the management team considers economic/financial, operational, and sustainability aspects. A long-term remuneration plan covers parameters related to the UN Sustainable Development Goals, such as promoting sustainability in the production chain and increasing the number of suppliers subject to sustainable development standards.

For more detailed information regarding the Governance and Sustainability System, see [here](#).

## Climate Action's Objectives and Elements

From 2017 to 2021, Neoenergia reduced the intensity of atmospheric emissions by 52.4% per kWh of energy produced – from 128 gCO<sub>2</sub>e/kWh to 60.9 gCO<sub>2</sub>e/kWh. In 2021, compared to the 53.3 gCO<sub>2</sub>e/kWh intensity of 2020, the performance was affected by water shortage in Brazil and a greater demand for thermal generation requested by the National Electric System Operator (ONS). It increased Termopernambuco's activity, which operates in a combined gas and steam cycle.

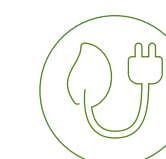
### NEOENERGIA'S CLIMATE GOALS



**Reduce intensity of CO<sub>2</sub> emissions to 50g CO<sub>2</sub>/kWh by 2030.**



**Contribute to the Iberdrola group's objective of reducing absolute scope 1, 2, and 3 GHG emissions in 43% by 2030 compared to the 2017 base year.**



**To be carbon neutral by 2050.**



Neoenergia is working towards fast-tracking its decarbonization targets. The company's climate commitments are linked to its growth and investment strategy, which, in turn, is fully oriented towards promoting a rapid, fair, and inclusive energy transition. An internal carbon pricing tool has been used to identify potential decarbonization paths in its production processes.

An UN-Approved project at Neoenergia's Teles Pires HPP to fighting climate change by offsetting GHG emissions using the Clean Development Mechanism (CDM). The plant emitted, in 2021, 4.9 million tons of carbon equivalent in credits, referring to the renewable energy generated between 2017 and 2018. The initiative is valid until 2025.

The Climate Action Plan is based on critical elements such as technology and business innovation, alliances, and active participation in the main milestones of the climate agenda and supporting key initiatives that pursue more ambitious climate goals, raising awareness through external and internal actions and collaboration with leading institutions.

Neoenergia's investment plan commits to developing renewable energy, smart grids, digitization, and diversification of its activities.

## Climate Opportunities and Risks Evaluation and Management

Neoenergia's investment plan commits to developing renewable energy, smart grids, digitization, and diversification of its activities. This design is based on an analysis of future scenarios. It assesses their resilience to the risks and the opportunities of climate change and the energy transition.

The identification, analysis, and management of climate change risks have been integrated with an approach that focuses on risk management.

The climate change risks review identified great opportunities arising from the decarbonization of the global economy (growth in renewables, investment in smart grids, electrification of transport, green hydrogen).

Furthermore, factors such as fast-tracking the transformation of the business model, asset diversification, experience, and the integration of climate change science into its decision-making process suggest that overall, Neoenergia's business model can be classified as low emission.

Nevertheless, it is necessary to make further progress, analyze risks – both physical, linked to specific facilities, and transitional – and strengthen the inclusion of the climate change variable within the company's decision-making processes. This is part of a corporate continuous improvement process, as scenarios and data from the Global Climate Change Science Base are reviewed, refined, and updated. For more information, see the Climate Change content in Neoenergia's Annual Sustainability Report 2021, published at the company's website.

## Indicators and Metrics

Neoenergia monitors various indicators related to climate and the strategy to fight climate change, which is critical for the constant monitoring of the strategy's resilience given the scenarios analyzed. These indicators include the inventory of

greenhouse gas emissions, emissions intensity, reduction targets, use of energy, energy intensity, energy mix, renewable installed capacity, water use, water source, I+R&D, and Capex in developing low-emission products, services, and technology.

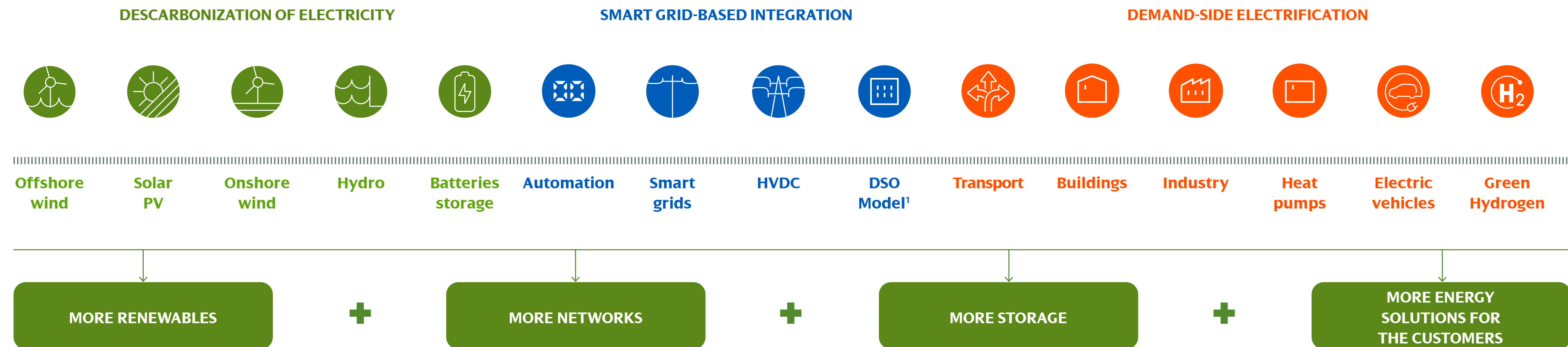


# A Consolidated and Successful Business Model

Neoenergia firmly believes that the transition to a carbon-neutral economy by 2050 is technologically possible, economically feasible, and socially necessary. The decarbonization of the economy is a terrific opportunity to create wealth, generate employment, and act to preserve the planet and improve people's health.

For this reason, together with the Iberdrola Group, the company is committed to leading the energy transition, prioritizing decarbonization, renewable energies, decentralization, and networks' digitization, in line with the International Energy Agency (IEA) demands.

This commitment will be achieved by promoting:



<sup>1</sup>DSO: Distribution System Operation—digitized, decentralized and multi-directional distribution, replacing the traditional uni-directional model (Distribution Network Operator (DNO)).



## Sustained Growth

In 2021, Neoenergia completed 24 years of sustained growth with a business model that accelerates the value creation for all its stakeholders. The company seeks to:

- 1.** Maintain relationships with stakeholders.
- 2.** Concentrate investment in regulated businesses or business with long-term contracts, which provide known and recurring cash flows.
- 3.** Accelerate the growth of activities in renewables, mainly wind, photovoltaic, and green hydrogen production, to meet the objective of stable decarbonization.
- 4.** Geographic diversification, with a presence in all Brazil's regions.
- 5.** Sustainable, safe, and growing dividend policy, in line with the growth of the company's results.
- 6.** Maintain a solid financial position allowing the accomplishment of investment objectives.
- 7.** One of the leading financing instruments is "Título Verde" (Green Share), which ensures transparency on the impact and use of resources, enabling adequate liquidity.





# Capital Management

Neoenergia has valuable assets to develop its business model. The company's strategy transforms this capital to create value for all its stakeholders.

Capital	Description	Management Approach	Relevant Aspects
<b>Financial</b> 	Economic resources owned by the company or obtained in the stock market.	<ul style="list-style-type: none"> <li>Create value for the shareholders through sustainable growth.</li> </ul>	<ul style="list-style-type: none"> <li>Balanced, diversified growth.</li> <li>Financial structure's strength.</li> <li>Operational excellence.</li> <li>Sustainable results and dividends.</li> <li>Governance, compliance, and risk policies.</li> </ul>
<b>Manufactured</b> 	Tangible assets or goods used for the company activities' development.	<ul style="list-style-type: none"> <li>Offer competitive generation, transmission, and distribution options in a safe and reliable environment.</li> </ul>	<ul style="list-style-type: none"> <li>Assets for the generation of electricity.</li> <li>Assets for transmission and distribution of electricity.</li> <li>Promote assets synergy.</li> <li>Other assets.</li> </ul>
<b>Intellectual</b> 	Intangible knowledge-based assets.	<ul style="list-style-type: none"> <li>Consider innovation as a strategic element of the company.</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of Innovation + Research and Development (I+R&amp;D).</li> <li>Innovation Policy.</li> <li>Digitization towards new products and services' efficiency and development.</li> <li>Disruptive technology and business models</li> </ul>
<b>Human</b> 	Employees' knowledge, skills, experience, and motivation.	<ul style="list-style-type: none"> <li>Ensure a committed and qualified workforce.</li> <li>Offer a diverse, inclusive, and healthy work environment.</li> </ul>	<ul style="list-style-type: none"> <li>Global human resources management.</li> <li>Equality, Diversity, and Inclusion; Knowledge Management; Staff Recruitment; and Human Right Policies.</li> <li>"Zero Accident" Plan.</li> <li>Talent management.</li> <li>Diversity, equal opportunity, and work-life balance.</li> </ul>
<b>Natural</b> 	Natural resources potentially affected by the company's activities.	<ul style="list-style-type: none"> <li>Ensure the sustainable use of natural resources and contribute to the biodiversity conservation and the fight against climate change.</li> </ul>	<ul style="list-style-type: none"> <li>Climate change.</li> <li>Biodiversity and natural capital preservation.</li> <li>Environmental footprint management.</li> <li>Operational excellence and energy efficiency.</li> <li>Circular economy.</li> <li>Sustainable Management, Environmental, Climate Action, and Biodiversity Policies.</li> </ul>
<b>Social and relationship</b> 	Sharing, relationships, and collaboration with stakeholders favor the community's well-being development.	<ul style="list-style-type: none"> <li>Build trust among stakeholders, improving the quality of life in the group's operation areas.</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders Relationship Policy.</li> <li>Community support programs and access to electricity.</li> <li>Human rights due diligence system.</li> <li>Instituto Neoenergia.</li> <li>Brand management.</li> </ul>



# Regulatory Environment

Main 2021 Regulatory Issues:

**Regulatory Capital Remuneration Rate (WACC)** – On March 15, the WACC update for the generation (quota plants), transmission, and distribution segments was published. In 2021, 7.02% was applied to distributors and 6.76% to transmission companies and quota plants. The new percentages were used in the review and auction processes from March 2021 to February 2022.

**Distributed Generation** – A bill passed in December created the regulatory framework for micro- and mini-distributed generation (DG). The bill will keep the current rules until 2045 for units that already have distributed generation and those requesting access to distributors within 12 months after the bill's publication.

## Covid-19 Measures

**Temporary operational restrictions for distributors** – Aneel's Normative Resolution 928/2021 prohibited the suspension of power supply to specific consumers (low-income residential and users of vital equipment, among others) and cutting off supply after a 90-day delay in paying the electricity bill (all consumers). It also postponed the payment by distributors regarding the compensation of individual continuity and voltage limits violations. This resolution was initially effective until June 30 and was extended until September 30 by Aneel's Normative Resolution 936/2021 of June 15.

**Distributors' rebalancing** – Aneel's Normative Resolution 952/2021, issued in November, addresses the correction of economic imbalances resulting from the pandemic, the establishment of a calculation methodology for involuntary

over-contracting due to load reduction during the health crisis, and criteria for compensating consumers for costs related to Covid Account credit operations in 2020.

## Water Crisis Measures

**Creation of the Chamber of Exceptional Rules for Hydropower Management (CREG)** – The Provisional Measure 1,055, issued by the Federal Government in June, established the CREG, which was responsible for defining guidelines on exceptional and temporary conditions for the country's hydroelectric power plant reservoirs operations (use, storage, and flow limits). CREG was in operation until December 30, 2021.

**Incentive Program for Voluntary Reduction of Power Consumption** – Developed between August and December 2021, this program rewarded consumers who reduced their power consumption by 10% to 20% with a R\$ 50 bonus for every 100 kWh saved.

**Water Scarcity Rate Flag** – Created in September 2021 to defray the additional costs of the thermal plants' use and importing energy, Aneel established an extra charge of R\$ 14.20 for every 100 kWh consumed, valid for all consumers from September 2021 to April 2022, except for the social rate beneficiaries.

**Credit operations** – In December, a Provisional Measure authorized the structuring of credit operations to cover the additional costs to electricity distributors resulting from the water crisis.



**Dardanelos  
HPP**



# Sustainable Finance

Consistent with its sustainable business model, Neoenergia is one of the pioneering business groups in ESG financing. This approach has the triple objective of (i) aligning its financial strategy with its purpose, values, and investment strategy; (ii) optimizing the cost of its debt; and (iii) diversifying its funding sources, making sustainability an end and a means to the financial strength it pursues and by which the company is known.

To confirm its commitment to sustainability aspects in line with its business' organic growth, Neoenergia published at its website, in December 2020 the group's Green Finance Framework, based on the Green Bond Principles (GBP) by the International Capital Market Association (ICMA). These principles promote integrity in the green debt market through guidelines to ensure transparency with the disclosure of indicators and practices. The document also complies with the Green Loan Principles (GLP), based on the ICMA's GBP, to promote consistency in the financial market. This framework is in line with the four main components of GBP and GLP: (i) Use of resources, (ii) assessment and selection of assets, (iii) management and control of resources, and (iv) reporting.

The "green" eligible business lines contribute to reaching SDGs 7 (clean and affordable energy), 8 (decent work and economic growth), and 13 (action against global climate change), in addition to an indirect impact on other SDGs.

## Green Financing Operations

In 2021, Neoenergia conducted its first Green Finance Framework-backed issuances. The first capital market debts certified as green among the group's distributors are:

- 3<sup>rd</sup> Issuance of Promissory Notes by Neoenergia Elektro, R\$ 500 million
- 3<sup>rd</sup> series of the 11<sup>th</sup> Issuance of Debentures by Neoenergia Pernambuco, R\$ 200 million
- 13<sup>th</sup> Issuance of Debentures by Neoenergia Coelba in three series, R\$ 800 million
- 1<sup>st</sup> series of the 1<sup>st</sup> Issuance of Commercial Notes by Neoenergia Coelba, R\$ 266 million
- 1<sup>st</sup> Issuance of Commercial Notes by Neoenergia Cosern in two series, R\$ 200 million

These operations are the first green-certified in the country's electricity distribution sector and reach approximately R\$ 2 billion. They are intended to finance Distribution Development Plans (DDP) classified as green. These issuances, conducted in line with the group's Green Finance Framework, also include a second opinion statement by the specialized consulting firm Sitawi Finanças do Bem, which corroborates the companies' good sustainability practices.

As established in the Green Finance Framework, the company fulfills its commitment to annually report the specific projects' indicators that

will back green financing. The group ratifies that all the Green Finance Framework's commitments remain valid and fulfilled.

In December 2021, Neoenergia signed a 200 million euro financing with the European Investment Bank (EIB). This is green financing backed by the Capex of the following projects: Oitis Wind Complex (located in Bahia and Piauí), Chafariz Wind Complex (located in Paraíba), and Luzia solar farms (located in Paraíba). Its term is up to ten years, with a three-year grace period, and its disbursements must occur within 36 months. The EIB is one of the world's largest multilateral agencies for financing investments aligned with climate change mitigating initiatives.

Consistent with its sustainable business model, Neoenergia is one of the pioneering business groups in ESG financing.



**GREEN FINANCE - NEOENERGIA GROUP**

Year	Company	Instrument	Projetc type	Volume	Qualified via
2019	Neoenergia	6 <sup>th</sup> Debenture Issuance – 1 <sup>st</sup> Tranche	Transmissão & Renovável	R\$ 803 million	Second Party Opinion
	Neoenergia	6 <sup>th</sup> Debenture Issuance – 2 <sup>nd</sup> Tranche	Transmissão & Renovável	R\$ 492 million	Second Party Opinion
	Neoenergia	Long Term – BEI	Renovável	EUR 250 million	BEI
2020	Neoenergia Itabapoana	1 <sup>st</sup> Debenture Issuance	Transmissão	R\$ 300 million	Second Party Opinion
	Neoenergia Coelba	Long Term – JICA	-	R\$ 508 million	JICA
2021	Neoenergia Elektro	3 <sup>rd</sup> Promissory Note Issuance	PDD <sup>1</sup>	R\$ 500 million	Green Finance Framework aligned with ESG best practices
	Neoenergia Pernambuco	11 <sup>th</sup> Debenture Issuance – 3 <sup>rd</sup> Tranche	PDD	R\$ 200 million	
	Neoenergia Coelba	13 <sup>th</sup> Debenture Issuance	PDD	R\$ 800 million	
	Neoenergia Coelba	1 <sup>st</sup> Commercial Note Issuance – 1 <sup>st</sup> Tranche	PDD	R\$ 266 million	
	Neoenergia Cosern	1 <sup>st</sup> Commercial Note Issuance – 1 <sup>st</sup> Tranche	PDD	R\$ 66,67 million	
	Neoenergia Cosern	1 <sup>st</sup> Commercial Note Issuance – 3 <sup>rd</sup> Tranche	PDD	R\$ 133,33 million	
	Neoenergia	Long Term – BEI	Renovável	R\$ 200 million	BEI

<sup>1</sup> Distribution Development Plans (DDP)






# Network Business

## Regulatory Environment

**Rate reviews and adjustments** – Three of Neoenergia’s five distributors had rate adjustments, and two had rate reviews. In April 2021, Aneel approved rate adjustments for Neoenergia Coelba and Neoenergia Coser, with an average increase for consumers of 8.98% and 8.96%, respectively, applied as of April 22. In August 2021, Aneel approved a rate adjustment for Neoenergia Elektro, with an average increase for consumers of 11.49%, as of August 27. Neoenergia Pernambuco and Neoenergia Brasília went through their fifth Periodic Rate-Setting Review, with an average increase for consumers of 8.99% and 11.10%, respectively. In the case of Neoenergia Pernambuco, the use of tax credits derives from a Supreme Court decision to exclude ICMS tax from the PIS/Cofins tax base, the re-profiling of the Backbone Grid, and the Covid Account helped to reduce the average impact on consumers. As concerns to Neoenergia Brasília, the deferral of electricity purchases from Itaipu, and financial offsets of the Drought Surcharge, helped to reduce the average impact on consumers.

**Energy losses and unrecoverable revenues** – In December 2021, Aneel approved a new loss methodology, updated with modeling improvements, especially in the construction of the complexity ranking, which became unique (based on 138 models), and no longer by a three-model average. The new methodology assesses 17 variables. Other improvements include the starting point definition; the change in the reference year of target calculation, adopting an average of 3 years; the approach to companies with a goal higher than the starting point; the reduction of the structural losses level (minimum limit); the raise of the trajectory reduction speed limit; and the establishment of specific rules for risk areas, ASRO – Areas with Severe Operational Restriction. For Irrecoverable Income, the current methodology was maintained, updating the database for a four-year period (2017 to 2020).

**Permitted Annual Revenue (RAP)** – On July 13, 2021, Aneel approved the adjustment of the Permitted Annual Revenue (RAP) linked to electrical energy transmission facilities in commercial operation and those auctioned and authorized with expected commercial operation start until June 30, 2022, for the period from July 1, 2021, to June 30, 2022. Afluente T’s adjustment was 37% based on the IGP-M index variation from June 2020 to May 2021. The adjustment was 8% for the other transmitters based on the IPCA index variation from June 2020 to May 2021.

**Market liberalization** – Bill 414/2021, pending in the Senate, provides for the electricity bill portability between distributors, thus changing the regulatory framework of the electricity sector and enabling the creation of a genuinely free market in the country. The bill is still pending in the Chamber of Deputies. Another change concerns the results of the distributors’ operation with involuntary excess of energy – following mechanisms of adjusting surpluses and deficits of available electric power and the principle of maximum effort. The results will be allocated to all consumers in the regulated and free contracting environments through a rate charge in proportion to energy consumption.



# Main Activities, Risks, and Objectives

## 2021 Main Activities

### Transmission

In December 2021, Neoenergia successfully bid for Lot 4 in an Aneel Transmission Auction, with negative goodwill of 58.63%. This lot has a R\$ 37.1 million Permitted Annual Revenue (RAP), comprising a substation in Ibiraci (MG) and three synchronous compensators. Since 2017, Neoenergia has successfully bid for 13 assets in transmission auctions.

At year-end, Neoenergia had eight transmission assets in operation (Afluente T, Narandiba, Potiguar Sul, Atibaia, Biguaçu, Sobral, Dourados, and Santa Luzia), comprising 2,334 kilometers of transmission lines and 11 substations. In August 2021, the last 169 kilometers stretch of transmission line that makes up the Dourados project, in Mato Grosso do Sul, started its commercial operation.

The company completed the project auctioned in April 2017, approximately 15 months ahead of schedule agreed with Aneel and 20% below the regulator's estimated budget. Neoenergia also commissioned two Lot 6 sections of the December 2017 auction (Santa Luzia/PB), which total 345 km of transmission lines. Neoenergia's Jalapão started its operation in January 2022, a 728 kilometers long project (the largest by Neoenergia), crossing Tocantins, Maranhão, Piauí, and Bahia.

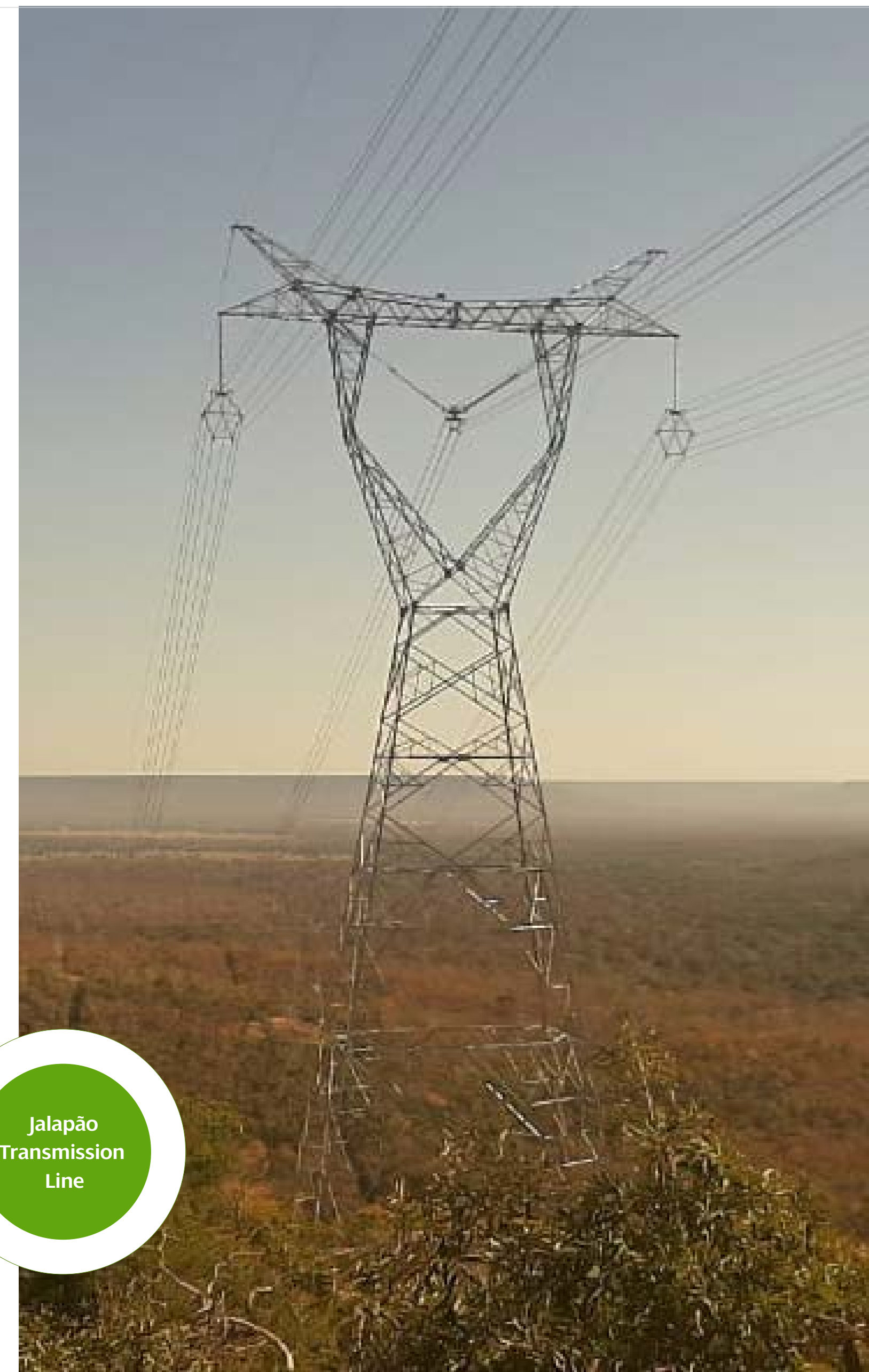
Neoenergia has another seven transmission projects under development and construction across Brazil's five major regions, all of which made noteworthy progress in 2021 despite the length of time taken to secure environmental licenses due to the pandemic.

