



Integrated
Report
2022



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Energy of the future

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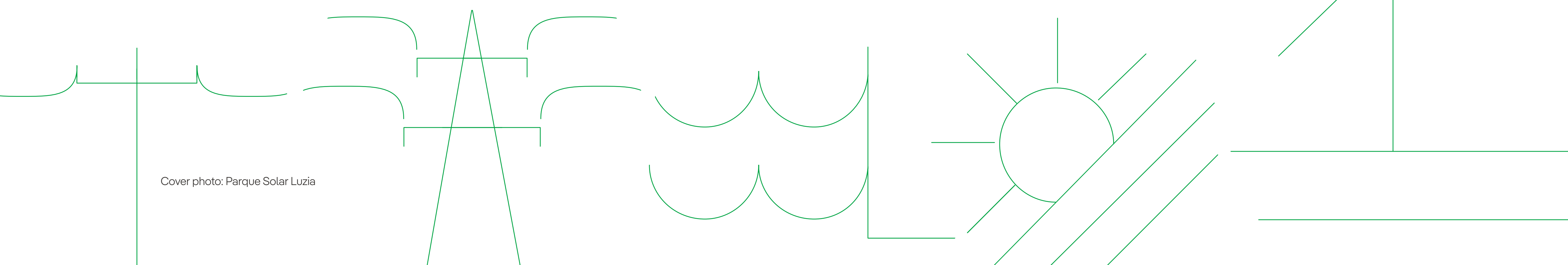
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Cover photo: Parque Solar Luzia





Letter from the CEO

Given the resilience of our diversified and integrated business model and anchored on a strategy of sustainable growth, in 2022 we increased our investment by 6%, investing over R\$ 9.9 billion in clean and affordable plants energy, and in our distribution and transmission systems. We also developed smart power solutions.

We invested R\$ 8 billion to expand our networks and make them smarter and more reliable, focusing on customer experience and increasing the satisfaction of our 16 million distribution customers, advancing in building our transmission projects. To ensure the safety of the population and our employees, on top of various initiatives fostering a culture of safety, we launched the Safe Community Program in 2022 and developed a specific security plan for the transmission segment.

We also invested to expand our renewables portfolio, moving up delivery of the Oitis Wind Cluster (567 MW) between the states of Piauí and Bahia, which ended the year at 70% operating capacity (commercial + testing). In addition, we kicked off operations at our first solar plant — Luzia, 143 MWp in Paraíba — a pioneering combination with the Chafariz Wind Farm, also in Paraíba, optimizing transmission costs.

In addition to developing our own portfolio of renewables we continue working with strategic partnerships to enable new technologies, decarbonization, and clean energy solutions. We have signed memoranda of understanding with companies and state governments to develop green hydrogen and offshore wind, and are active participants in policymaking for these energy solutions in Brazil.

We consider sustainability as the basis of our business model, and remain committed to the socioeconomic development of the places where we operate, contributing to the quality of life of

society, respecting human rights and the environment. To further deliver on this commitment, in July we disclosed the Group's 16 ESG targets, publicly announcing our ambitions for 2025 and 2030. This will allow us to track, measure, and transparently disclose our progress in these areas.

We have already made progress in the very first year, with some 30% female leaders, including the appointment of the first woman as the CEO of one of our distributors — Neoenergia Cosern. Increasing the number of female electricians by 30.2% was a huge challenge in this industry, which we overcame with our Electrician School, which since January has graduated 230 women in women-only and mixed classes, 80 of whom were hired.

Our distributor Energy Efficiency Programs have impacted over 700,000 people, in particular with solar power and clean energy programs for public schools and hospitals.

We are also very proud of the impactful and socially transforming initiatives of the Neoenergia Institute, which in 2022 reached 775 households or over 3,100 individuals. We are particularly proud of the SER ("BE") Program [from the initials for Health, Education, and Income in Portuguese], which was seamlessly implemented to raise the human development index in the areas of influence of our renewable energy plants and transmission projects.

Because we strive to be sustainable, we have been able to maintain our B3 Corporate Sustainability Index (ISE) and other industry sustainability indicators, which enable us to access special credit facilities, such as the financing agreement between the *International Finance Corporation* (IFC) and our distribution company Neoenergia Coelba — a "Super Green Loan," the first ever given to a distribution company. This will reduce the cost of the company's debt and support its ESG goals.

I also highlight the company's commitment to sound governance based on the guidelines issued by the IBGC (Brazilian Corporate Governance Institute). For the second consecutive year we received the Transparency Award from ANEFAC, the National Association of Finance, Administration, and Accounting Executives, and were included in S&P's 2022 *Sustainability Yearbook*.

We are also committed to corporate integrity and have a zero-tolerance policy against corruption and money laundering. Neoenergia is ISO 37001 certified (ISO standard for Anti-Bribery Management) and has been awarded the Pro-Ethics Seal by the Office of the Comptroller General of Brazil four consecutive times.

Lastly, given the opening up of the electricity sector we are investing not only in quality of service and the supply of solutions and services to our customers, but also in strengthening our brand. Thus, in line with Neoenergia values, we have expanded our project to foster diversity in sports, and today we not only sponsor women's soccer and promote the women's *Brasileirão* competition, we also seek to support women athletes in other sports.

Thus I stress Neoenergia's commitment, purpose, and long-term strategy and thank all our shareholders, customers, and partners for their trust. Lastly, I would like to stress that these results were only possible due to the commitment and dedication of our teams, to whom I extend my heartfelt thanks!

Eduardo Capelastegui | CEO



Eduardo Capelastegui | CEO



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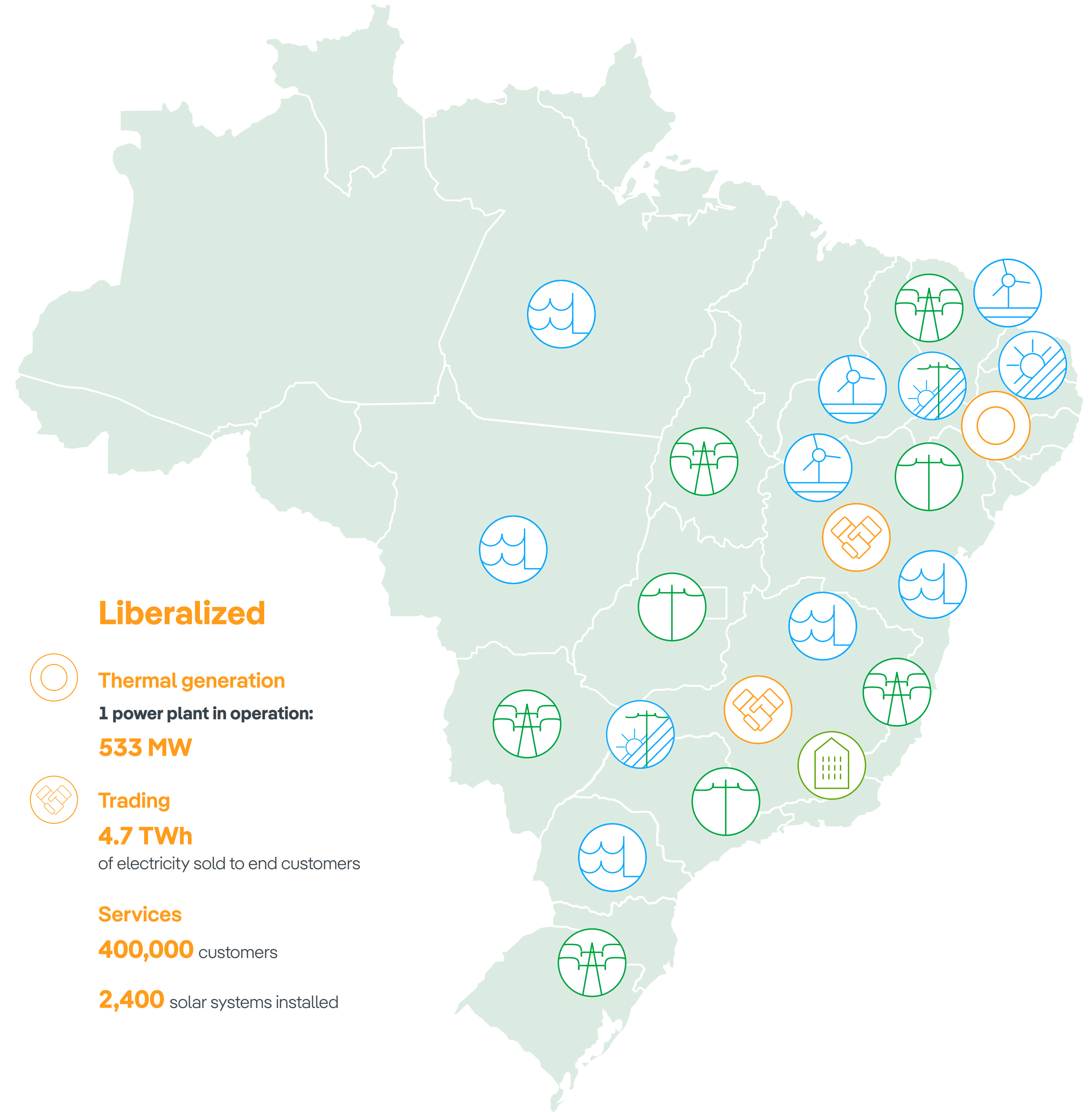
Energy of the future

We are Neoenergia S.A., a subsidiary of Spanish group Iberdrola. We operate across three strategic power-sector segments: Networks (distribution & transmission); Renewables (wind, hydro, and solar power), and Liberalized products (energy trading, energy solutions and problems, and thermal power plants).

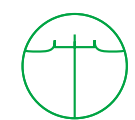
Neoenergia is a publicly traded company listed on the Brazilian stock exchange (B3 – Brasil, Bolsa, Balcão), operating as holding company of multiple power-sector companies in Brazil. Our

shares are also listed on Latibex, in Spain. We operate in 18 states and the Federal District, with a particularly strong presence in Brazil's Northeast.

As of December 31, 2022, we had a workforce of 15,406 direct employees, 31,855 contractors and 524 interns, for a total workforce of 47,785 people. Net revenue for the period reached R\$ 40.8 billion, and EBITDA was R\$ 11.6 billion.