### Distribution

As of March 2021, Neoenergia assumed the operation of CEB-D, renamed Neoenergia Distribuição Brasília, a distributor acquired for R\$ 2.5 billion in a privatization auction held in December 2020. This company added 1.1 million consumer units to the client base, totaling 15.7 million consumers, a 2.3% growth, or over 361,000 consumers. Excluding Neoenergia Brasília, the increase was 10.2%.

The distributors showed sustainable growth in injected energy (+ 3.7% considering Neoenergia Brasília and + 3.5% from the other distributors only) and the number of clients (+ 2.3% and + 2.2%, respectively).

Four of the five distributors remained below the regulatory limits in the quality indicators of Equivalent Interruption Duration per Consumer (DEC) and Equivalent Interruption Frequency per Consumer (FEC). The exception was Neoenergia Brasília, which FEC exceeded that established by Aneel.



Jalapão  
Transmission  
Line



### Customer Service

Digitization is increasingly present in Neoenergia's customer relationship processes. Following the launch of new or improved services during the pandemic – a chatbot for WhatsApp and Facebook, a digital invoice negotiation platform, virtual service office functionality, new payment methods, and registration and invoice delivery via text message and WhatsApp – digital service channels now account for 91.82% of customer service activity. The chatbot technology, which uses artificial intelligence to automate interactions with clients, can already manage more than 70 types of service requests and has exceeded 1 million clients' requests fulfilled per month.

This process is supported by the Digital Connection program, recognized as the most important customer-oriented R&D initiative in the Brazilian power sector, regulated by Aneel. The project operates across three pillars: Modernizing the customer journey, developing integrated digital solutions, and digital inclusion. Such initiatives have helped improve Neoenergia's Customer Effort Score (CES), which measures other interactions to get a request fulfilled via the company's channels. In December 2021, Neoenergia's CES was 1.49, a year-on-year reduction of 7%.

At the end of the year, the Equivalent Frequency of Complaints (EFC), which measures the number of complaints from every thousand customers, was 7.10, below the 9.57 regulatory target established for Neoenergia.

In another challenging year, due to the covid-19 pandemic, Neoenergia launched negotiation campaigns, expanded its payment channels,

and intensified communication (ARU, SMS, e-mail, and WhatsApp). The company also offered installment-payment plans to encourage customers to pay bills and regularize defaulting customers. The options available to customers to settle their invoices include PIX, digital wallets, emergency assistance, installment- payment, direct debit, internet banking, accredited paying units, and payment on debit card bills.

The Negotiation Portal, launched in 2020, incorporated new features and expanded the number of clients served. This initiative increased the number of invoice settlements by 37% and collections by 34%. More than 665,000 negotiations were completed, resulting in R\$ 214 million collected and a reduction of R\$ 44 million in Allowance for Loan and Lease Losses (ALLL).

### Operational Excellence

The plans and models that make it possible to end fraud in electricity consumption continue to be developed and comply with the parameters defined by the regulators. Neoenergia uses a wide range of measures to reduce losses, such as customer inspections and blitzes (including satellite imagery), replacement of obsolete or potentially malfunctioning meters, normalization of illegal connections, public lighting surveys and inspections, and other initiatives to reduce technical and administrative losses.

As a result, total losses continued on a downward trajectory and retreated in all five distributors compared to 2020, although three companies remained above regulatory limits: Neoenergia Coelba (14.77% versus 14.26%), Neoenergia Pernambuco (17.13% versus 15.18%), and Neoenergia Brasília (12.73% versus 11.63%).

### Network Digitization and Flexibility

This impressive performance in reducing losses and improving the distributors' quality is partly attributable to self-healing systems that minimize outages in incidents such as tree branches falling onto power lines. In 2021, 1,200 pieces of equipment had self-healing capabilities. Altogether, Neoenergia has about 14,000 reclosers, of which 26% have self-healing capabilities, in 536 municipalities across five states and the Federal District.

In May 2021, Neoenergia's Smart Grid Management Center (Cegri), installed in Salvador (BA), which manages telecommunications and smart grid operations across the group's distribution companies, also started to focus on the management and monitoring of digital assets. It includes all digital equipment used in the energy network operation, such as reclosers, meters, sensors, and smart transformers, surpassing 75,000 monitored devices. The algorithm transforms data up to 10 gigabytes per day into information, contributing to decision-making.

The initiative is part of a global project by Iberdrola in which supercomputers installed at the Innovation Center in Qatar run analyses of equipment data to predict equipment failure and incidents, informing predictive maintenance. This predictive maintenance is due to data analytics in combination with artificial intelligence.



## Network Business Key Indicators

	2020	2021	Variation (%)
Net revenue (R\$ million)	29,896	39,678	32.7%
Gross margin without VNR (R\$ million)	8,300	10,516	26.7%
EBITDA (R\$ million)	5,787	8,891	53.6%
Distributed energy (GWh) <sup>1</sup>	62,370	66,257	6.2%
Injected energy (GWh) <sup>1</sup>	73,103	75,814	3.7%
Number of clients (thousands) <sup>1</sup>	15,381	15,742	2.4%
Sub-transmission and distribution lines (km)	654,886	689,484	5.3%
Transmission lines (km)	1,045	2,334	123.3%
Investments (R\$ million)	5,335	6,176	15.8%
Staff (number of people) <sup>2</sup>	11,186	13,305	18.9%

<sup>1</sup> 2020 pro forma data considers Neoenergia Brasília.

<sup>2</sup> Data represent the Business vision and should not be compared with that of Company vision, i. e., only the Network Board employees are included, not those of Networks' companies. The differences in the head count total represent employees in corporate areas: 2020 (1,226) and 2021 (1,317).

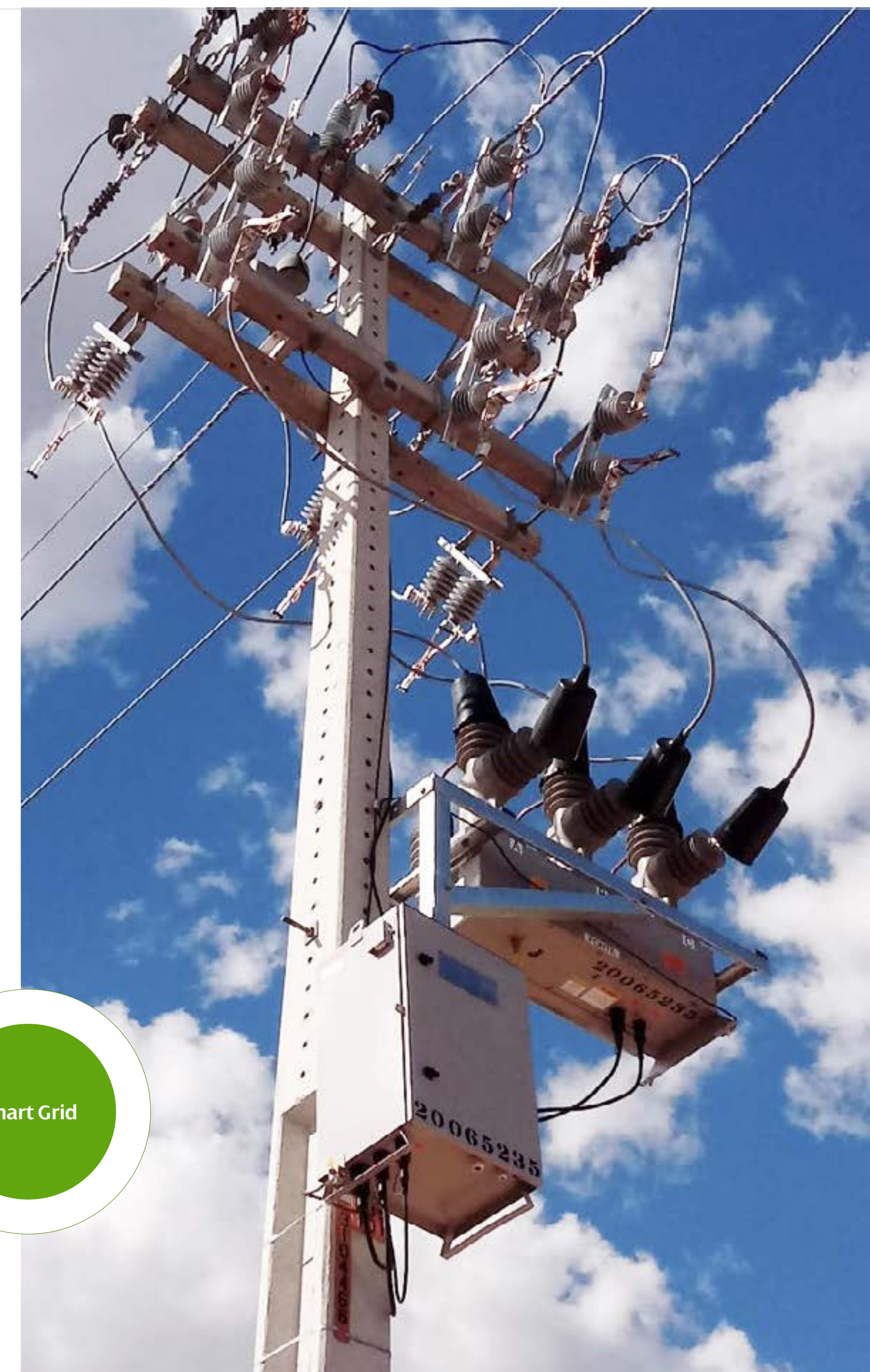
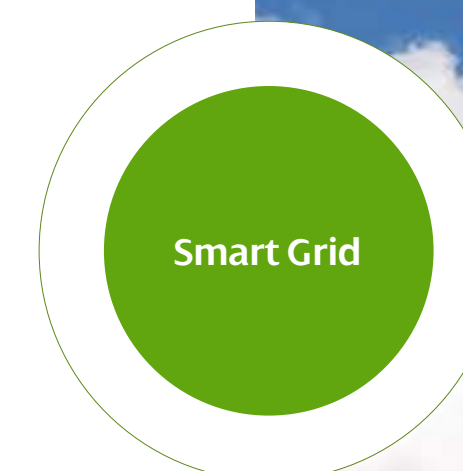
### Objectives

- Zero accidents.
- Offer to the clients excellent service based on the quality of supply and information regarding the grid.
- Maximize system efficiency through operational excellence and the digitization of our assets.
- Lead the energy transition towards a cleaner model, favoring a more efficient integration of renewable energies (centralized and distributed) and the deployment of electric vehicles and smart grids.

### Relevants Risks

- Operational risks:** Supply conditions resulting from climate change, extreme natural phenomena, pandemics, work accidents, and facilities' operation and construction, among others.
- Technological and cybersecurity risks:** Technological failures, human errors, and technological obsolescence in events that affect the safety of facilities and customer service.

In the long term, the projections include networks' automation using innovative technologies (Internet of Things, Artificial Intelligence), intelligent metering of low-voltage clients, real-time consumption management, and automatic reading and billing.







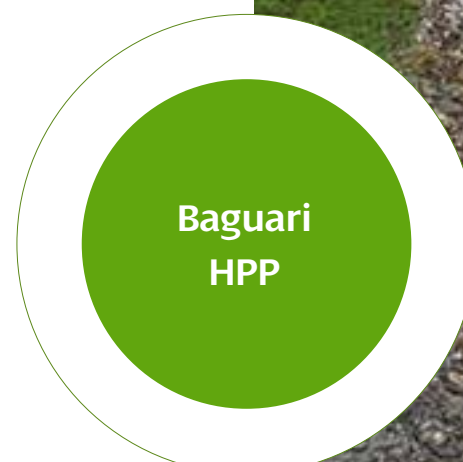
# Renewables Business

## Regulatory Environment

**Renegotiation of hydrological risk of generators** – Law 14,052, published on September 9, 2020, provided for the renegotiation of non-hydrological risks that have been unduly assumed by the generators of the Energy Reallocation Mechanism (MRE) in recent years. The law provides for compensation to MRE participants regarding the displacement of hydroelectric generation due to exceptional thermoelectric generation and the structuring projects effects – regarding the anticipation of physical guarantee during the motorization phase and energy restrictions due to delays in transmission facilities. The law also provides for retroactive compensation for agents who have not renegotiated the hydrological risk and withdraw from legal actions related to hydrological risks' exemption or mitigation. The law provides for compensation through the extension of the plants' concession. Thus, on September 17, 2021, Ratifying Resolution 2,932 informed the extension periods for Neoenergia's projects:

### CONCESSION PERIODS

Plant	Days
Baguari	1.678
Baixo Iguacu	34
Corumbá III	1.163
Dardanelos	2.148
Itapebi	1.353
Teles Pires	235
Belo Monte	319





# Main Activities, Risks, and Objectives

## 2021 Main Activities

Installed capacity grew by 469 MW, from 3,546 MW in 2020 to 4,015 in 2021, after the Chafariz Wind Complex operations. The first turbines started to work in July 2021, exceeding the Business Plan's initial forecast, which foresaw the conclusion at the end of the year. The installed capacity generates enough energy to supply 1 million people a year. Chafariz is currently the company's largest wind farm and has almost doubled its clean source portfolio, from 515.8 MW to 984 MW.

The wind farms had 66.15% availability – excluding Chafariz, which accounted for zero, the rate reached 97%, above expectations. Power generation reached 2,313 GWh, 23.2% above the previous year.

The group's six hydroelectric plants complied with the maintenance program to avoid unscheduled stoppages to generate the maximum potential demanded by the National System Operator (ONS), minimizing the water crisis and hydrological risk effects. Even with hydrological restrictions, in 2021, the six plants generated 9,622 GWh, 9.3% above the previous year, with an average availability of 97.62%.

Integration of the Hydraulic Operations Center (COS) with the Wind Power Operations Center (CORE) to create a unified Renewable Operations Center, consolidating knowledge and technologies from both sectors, providing efficiency gains, operational safety, and synergy between the areas.

In 2021, environmental and engineering studies were conducted with Ibama's approval and consent to remove the sill in the tailrace of the Teles Pires plant, which will allow an extraordinary improvement of the plant's physical guarantee, with an average increase of 8.7 MW.

During the year, the company analyzed and implemented asset management according to the ISO 55001 standard, seeking greater control over the equipment life cycle and optimizing financial resources in maintenance of the group's hydroelectric plants. Neoenergia also adopted the Integrated Management System (SIG) in the multisite modality (standards ISO 9001, 14001, and 45001), which includes plants (that already have the SIG individually certified), and will include the Hydraulic & Offshore Department located at the holding's office in Rio de Janeiro, with certification expected for 2022.

**Load factor and availability** – Maximization of the projects' load factor and availability through operations and maintenance actions and on other external factors to optimize production.

**Operation and maintenance costs** – Continuous efficiency improvement through global standardization and systematization processes, taking advantage of digitization opportunities.

**Projects' portfolio** – Wind and photovoltaic portfolio development, with a 4.8 GW pipeline.





## Renewables Key Indicators

	2020	2021	Variation (%)
Net revenue (R\$ million)	1,010	1,154	14.3%
Gross margin (R\$ million)	297	869	192.6%
EBITDA (R\$ million)	595	521	-12.4%
Net profit (R\$ million)	202	25	-87.6%
Installed capacity (MW)	3,550	4,015	13.1%
Generated energy (GWh)	10,681	11,935	11.7%
Investments (R\$ million)	898	3,106	245.9%
Staff (number of people) <sup>1</sup>	248	268	8.1%

<sup>1</sup> Data represent the Business vision and should not be compared with that of Company vision, i. e., only the Renewables Board employees are included, not those of Renewables' companies. The differences in the head count total concern employees in corporate areas: 2020 (1,226) and 2021 (1,317).

### Objectives

- ▮ Zero accidents.
- ▮ Operational efficiency to optimize asset performance.
- ▮ Efficiency in development and construction costs to maximize the competitiveness of all renewable projects.
- ▮ Profitable growth of different technologies.
- ▮ Development of a robust portfolio that allows fulfilling the company's growth plan.

### Relevant Risks

- ▮ **Regulatory risk:** Changes in regulations that affect the generation conditions.
- ▮ **Operational risk:** Availability rate of facilities and potential accidents with environmental impact.
- ▮ **Hydrological risk:** Effects of climate change, such as droughts and rainfall outside historical patterns.
- ▮ **Market risk:** Increase in energy prices in short-term markets.
- ▮ **Technological and cybersecurity risks:** Technological failures, human errors, and technological obsolescence in events that affect the safety of the facilities



In 2022, 12 parks of the Oitis Complex, in Piauí and Bahia, with a 566.5 MW installed capacity, and two Luzia solar parks, in Paraíba, with 149 MWp, will start operations.







# Liberalized Business

## Regulatory Environment

Based on Ordinance 465 of the Ministry of Mines and Energy, published in December 2019, consumers with a load  $\geq 1,500$  kW were able to migrate to the free market as of January 1, 2021. Consumers with a load  $\geq 1,000$  kW will have access from January 1, 2022, and consumers with a load  $\geq 500$  kW from January 1, 2023.

For consumers with a load of less than 500 kW, studies were conducted on the regulatory measures necessary to allow the opening of the free market for this segment on January 1, 2024.

**5.2 million Renewable Energy Certificates (I-REC) were sold in 2021, corresponding to the energy delivery in the current and future years.**

## Main Activities, Risks, and Objectives

### 2021 Main Activities

#### Termopernambuco

The thermoelectric plant generated 3,334 GWh in 2021, 36.6% above the previous year. This growth can be explained by the more significant of operating days in the third quarter when 76% was dispatched due to the country's hydrological crisis. In the first semester, the plant was 100% dispatched.

Availability stood at 96.49%, which is an all-time high. Part of this result can be attributed to the migration of the control system (to be completed in 2022), which allows for increased operational flexibility, reducing plant start-up times. The average efficiency ratio was 54.74% in 2021, compared to 54.88% in 2020.

At year-end, the thermal plant successfully bid on a capacity reserve auction promoted by Aneel, the Ministry of Mines and Energy, and the Electric Energy Commercialization Chamber (CCEE). The entire 498 MW capacity of the plant was sold at a power price of R\$ 487,412.70 MW/year, ensuring a fixed revenue of R\$ 207 million per year. Effective for 15 years, the contract provides for the start of supply on July 1, 2026.

#### Commercialization

NC Energia supplied 4.45 TWh of energy to clients of more than 750 consumer units, an increase of 52% compared to 2020, fostering a sustainable growth of the group's renewable generation area. The company ended the year with 134 energy management clients and sold more than 11 TWh of energy to end customers, corresponding to energy delivery in the current and future years, which represents a 60% increase over the previous year.

In 2021, 5.2 million Renewable Energy Certificates (I-REC) were sold, corresponding to the energy delivery in the current and future years. Each MWh generated by a registered clean energy plant is equivalent to 1 I-REC. The certificates assure energy traceability, proving that it comes from a renewable source, boosting an even cleaner electrical matrix.



### Services

Over 267,000 clients are part of Neoenergia Services' portfolio, including products and services for solar installations, engineering, massive insurance, and electric mobility, representing around 95% growth over 2020.

The mass insurance portfolio comprises more than 262,000 clients who have access to health and dental care products, discounts on education and leisure, and popular credit, among other products.

To accelerate the growth of the electric mobility market, the company developed a business line for electric vehicle charging infrastructure, including chargers and smart charging solutions for companies that want to electrify their fleets and installations.

### Efficiency

- | Digitization of processes and services to improve the customer experience.
- | Production optimization and increased availability of thermal installations.
- | Flexible operation to participate in complementary markets.

### Growht

- | Development of new products and solutions focused on the customer needs, promoting efficiency and the use of renewable energy.
- | 1,688 installations of solar panels in consumer units.



Thermoelectric,  
in Suape (PE)



## Liberalized Business Key Indicators

	2020	2021	Variation (%)
Net revenue (R\$ million)	2,273	2,776	22.1%
Gross margin (R\$ million)	535	883	65.0%
EBITDA (R\$ million)	347	665	91.6%
Net profit (R\$ million)	194	452	133.0%
Installed capacity (MW)	533	533	0.0%
Generated energy (GWh)			
- Termopernambuco	2,440	3,334	36.6%
Investments (R\$ million)	101	84	-16.8%
Staff (number of people) <sup>1</sup>	54	55	1.8%

<sup>1</sup> Represent the Business vision and should not be compared with that of Company vision, i. e., only the Liberalized Board employees are included, not those of Liberalized companies. The differences in the head count total concern employees in corporate areas: 2020 (1,226) and 2021 (1,317).

### Objectives

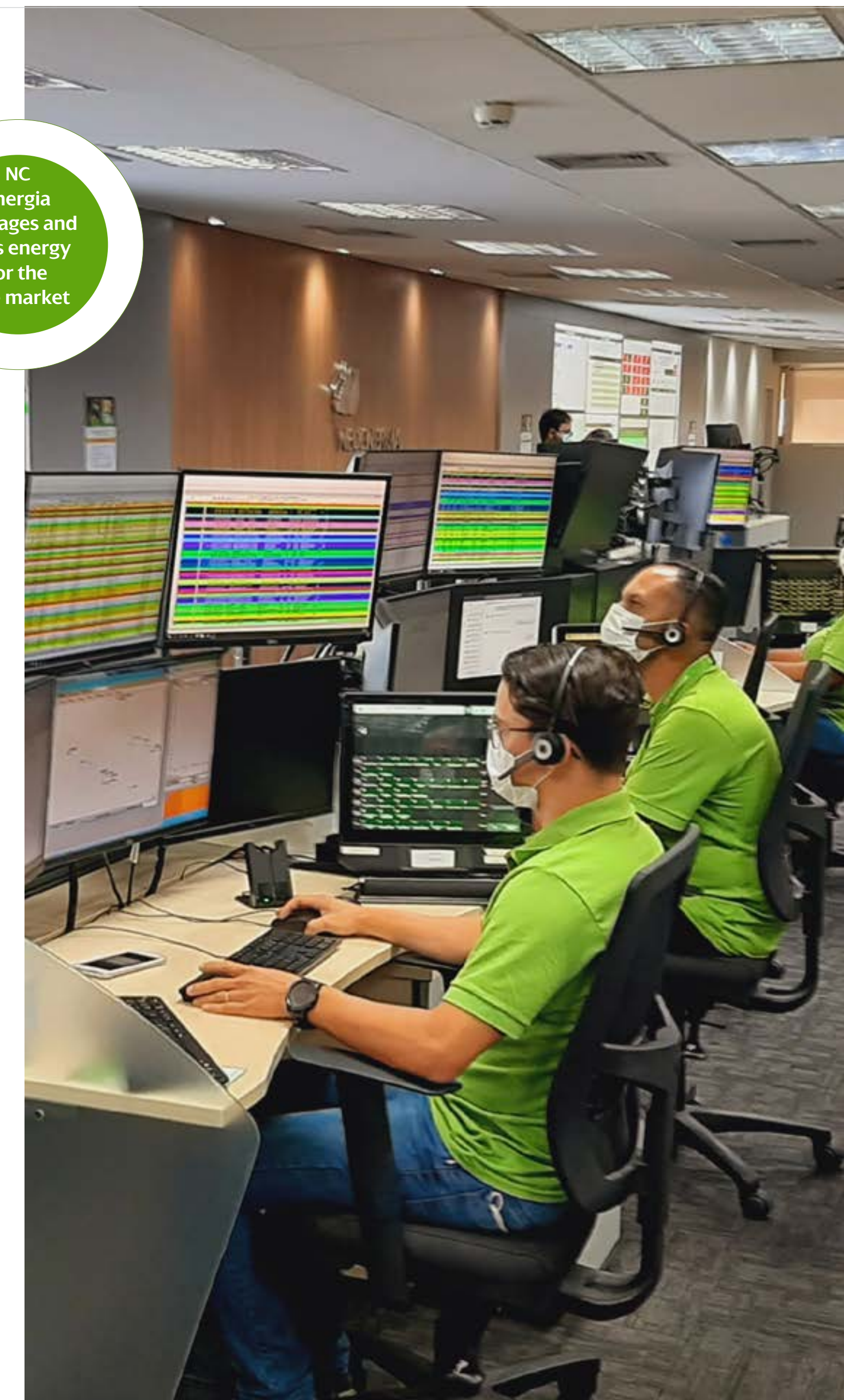
- | Zero accidents.
- | Growth opportunities and new energy solutions, placing the customer at the center of the transition: electrification of energy demand and new services.
- | Competitive supply and excellent customer service.
- | Operational excellence and continuous efficiency improvement.
- | Identification and minimization of risks.

### Relevants risks

- | **Regulatory risk:** Changes in regulation that limit market liberalization.
- | **Operational risks:** Availability rate of facilities and potential incidents with environmental impact.
- | **Market risk:** increase of energy prices and competition levels in liberalized markets.
- | **Technological and cybersecurity risks:** Technological failures, human errors, and technological obsolescence in events that affect the facilities' safety.