Distribution



5 Distribution companies

Service area:
999 municipalities,
842,000 km²

Net revenue:
R\$ 35.3 billion

Customers:
16 million

Population:
37.7 million

Transmission



18 Transmission companies

9 in operation:
2,300 km
of transmission lines
and 11 substations

9 under construction:
6,300 km and
12 substations

Renewables



Hydroelectric generation
7 power plants in operation:
3,031 MW
(6 with GSF insurance and long-term ACR contracts)



Wind generation
41 farms in operation:
1,394 MW



3 farms under construction:
161 MW



Solar generation
2 farms in operation:
149 MWp

Liberalized



Thermal generation
1 power plant in operation:
533 MW



Trading
4.7 TWh
of electricity sold to end customers

Services
400,000 customers
2,400 solar systems installed



Our capitals

Our capitals are the source of value creation for the company. Our strategy transforms this capital to create value for all stakeholders. The social dividend created by our strategy and our business model translates into an increase in the value of our capital, which in turn feeds back into cycle of value creation, thus efficiently interconnecting our business operations and capital.

The chart below shows our strategic focus for each type of capital, and quantifies the aspirations or achievements in each area.



Financial

Balanced growth, financial strength, and sustainable dividends.

R\$ 11.6 billion

EBITDA in 2022.



Manufactured

Safe and competitive electricity supply, and a business focused on networks and renewables.

R\$ 9.9 billion

invested in 2022, up 6% from the previous year.

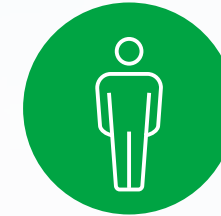


Intellectual

To foster innovation and R&D.

R\$ 164.3 million

invested in the year.



Human

A diversified workforce in a stable and safe environment, generating

47,785 empregos

direct and indirect jobs.

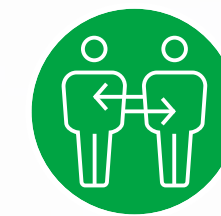


Social and Relationship

Build trust and engagement with communities.

R\$ 26.4 billion

billion in social investments in 2022.



Natural

Fight climate change. Commitment to reduce emissions intensity to lower than

20 grams

of CO₂ per kWh by 2030, and reach net zero by 2050.

01

Neoenergia today



1.1 | Purpose and values

Our commitment to sustainable development contributes to a greater connection with people, society as a whole and our stakeholders. Our Purpose “To continue building together each day a healthier, more affordable energy model based on electricity”, expresses:

- Our commitment to the well-being of people and the preservation of our planet.
- A commitment to a real and comprehensive energy transition that, based on the decarbonization and electrification of the energy sector in particular and of the economy as a whole, contributes to the fight against climate change and generates new opportunities for economic, social and environmental development.
- A focus on developing clean energies.
- An ambition to build an increasingly electricity-based energy model.
- Other aspirations for the new energy model are more affordable energy for all, and to favor inclusiveness, equality, equity and social development.
- Neoenergia wants to promote this new model in collaboration with all players involved and with society as a whole.

To attain this Purpose, we have condensed our 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.
- **Integrative 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 involved.
- **Dynamizing drive:** we make small and large changes while being efficient and self-demanding, always in pursuit of continuous improvement.





1.2 | Our core activities

Our main product is electricity, which can be accessed via a number of products, services and solutions in Renewables, Networks, and Liberalized businesses.

We operate in the regulated and free energy markets. We have full rights to determine the operational and financial policies of the assets covered by concession contracts and/or public service authorizations signed with the Brazilian power sector regulator (Aneel). The infrastructure assets used in energy generation, distribution and transmission are linked to these services and cannot be removed, sold, transferred or used as mortgage collateral without prior explicit authorization from Aneel.

1 Clean energies

Electricity generation primarily from renewable sources: construction, operation and maintenance of hydro, wind and solar generating plants, and purchase and sale of electricity in the free market.

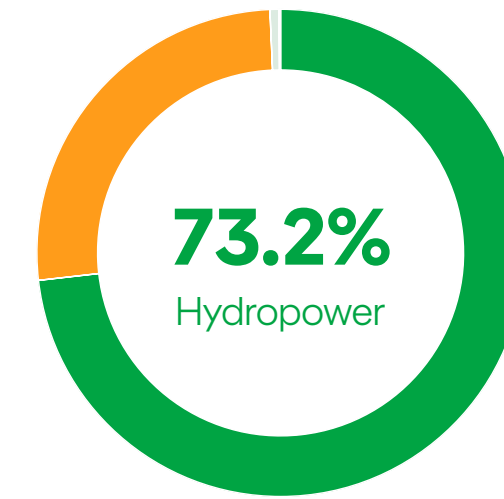
2 Focus on smart grids

Transmission and distribution activities: construction, operation and maintenance of power lines, substations, operations centers and other infrastructure, to bring electricity from production centers to the end consumer and integrate distributed generation into the grid.

3 Solutions and services for customers

Electricity trading, offering smart and innovative products and services (Smart solutions).

Generation output by source – 2022



- 73.2% Hydropower
- 26.1% Onshore wind
- 0.6% Solar
- 0.1% Thermal

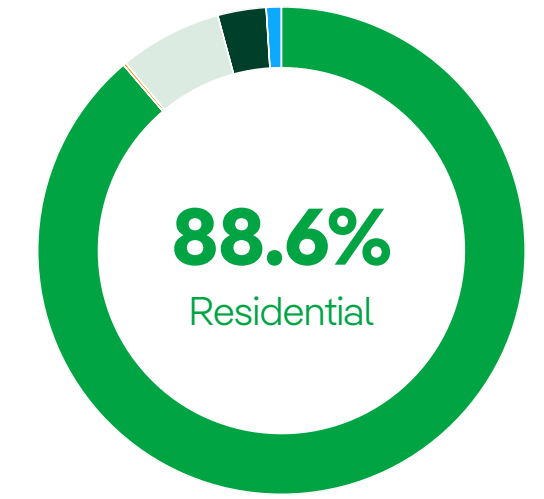
Grids

Overhead lines
2,233 km
of transmission lines

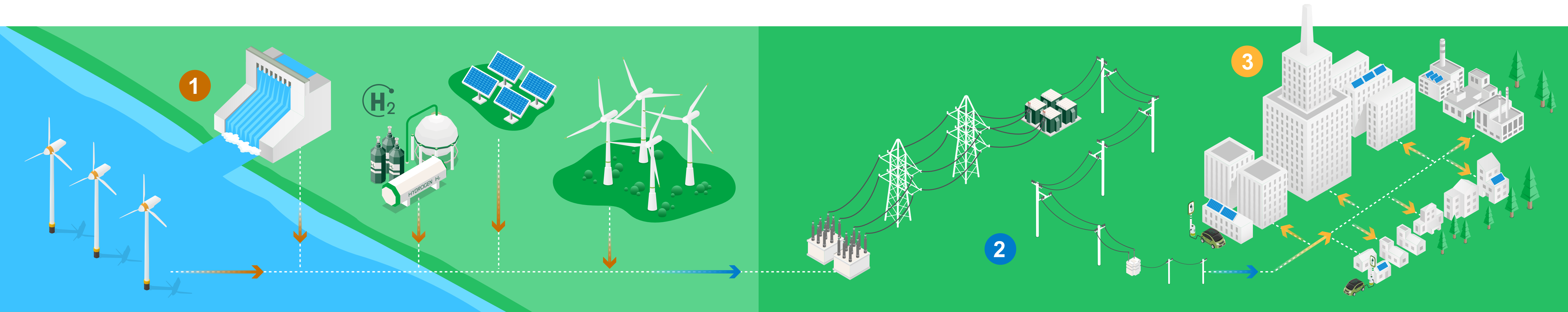
705,516 km
of distribution lines

Underground lines
3,262 km
of distribution lines

Customer profile



- 88.6% Residential
- 0.2% Industrial
- 6.8% Commercial
- 3.2% Rural
- 1.0% Others





Renewables

Our generation activities include 41 wind farms in operation and another 3 under construction, seven hydro plants, and 2 solar plants, totaling 4,568 MW of installed renewable capacity, generating 14,737 GWh in 2022.

When completed, the Oitis Wind Cluster, located in the states of Piauí and Bahia, will have a total installed capacity of 566.5 MW, with 103 wind turbines, each with a power of 5.5 MW. It will allocate 96% of its energy for sale in the free energy market and 4% for sale in the regulated energy market. The cluster is forecast to start operating in full in the second half of 2023.

Networks/Transmission

Comprises nine transmission companies in operation, with 2,333 kilometers of transmission lines and 11 substations. At the end of 2022, nine transmission assets were under construction or development: Guanabara (RJ), Itabapoana (RJ, ES, MG), Vale do Itajaí (SC, PR), Lagoa dos Patos (RS, SC), Rio Formoso (BA), Morro do Chapéu (BA, MG, ES), Estreito (MG), Alto Paranaíba (MG), and Paraíso (MS), all expected to come on stream between March 2024 and September 2027.

In September 2022, we signed concession contracts for two lots that we secured at Auction No. 01/2022 held by Aneel. Lot 2 entails the construction of 1,707 kilometers of lines between the states of Minas Gerais and São Paulo, with an Annual Permitted Revenue (RAP) of R\$ 360 million, with a discount of 50.33%. Aneel expects an investment of R\$ 4.938 billion for this lot. We secured lot 11, located in Mato Grosso do Sul, with an RAP of R\$ 38 million and a discount of 45.75%. Both of these lots are currently in the phase of developing the basic designs for the installations.

Networks/Distribution

It comprises five electricity distribution companies, serving 16 million customers and 37.7 million people in 999 Brazilian municipalities: Neoenergia Coelba, in 415 municipalities in Bahia, 1 in Alagoas and 1 in Tocantins; Neoenergia Pernambuco, serving the entire state of Pernambuco and in 1 municipality of Paraíba; Neoenergia Cosern, in Rio Grande do Norte; Neoenergia Elektro, in 223 municipalities in São Paulo and 5 in Mato Grosso do Sul; and Neoenergia Brasília, in Distrito Federal.

Liberalized

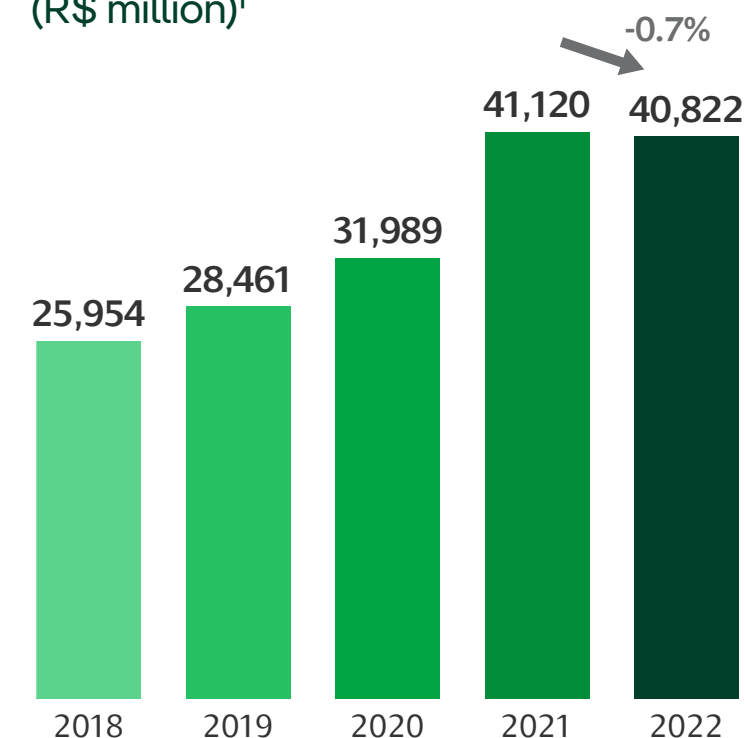
This includes the activities of energy trading and personalized energy management services for end customers, through NC Energia and Elektro Comercializadora; offering energy products and solutions to customers, including distributed generation projects, electric mobility, engineering works, mass-market products, and other solutions known as Smart Solutions, through Neoenergia Serviços; and gas-fired thermal generation, in a combined-cycle power plant, the Termopernambuco plant (533 MW). Over 2022, Neoenergia took over the Green Hydrogen and Green Industry Solutions, to decarbonize the economy and increase the efficiency of manufacturing processes.

The Termopernambuco power plant only generated 14 GWh in 2022 because it was not dispatched by the National System Operator (ONS) during the year. Electricity generated by an equipment startup test generation following a maintenance stop; no electricity was sold.



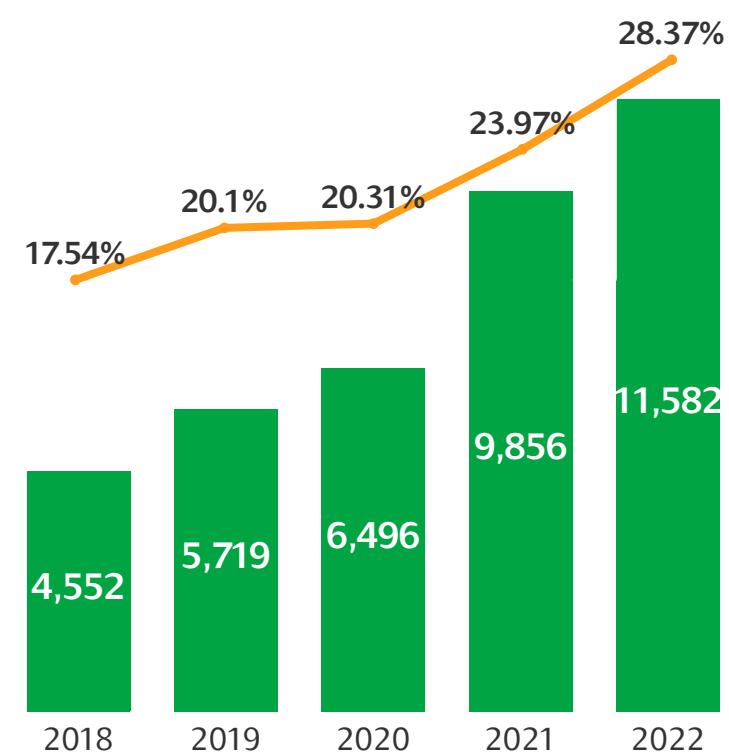
1.3 | Company performance

Net revenue (R\$ million)¹



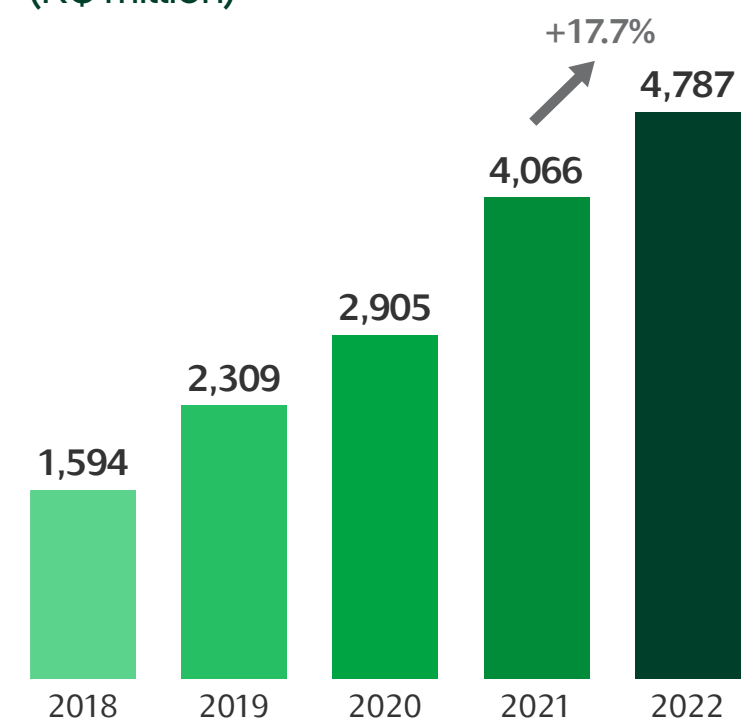
¹ Includes construction revenue.

EBITDA and margin



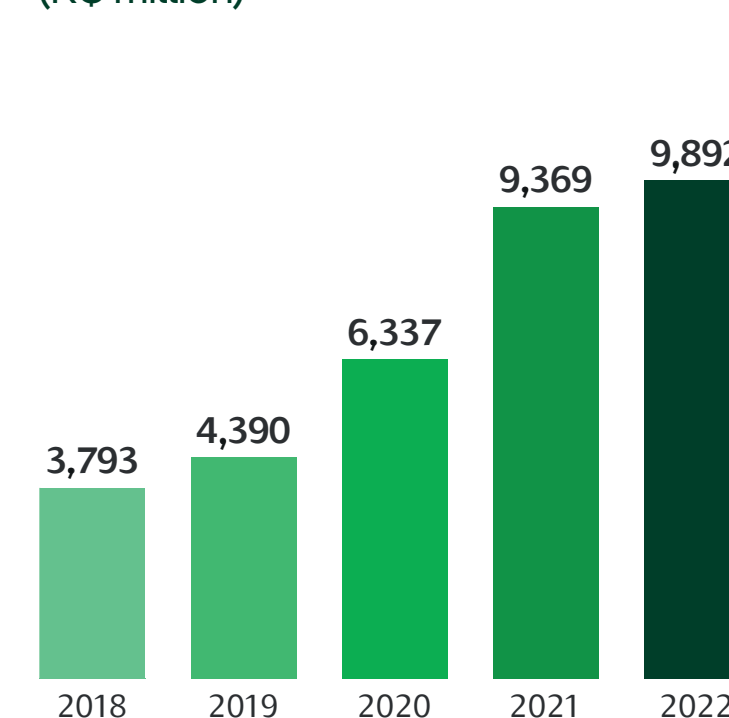
● EBITDA (R\$ million)
● Margin EBITDA (%)

Net income (R\$ million)¹

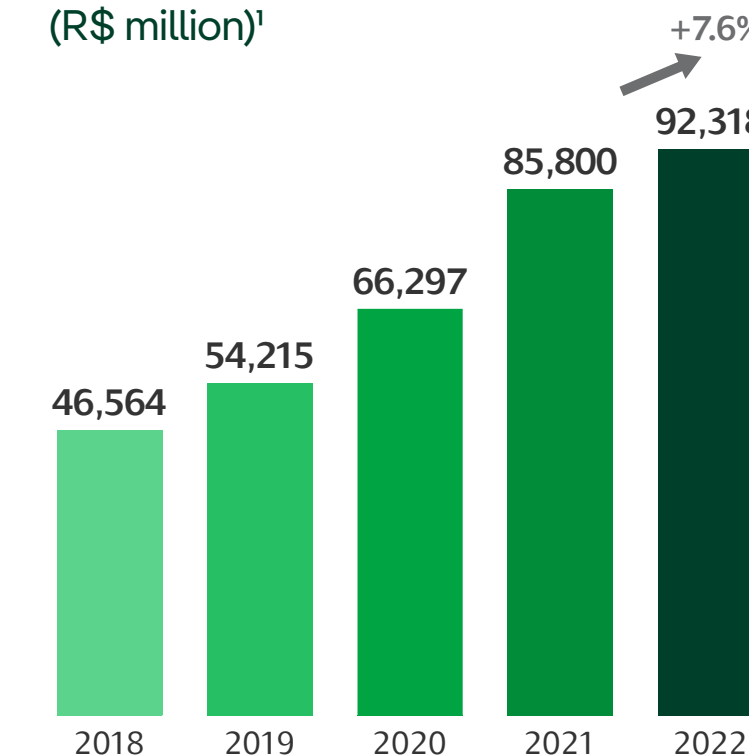


¹ Income attributed to controlling and minority shareholders.