NC  
Energia  
manages and  
sells energy  
for the  
free market







# Financial Capital Management

## Management Approach

### Sustainable Growth through Green Finance

- The company develops an investment policy consistent with its strategic vision and financial policy. The main objective is to ensure a return on capital through projects and investments, preferably in regulated businesses or renewable assets.
- For this purpose, and as one of the company's pillars, green financing will be the main instrument due to its characteristics (assurance, responsibility, and support for the energy transition)

### Financial Structure Strength

- Neoenergia considers financial strength an essential factor that allows the company to face potential market turmoil successfully and to be in a position to seize growth opportunities.
- The financial policy seeks to consolidate strong solvency ratios, balancing an increase in debt with additional cash flow from new investments.
- The debt structure responds to the business profile, mainly regulated.

### Sustainable Results and Dividends

- Neoenergia proposes to its shareholders and other stakeholders the creation of long-term value through the social dividend.
- The shareholders' trust in the company makes it possible to have the necessary resources to develop the growth project and, at the same time, offer an attractive and sustainable remuneration.

### Operational Excellence

- Despite the superior levels of efficiency already achieved, the company believes that there is room for improvement, aided by investments in digitization and innovation.
- The implementation of best practices in all areas will allow additional savings and an increase in synergies at a global level.

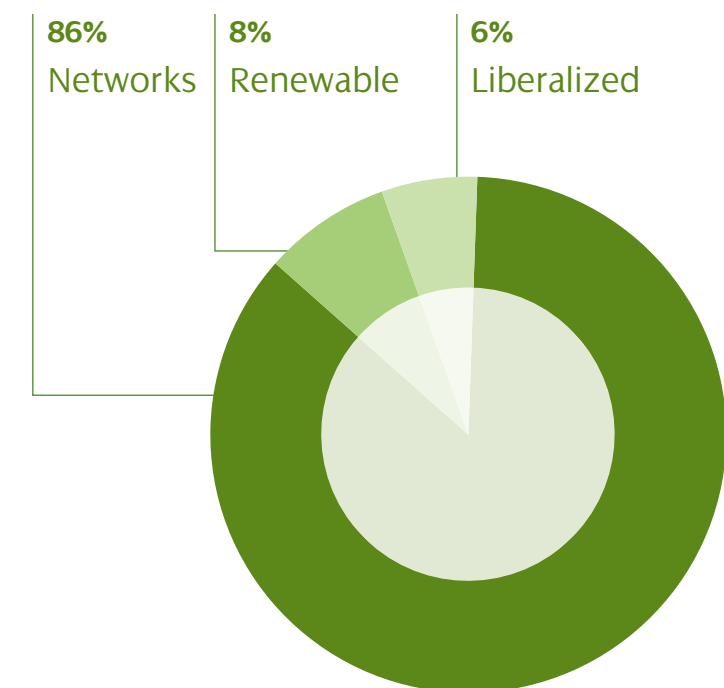
## 2021 Results

- R\$ 2 billion raised in green bonds within the Green Finance Framework to finance Distribution Development Plans (PDD).
- R\$ 9.4 billion of Capex investment. A record value, with a 49% growth compared to 2020.
- Investments in Renewables grew 246% over the previous year, boosted by the conclusion of the Chafariz Wind Complex and works in Oitis and Luzia solar parks.
- R\$ 12,567 million gross margin, 30% above 2020.
- Consolidated net income of R\$ 4,066 million (20%), of which R\$ 3,925 million was attributed to controlling shareholders and R\$ 141 million to minority shareholders.
- Consolidated EBITDA grew 51.7% (R\$ 9,856 million).
- R\$ 5,545 million in cash and cash equivalents, 9.6% above the previous year, with highly liquid financial instruments.
- R\$ 1,114 million in shareholder remuneration, according to the Statement of Added Value, 32.3% above the previous year. Over 2,952 million in retained earnings, 43.1% higher than in 2020, following the policy of creating long-term value.
- Payment of interest on equity of R\$ 0.14 per share for the first half of 2021 (R\$ 0.22 in 2020).
- Operating expenses rose 10%, in line with the year's inflation (10.06%, according to the IPCA index), influenced by the absorption of a more substantial number of customers, employees, and new business, and by the return of normal conditions for business operational activities.

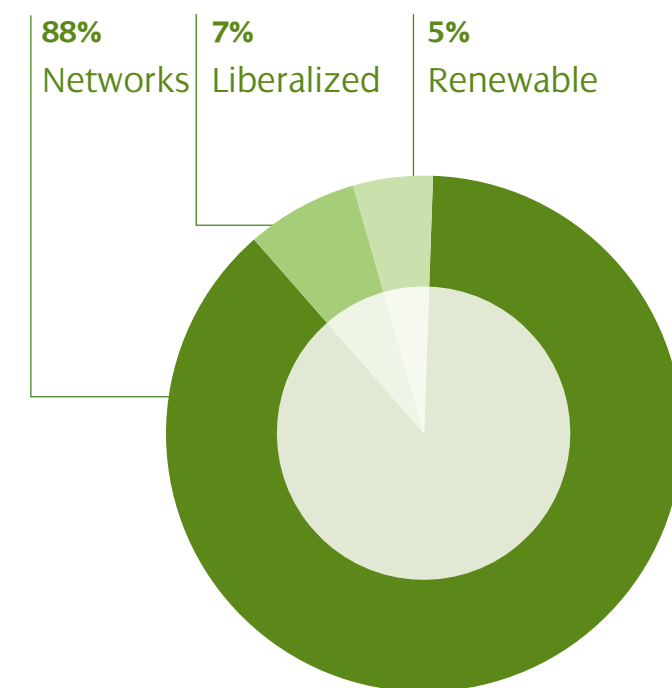


# Create shareholder value with sustainable growth

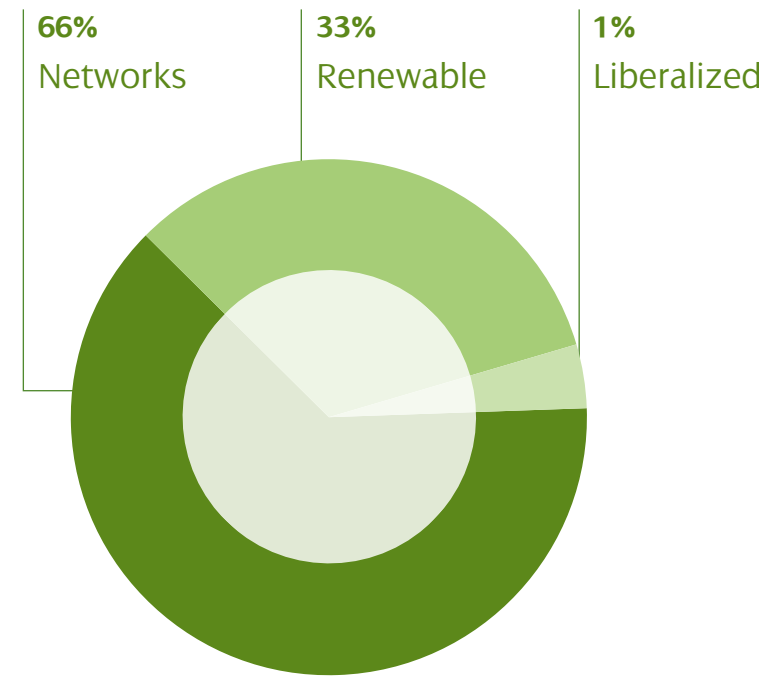
**GROSS MARGIN BY BUSINESS**



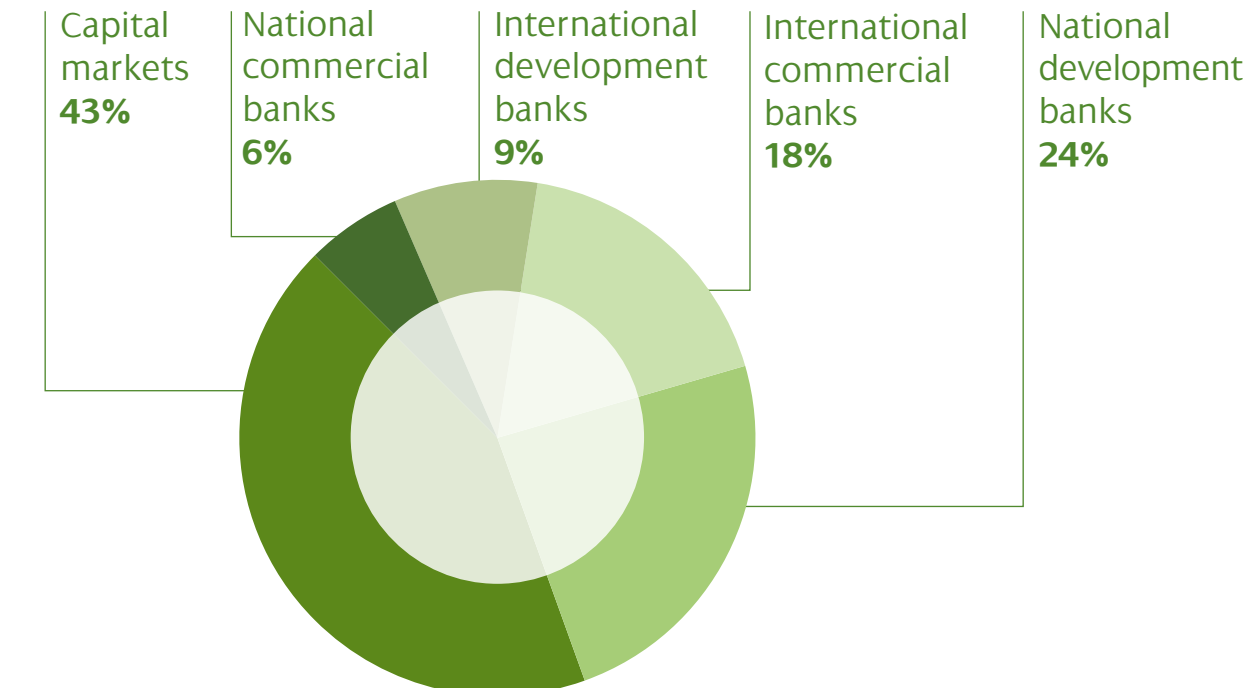
**EBTIDA BY BUSINESS**



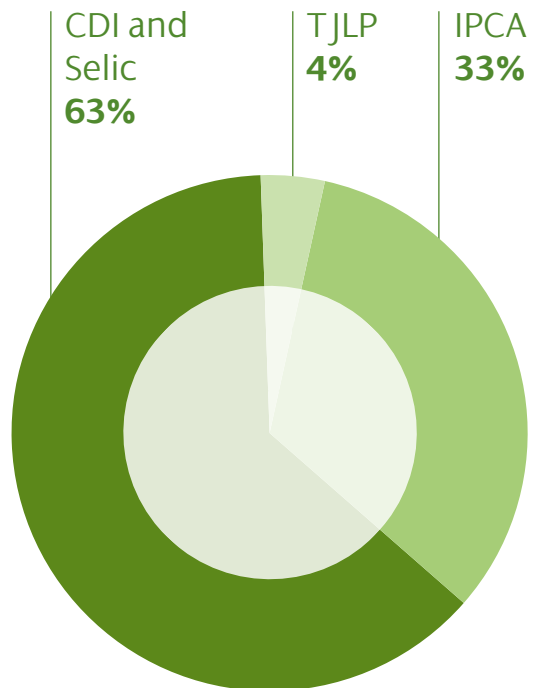
**INVESTMENTS BY BUSINESS**



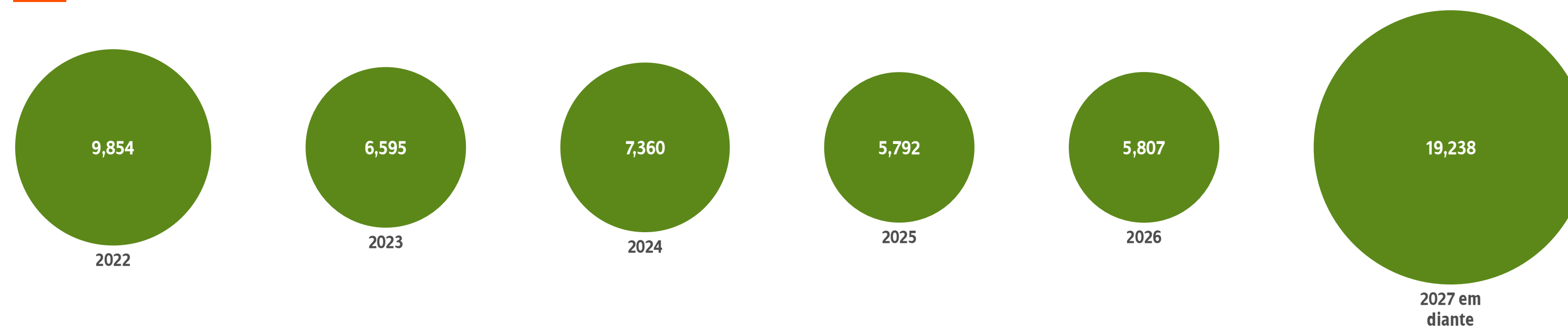
**DEBT PER FUNDING**



**DEBT PER INDEX**



**DEBT MATURITY SCHEDULE**







# Manufactured Capital Management

## Management Approach

### Assets for Electricity Generation

The operating assets total 32 wind farms, 7 hydroelectric plants (Neoenergia controls 6), and 1 combined cycle turbine plant. The active plants have a maintenance and safety program that assures the operation's stability and reliability, which is remotely controlled and supported by the Operations Center in Rio de Janeiro (RJ).

### Assets for Electricity Transmission and Distribution

The networks comprise 2,334 kilometers of transmission lines and 689,000 kilometers of sub-transmission and distribution lines. There are 783 substations, 748,000 distribution transformers, and 11 active transmission substations built to provide high-quality and reliable electrical service.

### Other Assets

Neoenergia has 72 operational units<sup>1</sup>, with 10 administrative units (offices) and 62 production centers (49 in distribution, 11 in renewables, 1 in transmission, and 1 in thermal generation). The installations work according to sustainability and efficiency standards, as does the fleet, in a progressive transformation to electric emission-free vehicles.

## 2021 Results

The total installed capacity in operation is 4,547 MW: 3,030.6 MW in hydroelectric plants, 984 MW in wind power, and 533 MW in thermoelectric power. Thus, 88.3% of the capacity is from renewable energies.

The Chafariz Wind Complex in Paraíba started its operations in July.

A total of 1,289 kilometers of new transmission lines started to operate, more than doubling the length of the previous year. Distribution lines were extended by 34,597 kilometers. The Distribution business also added 55 substations and 46,226 transformers, increasing the investments and the integration of Neoenergia Brasília.

At year-end, hybrid and electric vehicles already represented 17% of Neoenergia's light fleet.

<sup>1</sup> Networks: Activity centers are those offices in which the operational processes of the Distribution and Transmission areas are planned, managed, and coordinated. The criteria to classify an activity center as primary for the Network Business is "more than 75 employees on-site".

Renewables: Activity centers are the offices that plan, manage, and coordinate the Renewables business' operational processes.

Generation and Liberalized: Number of conventional production facilities classified by technology (combined cycle turbine power plants, co-generation plants, etc.); the number of production facilities for other energy vectors (hydrogen plants); the number of offices that do not correspond to Neoenergia's corporate buildings where operational business processes are planned and managed.



# ENVIRONMENT







# Natural Capital Management

## Management Approach

### Protect the Environment and Stop the Loss of Biodiversity

- ▮ Preserve and restore the ecosystems associated with the company's activities through biodiversity plans.
- ▮ Improve the infrastructure's compatibility with care for the environment.
- ▮ Avoid discharges and contamination of water and soil, in line with Neoenergia's Biodiversity and Environmental Policies.
- ▮ Application of the principles of the mitigation hierarchy (avoid, minimize, remedy, and, as a last resort, compensate), preventing the location of projects in protected areas.

### Combat Climate Change and Its Effects

- ▮ Prevent pollution and the emission of greenhouse gases (GHG) through practices that reduce or eliminate the generation of pollutants at the source.
- ▮ Reduce atmospheric emissions of other gases and pollutants.
- ▮ Gradually replace equipment that uses ozone layer-reducing substances that affect the ozone layer.
- ▮ Air quality awareness campaigns.
- ▮ New installations free of GHG emissions (renewable wind, hydro, etc.).
- ▮ Electric mobility.

### Assure Sustainable Production and Consumption Modalities

- ▮ Continuous improvement in operational performance.
- ▮ Initiatives to increase energy efficiency.
- ▮ Decrease in consumption of natural re-sources.
- ▮ Inclusion of the environmental variable in infrastructure projects (Eco-design).
- ▮ Improvement in waste control and management.

### Revitalize Alliances with Stakeholders for Sustainable Development

- ▮ Promote a transparent dialogue with stakeholders seeking joint solutions to environmental problems.
- ▮ Manage environmental compliance by suppliers.
- ▮ Transparently report environmental results and actions.
- ▮ Optimization and innovation of environmental management systems.

## 2021 Results

- ▮ ISO 14001 certificate renewal in hydroelectric plants.
- ▮ Action plans for biodiversity.
- ▮ Environmental guidelines linked to the SDGs.
- ▮ Pilot projects to seek a positive net balance in biodiversity in new ventures.
- ▮ Adherence to the Brazilian Business Commitment to Biodiversity.
- ▮ Primate Monitoring Program discovered a new species at Teles Pires HPP: The Schneider's marmoset.
- ▮ Trees Program, in its mitigation and compensation aspect, with protection, recovery and restoration initiatives in permanent preservation areas of almost 30,000 hectares in hydroelectric plants.

- ▮ Emissions inventory received the Gold Seal from the Brazilian GHG Protocol Program.
- ▮ Emissions of 60.9 gCO<sub>2</sub>/kWh generated energy (53% lower than the 130 gCO<sub>2</sub>/kWh of 2017).
- ▮ Neoenergia's greenhouse gas inventory according to ISO 14064.
- ▮ Management of the portfolio's climate risks and opportunities in accordance with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.
- ▮ Participation in the Global Compact's Net Zero Ambition program.
- ▮ Internal Carbon Pricing.

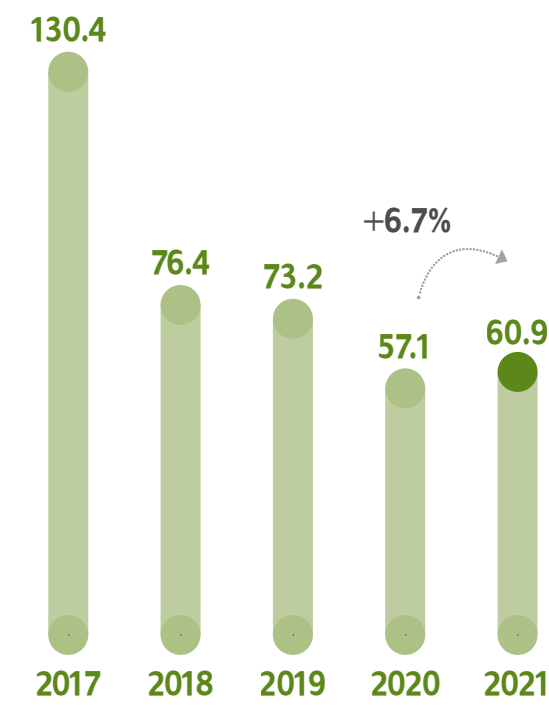
- ▮ Innovation initiatives for environmental management and control.
- ▮ Efficient management of water consumption.
- ▮ Rainwater harvesting project.
- ▮ Improvement in the capture and consumption of water in the generation facilities.
- ▮ Improved reuse and recycling of waste.

- ▮ Participation in the UN Energy Compact, an initiative to adopt climate neutralization goals and universal access to clean, affordable energy.
- ▮ Participation in CEBDS Working Groups and the Global Compact's Brazil Network.
- ▮ Contribution to public policies' formulation and subnational forums.

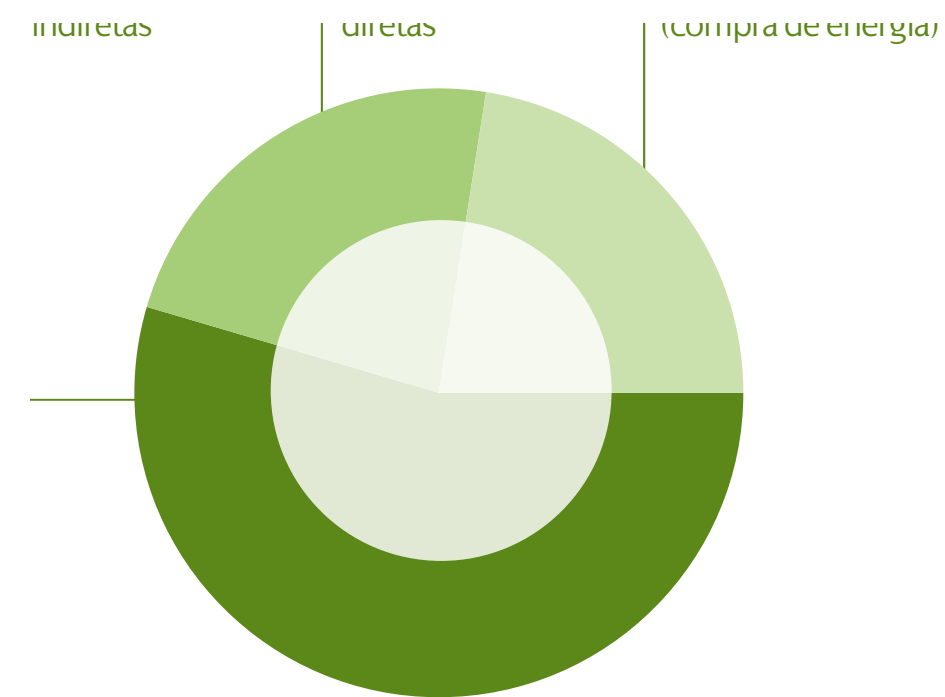


# Emissions

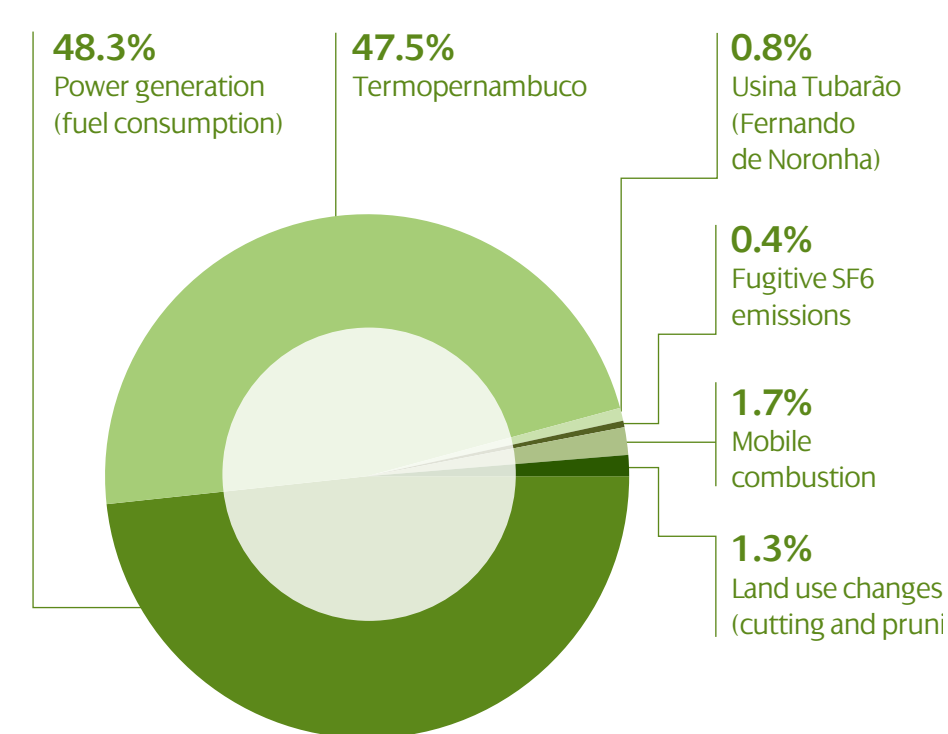
**GHG EMISSIONS INTENSITY (gCO<sub>2</sub>/KWh)**



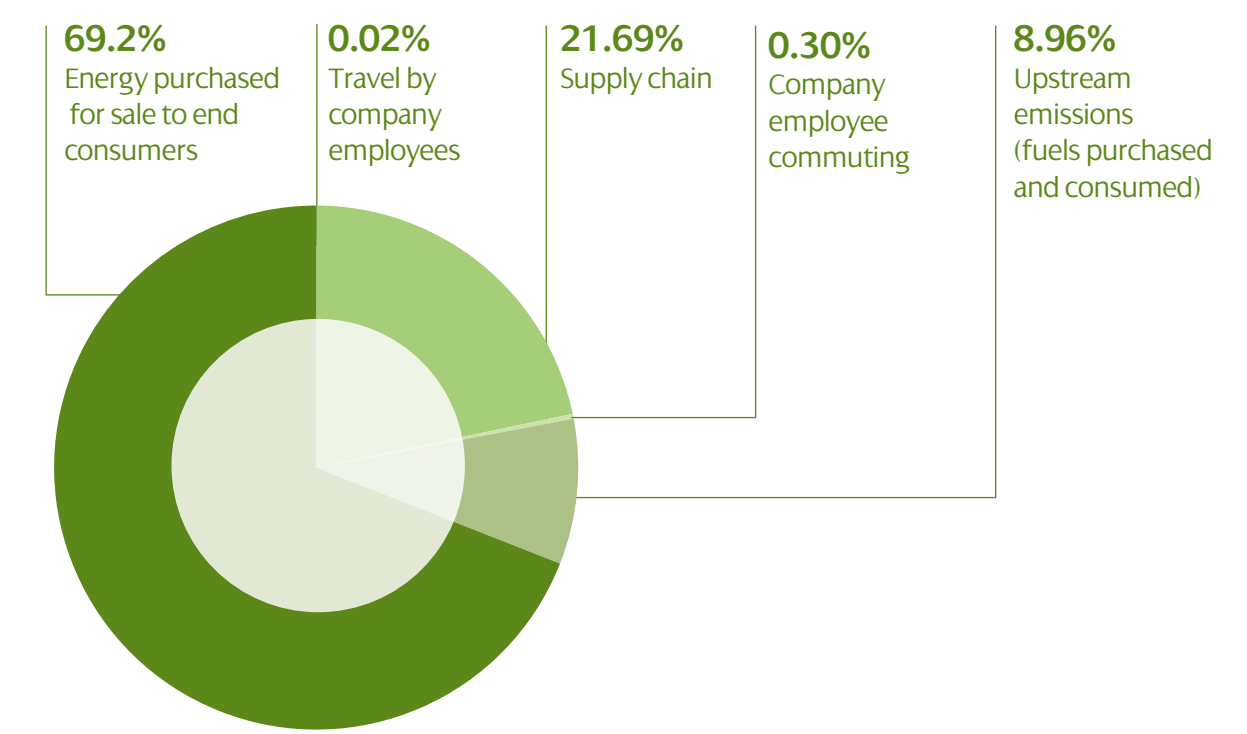
**GHG EMISSIONS – BY SCOPE**



**SCOPE 1 EMISSIONS – BY TYPE**



**SCOPE 3 EMISSIONS – BY TYPE**



Termo-  
pernambuco





# Sustainable Use of Resources and Circular Economy

For Neoenergia, the circular economy is crucial for sustainable development and represents an opportunity to drive climate action and energy transition.