Capital expenditure (R\$ million)

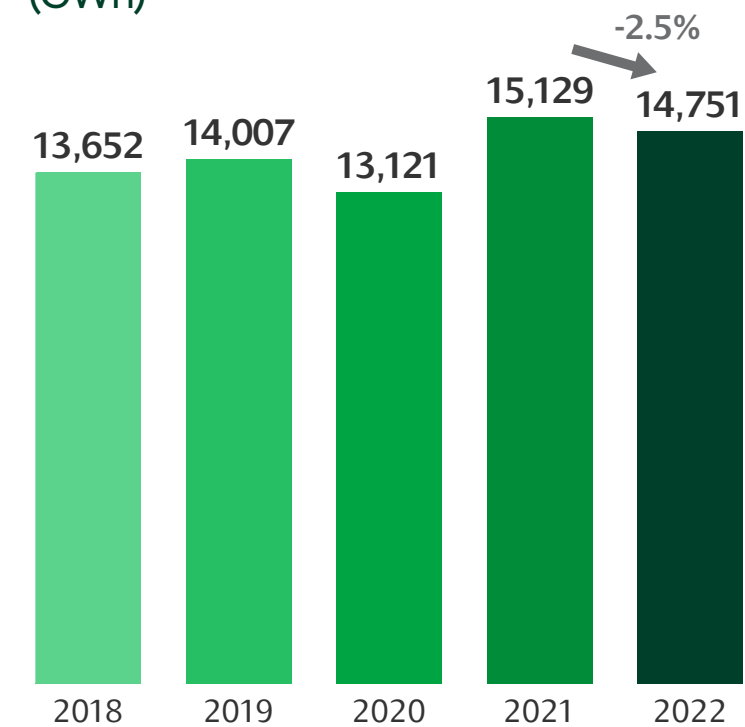


Assets (R\$ million)¹

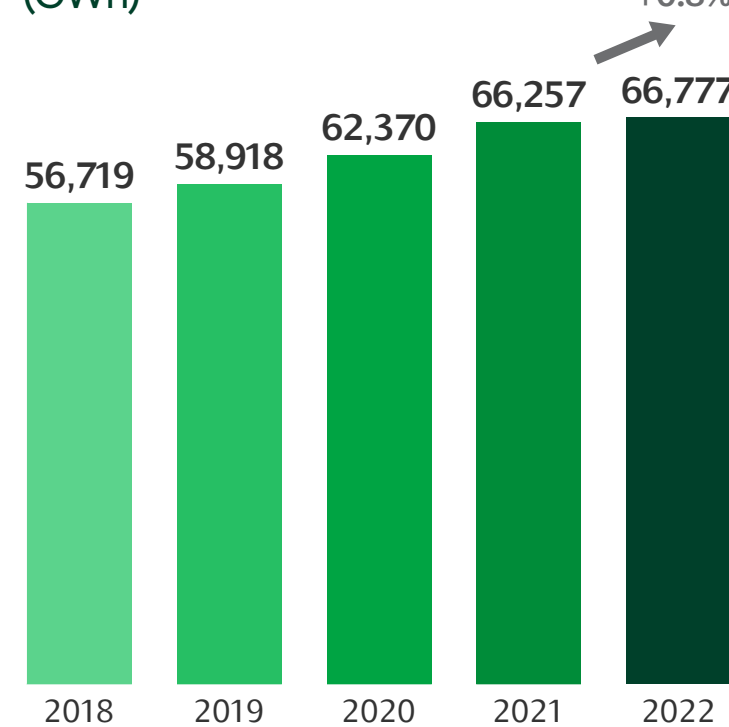


¹ Captive sales + TUSD. Includes Neoenergia Brasília from March 2021.

Generation output (GWh)

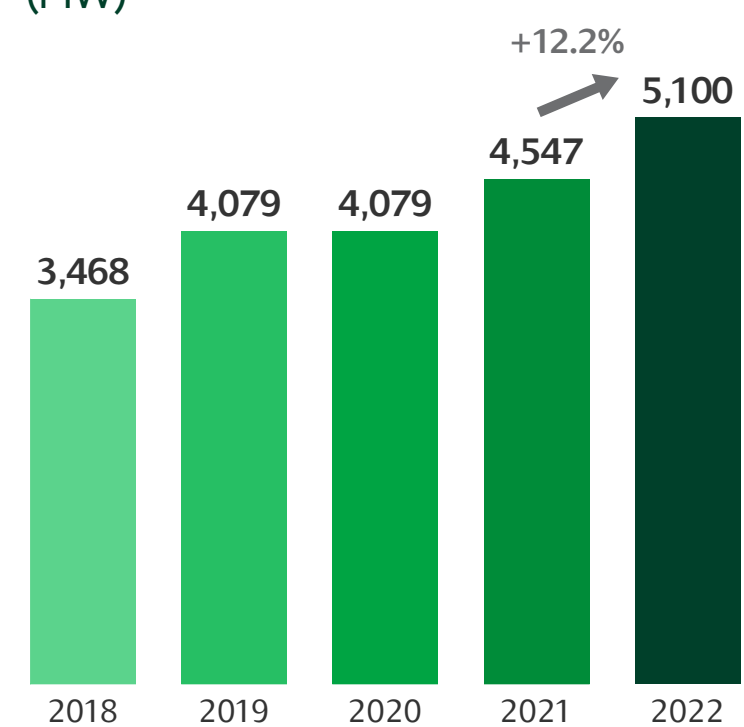


Distributed electricity (GWh)¹

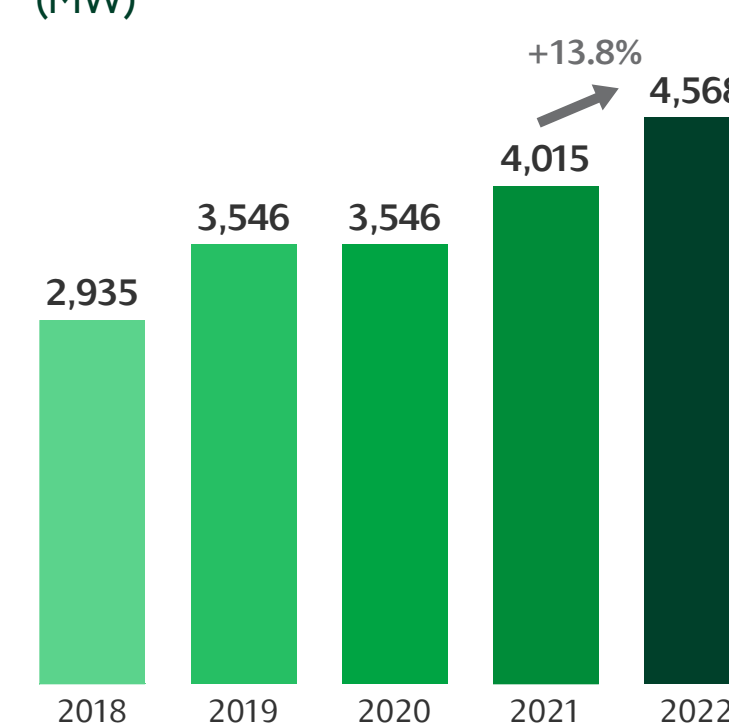


¹ Captive sales + TUSD. Includes Neoenergia Brasília from March 2021.

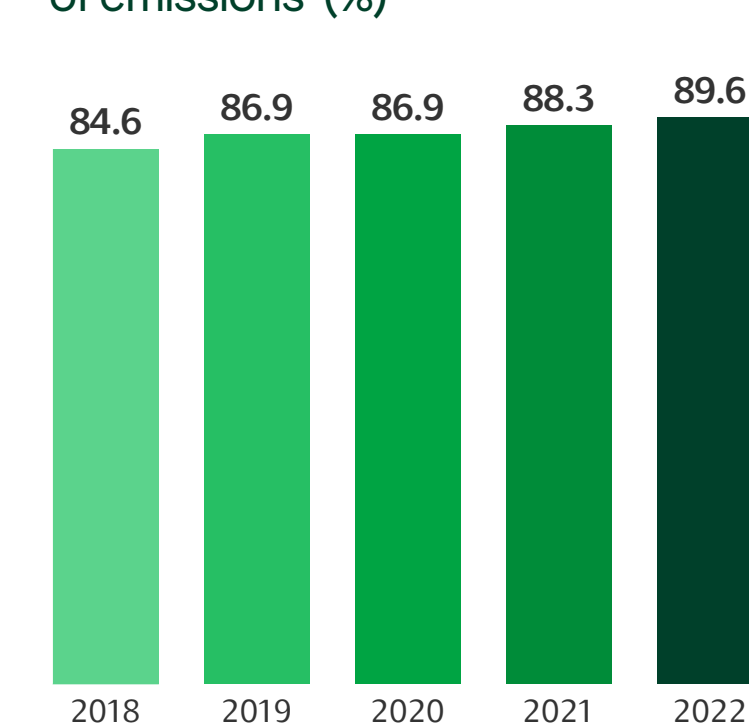
Added generation capacity (MW)



Added generation capacity (MW)



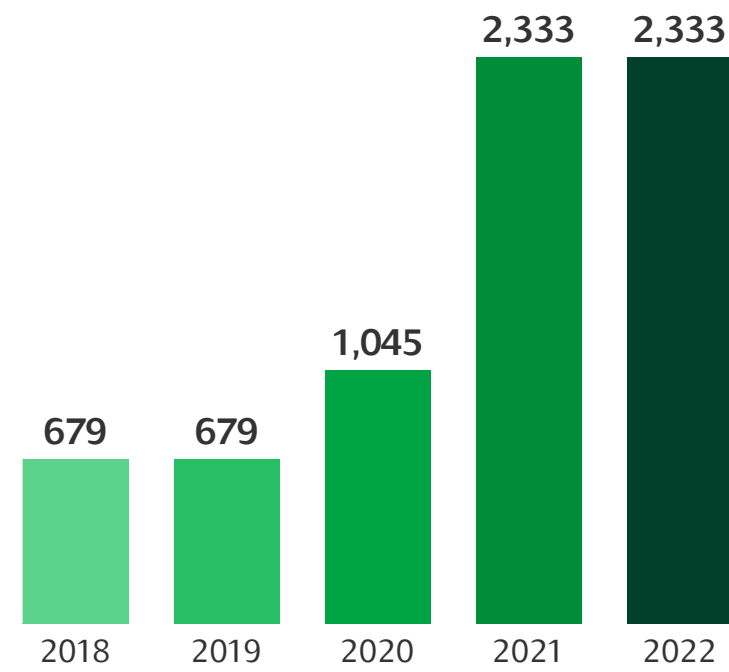
Installed capacity free of emissions (%)



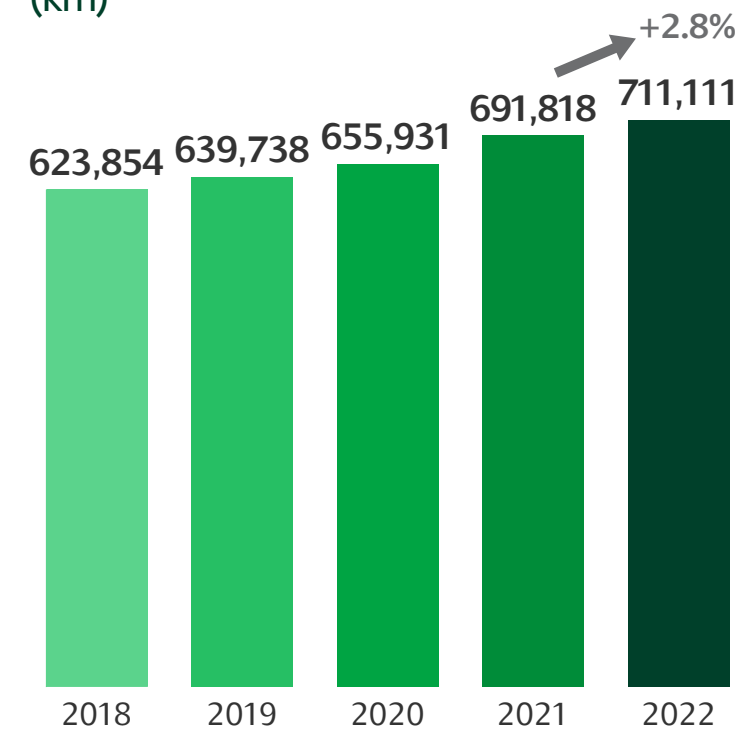


1.3 | Company performance

Transmission lines (km)

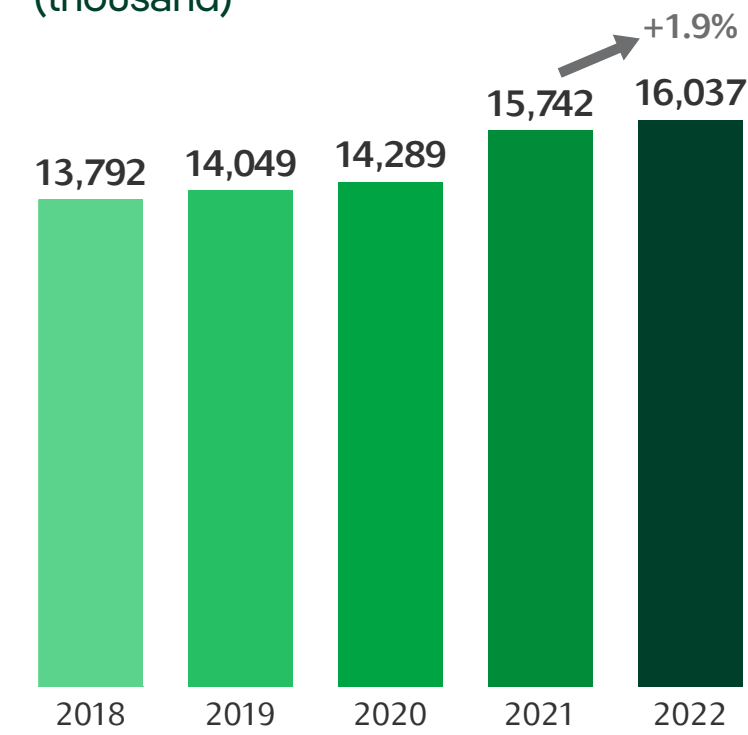


Distribution lines¹ (km)



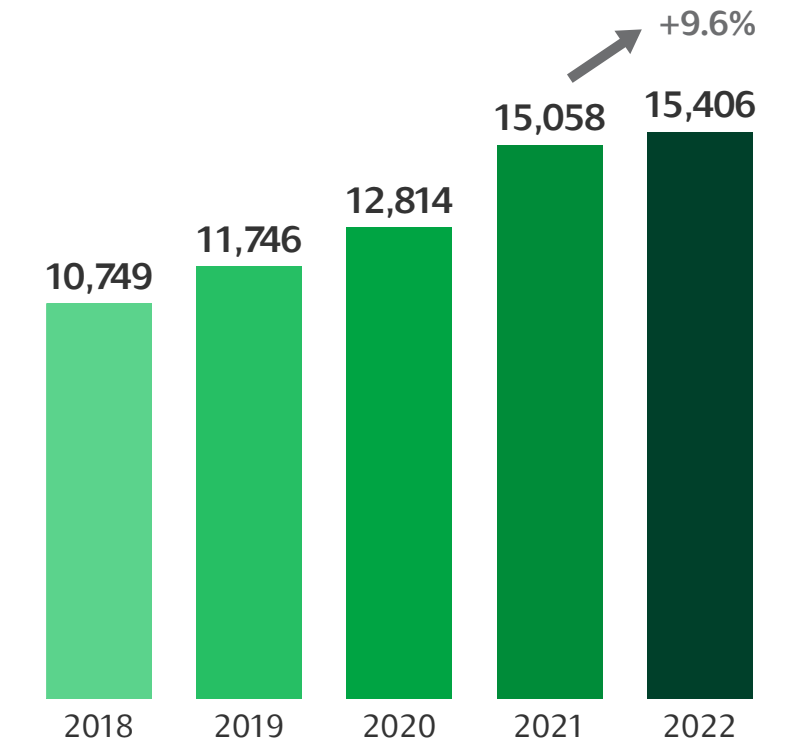
¹ Subtransmission and distribution lines.

Number of consumers (thousand)¹



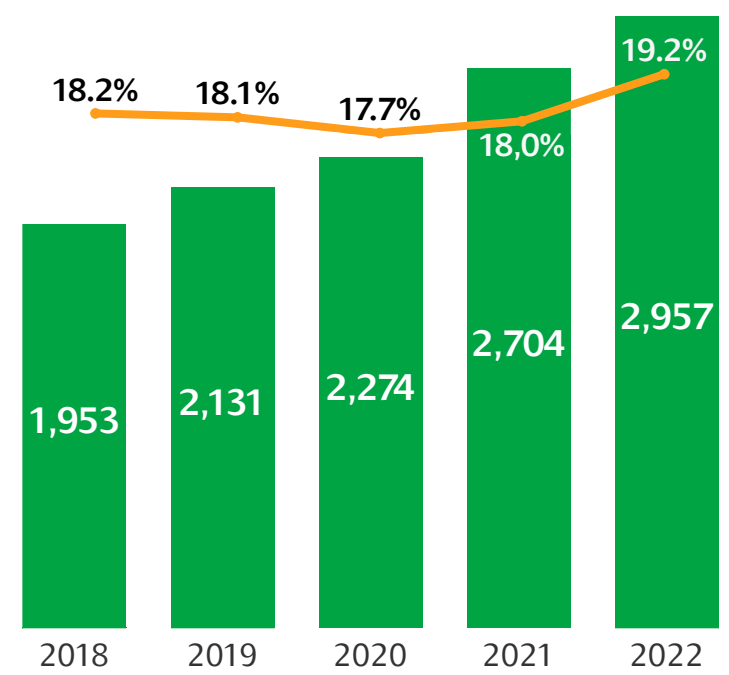
¹ Includes Neoenergia Brasilia from March 2021.

Direct employees¹



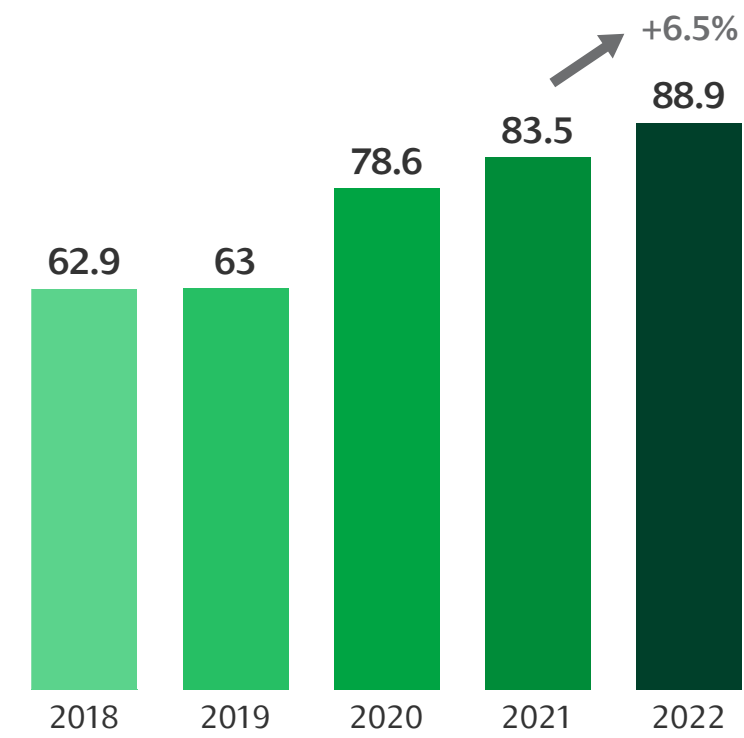
¹ Includes Neoenergia Brasilia from March 2021.

Gender diversity

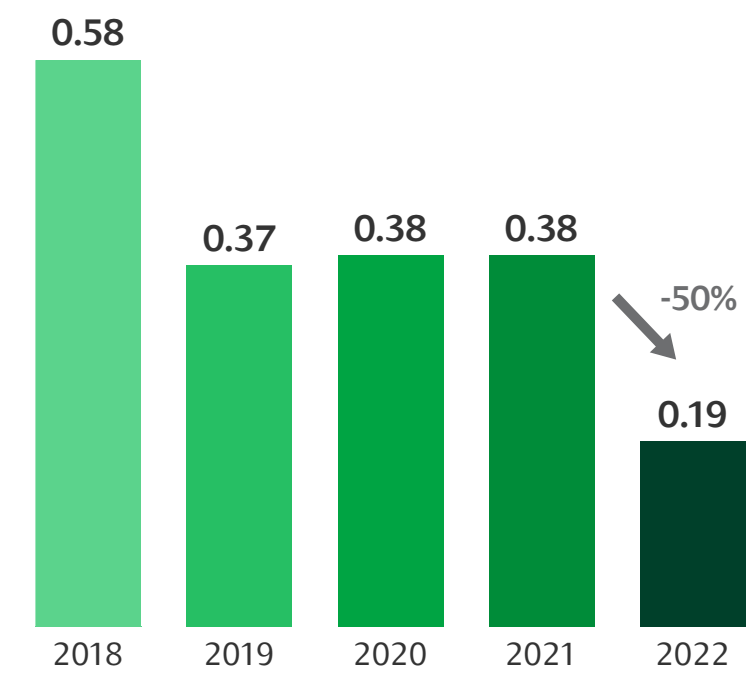


- Number of women
- % women about total employees

Hours of training by employee

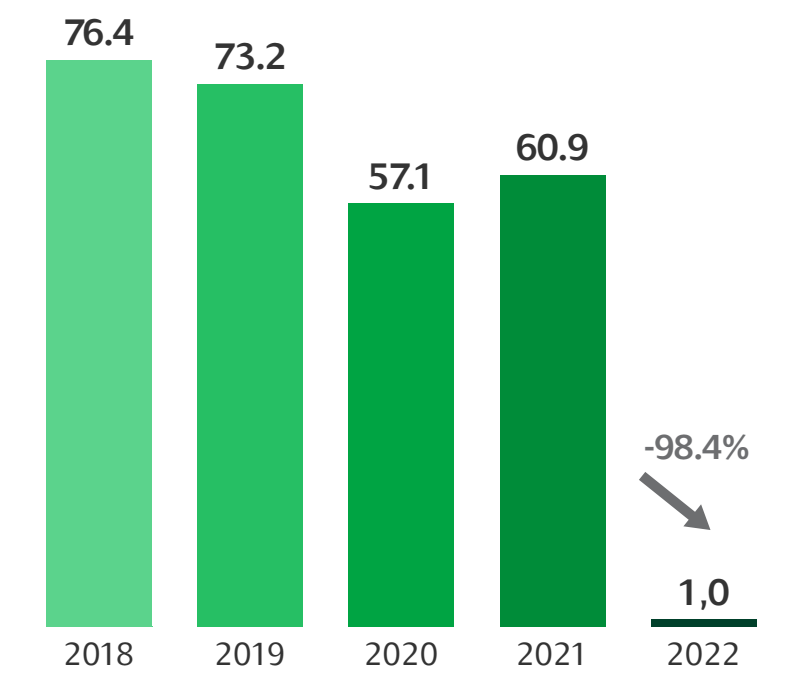


Injury frequency rate¹ Own staff



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

Emissions intensity (gCO₂/kWh generated)