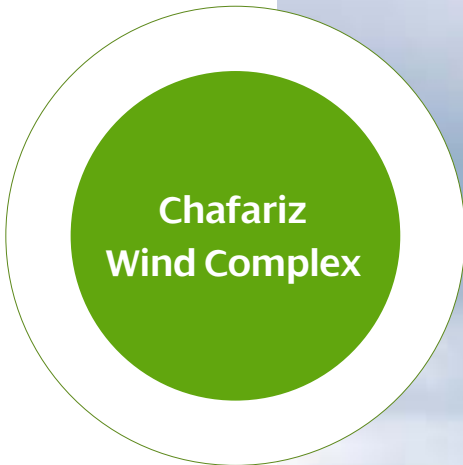
The company's sustainable energy model, committed to innovation and the decarbonization and electrification of the economy, is directly aligned with the circular economy by reducing emissions, using renewable resources for production, improving efficiency, resource optimization, and maximization of waste reuse.

## Waste Management

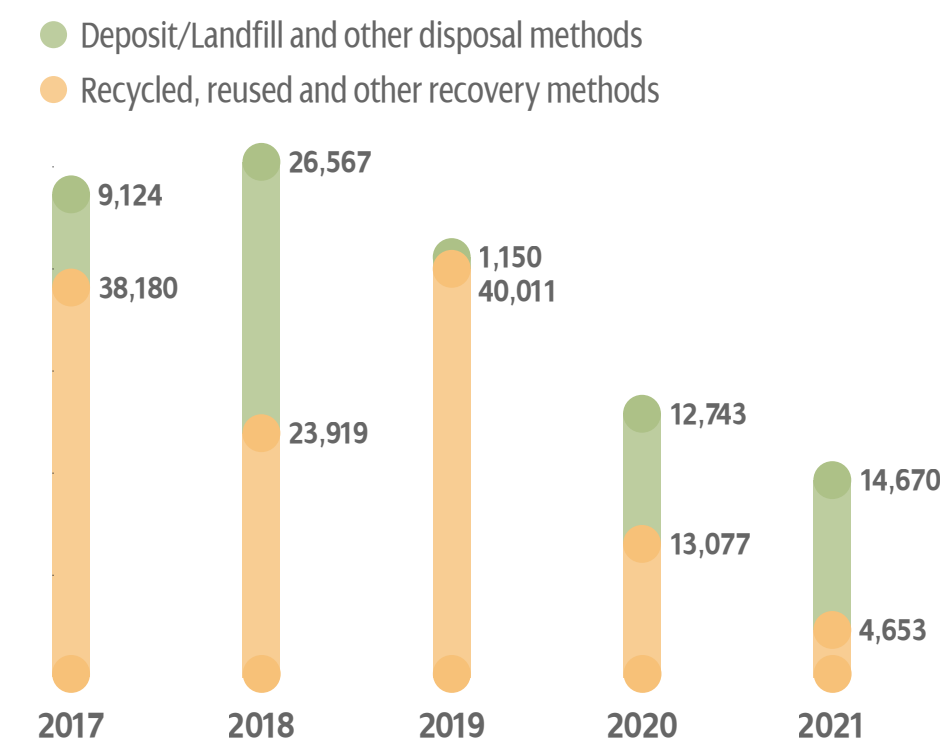
The company's goal is to reduce the waste generation in each process and activity (construction, operation, maintenance of facilities, and work centers) and prioritize recycling and reuse. The company and all the agents involved in its activity are committed to the concept of "circular economy."

Waste management is conducted according to the following premises:

- Minimize waste generation at source.
- Maximize waste reuse, recycling, and recovery.
- Promote awareness-raising campaigns on waste minimization.
- Treat and manage hazardous waste specifically.



### WASTE BY FINAL DESTINATION (tons)





# Biodiversity

Neoenergia and its parent company, Iberdrola Group, aspire to lead the power sector in biodiversity conservation and promote a culture of respect for and sustainable use of ecosystems. The company's efforts in this area are backed by data from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), which found that roughly 1 million animal and plant species are currently in danger of extinction because of the increasing impact of human activities. Corroborating this assessment, the World Economic Forum's Global Risk Report 2022 ranked biodiversity loss as the third most serious risk to the global economy (up from the fifth in the previous report).

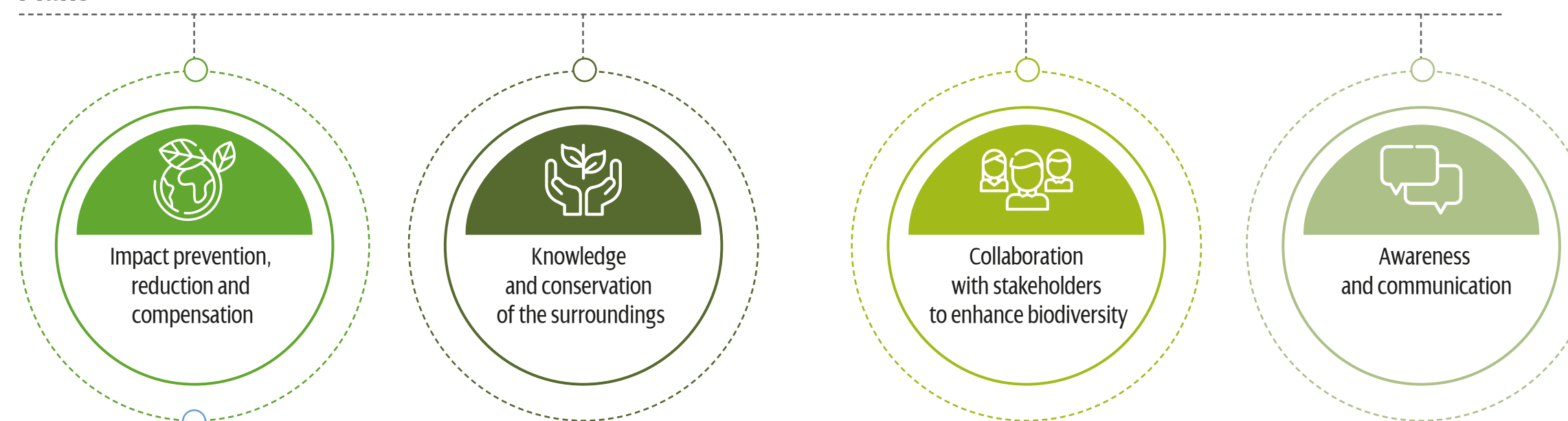
In this context, in 2021, Neoenergia announced the commitment to achieve net zero loss of biodiversity in its projects as of 2030. Since 2019, the company has implemented several pilot projects to develop metrics toward achieving a net positive biodiversity impact in each new generation, transmission, and distribution project.

Neoenergia adhered to the Brazilian Business Commitment for Biodiversity, a document proposed by the Brazilian Business Council for Sustainable Development (CEBDS) that sets targets for conservation and responsible use of natural resources. Neoenergia has pledged to embed biodiversity conservation in its business plans, monitor biological diversity in the areas where it operates, and support conservation and rehabilitation initiatives in these regions, seeking to achieve a net positive impact whenever possible.

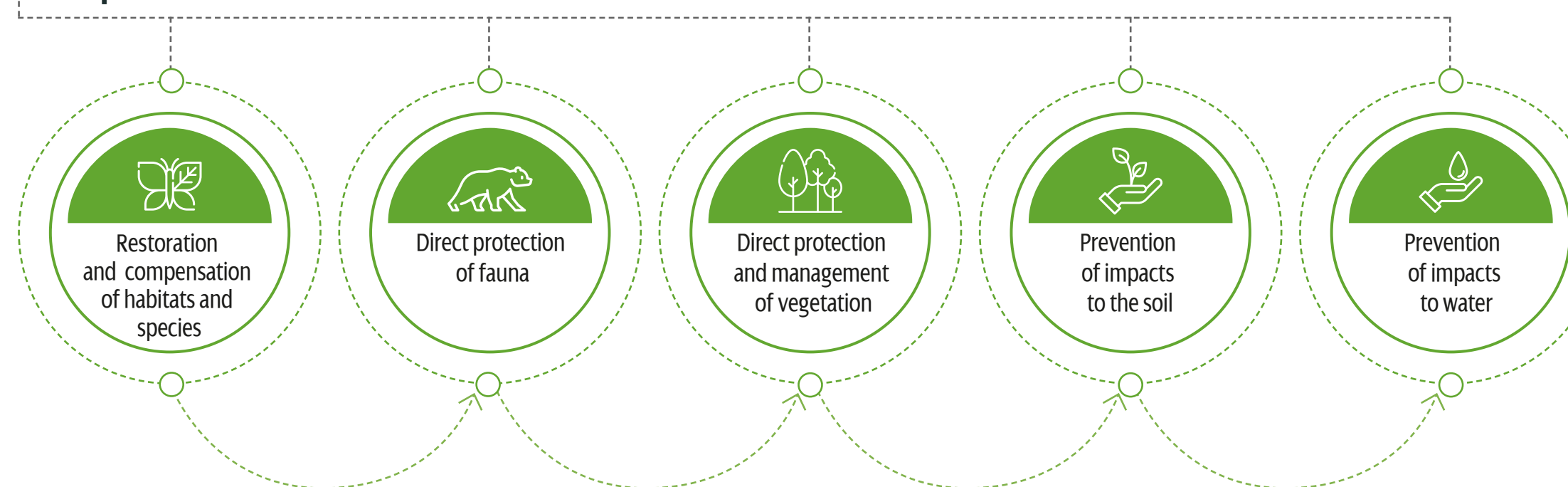
Because the company recognizes that protecting biodiversity and ecosystems must be integral to its business strategy, Neoenergia ensures that all business decisions consider its related policies and management processes (Biodiversity Policy, Environmental Management System, Biodiversity Action Plans) and use tools to assess environmental impact. The Biodiversity Policy can be consulted here.

## BIODIVERSITY ACTION PLAN

### Plans



### Sub-plans





SOCIETY



NEOENERGIA  
BRASÍLIA





# Management of Social and Relationship Capital

## Stakeholder Engagement

Neoenergia works to increasingly engage its stakeholders in all of the company's activities and operations. The company has a Stakeholder Engagement Policy to guide these actions. Throughout the entire value chain, Neoenergia interacts with millions of people and thousands of entities and organizations that constitute its social and relationship capital and, therefore, a key element of its sustainable performance.

To meet the objectives in this area, Neoenergia is part of Iberdrola's Global Stakeholder Engagement Model, based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES, 2015), the AA1000 AccountAbility Principles 2018 (AA1000AP, 2018), and its four S principles of inclusion, relevance, responsiveness, and impact. This model aims for all areas and businesses to understand their stakeholders in-depth, have suitable communication channels, analyze their expectations (including risks and opportunities), and establish appropriate action plans regarding concrete related impacts.

### Stakeholders

- The Workforce
- Shareholders and the financial community
- Regulatory entities
- Customers
- Suppliers
- The Media
- Society at large
- The Environment

### Principles

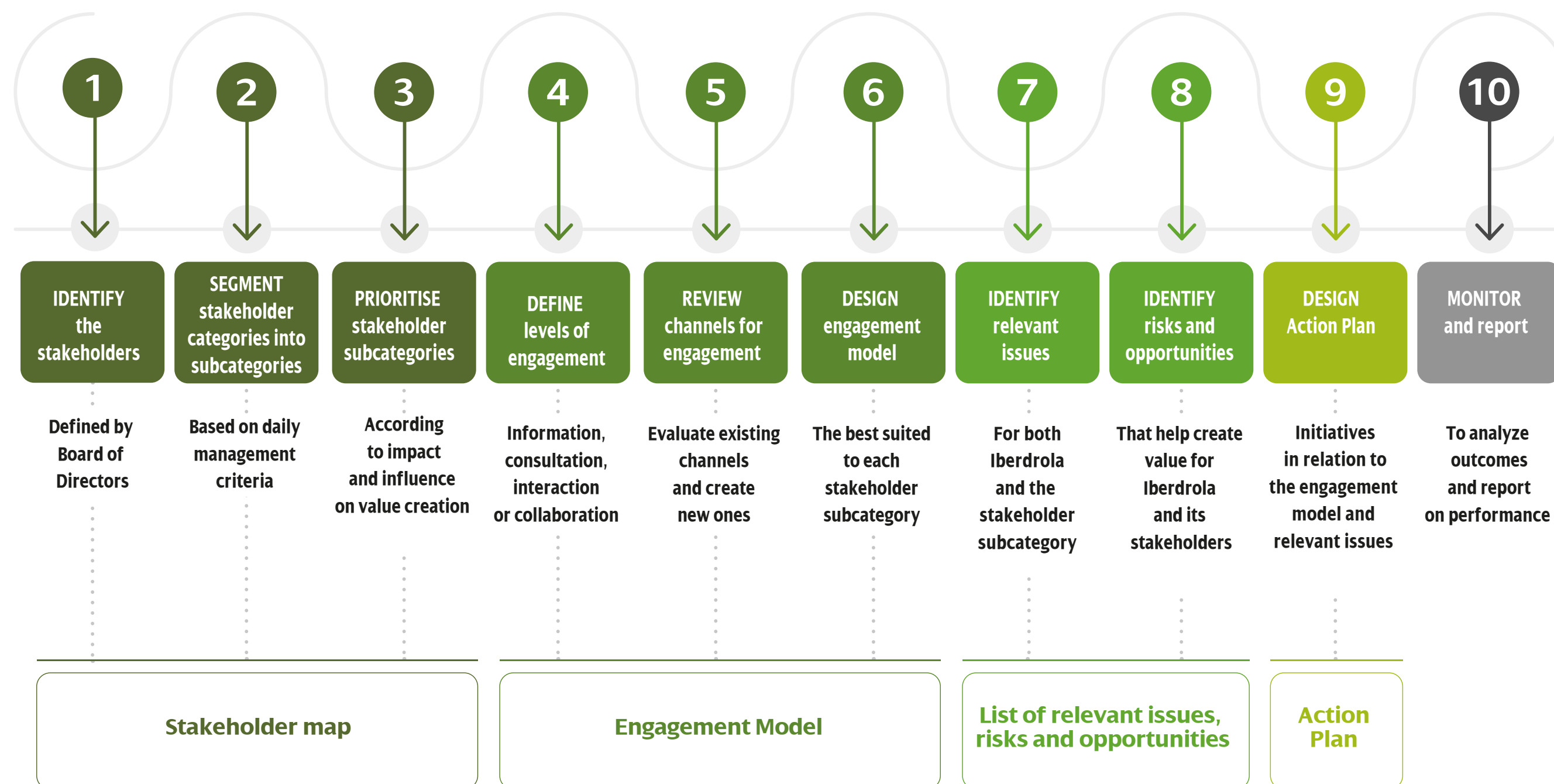
- Responsibility
- Transparency
- Active listening
- Participation and engagement
- Consensus
- Collaboration
- Continuous improvement

### Objectives

- Encourage the engagement of the Stakeholders through a strategy of close involvement in the communities in which Neoenergia operates and the creation of shared sustainable value for all Stakeholders.
- Respond to the legitimate interests of Neoenergia's stakeholders.
- Build trust among the stakeholders in order to build long-lasting, stable and robust relationships.
- Encourage recognition by Stakeholders of Neoenergia's commitment to diversity.
- Contribute through all of the above to maintaining corporate reputation in the various businesses and regions in which it operates.



**STAKEHOLDER ENGAGEMENT MODEL ENSURING ONGOING IMPROVEMENT**



**Stakeholders' Coordination**

Through the Superintendence of External Communication, Neoenergia coordinates the teams responsible for managing stakeholders, which include those responsible for the relationship with all the company businesses' groups

**Relationship Channels, Relevant Issues, and Best Practices**

Neoenergia has updated relationship channels with its stakeholders and continuously identifies the most prominent issues for each of them. Although there are specific channels and themes for each region and stakeholders, most of them are cross-cutting, as shown below:

**CHANNELS AND RELEVANT ISSUES FOR ALL STAKEHOLDERS**

General Channels	Usage frequency	Relevant Cross-cutting Issues
Phone, e-mail, web, and intranet	Constant	Ethics, integrity, and transparency
Meetings and hearings	Periodic	Energy transition and fight against climate change
		Innovation, digitization, and cybersecurity
		Electricity prices
		Vulnerable customers
		Strategy, investment plans, financial outlook, and regulatory changes
		Human rights
		Sustainable Development Goals



## Stakeholders Key Indicators

In 2021, after applying its Stakeholder Engagement Policy, Neoenergia identified:

- 283 entities that have relations with the company
- 132 relationship channels
- More than 55 relevant issues
- 54 emerging trends

The main trends and relevant issues guide the company's decisions and planning. They are also in line with the most recent Materiality Assessment conducted in 2020 by an independent company based on external sources.

## Brand Strength

- The brand management aims to convey the essence of the group's Purpose and its commitment to the environment and sustainable development.
- Unification of Neoenergia's brand, preparing the company for future market liberalization and reinforcing the commitment to supplying clean, affordable, and quality energy, strengthening the business model.

### Digital Ecosystem Evolution

- Offer helpful and dynamic information with messages adapted to each stakeholder.
- Direct interaction with stakeholders, overcoming barriers and approving existing synergies.

### Reputation

Neoenergia considers reputation an intangible asset of immense value, which influences relevant aspects such as attracting and retaining talent, commercial relationships with customers, valuing the company in the capital markets, integration in the communities where it operates, and, therefore, the company's overall performance. The company manages and measures its reputation with a double objective:

- Promote opportunities that lead to the good behavior of stakeholders towards the company.
- Minimize and mitigate the reputational risks inherent to the company's activity.
- Reputation management is conducted by all areas and businesses, highlighting two elements:
  - Proactive management of stakeholders by applying of the Stakeholder Engagement Policy, which allows meeting expectations and needs, analyzing risks (including reputational risks), and establishing specific action plans.
  - Development of communication plans and numerous specific actions, focusing on each business and each company's stakeholders.

### NEOENERGIA ON SOCIAL MEDIA AND INTERNET


**Web**

**Twitter**

**LinkedIn**

**Facebook**

**Youtube**

**Instagram**

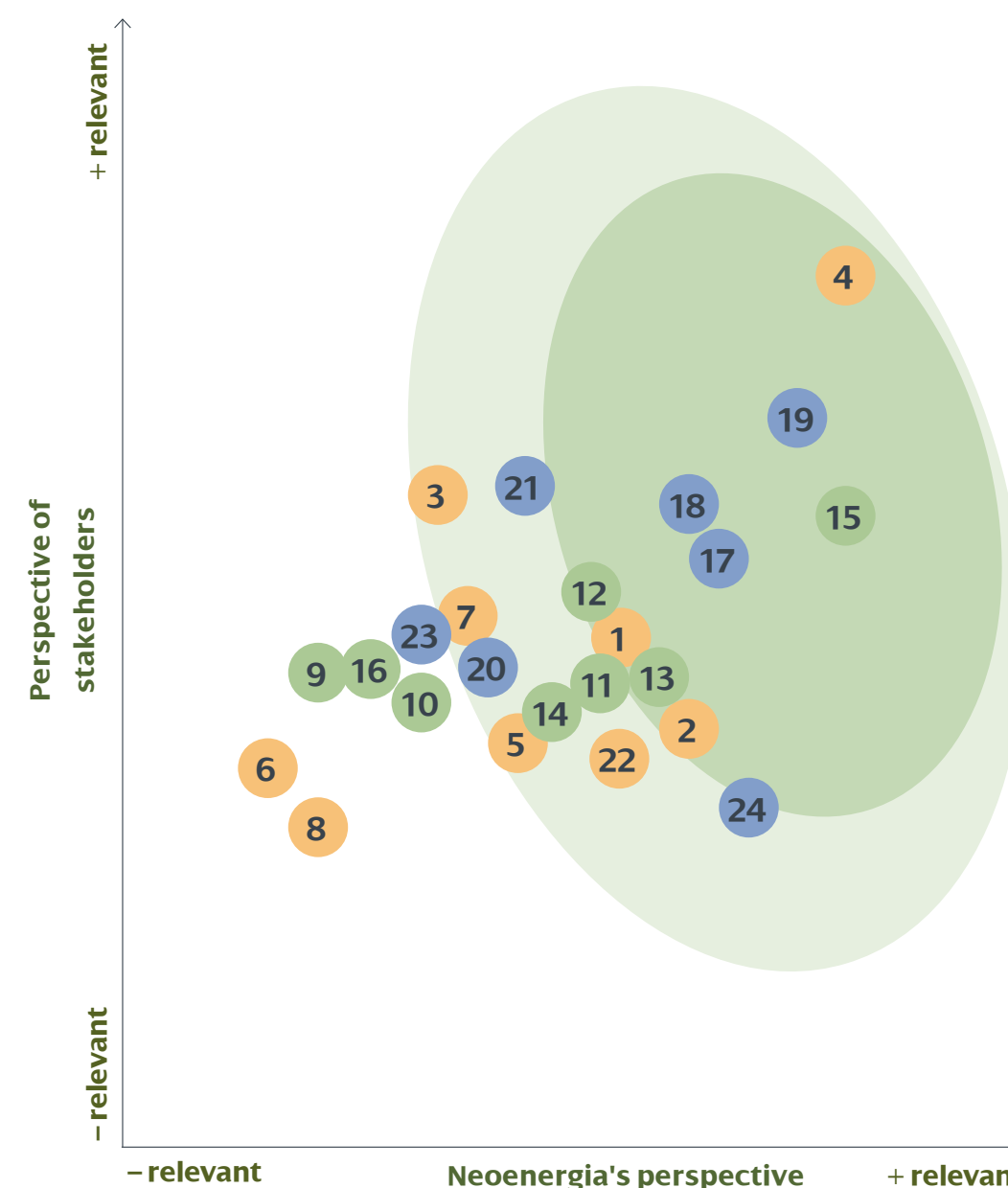


# Materiality Assessment Summary

Neoenergia identifies material topics for its stakeholders and the company itself in a Materiality Assessment conducted with consultancy advice based on internal and external sources. The process prioritizes relevant economic, social, environmental, and governance aspects to its sustainable development approach.

The analysis selects topics according to their relevance, both for the stakeholders and the company's strategy. In the last study, conducted in 2020, 18 topics were identified, 10 of which were assessed as "priority." The following matrix illustrates these results:

**MATERIALITY MATRIX**



**Priority topics**

- 4 Ethics and integrity
- 19 Health and safety
- 15 Energy transition
- 18 Diversity and equal opportunity
- 17 Customer satisfaction
- 24 Connectivity, digitalization and cybersecurity
- 12 Incorporation of renewable energy sources into the electricity system
- 2 Economic and financial performance
- 13 Climate Change
- 1 Socially responsible investment

**Relevant topics**

- 11 Innovation and new business models
- 22 Vulnerable customers
- 14 Biodiversity management
- 7 Smart grids and quality of supply
- 20 Impact on local communities
- 5 Responsible supply chain
- 21 Human rights
- 3 Transparency



**Economic topics**



**Social topics**



**Environmental topics**



# Neoenergia and the SDGs

Neoenergia has aligned its business and sustainability strategy with the United Nations' (UN) Global Compact Principles and Sustainable Development Goals (SDGs), which engage companies around an agenda to eradicate poverty, promote prosperity and well-being, and protect the environment.

Decision-making processes are guided by the SDGs, whose principles relate to the group's performance and daily work and in which its contribution is most relevant. The main focus of its initiatives is on SDG 7 (clean and affordable electricity) and 13 (climate action), which are intrinsically related to the power sector.

In addition to these priorities, the company commits to a direct contribution to SDGs 6 (clean water and sanitation), 9 (industry, innovation, and infrastructure), 15 (land life), and 17 (partnerships towards the goals). Indirectly, the company contributes to SDGs 1 (poverty eradication), 3 (health and well-being), 8 (decent work and economic growth), and 16 (Peace, justice, and effective institutions).



## Our Main Focus – SDGs 7 and 13



- Renewable energy: In 2021, Neoenergia had an 88.3% power generation capacity of renewable sources. The goal is to reach 90% in 2022, opening 12 wind farms and two solar parks.
- Energy for All Program: In 2021, 16,966 connections were made in Bahia. The goal is to ensure universal access in the state by 2022, with 716,400 connections.
- Social Rate: 3.3 million low-income customers benefited from discounts of 10% to 65% on their energy bills.



- Reduce emissions intensity to lower than 50 grams of CO<sub>2</sub> per kWh by 2030 and reach net zero by 2050.
- Reduce greenhouse gas (GHG) emissions following the Science Based Target Initiative (SBTi).
- Sustainable mobility plan.
- Construction of *Corredor Verde* (Green Corridor), between Salvador (BA) and Natal (RN), with 12 charging stations on highways and 6 in urban malls, connecting states in the Northeast of Brazil.
- Other R&D projects focused on renewable energies and solutions for the electrification of the economy, such as Electric Mobility in Fernando de Noronha, Electric Truck, Microgrid, Intelligent Energy Storage System (SIAE), Green Hydrogen, and Hybrid Solar System (thermal and photovoltaic).



## Direct Contribution



- Projects for the recovery of springs in hydroelectric plants.
- Containment basins in substations and hydroelectric power plants to avoid contamination of soils and groundwater in the event of an oil spill.



- Reach, by 2030, zero net loss of biodiversity in new projects.
- 30,000 hectares of preserved preservation areas (APP) in the three main Brazilian biomes (Amazon, Atlantic Forest, and Cerrado) in the hydroelectric plants' areas.
- Biodiversity Corridor at the Baixo Iguaçu HPP.



- R\$ 419.5 million investment in innovation, research, and development initiatives in the last three years.
- Launch of the Go In platform to transform employees' ideas into solutions.
- In 2021: 889 software licenses, 6 registered patents; R\$ 3.7 million in R&D sold products; R\$ 3.8 million in cost reductions; and R\$ 5.7 million in revenue growth.



- Neoenergia's Deputy CEO, Solange Ribeiro, was appointed vice-president of the UN Global Compact Council.
- Participation in Rede Brasil do Pacto Global, CEBDS, Instituto Ethos, and Comunitas, and the presence in the ISE B3, CDP, The Sustainability Yearbook, FTSE4Good, and GHG Protocol.

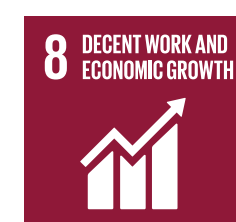
## Indirect Contribution



- Social rate for vulnerable groups: 3.3 million customers classified as low-income. In the last two years, 733,000 customers were included in this consumer classification, with discounts between 10 and 65% up to a limit of 200 kWh/month.
- More than 244 tons of donated food in 2021 through corporate initiatives such as Instituto Neoenergia, the Volunteer Program, and the Itapebi (BA) and Teles Pires (MT and PA) hydroelectric plants.



- Support programs against Covid-19 for employees and the community.
- Health and quality of life programs.
- Initiatives to reduce atmospheric emissions and waste, creating a healthier environment.
- Education programs for safe and efficient energy use.



- 1,496 hired professionals in 2021, with a 5,300 total since 2017.
- In 2021, 1,737 professionals completed a course at the School of Electricians, and the company incorporated 95% of the graduated students.
- 1.3 million training hours, with an average of 83.5 hours per employee.
- "Life Above All" occupational health and safety program, with a record of 23,372 inspections in 2021.
- Zero accidents target.



- Pro-Ethics Company Seal for the fourth consecutive year, also covering distributors.
- Recertification of the Anti-Bribery Management System (ISO 37001).
- Participation in the global campaign Alliance for Integrity.
- Member of the Advisory Board of the Global Compact Network's Anti-Corruption Platform.



# ESG+F Strategy

Aware that environmental, social, and good corporate governance factors influence the company's results and sustainability in the medium- and long-term, Neoenergia integrates sustainability indicators into its business strategy.

Therefore, the company is fully committed to sustainable development and bases its investments on ESG+F criteria (environmental, social, and corporate governance aspects, combined with financial strength). Neoenergia's performance is supported by the strategic pillars that have enabled two decades of sustainable growth thanks to business diversification, leading the energy transition, promoting efficiency, investing in innovation, and generating sustainable dividends.

Remuneration systems consider, among other factors, ESG assessment parameters, linking them to specific results and initiatives to be conducted, such as health and safety indicators for workers and customers.

Neoenergia's achievements demonstrate that its sustainable business model creates value for all its stakeholders year after year.

During the last two decades, ESG aspects have been an integral part of the company's strategy. The company fulfills its commitment by providing transparency to ambitious, relevant, and measurable objectives, representing the priority aspects of its contribution to sustainable development.

## Commitments and Targets for 2030

- Reduce emissions intensity to lower than 50 grams of CO<sub>2</sub> per kWh by 2030 and reach net zero by 2050.
- Achieve net zero loss of biodiversity from new projects, and work to generate a positive net impact from new infrastructure projects.
- Have 35% of leadership positions filled by women.
- Have 70% of major suppliers certified as sustainable by 2022 and 100% by 2030.







# Human Capital Management

## Human Resources Management

### Management Approach

- Achieve the objectives of competitiveness and business efficiency by favoring stable and quality jobs.
- Transformation and digitization of Human Resources processes.
- Ensure a model committed to professional excellence and quality of life for employees.

### 2021 Results

- A total of 94% percent of employees answered the Organizational Climate Survey, with 94% of the answers in favor of engagement and 83% in favor of the company's organizational support, confirming favorable conditions to achieve their potential.
- Internalization of commercial technical services and the sub-transmission live line maintenance, hiring 1,496 professionals.
- Improved digitization of objectives, training, mobility, and onboarding processes.
- Consolidation of a leading communicating role amid the Covid-19 scenario.
- Reinforcement of commitments to sustainable development, promoting ethical and responsible behavior.

## Zero Accidents Objective

- Health and safety are paramount values at Neoenergia.
- The people's safety is a priority in the group's facilities and its areas of influence, promoting a progressive reduction of accident rates and improved safety and health conditions.
- Replicate best practices in occupational health and safety, promoting a culture of excellence in management and coordinating preventive actions.

- Obtaining and/or maintaining OHSAS 18001/ISO 45001 certification. 87% of the group's companies are certified.
- 20,604 people, including direct and indirect employees, participated in 177 courses in a 1,328,279-hour safety training.
- Maintain the "Life Above All" program, the main internal accident prevention initiative. Record participation of 25,560 people in the Internal Workplace Accident Prevention Week (Sipat), including family members in the activities.
- A total of 23,372 safety inspections, in which safety technicians assess the employees' and service providers' operations, reinforcing preventive practices and identifying improvement opportunities.
- "More Support" program against depression, stress, anxiety, and insomnia, among other situations, and the Mental Healthcare Program.
- Implementation of the Apollus software for the operational management of health and safety processes.



**Talent Management**
**Management Approach**

- | Promote technical and skills qualification of professionals to make them able to perform their duties.
- | Develop alternatives that offset the effects of an aging workforce.
- | Manage talents integrated to train future leaders, preparing them to assume greater responsibilities.

**Diversity, Equal Opportunities, and Conciliation**

- | Promote a culture based on meritocracy, equal opportunities, non-discrimination, and the promotion of diversity and inclusion as a strategic priority for sustainable growth.
- | Create an inclusive work environment, respecting differences, promoting the employees' empowerment, and combating prejudice.
- | Equal Opportunities and Conciliation Policy.
- | Promotion of balance between personal and professional life.
- | Contribute to achieving the SDGs for the 2015-2030 period through the Corporate Volunteer Program.

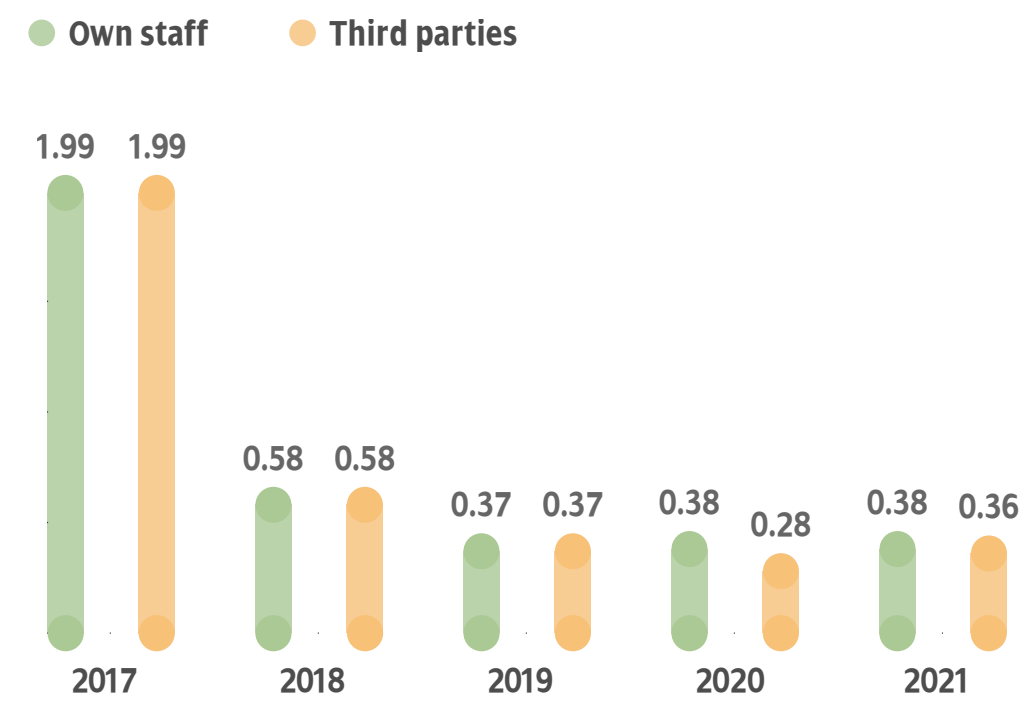
**2021 Results**

- | Average of 83.5 training hours per employee.
  - | Evaluation of high potential employees and definition of individual development plans.
  - | Incorporation of digital tools that facilitate and encourage leading roles in learning through property platforms with online courses and webinars.
  - | "Lead" Program aims to train inspiring leaders aligned with the company's strategy and culture.
  - | Launch of an exclusive platform for exchanging experiences between the "Lead" participants with an interactive hub of leadership content, fostering autonomy and protagonism.
- 
- | Launch of diversity statement "Together, Our Energy Is Made of Diversity," reinforcing diversity as a company value.
  - | WebApp "Junt+s," a dedicated platform to multiply content and recognize and encourage good practices. The app presents testimonials, information, diversity numbers, videos, and games.
  - | Formation of four affinity groups: Race, women, LGBTQIA+, disabled persons.
  - | Exclusive classes for women at the Neoenergia's Electricians School. This focused training allowed the company to hire 558 female electricians in the last two years.
  - | 24.01% women in junior management positions, i. e., the first level of management; 23.2% women in senior management positions (only two categories before the CEO); and 18.61% women in management positions in revenue-generating roles.
  - | 22.3% of engineers are women.
  - | A census was conducted for the self-declaration of race so that the topic can be addressed more assertively in the coming years.
  - | Diversity Week with lectures and debate circles.
  - | Increase from 5 to 20 days and extension of paternity leave for same-sex couples, matching existing maternity and paternity leaves.
  - | Corporate Volunteering Actions to improve the quality of life and integration of vulnerable groups, environmental care, recovery of natural environments, and dissemination of the SDGs.



# Ensuring the availability of a committed, skilled, and diverse workforce in a stable and secure environment

## FREQUENCY RATE<sup>1</sup>

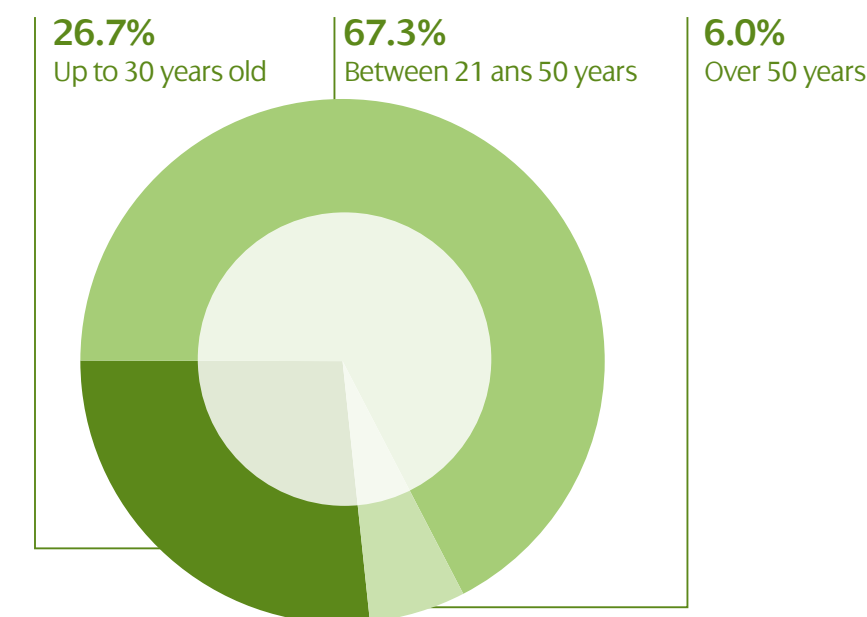


<sup>1</sup> Frequency rate: (lost-time injuries/hours worked) x 1,000,000.

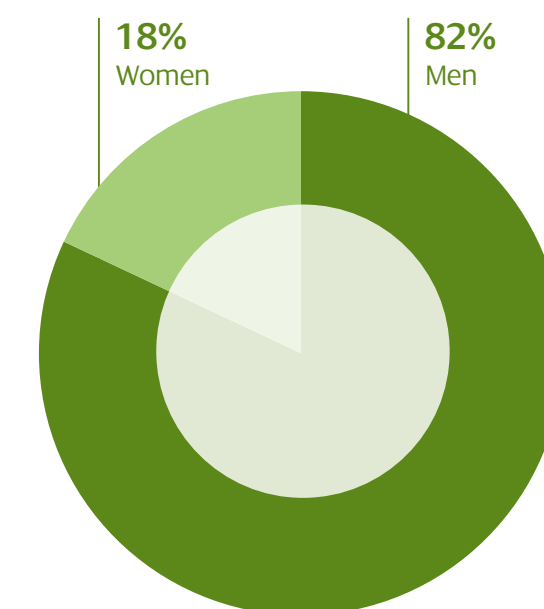
## TRAINING HOURS PER EMPLOYEE



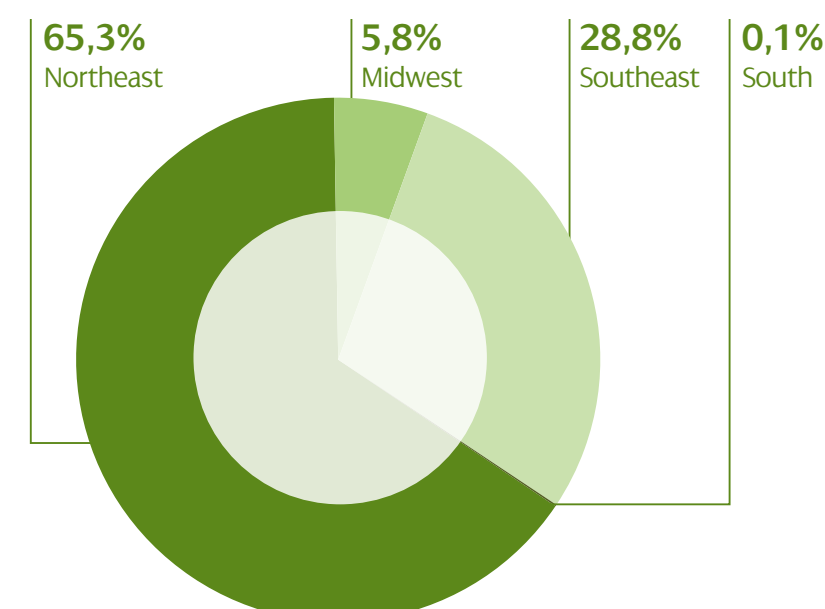
## EMPLOYEES BY AGE RANGE



## EMPLOYEES BY GENDER



## EMPLOYEES BY REGION





# Community Support Programs and Access to Electricity

## 2021 Main Initiatives

Investments of R\$ 345.4 million in initiatives, including infrastructure works and services that benefit local communities in developing programs based on the population's needs and expectations expressed through Neoenergia's relationship channels, highlighting:

- Programa Luz para Todos (Light for All Program)** – Connection to the electricity grid of 16,966 consumer units in Bahia. A R\$ 584 million investment, of which R\$ 326 million was from Neoenergia Coelba and R\$ 258 million from the federal government.
- Social Rate** – Inclusion of 733,000 customers in the program that offers 10% to 65% discounts on the energy bill for low-income families. The five distributors ended 2021 with 3.3 million benefited consumers.
- Support for quilombola communities** – An initiative involves around 100 families from two quilombola communities in Paraíba where a transmission line was built, and two solar parks are under construction. Actions include ethnic identity workshops, selective waste collection, professional training, and the development of new spaces to organize those who live in the communities.
- Food donations** – Over 244 tons of food donated to vulnerable people in 12 states in the country's five regions.
- Safe and conscious use of energy** – Education projects that involve students and teachers from public schools, such as *Educação com*

*Energia* (Education with Energy); National Energy Efficiency Olympiad, which involved 629 teachers and 8,913 students; Mobile Educational Unit, which served 1,040 customers and 1,175 students in the Federal District; and Nova Escola, with online training of a national educators' network. In 2021, 7,546 teachers and 227,555 students were trained.

- Volunteer activities** – More than 1,900 employees participated in volunteer activities in 177 actions aligned with the SDGs and 7,030 hours of volunteer work.
- Environmental education** – The wind parks have maintained teacher training programs on socio-environmental issues, forming multipliers of sustainability concepts.

## Energy Efficiency

A R\$ 96.8 million investment in energy efficiency programs in 2021, 48.34% above the previous year, a significant increase due to the start of Neoenergia Brasília operations, acquired at the end of 2020. A total of 424,391 consumer units benefited, providing energy savings of 76,610 MWh/year, equivalent to a 32,000 home supply with an average consumption of 200 kWh per month.

The initiatives included a donation of 900,000 light bulbs (with lower energy consumption) to low-income populations and initiatives to improve the efficiency of buildings, public lighting, and charitable entities. A total of 823 communities and 1,671 institutions were served.

## Neoenergia Institute

The Institute follows the guidelines of the unified Master Plan of the Iberdrola Foundations Committee, which guides the group's foundations and institutes on five pillars of action: Training and Research, Biodiversity and Climate Change, Art and Culture, Social Action, and Institutional Collaboration. In 2021, the Institute invested R\$ 9.1 million in direct resources, incentives, and social subcredit, with main initiatives such as:

- Training and research** – The *Balcão de Ideias e Práticas Educativas* (Desk of Education Ideas and Practices) program aims to strengthen the training of teachers and school managers, encouraging the development of new educational practices. In 2021, this program trained 346 professionals from eight public school networks in the states of Paraíba, São Paulo, Rio Grande do Norte, and Bahia. The project added a new front – advisory services, with the support of the management group of seven public school networks, to minimize the impact of Covid-19.
- Biodiversity and climate change** – In 2021, the Coralizar project restored 840 coral fragments in Porto de Galinhas (PE). On another front, an expedition to Atol das Rocas (PE) developed novel underwater maps. And there was also a Coral Reef Challenge, with university students of different regions encouraged to find business models to ensure long-term financial sustainability in restoring coral reefs. The Flyways project monitors birds that live in wetlands, helping preserve the species.



- Art and Culture** – Focus on preserving historical and artistic heritage and promoting cultural diversity. The Institute participates as the founder of the *Resgatando a História* (Rescuing History) Project, in partnership with BNDES, to support the recovery of architectural and cultural heritage. The public call Transforming Energy into Culture sponsors 25 projects in Rio Grande do Norte and Bahia, aiming primarily at vulnerable children and young people. The Inspire Award acknowledged 16 women-led initiatives that promote social transformation in Pernambuco state and the city of Rio de Janeiro. The Caravan Energy that Transforms project offered eight courses for 348 sociocultural managers. Cultural and artistic workshops in São Paulo attended 360 young people in training actions in digital culture, fashion, and product design.
- Social action** – *Impactô* Social Acceleration Program is one of these initiatives. The third edition focused on female leaders, selecting ten women-led organizations, which began to receive training and mentoring in strategic management, business, and innovation. The Social Impact Leaders program develops the employee's skills in leading initiatives and projects in Recife (PE), Rio de Janeiro (RJ), Franco da Rocha (SP), Caieiras (SP), and Francisco Morato (SP). The SER – Health, Education, and Income program operates in 14 communities in Paraíba and Rio Grande do Norte, developing social technologies (eco-efficient stoves, wind turbines, cisterns). Neoenergia also developed emergency actions to combat hunger, worsened by the pandemic. The company offered more than 33,000 meals through the Healthy People and Business project.
- Institutional collaboration** – In this pillar, the Institute connects partners, encourages the strengthening of networks, and develops initiatives in favor of society, generating a positive impact for sustainable development.





# Innovation, digitization and quality



## Intellectual Capital Management

### Management Approach

#### I+ R&D Promotion

- Neoenergia has innovation as one of its pillars to successfully face the future scenario of the electricity sector, promoting energy efficiency and the decarbonization and electrification of the economy.
- Five strategic themes guide the R&D projects: Smart Technologies, Safety, Energy Recovery, Quality and Reliability, and Business Sustainability.

#### Efficiency and New Products and Services

- New developments promote the facilities' flexibility, operational efficiency, safety, and the reduction of environmental impact through the use of disruptive technologies and reduction of emissions.
- Design new products that assure efficient, agile, and quality service, improving the customer experience.

#### Disruptive Technology and Business Models

- Partnerships with educational institutions, research centers, innovation hubs, startups, and public and private institutions, forming a robust innovation ecosystem.
- Participation in PERSEO, Iberdrola's international program of startups that invests in advanced technologies and new disruptive business models in the following lines:
  - Integration of renewable energy.
  - Aggregation and management of distributed energy resources (batteries, solar, etc.).
  - Innovative solutions for customers (demand management, digital solutions, etc.).
  - Operation and maintenance of energy assets.
  - Electric mobility: Charging infrastructures and innovative solutions.
  - Energy efficiency.

### 2021 Results

- A total of R\$ 174 million investment in Innovation and Research and Development, a 19.7% increase compared to 2020.
- Launch of the Go In platform for registration and development of ideas and solutions suggested by employees.
- Neoenergia was one of the companies selected in the IA<sup>2</sup> MCTI, an initiative of the Ministry of Science, Technology, and Innovation for technological acceleration in artificial intelligence.
- Project in partnership with the Iberdrola Innovation Center uses artificial intelligence and data analytics to apply an algorithm that predicts failures in telecommunication equipment and smart networks.
- Neoenergia's first week of innovation was held in a metaverse environment (virtual world) developed for the event to assure a valuable experience for employees. Knowledge dissemination in more than 150 business initiatives.
- The Digital Connection Project expanded more efficient and personalized digital channels, improving digital and human service.
- New functionalities in the distributors' applications won a more intuitive and simplified layout.
- New functionalities included in the virtual assistant, such as a debt consultation and negotiation service, power reconnection, and guidelines for self-reading.
- The chatbot technology, which uses artificial intelligence to automate interactions with customers, can already manage more than 70 types of service requests and has exceeded 1 million customer requests per month.
- Delivery of the Data & Analytics platform in December.
- Part of PERSEO, the "Startup Challenge" involves startups from different countries presenting innovative solutions for a predetermined theme. In 2021, it involved the Networks area, intending to detect and reduce non-technical losses in the electrical system (fraud, theft, meters' manipulation). A total of 141 companies from 33 countries participated. The winner was Automa's proposal, which applies Machine Learning and Deep Learning techniques to process images captured by drones, surveillance cameras, and sensors.