Data for 2022 are preliminary and will still undergo an audit, scheduled for June 2023. The reduction in emissions in 2022 occurred because Termopernambuco did not generate energy during the year.



1.4 | Performance indicators

Financial performance (R\$ million)	2018	2019	2020	2021	2022
Net operating revenue ¹	25,954	28,461	31,989	41,120	40,822
Gross margin	7,857	9,164	10,226	14,146	16,201
EBITDA consolidated	4,552	5,719	6,496	9,856	11,582
EBITDA Networks	3,730	5,025	5,787	8,892	9,906
EBITDA Renewables	579	634	595	521	948
EBITDA Liberalized	401	268	347	665	1,011
Depreciation and amortization ¹	1,128	1,299	1,473	1,984	2,243
Operating income	3,270	4,273	4,878	7,872	9,339
Finance income (costs)	-1,169	-1,341	-1,030	-2,283	-3,800
Earnings before tax on profit	2,101	2,932	3,848	5,589	5,539
Consolidated net income	1,594	2,309	2,905	4,066	4,787
Attributed to parent companies	1,536	2,229	2,809	3,925	4,718
Attributed to noncontrolling shareholders	58	80	96	141	69
Total assets	46,564	54,215	66,297	85,800	92,318
Equity	17,577	19,259	21,509	24,238	26,937
Capex Expenditure	3,793	4,390	6,337	9,369	9,892
Cash and cash equivalents	3,934	4,041	9,692	5,545	6,802
Net debt	15,865	17,134	18,527	30,749	36,471
Taxes paid	10,910	11,945	11,983	15,785	16,189
Added value to be distributed	20,939	20,891	24,275	28,192	33,320

Financial indicators	2018	2019	2020	2021	2022
EBITDA Margin (EBITDA/net revenue) (%)	17.5%	20.1%	20.3%	24.0%	28.4
Net margin (Net income/net revenue) (%)	6.1%	8.1%	9.1%	9.9%	11.7%
Return on equity – ROE (%)	9.1%	112.0%	13.5%	16.8%	17.8%
Net financial debt / EBITDA (times)	3.49	3	2.85	3.12	3.15
Operating Cash Flow/ Net Debt (%)	8.4%	19.9%	19.1%	0.6%	12.7%

Capital market	2018	2019	2020	2021	2022
Number of shares	1,213,797,248	1,213,797,248	1,213,797,248	1,213,797,248	1,213,797,248
Amount per share (R\$)	15.65	24.88	17.62	16.20	15.45
Market capitalization (R\$ million)	18,996	30,199	21,387	19,664	18,753
Net income per share (R\$)	1.28	1.84	2.39	3.35	3.89

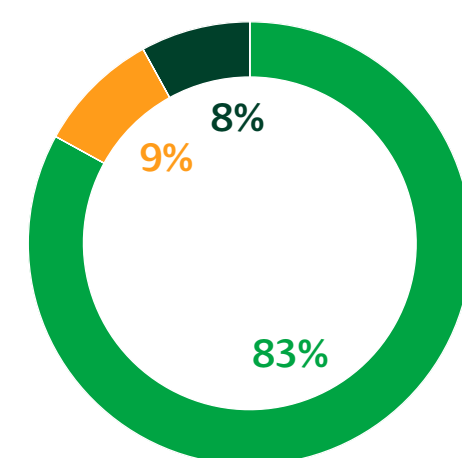
Operating performance	2018	2019	2020	2021	2022
Installed generation capacity (MW) ²	3,467	4,079	4,079	4,547	5,100
Total net power output (GWh) ²	13,652	14,007	13,121	15,129	14,751
Power distributed – captive + free (GWh) ³	56,719	58,918	57,026	66,257	66,777
Transmission lines - 230 kV + 500 kV (km)	679	679	1,045	2,333	2,333
Distribution (< 69 kV) and subtransmission lines (69 kV + 138 kV) – (km)	623,314	639,738	655,931	691,818	711,111

¹ Figures published in 2021 have been restated.

² Excludes Neoenergia Pernambuco's Tubarão Plant (4.8 MW capacity), in Fernando de Noronha.

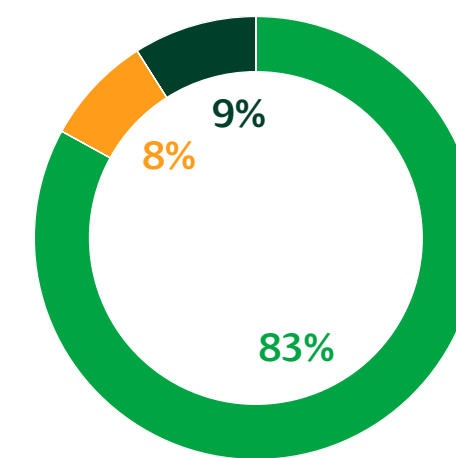
³ The 2020 data includes pro forma Neoenergia Brasília, a distributor that began operating as Neoenergia in March 2021.

Gross margin by activity



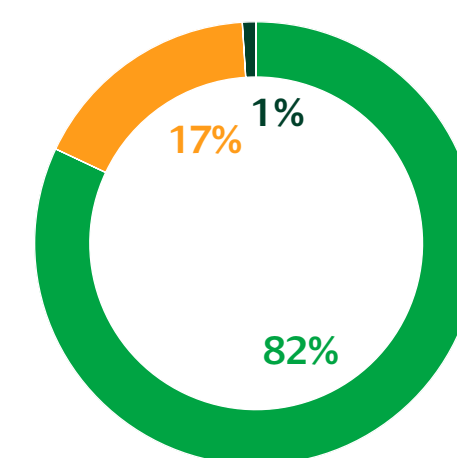
- Networks
- Renewables
- Liberalized

EBITDA by activity



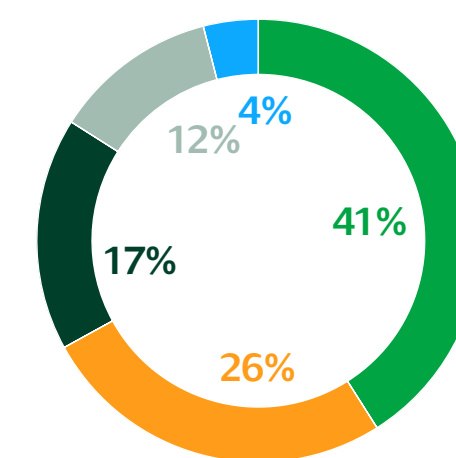
- Networks
- Renewables
- Liberalized

Investments by activity



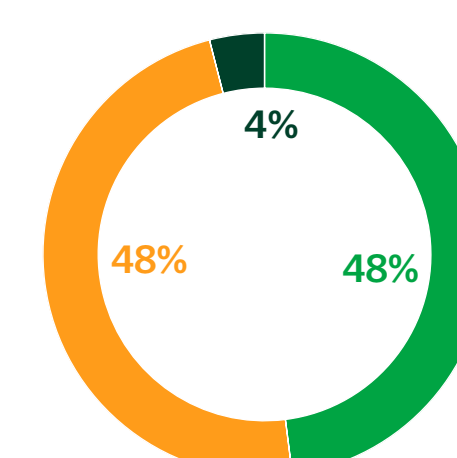
- Networks
- Renewables
- Liberalized

Debt per fundig



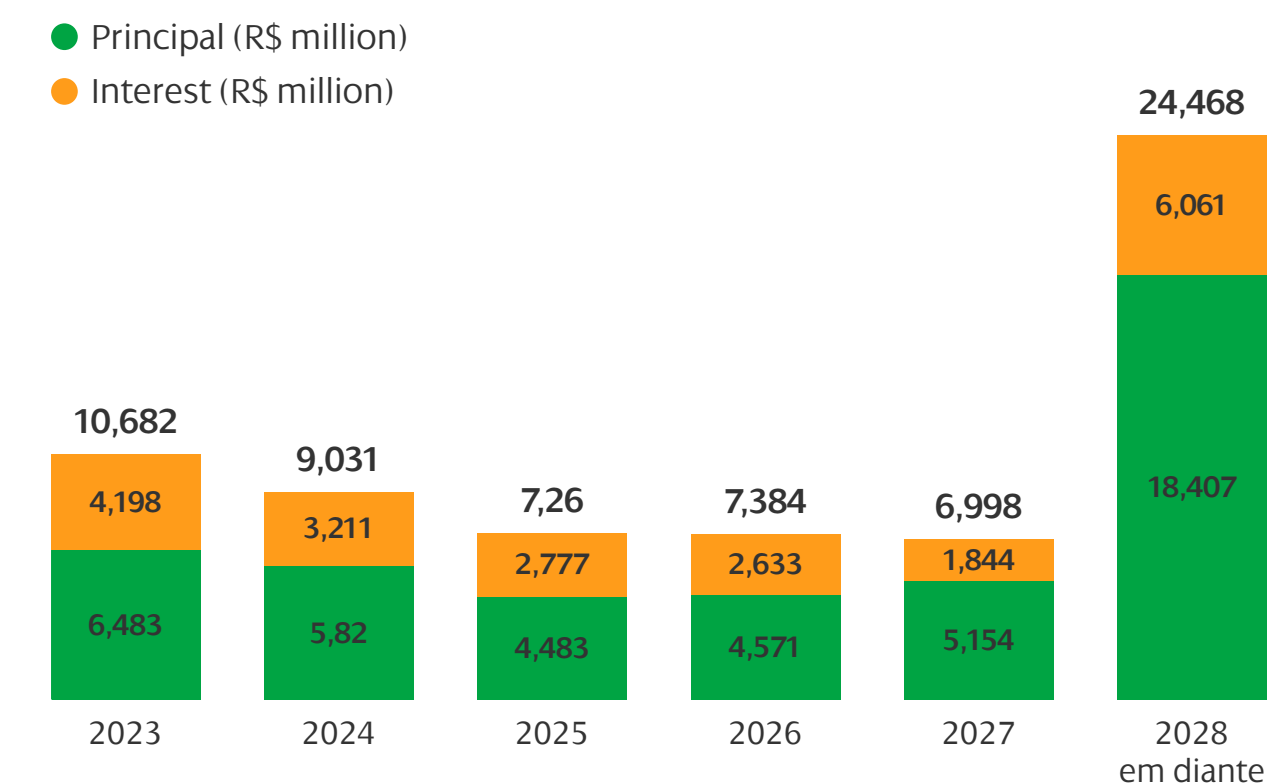
- Capital markets
- National developments banks
- International development banks
- International commercial banks
- National commercial banks