## Main I+R&D Projects

### Smart Technologies

- National technology for smart electrical grids** – Products already incorporated into business processes and others under development and/or improvement. An example is an “Intelligent Sensor,” created to identify faults. It was improved to reduce technical and commercial losses and recently reached over 12,000 copies used by distributors in Brazil.
- Smart antennas** – A set of electronic circuits that form a reliable antenna system for communication between the Operations Center and distribution switches.

### Safety

- Robotic arm** – The technology enables an automated, remote pruning of trees close to energized networks.
- Dam Monitoring** – Software development for online monitoring of the internal erosion process in earth and rockfill dams (compacted rock blocks) based on concepts of Artificial Intelligence and the Internet of Things.

### Energy Recovery

- Godel Intelligent Sensor + Applications** – Network sensing equipment that allows reducing the duration of power interruptions and indicates the areas with the highest level of losses.
- Godel Analytics** – This application shows a map of technical and commercial losses, indicating the areas with the most significant opportunities to develop actions.

### Quality and Reliability

- Qualimeter with Continuous Oscillography** – This allows the assessment of supply quality and contributes to the fault location system.
- Hermetic Underground Substation** – Development of a new model of an underground substation, which operates with a high level of automation, being completely hermetic, automated, and tele-supervised.

### Business Sustainability

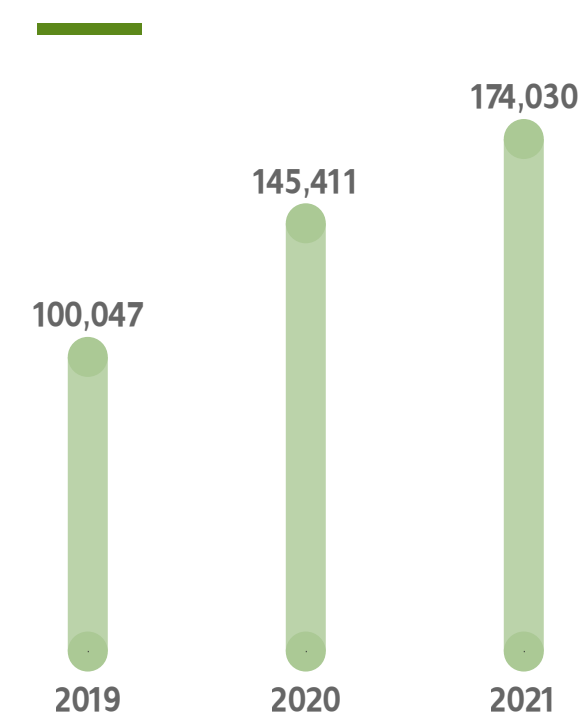
- Electric mobility** – Includes several initiatives, such as: Corredor Verde – Installation of 12 charging stations on highways (50kW) and six urban malls' stations in the stretch between Salvador (BA) and Natal (RN); Electric mobility in Fernando de Noronha: Electric vehicles and charging stations will be used in strategic locations, ensuring supply through renewable sources; Electric truck: Vehicles for maintenance services of the distribution network.
- Multisolar** – Hybrid system (thermal and photovoltaic) that maximizes the use of solar radiation on residential roofs.

### R&D Highlights

2021

Sale of products deriving from R&D	3,651
Number of units	2,762
Number of software licenses	889
Royalties (R\$ thousand)	13.27
Number of patent applications	6
New revenue streams (R\$ thousand)	5,677
Cost savings (R\$ thousand)	3,651

### I+R&D INVESTMENT (R\$ THOUSAND)



## Digital Conexion

The Digital Connection project started in 2020 and is considered the most important Brazilian R&D project focused on the electricity sector customer. The initiative operates across three pillars: Modernizing the customer journey, developing integrated digital solutions, and digital inclusion. Thus, the project promotes improvements in consumer experiences with the customer at the center of the business.

Digitization is increasingly present in Neoenergia's customer relationship processes. Following the launch of new or improved services during the pandemic – a chatbot for WhatsApp and Facebook, a digital invoice negotiation platform, virtual service office functionality, new payment methods, and registration and invoice delivery via SMS and WhatsApp – digital service channels now account for 91.82% of customer service activity.

These initiatives improve the Customer Effort Index (IEC), which measures the number of additional interactions that a customer needs to meet their request through Neoenergia's channels. In December 2021, Neoenergia's CES was 1.49, a year-on-year reduction of 7%. This indicator demonstrates that Neoenergia is resolving the bottlenecks that compromised customer satisfaction.

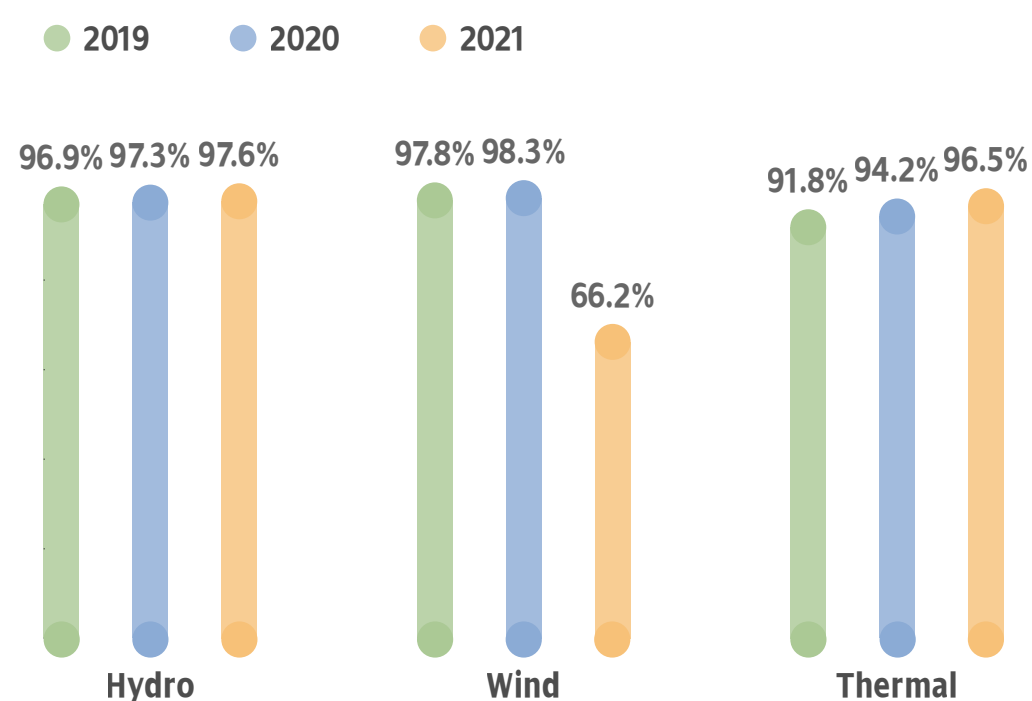


## Green Hydrogen

Development of a solution for local production of green hydrogen from photovoltaic solar energy to meet the internal cooling demand of Neoenergia Termopernambuco and be used in industrial forklifts and electric mobility (vehicle supply).

The company also signed commitments with the governments of Pernambuco and Ceará to develop green hydrogen.

### AVERAGE AVAILABILITY IN GENERATION (%)<sup>1</sup>



<sup>1</sup> Wind: Availability could not be measured for the Chafariz wind cluster as the relevant data has not yet been fully integrated into the control system. Because a value of 0 has been reported for the cluster, the availability value has been affected.

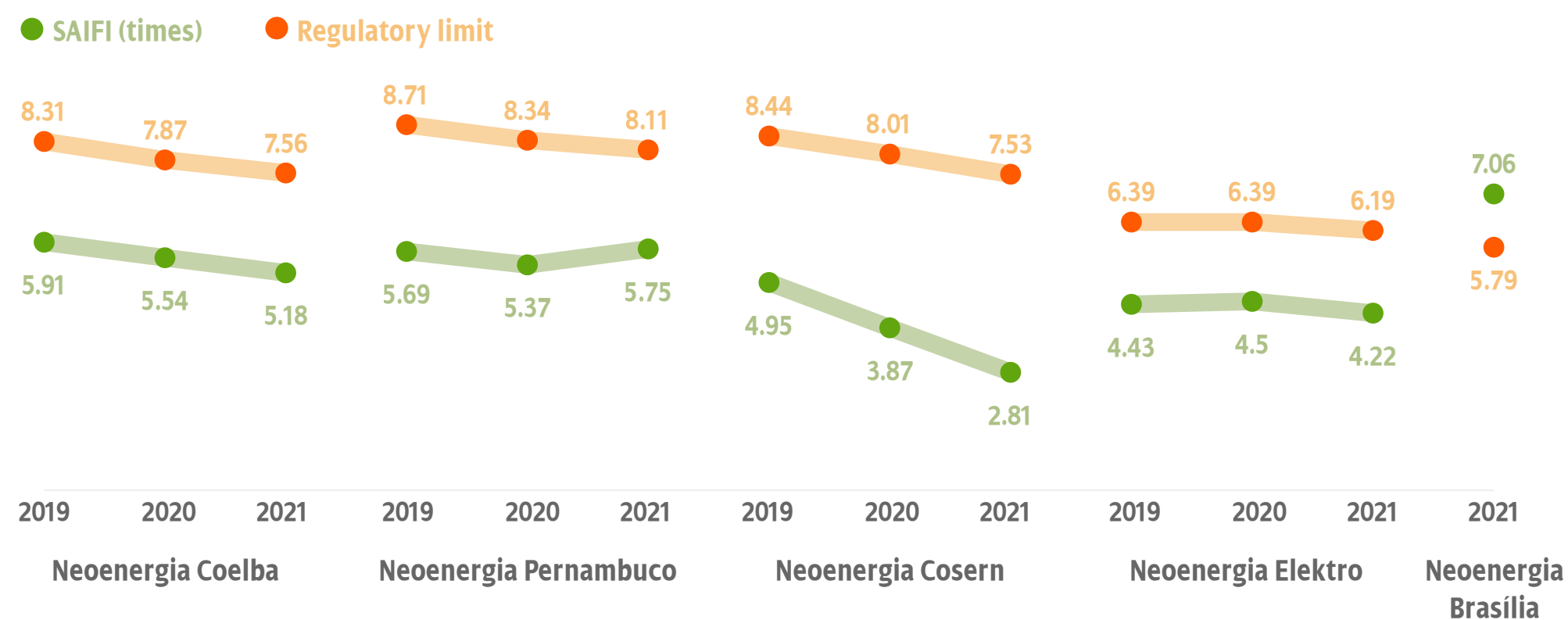
### TRANSMISSION AVAILABILITY RATE

Company	2019	2020	2021
Afluente T	99.88%	99.97%	99.96%
SE Nandiba <sup>1</sup>	99.94%	99.97%	99.99%
SE Extremoz II <sup>1</sup>	100.00%	100.00%	99.99%
SE Brumado II <sup>1</sup>	99.94%	99.97%	99.99%
Potiguar Sul	99.68%	99.93%	100%
Dourados	NA	100.00%	100%
Santa Luzia	NA	NA	100%
Jalapão	NA	NA	-
SE Atibaia	NA	99.99%	100%
SE Biguaçu	NA	100%	100%
SE Sobral	NA	100%	100%

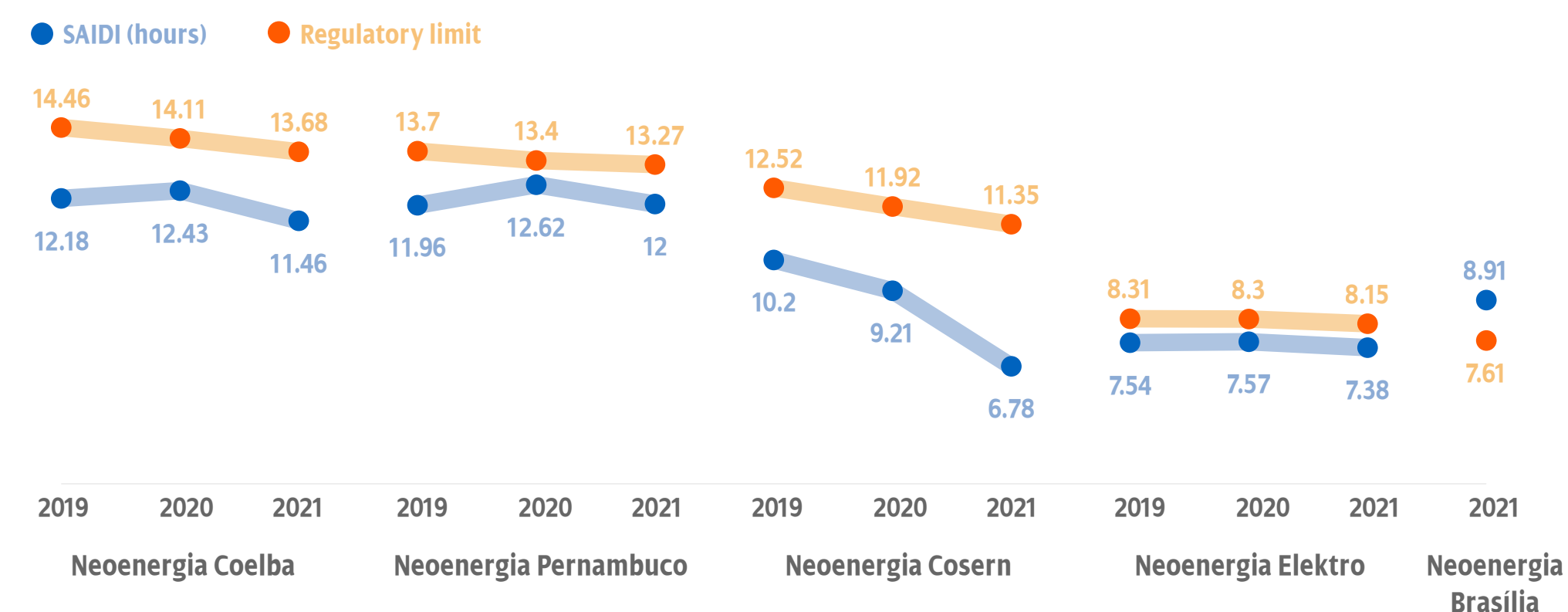
<sup>1</sup> Nandiba comprises 3 substations: Nandiba, Extremoz II and Brumado II.

## Service Quality

### SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (SAIFI)



### SYSTEM AVERAGE INTERRUPTION DURATION INDEX (SAIDI)





**GOVERNANCE  
AND SUSTAINABILITY**





# Governance and Sustainability System

Neoenergia's corporate governance system is at the forefront of nationally and internationally recognized best practices. In 2021, the ESG aspects became even more important to the company. The system has recently incorporated new practices, such as a new Sustainability Committee, which has strengthened the company's long-standing commitment and was renamed Governance and Sustainability System.

The company's corporate and governance structures and business model are based on decentralized decision-making processes. Neoenergia is responsible for corporate strategy and oversight, leaving the management of subsidiaries to their governance bodies.

At the forefront of national and international best practices, Neoenergia's corporate governance system advanced in the last cycle in the sense of valuing ESG aspects.

## BOARD OF DIRECTORS

Position	Member	Status	Date of last appointment	Expiry of mandate	Committee
Chairman	José Ignacio Sánchez Galán	Committee	August 2021	August 2023	-
Holder	José Sainz Armada	Director of Iberdrola	August 2021	August 2023	Compensation and Succession
Holder	Daniel Alcaín López	Director of Iberdrola	August 2021	August 2023	Audit
Holder	Mario José Ruiz-Tagle Larrain	Chief Executive Officer of Neoenergia	August 2021	August 2023	-
Holder	Pedro Azagra Blazquez	Director of Iberdrola	August 2021	August 2023	Financial
Holder	Santiago Matias Martínez Garrido	Director of Iberdrola	August 2021	August 2023	Compensation and Succession
Holder	José Ángel Marra Rodríguez	Director of Iberdrola	August 2021	August 2023	Compensation and Succession
Holder	Denisio Augusto Liberato Delfino	Director of Previ	August 2021	August 2023	Audit and Sustainability
Holder	Márcio de Souza	Director of Previ	August 2021	August 2023	Compensation and Succession
Holder	Ênio Mathias Ferreira	Corporate Vice President of Banco do Brasil	March 2021	August 2023	Audit
Holder	Juan Manuel Eguiagaray Ucelay	Independent	August 2021	August 2023	Audit and Related Parties
Holder	Marina Freitas Gonçalves de Araújo Grossi	Independent	December 2021	August 2023	Sustainability, Audit and Compensation and Succession
Holder	Cristiano Frederico Ruschmann	Independent	August 2021	August 2023	Audit, Financial and Related Parties
Substitute	Jesús Martínez Pérez	Director of Iberdrola	August 2021	August 2023	Financial
Substitute	Alejandro Román Arroyo	Director of Iberdrola	August 2021	August 2023	-
Substitute	Mônica Grau Domene	Director of Iberdrola	August 2021	August 2023	Audit
Substitute	Tomas Enrique Guijarro Rojas	Director of Iberdrola	August 2021	August 2023	-
Substitute	Miguel Gallardo Corrales	Executive of Iberdrola	August 2021	August 2023	Financial
Substitute	Justo Garzón Ortega	Iberdrola Director	August 2021	August 2023	Financial and Sustainability
Substitute	João Ernesto de Lima Mesquita	Executive Manager at Previ	August 2021	August 2023	Compensation and Succession
Substitute	Lauro Sander	Financial Vice President of the Banco do Brasil Athletic Association (AABB Rio)	August 2021	August 2023	-
Substitute	Ana Maria Gati	Extern	August 2021	August 2023	-



# Corporate and Governance Structure

Neoenergia structures corporate and governance on three levels that differentiate the functions of strategy, supervision, and control of the group as a whole (attributed to the holding company) and those of administration and effective management of each business (within the purview of the head of business companies).

This internal organization, initially set as a Corporate Governance System, became the Governance and Sustainability System, articulating its content around the three axes that the international investment community uses to measure the impact and sustainability of its investments: Environmental, social, and corporate governance (ESG), to which the Group added the letter F (financial), using the acronym ESG+F.

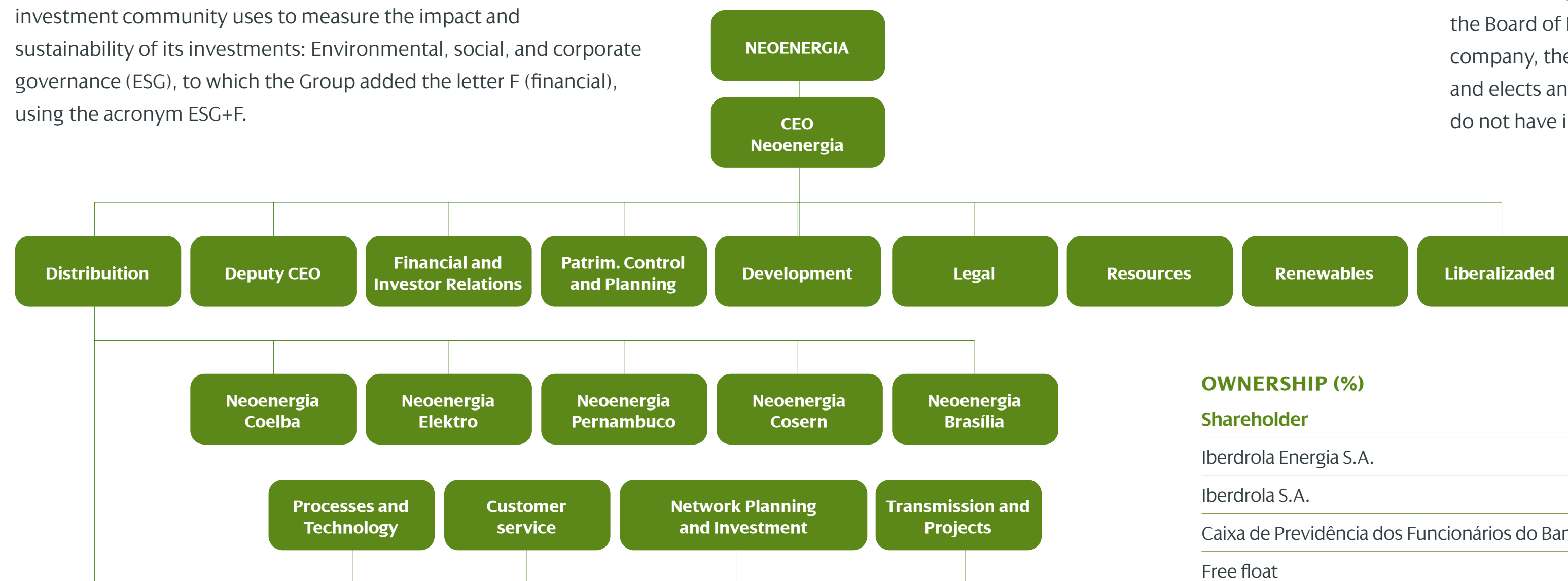
In line with the Group's sustainable development strategy, the Governance and Sustainability System also transcends the traditional focus on corporate governance. It has three pillars: (1) Environmental performance and the fight against climate change through environmental policies; (2) social commitment by developing social policies; and (3) corporate governance standards and policies. The last content update was in February 2021.

- The Board of Directors is responsible for setting Neoenergia's business guidelines, purpose, and values, nominating the members of the Management Committee, and ensuring its efficiency. It is also responsible for approving and overseeing corporate policies and

the Code of Ethics, in compliance with the principles of corporate governance, applicable regulations, risk limits, and social and economic responsibility;

- The chair of the Board of Directors does not serve in an executive position at Neoenergia. The company's governance bodies, including the Board of Directors, are assessed annually by external auditors.
- Five committees advise the Board of Directors: Audit Committee, Financial Committee, Compensation & Succession Committee, Related Parties Committee, and, since 2021, Sustainability Committee.
- Four directors are independent, including the chair of the Audit Committee.
- The distributors Neoenergia Coelba, Neoenergia Cosern, Neoenergia Pernambuco, and Neoenergia Elektro have independent directors on the Board of Directors. Although Neoenergia Brasilia is a privately held company, the group follows the same guidelines as other distributors and elects an independent director. The other Neoenergia companies do not have independent members.

## SOCIETAL STRUCTURE



## OWNERSHIP (%)

Shareholder	2019	2020	2021
Iberdrola Energia S.A.	50.00	50.00	0.00
Iberdrola S.A.	1.04	1.04	53.20
Caixa de Previdência dos Funcionários do Banco do Brasil (Previ)	30.29	30.29	30.29
Free float	18.67	18.67	16.50



# Neoenergia at the Forefront of Governance and Sustainability

## Strategy

The key elements that define the strategy in terms of governance and sustainability are:

- | Control system.
- | Environmental performance, emphasizing on energy transition, combating climate change, and protecting biodiversity.
- | Promoting diversity, inclusion, equal opportunities, and excellence at all levels.
- | Shareholder engagement.
- | Active listening to the stakeholders' legitimate interests.
- | Social dividend and contribution to the Sustainable Development Goals (SDGs).
- | Zero tolerance concerning corruption and fraud.
- | Prudent and balanced risk management.
- | Transparency.

## Continuous Improvement of Corporate Governance Standards and Practices

The company follows the best practices recommended by the Brazilian Code of Corporate Governance, prepared by the Brazilian Institute of Corporate Governance (IBGC), following the rules of B3–Brazil's Novo Mercado, Bolsa, Balcão, in which the company is listed, as well as practices recognized in international markets.

## Board Operations

- | 23.1% of the board members are independent.
- | Gender diversity: A titular woman on the Board.
- | Diversity of skills, experiences, nationalities, and origins.
- | Annual assessment of management bodies, including the Board of Directors, is conducted by an outsourced company.

## Sustainable Development and Corporate Reputation

- | Sustainability Committee.
- | Monitoring the company's strategy and performance in sustainable development and ESG+F objectives.
- | Action Plan Against Climate Change and adoption of the recommendations of the Task Force on Climate-Related Financial Disclosures.
- | Creating value for the company's interest groups and reputation.

## Commitment to Shareholders and Investors

- | Neoenergia has an operational and financial model based on balanced growth, focused on networks, renewables, and long-term contracted assets, aiming to achieve objectives that combine the financial, environmental, and social results.
- | Quarterly disclosure of results, with a teleconference for presentation and discussion of performance.
- | The company encourages shareholder participation throughout the year, especially in the Annual General Meeting.

## Remuneration Policy

- | Remuneration of directors approved by the General Meeting.
- | Variable remuneration of executive directors related to financial and non-financial objectives, including indicators of diversity and accidents among the workforce and the population.
- | In 2020, the Management Committee approved a Long-Term Incentive Program (ILP), based on shares, as a compensation and retention mechanism for directors, executives, and managers of the holding and subsidiaries.

## BOARD OF DIRECTORS' REMUNERATION MODEL

Type of Remuneration	External Members	Executive Directors
Fixed	According to their responsibilities	Under market conditions
Short-term variable	N/A	Linked to financial and non-financial objectives.
Long-term variable	N/A	Linked to multi-annual objectives and payable in shares (provision period of 3 years and deferred settlement in the 3 years following the accumulation period).



### Parameters Linked to the Annual Executive Directors' Variable Remuneration in 2021:

- Financial/Operational:** Net profit; EBITDA; Financial efficiency; Business growth; Rates Review; and Financial Strength.
- Sustainable development:** Safety (accident indicators among employees and the population); Training of female electricians.

### Parameters Linked to the Multi-annual Variable Remuneration (Strategic Bonus 2020-2022)

- Net profit
- Financial strength
- Total shareholder return
- Sustainable Development Goals (promotion of sustainability in the production chain, training, and female presence in leadership positions)

## Board of Directors' Main Activities

### 2021 Key Themes

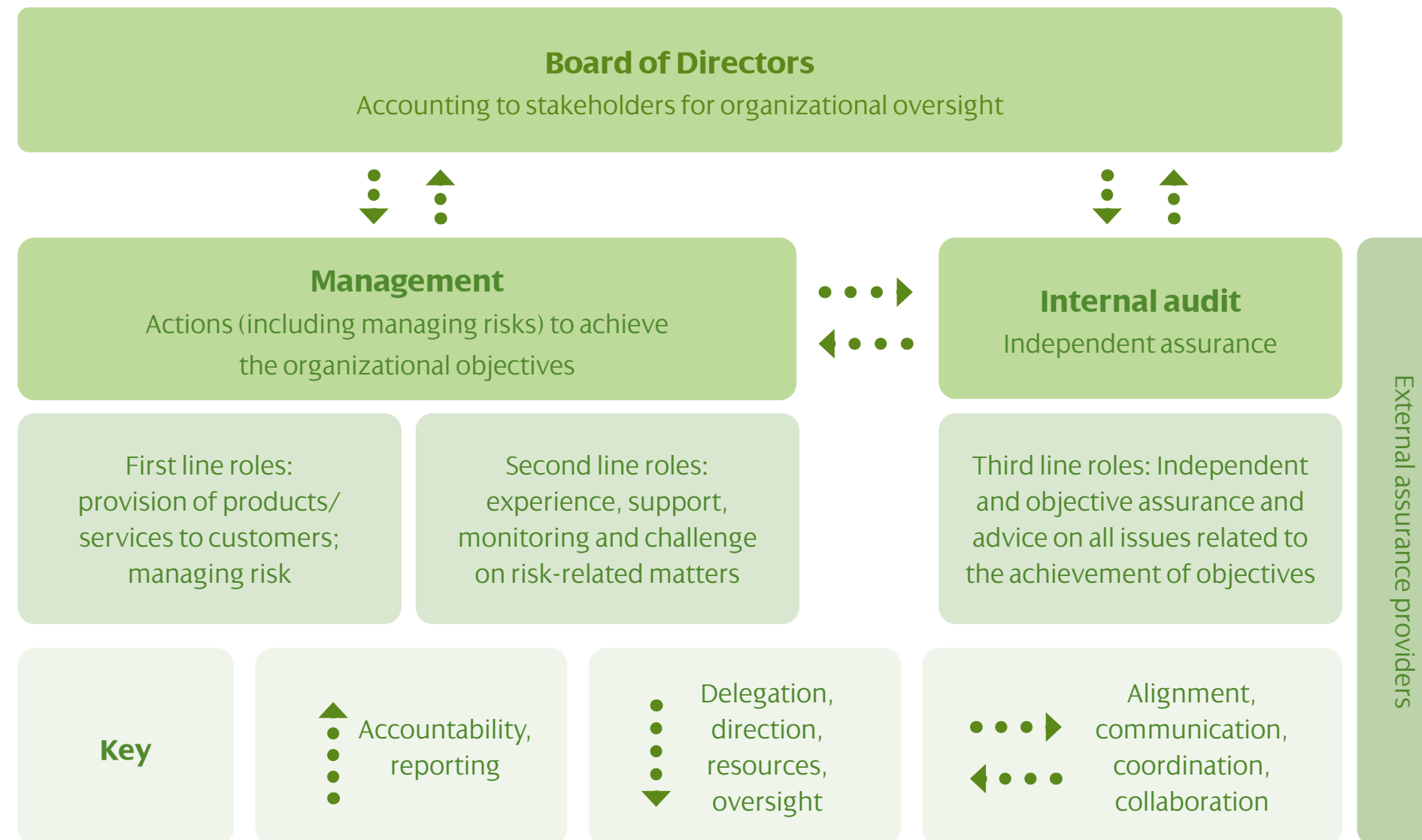
<b>Balanced Growth</b>	<ul style="list-style-type: none"> <li>Review and presentation of results: Degree of compliance regarding the Outlook.</li> <li>Approval of 2022 budgets.</li> <li>Evolution and expectations of each group's businesses.</li> <li>Analysis of the impacts of the measures against Covid-19.</li> </ul>
<b>Sustainable Shareholder Remuneration</b>	<ul style="list-style-type: none"> <li>Remuneração ao acionista em linha com as Perspectivas 2018-2022.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Review of risks and opportunities arising from Climate Change, Biodiversity.</li> <li>Launch of the Innovation and Sustainability area.</li> <li>Formulation of the Statement of Non-Financial Information. Annual Report.</li> <li>Monitoring of GHG reduction targets.</li> <li>Planning the global biodiversity strategy to 2030.</li> <li>Supervision of the group's actions with an impact on Stakeholders and their alignment with the Sustainable Development Goals.</li> <li>Climate Action Policy Update.</li> <li>Creation of the Sustainability Committee to advise the Board of Directors.</li> <li>Reformulation of the Corporate Governance System based on the ESG Principles.</li> <li>Publication of the Fiscal Transparency Report.</li> <li>Publication of the Diversity and Inclusion Report.</li> <li>Intensification of support for Instituto Neoenergia actions.</li> <li>Analysis of trends and best practices in Talent Management.</li> </ul>
<b>Financial Strength</b>	<ul style="list-style-type: none"> <li>Approval of relevant financing operations, prioritizing the issuance of green bonds.</li> <li>Monitoring of key financial indicators.</li> <li>Reinforcement of the subsidiaries' conditions for financing.</li> <li>Acquisition of Neoenergia Distribuição Brasília (formerly CEB-D).</li> <li>Financing contract with the European Investment Bank (EIB).</li> <li>Divestments in non-strategic assets: Start of studies for the potential sale of a stake in Norte Energia.</li> </ul>
<b>Corporate Risk Control</b>	<ul style="list-style-type: none"> <li>Review and update Risk Policies and approval of guidelines on risk limits.</li> <li>Monitoring of risk control and management systems and the degree of compliance with the companies' tax policy.</li> </ul>
<b>Corporate Governance and Compliance</b>	<ul style="list-style-type: none"> <li>Reorganization of the Corporate Governance System and development to the Governance and Sustainability System, based on environmental, social, and corporate governance (ESG) criteria.</li> <li>A virtual General Shareholders Meeting.</li> <li>Appointment and re-election of directors.</li> <li>Selection and composition of governance bodies.</li> <li>Proposals for the appointment of independent directors in the Distribution subsidiaries.</li> <li>Remuneration of members of the Board of Directors and senior management.</li> <li>Follow-up of contacts with shareholders.</li> </ul>



# The Three Lines Model

## A Model Based on Principles

Neoenergia's internal controls and risk governance system operates based on the Three Lines of Defense Model, which provides an integrated view of how the distinct parts of the organization interact in an effective and coordinated manner. In the first line, the business areas are responsible for managing specific risks, mitigating strategies, and implementing controls. The second includes the Corporate Risk, Internal Controls, and Compliance areas, responsible for various compliance control and supervision functions. It supports the first line in risk management and recommends adjustments, if necessary, acting as a consultancy. The third line is Internal Audit, which independently issues control reports and recommendations.



Based on the document "The IIA's Three Lines Model 2020. An update of the Three Lines of Defense"



### Principle 1: Governance

Neoenergia's governance has adequate structures and processes that enable:

- Accountability by the Board of Directors to stakeholders for organizational oversight through integrity, leadership, and transparency.
- Actions (including managing risk) by management to achieve the strategic plan's objectives through risk-based decision-making and the application of resources.
- Assurance and advice by an internal audit function to provide clarity and confidence and promote and facilitate continuous improvement through rigorous research and insightful communication.

### Principle 2: Board of Directors' Roles

Neoenergia's Board of Directors:

- Ensures that appropriate structures and processes are in place for effective governance.
- Ensures that organizational objectives and activities are aligned with the prioritized interests of the stakeholders.
- Delegates responsibility and provides resources to management to achieve the organization's objectives while ensuring legal, regulatory, and ethical expectations are met.
- Establishes and oversees the independent, objective, and competent internal audit function to provide clarity and confidence in progress towards achieving objectives.

### Principle 3: Management and First- and Second-line Roles

Management's responsibility to achieve organizational objectives comprises both first- and second-line roles. The management team and the professionals of Neoenergia and its group are the direct managers of the company's risks. Thus, the company's Management is responsible for maintaining effective control and implementing procedures to control risks continuously, based on the Internal Control objectives of the COSO model (operational, reporting, and compliance – Committee of Sponsoring Organizations, May 2013).

Relevant risks of Neoenergia's main businesses / pages 71 to 73

The primary assurance functions within Neoenergia's respective areas of responsibility, are: (i) The group's Risk Division, within the framework of its duties within the Comprehensive Risk Control and Management System; (ii) the Internal Assurance Division, in its responsibilities relating to the internal risk management and control systems in relation to the preparation of financial information (Internal Control over Financial Reporting System, or ICFRS) and non-financial information (Internal Control over Non-Financial Reporting System, or ICNFRS), and the SAP environment; (iii) the Compliance Unit, which is responsible for proactively ensuring the effective operation of the Compliance System – notwithstanding which, in the financial and non-financial information processes it is considered to have a third-line role as it provides independent assurance regarding the risk of non-compliance with the legal framework); and (iv) the Cybersecurity Division within the Corporate Security Division, through the supervision, monitoring, and reporting of cybersecurity risks.

Risk control and management system / page 70 |

Compliance / page 74

### Principle 4: Third Line Roles

The Internal Audit area proactively ensures the proper operation of the internal control, risk management, and governance systems, systematically auditing the roles of the first and second lines in the performance of their respective management and control duties.

To ensure its independence, the director of the Internal Audit Area reports hierarchically to the chair of the Board of Directors and functionally to the Audit Committee. The Audit Committees and divisions of the various country subholding companies have this same positioning and are coordinated under the Basic Internal Audit Regulations framework. These regulations, approved by the Board of Directors, are part of the Governance and Sustainability System and establish the rules, duties, competencies, and powers of Internal Audit and its framework of relations within the group.

The 2020 annual activities plan of Neoenergia's Internal Audit Area and the Internal Audit divisions of the group, with a risk-based focus, responded to the requirements established by the holding's Audit Committee and the subholding companies and included:

- Periodic reviews of the most critical ICFRS control operation and studies of the various cycles of financial information preparation within the framework of the revision of the entire ICFRS over 5 years.
- Audits of critical corporate and business processes and risks based on the Risk Policies approved by the Board of Directors annually.
- Audits of the compliance programs.



### Principle 5: Third Line Independence

Internal audit's independence from management responsibilities is critical to its objectivity, authority, and credibility. At Neoenergia, this is established by: Report to the Board of Directors; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in audit services.

### Principle 6: Creating and Protecting Value

At Neoenergia, roles are aligned internally and with the stakeholders' interests, contributing to the creation and protection of value.

### External Assurance Providers

Regulators establish requirements to strengthen the organizations' controls and perform an independent oversight role. In addition, among its attributions, the Audit Committee preserves the external auditors' independence, responsible for the veracity of the company's financial information.

The KPMG External Audit report on the 2021 accounts can be consulted here in the Standardized Financial Statements.





# Risks

Neoenergia's risk management focus on anticipation, independence, commitment to the group's business objectives, and the engagement of senior management and the Board of Directors.

## Board of Directors and Executives' Commitment

Neoenergia's Board of Directors and executives have a strong commitment and involvement in the management of the group's risks:

- | **Ex-ante:** Annually review and approval of the acceptable level of risk tolerance through risk policies and limits, which qualitatively and quantitatively establish the risks that the company accepts for the group and each of its main businesses and corporate functions.
- | **Pos-ante:** Periodic monitoring of risks (key risk maps), significant threats, and the different exposures of the group, as well as compliance with approved policies, limits, and risk indicators.

In addition, the group has a Compliance System linked to the Sustainability Committee of the Board of Directors, a Code of Ethics, and a Compliance Superintendence.

## Comprehensive Risk Control and Management System

General Corporate Risk Management Policy, approved by the Board of Directors on March 30, 2022, establishes the basic mechanisms and principles for adequate management of the risk-opportunity binomial.

Neoenergia's Corporate Risk Management is responsible for identifying, evaluating, mitigating, monitoring, and reporting the main strategic risks. It reports to the Chief Financial and Investor Relations Officer.



The risk management process aims to:

- | Achieve the goals contained in the company's strategic plan with controlled risk
- | Incorporate risk metrics into corporate objectives
- | Preserve and generate financial results
- | Protect the interests of shareholders, customers, and other stakeholders
- | Protect the group's image and reputation
- | Ensure stability, financial strength, and sustainable development while promoting operational efficiency

In working toward these goals, Neoenergia observes the following basic principles:

- | Incorporate a risk-opportunity vision into the group management
- | Segregate duties between risk-taking and risk management functions, ensuring an adequate level of independence
- | Ensure risk hedging instruments and risk limits are used appropriately
- | Strengthen the corporate governance structure

As part of the risk management cycle, meetings are held between the risk function and the heads of corporate and business operations to update risk maps and ensure compliance with policy guidelines and limits. The outcomes from this process are reported to the Executive Committee through business risk matrices and are included in the Audit Committee's half-yearly report.



### Risk Policies and Limits

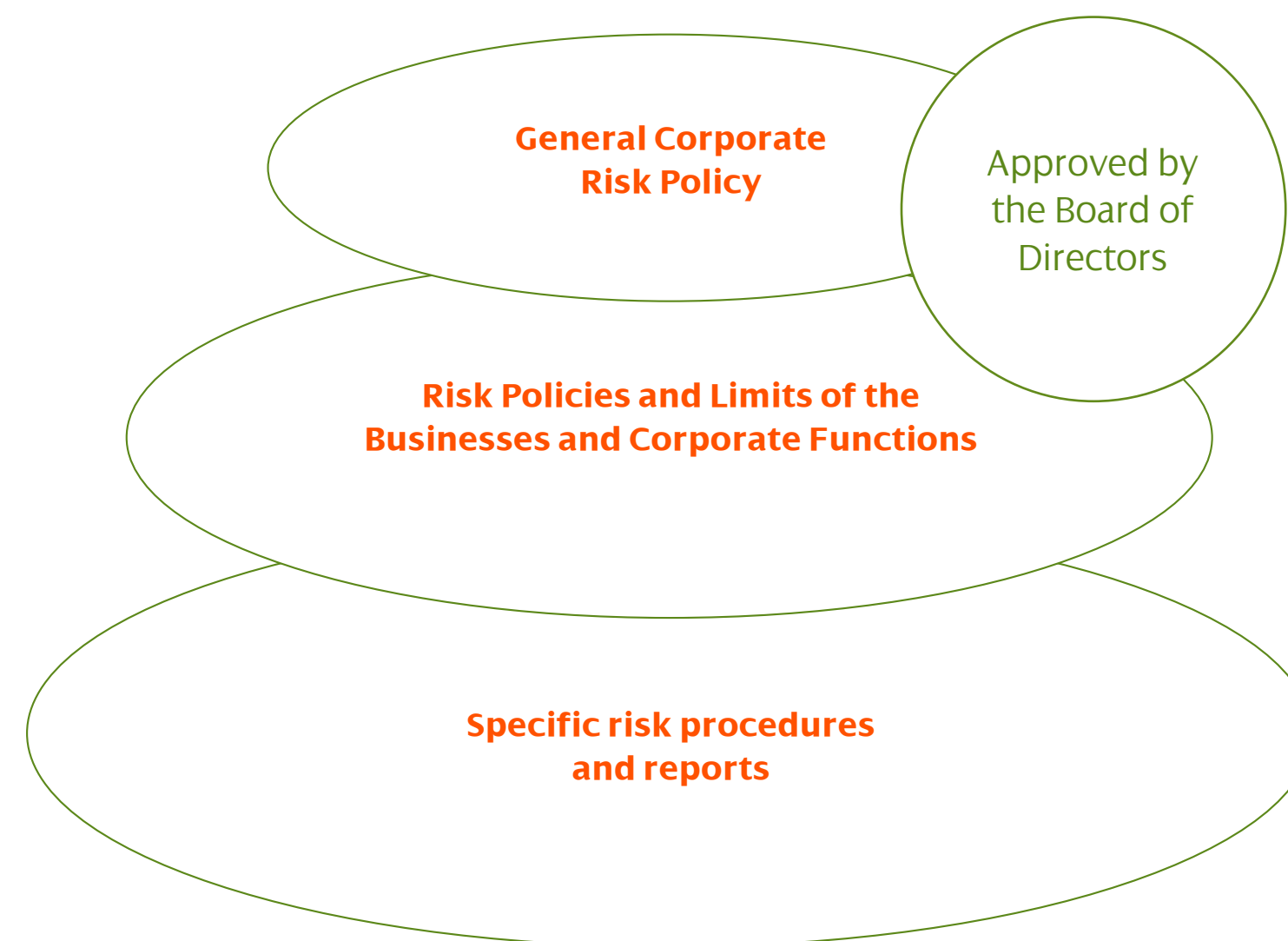
Neoenergia's General Risk Management Policy comprises a set of policies and risk limits updated and approved annually by the Board of Directors. In the current risk framework, 16 specific policies are established concerning certain risks, corporate functions, or group businesses, approved annually by the Board of Directors. The framework includes limits and indicators that are monitored:

#### Corporate risk policies:

- | General Corporate Risk Policy
- | Credit Risk Policy
- | Energy Market Risk Policy
- | Operational Risk Policy in Market Operations
- | Insurance Policy
- | Investment Policy
- | Financial Risk Policy
- | Treasury Share Policy
- | Purchasing Policy
- | Information Technology (IT) Policy
- | Cybersecurity Risk Policies
- | Reputational Risk Policy
- | Occupational Health and Safety Policy

#### Specific risk policies for the group's businesses:

- | Liberalized Business Risk Policy
- | Renewables Business Risk Policy
- | Networks Business Risk Policy



The General Corporate Risk Management Policy applies to all companies in the group and must be reproduced by its subsidiaries in compliance with their respective bylaws and applicable legislation. In the companies in which Neoenergia is not a controlling shareholder, the group recommends promoting principles, guidelines, and risk limits consistent with this Policy and maintaining adequate information channels to ensure knowledge and monitoring of risks.

### Neoenergia's Main Risk Factors

The group is exposed to several risks inherent to the sectors and markets in which it operates, which may prevent it from achieving its objectives and executing its strategies. There are three groups of risk

- | **Governance Risk:** The main governance risks derive from possible non-compliance with (i) the applicable legislation; (ii) the provisions of the Governance and Sustainability System; (iii) good market practices and recommendations from its regulatory bodies; and (iv) international standards related to governance. Possible consequences could be: (i) The challenge of corporate agreements; (ii) divergence between shareholders; (iii) the receipt of notifications from regulatory bodies; and (iv) the divestment or lack of interest in shares of the Neoenergia group.
- | **Market Risks:** Understood as the exposure of the group's results and assets to changes in prices and other market variables, such as:
  - **Financial:** Foreign exchange, interest rates, solvency, liquidity, inflation, and the value of financial assets and liabilities.
  - **Prices of energy and other raw materials:** Prices of energy, gas, other fuels, CO<sub>2</sub> emission rights, and other mechanisms to support renewable energies and costs of different raw materials (such as steel, aluminum, and copper).



- Credit risks:** Defined as the possibility of non-compliance with financial and contractual obligations of counterparties, including the risk of bankruptcy and replacement cost, such as default or 'non-performance,' resulting in an economic or financial loss for the group. Counterparties can be end customers, counterparties in the financial or energy markets, partners, suppliers, financial entities, and insurance companies.
- Business risks:** Established as the uncertainty regarding the behavior of key variables intrinsic to the group's businesses, such as the balance of supply/demand for electricity, hydrology, and the strategy of other agents.
- Regulatory and political risks:** Related to the creation or change of the rules issued by regulatory agencies over which the electric sector supports its operations, such as changes in the level of

control of regulated activities and supply conditions, or also relating to environmental regulation or tax, including risks of political instability that may affect legal certainty and the legal framework applicable to business in each jurisdiction, nationalization or expropriation of assets, cancellation of licenses, partial or total contractual breach, and legal risk of fraud.

- Operational, technological, environmental, social, and legal risks:** Related to the occurrence of economic or financial losses, direct or indirect, resulting from external events or inadequate internal processes, including those arising from:
  - technological failures, human errors, and technological obsolescence;
  - operation and construction of facilities;
  - purchasing and supply chains;
  - cybersecurity and information systems;

- people's health and safety;
- climate change, extreme natural phenomena, and pandemics;
- regulatory compliance;
- reliability of financial and non-financial information;
- fraud and corruption; and
- tax litigation, arbitration, and contingencies.

- Reputational risks:** Potential negative impact on Neoenergia group value due to conduct, behavior, and positioning from the company disagreeing with the expectations created by the various interest groups, as defined in Politics of Relationship with Stakeholders, including behaviors or conduct related to corruption.



**Arena das Dunas – Natal**



## Risk Factors and Mitigation Measures

### Price and Demand Risks

#### Changes in the energy price

- Renewable Businesses preferentially sell energy at 1) regulated rate or 2) fixed price through contracts in the Free Contracting Environment (ACL). The Liberalized business transfers the remaining market exposure to management.
- The offsetting of risk positions between generation and commercialization significantly reduces market risk.

#### Demand variation

- Renewables and Liberalized: Moderate impact in the short-term due to the characteristics of the group's power generation facilities and the structure of long-term energy sales contracts.
- Networks: No impact, except between rate periods.

### Resource Risks

#### Variation of wind resources

- The number of wind farms in operation and their geographic dispersion mitigates this risk. Overall, windier years are offset by less windy years.

#### Variation of water resources

- In the medium- and long-term, dry periods offset humid years. The group's storage capacity and plants' portfolio mitigate the level of volatility in the year. Additionally, the Brazilian model includes the Energy Reallocation Mechanism (MRE), which aims to mitigate hydrological risk and share the gains from the generation complex' centralized management among the plants

### Financial Risks

#### Interest rate variation

- A debt structure is maintained in line with the business' financial cycle, observing each company's, concessions', and authorizations' characteristics. The company also actively manages its financial liabilities to reduce the cost of debt and lengthen its amortization profile, avoiding the concentration of debt maturities, which results in effective extension. It continuously monitors market interest rates to assess the possible need to contract protection against the risk of volatility in these rates.
- At the end of 2021, 63% of the debt was indexed to CDI and Selic, 33% to IPCA, and 4% to TJLP.

#### Exchange rate variation

- To ensure that fluctuations in exchange rates do not affect its results and cash flow, as of December 31, 2021, Neoenergia had currency hedge operations for all of its debts in foreign currency and its main disbursements and investments planned in foreign currency.

### Other Risks

#### Credit risk

- The company monitors the volume of accounts receivable from customers, requests guarantees, and conducts various collection actions in compliance with electricity sector regulations. In addition, for energy trading counterparties, the company adopts specific criteria for assessing their credit capacity and limits' approval.
- For operations involving cash and cash equivalents, marketable securities, and derivatives, the Credit Risk Policy establishes risk mitigation by diversifying financial institutions with good credit quality.
- The group's suppliers' credit risk is also monitored, including guarantees in contracts, whose non-performance may result in losses such as possible overcosts and market restrictions associated with their replacement.

#### Operational risk

- These risks are mitigated with the necessary investments, procedures' application, operation, and maintenance programs (supported by quality systems), adequate personnel training and qualification, and, finally, by contracting the appropriate insurance in the area of damages, materials, and civil liability.

#### Regulatory and political risk

- The group is subject to laws and regulations regarding tariffs and other regulatory aspects of its activities. The introduction of new laws/rules or amendments to those in force may adversely affect operations, annual results, and the business' economic value.