Debt by index



- CDI and Selic
- IPCA
- TJLP

Debt maturity schedule





1.4 | Performance indicators

Environmental performance	2018	2019	2020	2021	2022
Renewable installed capacity (MW)	2,935	3,546	3,546	4,015	4,568
Renewable installed capacity (%)	84.6%	86.8%	86.9%	88.3%	89.6%
Emissions intensity (gCO ₂ /kWh generated)	77	73	53	61	1
Fuel combustion (GJ)	26,313,061	25,847,952	18,294,705	23,987,769	1,141,835
Environmental expenditure (R\$ million)*	919	947	518	4,934	2,691
Energy produced under certified environmental management systems	100%	100%	100%	100%	100%
Water usage (m ³ /GWh generated) ⁵	22,063	23,664	18,198	16,105	2,709
Direct (Scope 1) GHG emissions (tCO ₂ e) ⁶	1,043,248	1,024,241	750,128	985,834	105,872
Indirect (Scope 2) GHG emissions (tCO ₂ e) ⁶	488,001	538,802	490,242	641,731	239,689
SO ₂ emissions (t/GWh)	0.0031	0.0030	0.0016	0.0031	0.0001
NOx Emissions (t/GWh)	0.0622	0.0615	0.0578	0.0607	0.0000

Social performance	2018	2019	2020	2021	2022
Number of customers - distribution (no.)	13,792	14,049	14,289	15,742	16,037
Number of direct employees (no.)	10,749	11,746	12,814	15,058	15,406
Indefinite type contracts (%)	99.9%	99.9%	99.9%	99.9%	99.9%
Number of contractors (no.)	21,604	25,704	24,743	27,993	31,855
Workers covered by collective bargaining agreements (%)	99.9%	99.9%	99.9%	100%	100%
Employee turnover (%)	8.9%	9.9%	8.7%	7.62%	9.26%
Diversity - Men/Women (%)	82/18	82/18	82/18	82/18	81/19
Diversity - Women in leadership positions (%) ⁷	NA	19.4%	27.6%	26.2%	29
Employee injury rate	0	0.52	0.86	0.44	0.26
Employee injury frequency rate	0.58	0.37	0.38	0.38	0.19
Hours of training (hours)	676,408	739,524	1,023,922	1,307,921	1,369,546
Hours of training per employee (hours)	62.9	63	79.9	83.5	88.9
Social investment (R\$ thousand)	69,990	9,204	74,723	19,361	26,451
Investment in rural electrification - Light for All Program, without federal government subsidies (R\$ thousand)	261,551	177,673	247,853	326,039	478,345
Rural electrification program - Light for All (no. of connections)	21,716	26,034	17,644	16,966	18,256
Investment in I+P&D (R\$ thousand) ⁸	NA	100,047	145,411	174,030	164,328
Trade payables (R\$ million)	21,519	22,673	25,587	33,612	31,515
Local procurement spending (%)	79.3%	98.6%	99.5%	99.3%	99.6%

⁴ 2021 data include investments in new renewable generation assets.

⁵ The 2022 data includes Termopernambuco, a plant with a high water usage volume, which was not dispatched by the ONS for commercial purposes.

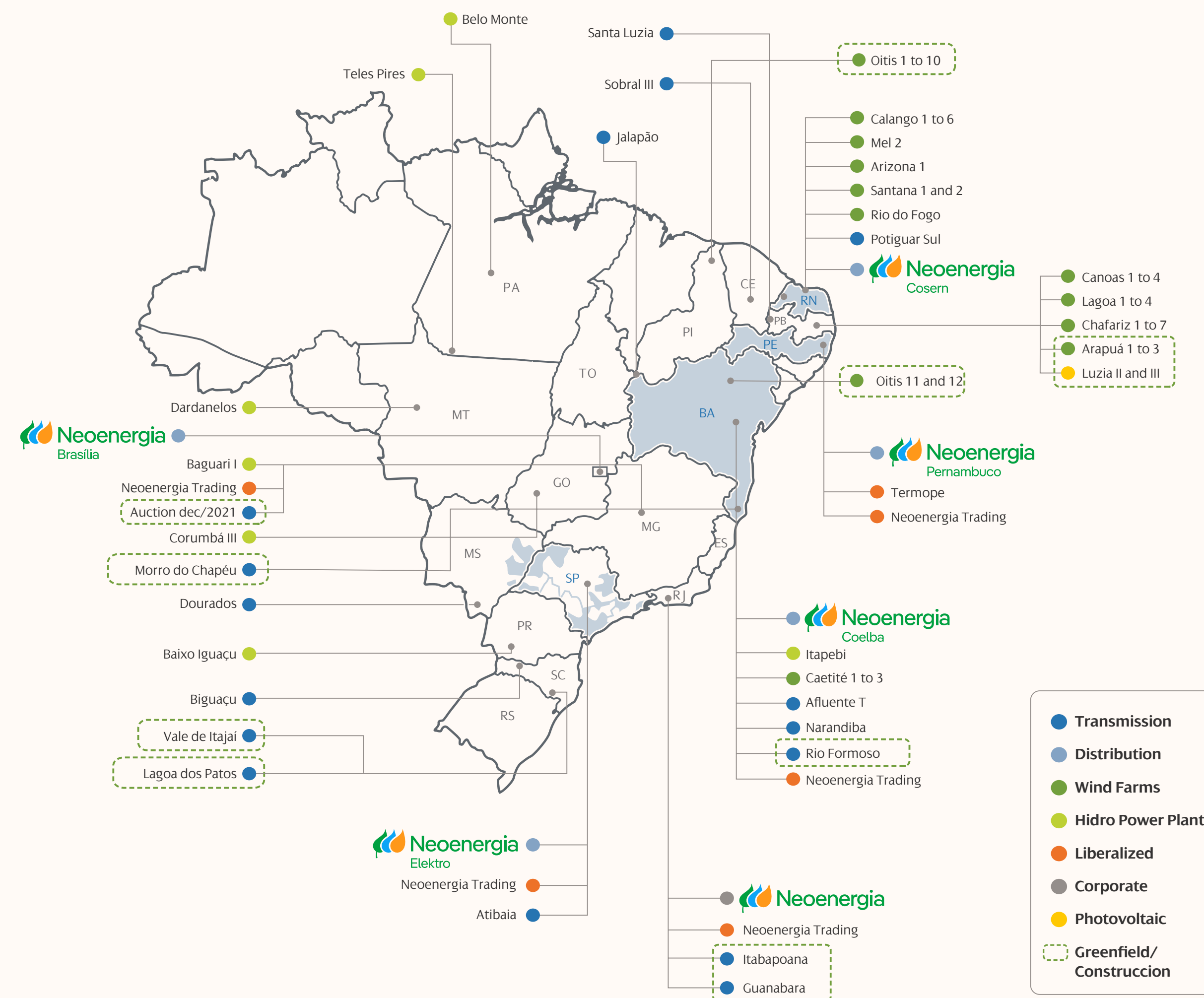
⁶ 2022 data are preliminary and not yet audited. The final emissions inventory will be published on the Sustainability page of the Neoenergia website (www.neoenergia.com).

⁷ Women in leadership positions: executive officers, department heads, managers.

⁸ R&D investment is non-inclusive of contributions to the National Scientific and Technological Development Fund (FNDCT), the Ministry of Mining and Energy (MME) and the Energy Development Account (CDE).

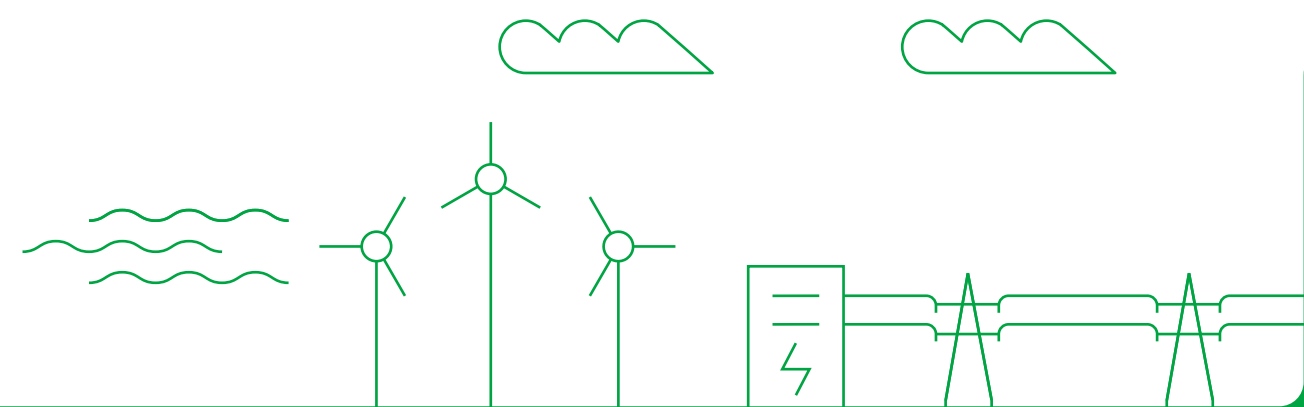
NA - Not available.