#### Climate change risk

- This includes transitional risks (regulatory or market risks related to emission reduction targets) and physical risks (derived from the possible impact of an increase in extreme weather events, temperature rise, sea level rise, changes in rainfall patterns, etc.). Neoenergia is well-positioned to face the risk, given the characteristics of its current business and its main growth objectives.



# Ethics and Integrity

## Compliance System

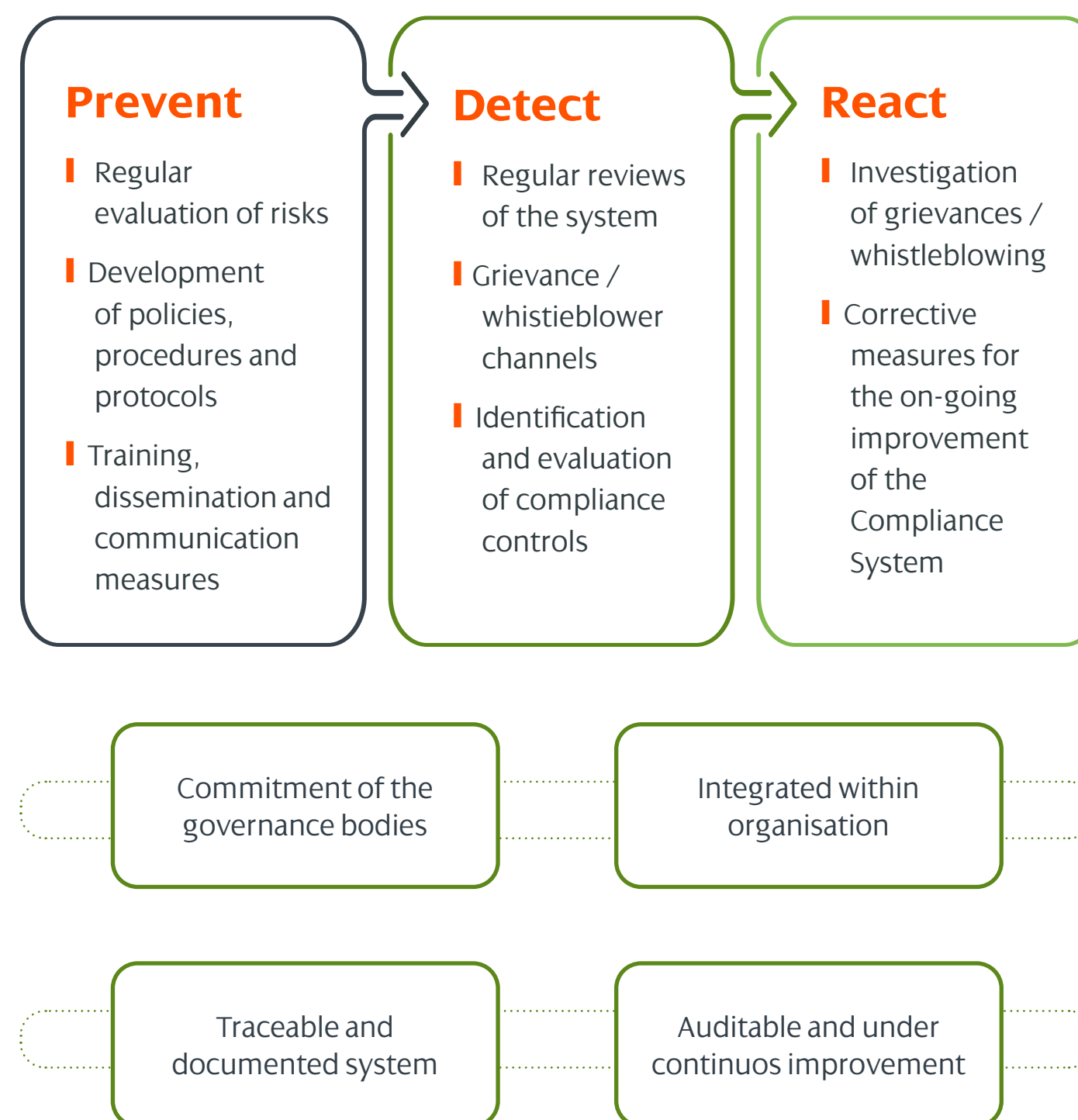
Neoenergia's Compliance System includes the norms, formal procedures, initiatives, and preventive measures to ensure that all company activities perform following ethical principles and applicable legislation. Coordinated by the Compliance Superintendence and validated by senior management for its effectiveness, including planning, design, execution, maintenance, and assessment. The Compliance System's activities are based on the pillars of prevention, detection, and reaction (remediation) and the three lines of defense, containing the necessary elements for the strategic management of integrity. The Code of Ethics, part of the Corporate Governance and Sustainability System, was initially approved by the Board of Directors in 2006 and is periodically updated. The last review dates from 2021, adapting the content to Neoenergia's Governance and Sustainability System.

## Compliance Superintendence

The Compliance Superintendence has budgetary autonomy, acts independently, and is linked to the Board of Directors through the Sustainability Committee (and the Audit Committee in case of financial fraud complaints). The Superintendence, through the Committee, submits an annual work plan to the Board, which quarterly monitors the progress of the Superintendence's actions.

## Superintendence's Competences

The Superintendence is responsible for disseminating an integrity culture in the organization, assessing corruption risks, evaluating suppliers, investigating, and monitoring cases of violation of the rules of conduct, and helping to clarify doubts and correct interpretation of the Code of Ethics provisions. It has the advisory support of a Compliance



Committee composed of key areas of the organization. The Human Resources area is responsible for managing consequences regarding the application of disciplinary measures.

## Management Certification

As proof of best practices and reaffirming its commitment to the integrity of processes and fighting corruption, in 2021, the holding company revalidated the Anti-Bribery Management System certification (ISO 37001), obtained in 2019, and obtained accreditation for NC Energia in 2021. The standard's main objective is to support the fight against bribery through a culture of integrity, transparency, and compliance with laws, regulations, and national and international guidelines applicable to the organizations' businesses.

## Acknowledgments

In addition to being recognized as the most transparent company in Brazil by the NGO Transparência Internacional, in 2018, the company was awarded the Pro-Ethics Company Seal (2020-2021 edition) from the Comptroller General of the Union (CGU) for the fourth consecutive time.

The seal was also extended to the four distributors of the group submitted to the process: Neoenergia Coelba, Neoenergia Elektro, Neoenergia Cosern, and Neoenergia Pernambuco. The recently acquired Neoenergia Brasília underwent a process of integration into the group's integrity program throughout 2021, including creating its Compliance structure.



# Cybersecurity and Data Privacy

Neoenergia follows Iberdrola's global standards and attaches significant importance to managing cybersecurity risks that could compromise the group's goals, the integrity of its assets and information, and the continuity of electricity supply, which is essential for its customers and society. The company has stringent security policies in place and undergoes regular external audits that include assessing cybersecurity controls over its critical assets and systems.

To mitigate the risks, the company has a Cybersecurity Risk Policy, approved by the Board of Directors, and considers the topic in new projects and processes from the beginning. The company also has a Cybersecurity Committee tasked with designing and ensuring proper implementation of its Cybersecurity Risk Policy and assessing, bolstering, and comprehending cybersecurity and personal data protection requirements and standards. In 2021, all remote connections to the corporate network were established using a dual authentication protocol to protect the network from unauthorized access.

The committee is also responsible for cultivating solid cybersecurity and data protection culture organization-wide by raising awareness and providing training using in-person meetings, e-mail, fortnightly

newsletters, training sessions, e-learning, seminars, and other formats. The cybersecurity measures in place also extend to protecting customer, supplier, and other stakeholder data and mitigating the risk of fraud through social engineering attacks or the unauthorized use of Neoenergia's brand.

Neoenergia's "Cybersecurity Week" is one example of the company's efforts to disseminate a cybersecurity culture. The core theme was data protection after Brazil's General Data Protection Regulation (BR GDPR) became effective in 2021.

### Personal Data Protection

Neoenergia has a Data Protection Policy that has been approved by the Board of Directors and is compliant with the Brazilian General Data Protection Regulation (BR GDPR), helping to protect the data protection rights of all individuals interacting with the Group. In 2020 and 2021, the company developed and implemented a governance model for managing data protection to ensure systematic and consistent BR GDPR compliance. In 2021, Neoenergia implemented a plan to comply with the new regulations.





# Promotion of Socially Responsible Practices in the Supply Chain

At the end of 2021, Neoenergia had 5,726 suppliers operating in technical and commercial services, such as new connections, cutting, maintenance, cleaning of right-of-way, and network extension; non-technical services, which include information technology, building maintenance, vehicle fleet, medical assistance, communication, and legal services; of materials and equipment (manufacturers, distributors).

Local companies are typically prioritized in contracting services and general supplies, both because they offer more competitive prices and because of the company's commitment to the communities' development. Total expenses with suppliers, including the purchase of distribution energy, reached R\$ 33.6 billion, of which 99% refer to local suppliers in the national territory. Of these, around 60% concentrate in Bahia, São Paulo, Pernambuco, and Rio Grande do Norte, states in which the group's distributors operate.

## Commitments

All contracts signed with suppliers include anti-corruption clauses, and contracted companies are requested to internally share Neoenergia's policies and its Code of Ethics and Conduct. Clauses referring to the General Data Protection Law (LGPD) were also included. Socio-environmental criteria (environmental, labor, human rights practices, and impacts on society) are also considered

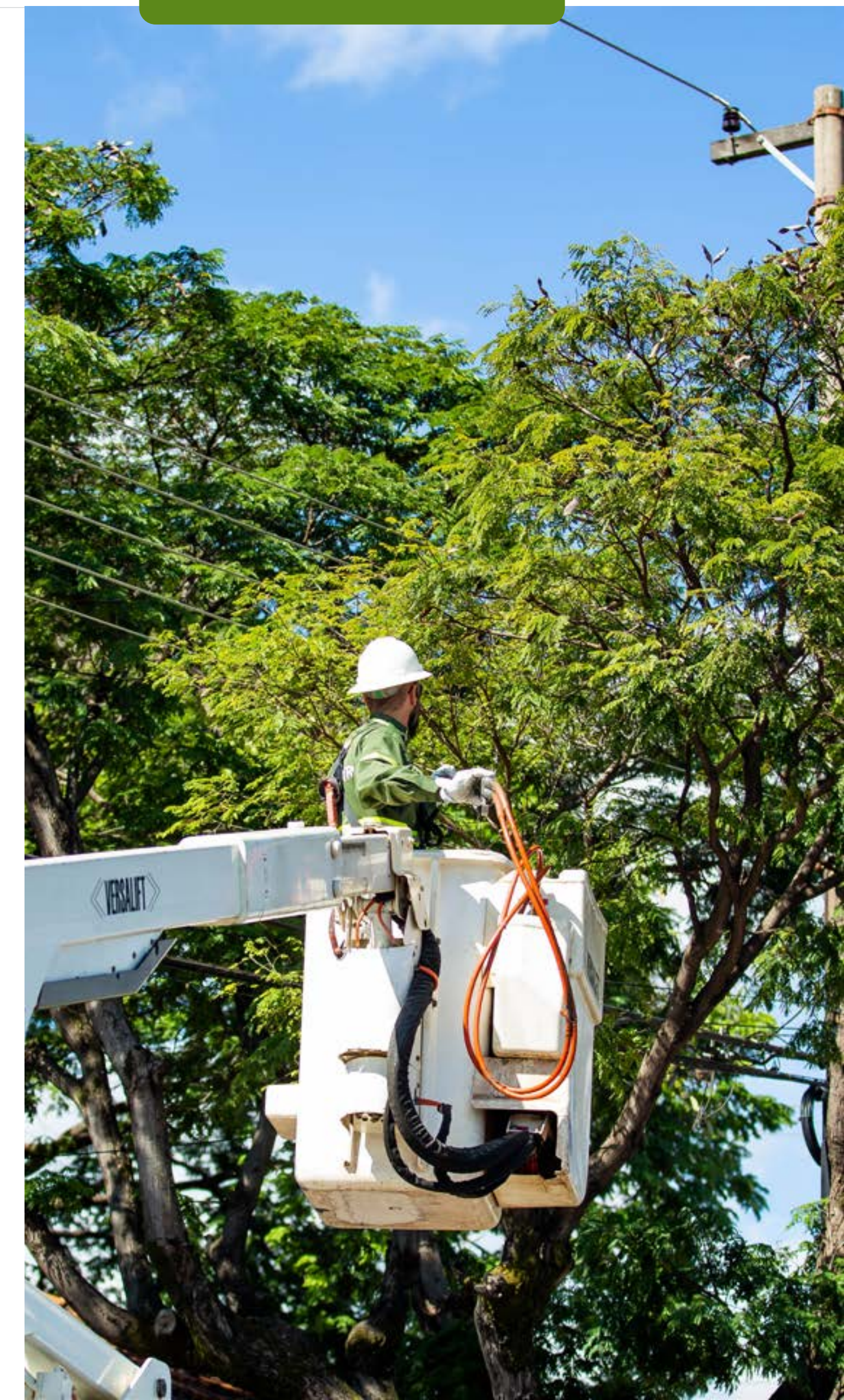
in clauses present in all contracts, regardless of the value. In addition, all contracts equal to or above R\$ 4 million undergo a compliance assessment. In 2021, 83% of the new suppliers hired by the company were selected based on environmental and social criteria, following contractual clauses.

Additionally, as of November 2021, all new providers of centralized and decentralized purchases (consulting, advisory, legal and representation services, intelligence, and advertising services) were included in the Dow Jones Risk & Compliance tool and started to be monitored daily in compliance aspects.

## Suppliers' Assessment

In 2020 Neoenergia adopted the Go Supply platform, through which companies are rated according to sustainability criteria. Potential suppliers must complete a questionnaire including 43 social, ethical, environmental, and governance questions. Companies that score more than 51 points are considered sustainable. Those unable to reach the minimum score receive instructions on how to better follow the group's policies through personalized improvement plans monitored by the Procurement team.

The company has set a target to reach a minimum of 70% of major suppliers classified as sustainable by 2022 and 100% by 2030.





# Tax Liability

Neoenergia's Corporate Tax Policy guides the company's guidelines and the professionals who manage and supervise the group's tax matters. It is part of the Governance and Compliance Policies, which bring together the rules and principles that govern the company's organization, operation, and relationships.

It is based on excellence and commitment to good tax practices. The company's tax strategy ensures compliance with applicable tax laws and regulations. It seeks to establish appropriate coordination of Group tax practices, all within the framework of fulfilling the corporate interest and supporting a long-term business strategy that avoids tax risks and inefficiencies in implementing business decisions. For this purpose, the company considers all legitimate interests.

## Fiscally Responsible Behavior

Neoenergia has a Corporate Tax Policy since 2018, last updated in July 2021, available on its web-site. The Board of Directors is responsible for formally approving this policy and corresponding up-dates.

To establish a responsible tax approach, the company ensures an appropriate relationship between taxes, structure, and activities' location. The company fosters a relationship with tax authorities based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity, and goodwill.

## Tax Governance and Risk Management

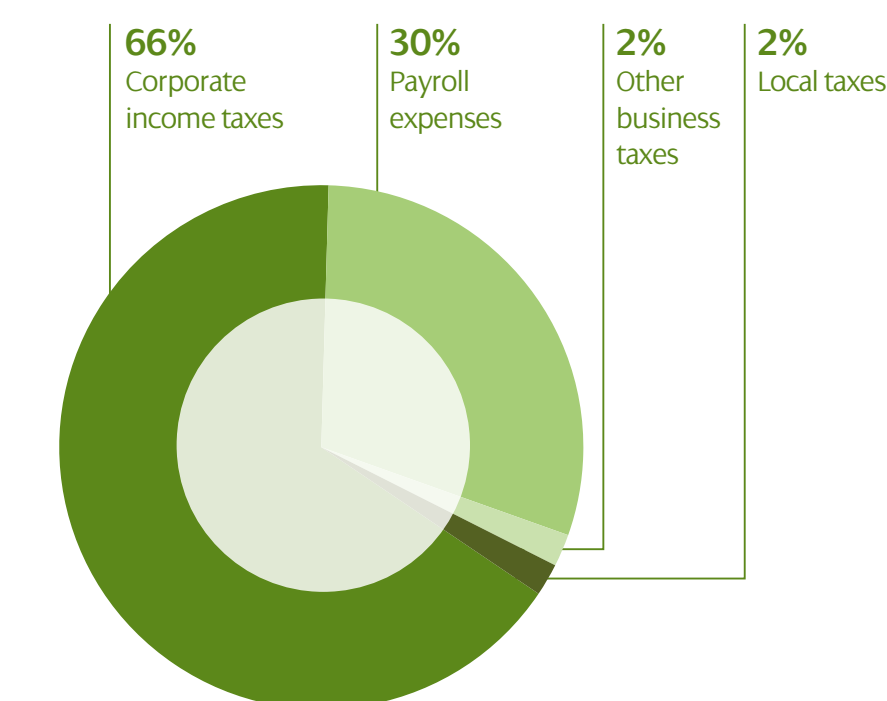
**Responsibility** The Board of Directors of Neoenergia S.A., through its president, CEO, and management team, promotes the monitoring of good tax principles and practices. Likewise, in subsidiary companies, the respective Boards of Directors are responsible for ensuring compliance with the tax policy.

**Control and Follow-up** The monitoring and control of compliance with the rules, principles, and good tax practices established in the Corporate Tax Policy is conducted at three levels: By the Tax Superintend-ence, in line with the Compliance Superintendence; by the Audit Committee; and by the Board of Directors. These three levels ensure policies and tax criteria are applied during the year, particularly regarding the group's compliance with the Corporate Tax Policy.

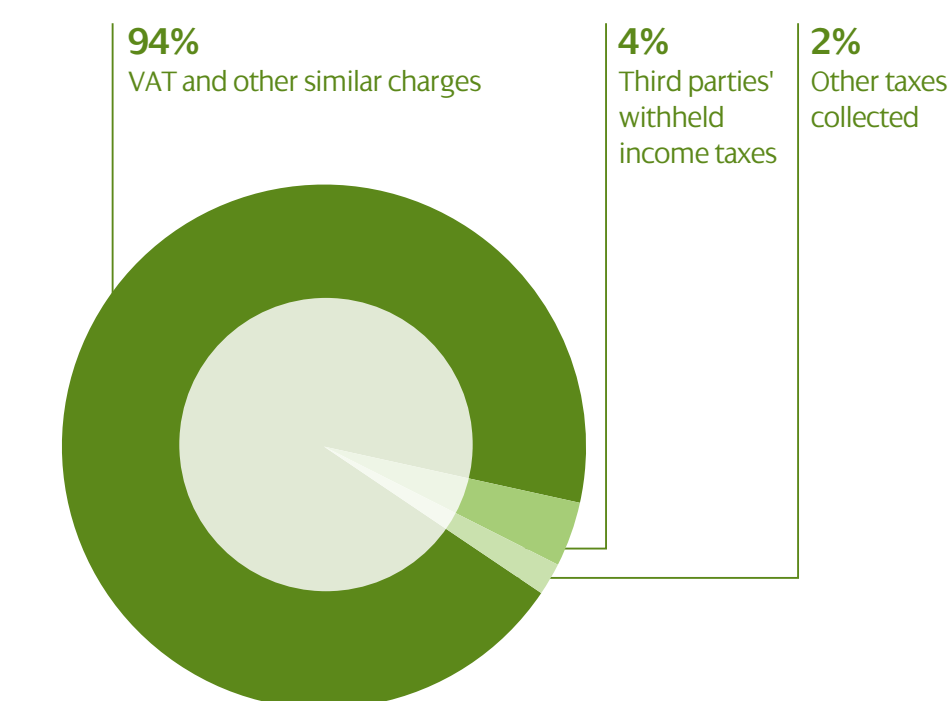
**Risk Management and Compliance** Neoenergia ensures that significant tax risks are prevented and reduced and has established objective criteria to classify operations based on their tax risk. In line with this commitment, the company does not include among its controlled and active subsidiaries any resident in tax havens following the reference legislation (Royal Decree 1080/1991) or territories classified by the European Union on its denylist as non-cooperative jurisdictions in tax matters.

The Fiscal Policy assumes that the group's taxes are the main support of public charges; therefore, one of the main contributions to society in general and the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations, specifically SDG 8 (decent work and economic growth). In 2021, the economic impact of these taxes totaled R\$ 15.8 billion, representing 56% of the added value distributed.

## BUSINESS TAXES



## TAXES COLLECTED





# ABOUT THIS REPORT

This report follows the information structure proposed by the International Integrated Reporting Council (IIRC), following its recommendations, considering the individual and consolidated annual financial statements prepared by the Board of Directors, audited and approved by Neoenergia's General Meeting of Shareholders.

Neoenergia's Innovation and Sustainability Superintendence consolidated the content of this report. All operating and financial indicators were extracted from the Company's Standard Financial Statements, approved by the Board of Directors on February 17, 2022, following the board of directors' strategic forecasts and disclosed at the Investor Day, held in São Paulo on November 26, 2021. The socio-environmental and governance data were extracted from the Annual Sustainability Report, verified by an internal audit and by a third party (KPMG Assessors), certified by internal controls, and verified by the Sustainability Committee, Audit Committee, and Board of Directors, published in March 2022.

### Material Topics

- Neoenergia has communication and dialogue channels with its stakeholders, developed according to the AA1000 Assurance Standard, as detailed in the Stakeholder Relationship Policy.
- The company periodically conducts materiality assessments that identify relevant issues for its stakeholders, highlighting issues of particular sensitivity in economic, environmental, or social matters and corporate governance related to business in the different communities and geographic regions in which the group operates in Brazil.

- Neoenergia conducted the last materiality assessment in 2020 based on the guidelines of the Global Reporting Initiative (GRI) and the AA1000 (Accountability 1000) standard. There was an online consultation with the company's main leaders and stakeholders, and the survey was answered by 389 representatives of stakeholders (shareholders, financial market, customers, suppliers, direct and indirect employees, press, community and partners in social projects, regulatory agency, and environmental agency). The description of the materiality assessment is presented in the 2021 Annual Report, which can be consulted [here](#).

- This report considers the established dialogue channels, materiality assessments, and the structure defined by the IIRC for this type of information.

### Information Boundaries

- The information presented here corresponds to Neoenergia and its subsidiaries. The 2021 Annual Report, which can be consulted [here](#), defines the information boundaries of material topics.

### Verification

- Although it has not been subject to a process of independent external assurance, a huge portion of the information contained herein related to the financial year 2021 and previous years, comes from annual financial and sustainability reports, all of which have been subject to an external audit or assurance and have its corresponding certificates. The remaining information mainly comes from Neoenergia's public presentations.

### Neoenergia's Evolution

- The group's evolution in recent years has been influenced by organic growth operations and direct acquisitions or through auctions organized by Aneel and the Ministry of Mines and Energy. Neoenergia's public information describes these operations, highlighting:
- The incorporation into Neoenergia SA of all the businesses that the Iberdrola Group maintained through Elektro Holding SA, which became a subsidiary of the company, while Neoenergia SA became Iberdrola's subholding in Brazil (August 2017).
- Initial public offering (IPO) of Neoenergia S.A., held at B3 – Brasil, Bolsa, Balcão in July 2019.
- Acquisition in public auction of 100% of the company CEB Distribuição S.A.'s capital in December 2020. The distributor became an owned subsidiary of Neoenergia S.A. in March 2021, changing its name to Neoenergia Distribuição Brasília.
- Power transmission auctions, organized by Aneel, with participation from 2017 to the end of 2021. Since then, the company has acquired 13 projects, of which five have already started their operations, and eight were under construction or development at the end of 2021.



# Legal Disclaimer on Forward-looking Statements

Neoenergia S.A. prepared this document in order to indicate the general situation and progress of the company's businesses. This document is Neoenergia's property and should not be used for any other purpose without the company's prior written authorization. The information contained in this document reflects the current conditions and views of the organization as of this date and is subject to change. The document comprises Neoenergia's statements, expectations, and projections on future events. This information involves risks and uncertainties. Therefore, there may be results or consequences different from those discussed and anticipated herein, and the Company cannot guarantee their realization.

Although Neoenergia believes that the expectations reflected in such forward-looking information or statements are reasonable, investors and holders of the company's shares are cautioned that forward-looking information and statements are subject various to risks and uncertainties, many of which are difficult to predict and generally beyond the control of Neoenergia. These risks could cause actual results to differ materially from those expressed, implied, or projected in the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents filed by Neoenergia with the National Securities Market Commission and which are available to the public.

Forward-looking information and statements speak only as of the date on which they were made, are not guarantees of future performance, and have not been reviewed by the auditors of Neoenergia. You are cautioned not to rely on statements or forward-looking information. All the forward-looking information and statements now made are qualified by the cautionary statement above and based on information available on the date of approval. Except as required by applicable law, Neoenergia undertakes no obligation – even after the publicity of new information or new events – to publicly update any statements or revise forward-looking information.