1.5 | Nationwide presence





1.6 | 2022 Key Milestones



JANUARY

- The 15 wind farms in the Chafariz wind cluster, located in the sertão region of Paraíba, began operating. The project's installed capacity of 466.77 MW generates enough electricity for 1 million people a year.
- Inauguration of Neoenergia Coelba's Integrated Operations Center (COI). The project centralizes technical support, ensuring the same standard of service for all incidents.
- The Jalapão Transmission Line entered commercial operation, running a total length of 728 kilometers through the states of Tocantins, Maranhão, Piauí and Bahia.



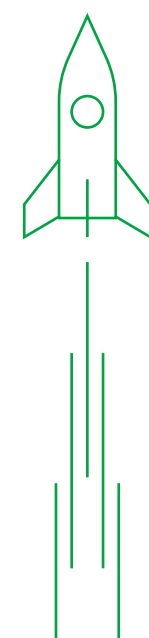
FEBRUARY

- We also advanced in new Smart Grid Automation Systems (SNA), which is automatically reconnecting over 500,000 customers in São Paulo, Bahia, Pernambuco and Rio Grande do Norte.
- The pilot project for the Smart Grid Power Quality Automation Systems (AIRq) has begun, aiming to optimize the quality and efficiency of electrical energy by adjusting voltage and power factor to the ideal level.



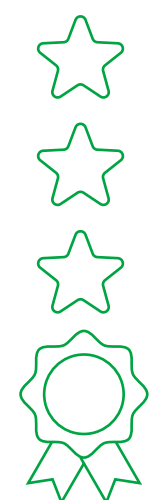
MARCH

- €200 million financing from the European Investment Bank (EIB) for renewable energy projects.
- Launch of the Trilha Verde initiative [Green Trail], which will bring 18 electric vehicles, 12 eco-points, and two new solar plants to the Fernando de Noronha archipelago.
- Automa, a Brazilian startup, was selected in the Iberdrola Startup Challenge, an open innovation initiative, for its customized solution using drones, computer vision and artificial intelligence to identify non-technical losses.
- Preliminary license for a 359-kilometer transmission line, one of the five sections of the Morro do Chapéu project in Bahia.



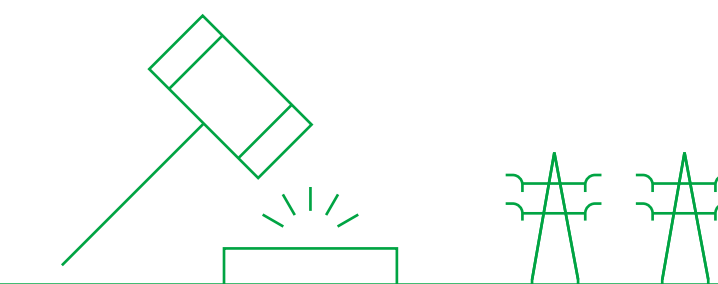
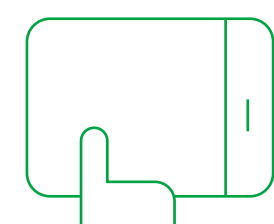
MAY

- Achievement of multisite certification for Quality (ISO 9001), Environment (ISO 14001), and Health and Safety (ISO 45001) standards for our operational hydropower plants in the country. This gives them a single certification, thereby ensuring efficiency in these three areas.
- Integration of the Systems Operation Center (COS), which operated 5 of the group's hydropower plants and the Renewable Operations Center (Core), which managed the wind farms, resulting in synergy and efficiency.



APRIL

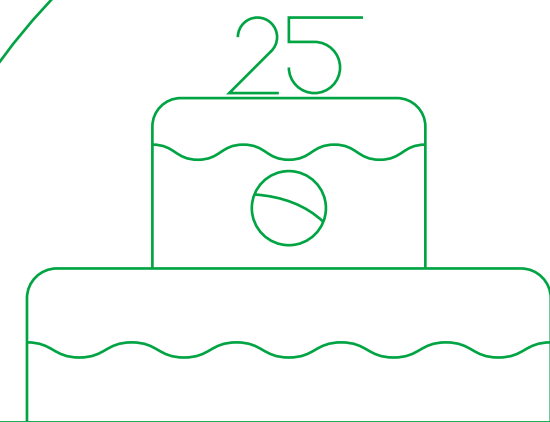
- Launching, in partnership with CIEDS and Embrapa, of the Educaatinga digital platform on National Caatinga Day (April 28), offering educational tools including a game and a learning guide.



JUNE

- Successful bid for two additional transmission lots totaling 2,000 kilometers of power lines in the states of Minas Gerais, São Paulo and Mato Grosso do Sul.
- Installation completed of a microgrid in the Xique-Xique community, a remote rural area in the municipality of Remanso, Bahia, with a centralized solar power generation and battery storage system.
- Commencement of test operations for the first wind turbines of the Oitis Wind Cluster, located between the states of Piauí and Bahia.
- Receipt of the first green loan certification in the country for a renewable energy transmission project, financed by BNDES for the construction of 1,100 kilometers of Transmission Lines in Paraná and Santa Catarina.
- Listing of our shares on Latibex, a branch of the Spanish stock exchange based in Madrid.





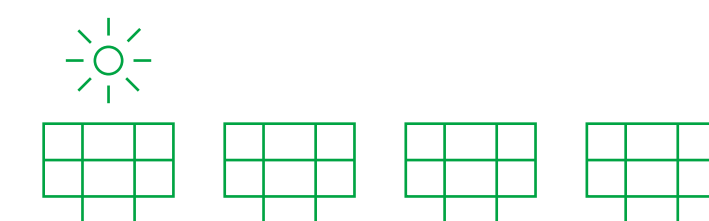
JULY

- We celebrated Neoenergia's 25 years of operation in Brazil.
- Eduardo Capelastegui assumes the leadership of the company, succeeding Mário Ruiz-Tagle, who after five years as CEO left for another position within Iberdrola Group.
- Signing of a Super Green Loan worth R\$ 550 million with the International Finance Corporation (IFC) of the World Bank for network expansion and digitization at Neoenergia Coelba, with investments aligned with green criteria.
- Launching of the Inspirar 2022 Award by the Neoenergia Institute, recognizing 16 female leaders.
- Neoenergia Cosern was recognized as the distributor with the best operational management in Brazil among companies serving more than 500,000 consumers by the Brazilian Electric Utility Association (Abradee).



AUGUST

- We launched a new energy bill format with more detailed, secure, user-friendly and transparent information about the consumption of each unit and the taxes applied to the bill.
- For the second consecutive year we won the Transparency Trophy in 2022, awarded by the National Association of Finance, Business Management and Accounting Executives (Anefac).
- We launched the Safe Community Program, that raises awareness about the proper and safe use of electricity and precautions to maintain a safe distance from power lines.
- We started the commercial operation of the first part of the Neoenergia Luzia solar cluster in Paraíba state, marking our debut in centralized photovoltaic generation.
- We held Sustainability Week from September 09 to 12, with virtual events and dialogs with experts discussing decarbonization, social responsibility, governance, green financing and other topics aligned with our ESG goals.



OCTOBER

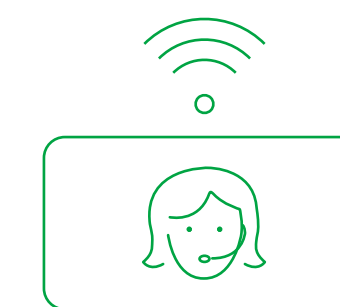
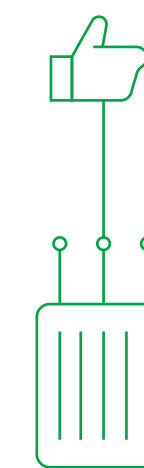
- The scope of the Smart Grid Management Center (Cegri) was expanded to include Neoenergia Brasília's assets, reaching a total of 75,000 monitored devices with the support of data analytics and artificial intelligence.
- The third edition of "Energia para Recomeçar" (Power to Start over) was launched, which awarded R\$ 400,000 in prizes to consumers who pay their energy bills on time.

SEPTEMBER

- We signed a memorandum of understanding with Prumo for the commissioning of studies on green hydrogen production at Porto do Açu, Rio de Janeiro, and offshore wind generation on the coast of Rio de Janeiro.
- The first recyclable distribution power poles were installed. These poles harness waste from damaged structures that would otherwise be discarded as scrap. The project started in Salvador, Bahia.
- Phase one was completed of the Guanabara and Itabapoana transmission lines in the states of Rio de Janeiro, Espírito Santo and Minas Gerais.

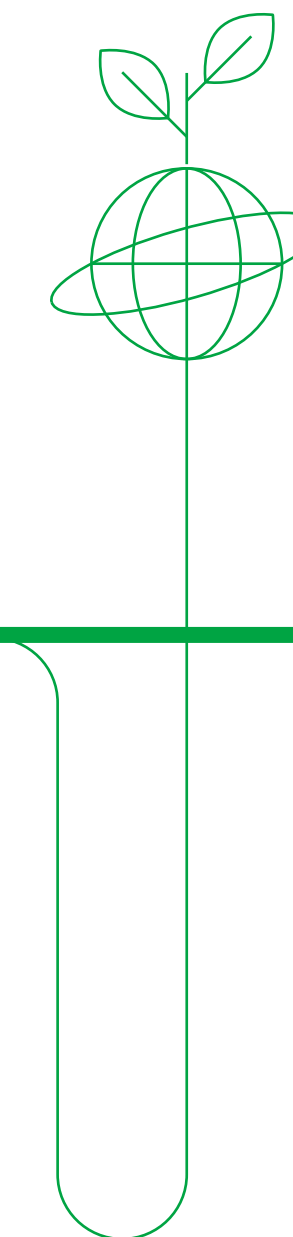
NOVEMBER

- The five distribution companies were recertified according to the ISO 9001 (management), ISO 10002 (customer satisfaction) and ISO 14001 (environmental) quality standards.



DECEMBER

- The Virtual Remote Agent was launched, a pioneering service that provides real-time customer support through video sessions.
- We achieved an A- rating in the 2022 CDP Climate assessment and a B rating in the water security category, reflecting our strategy to accelerate the energy transition towards climate neutrality.
- An asset exchange with Eletrobras was announced as part of our portfolio optimization strategy. We now hold 100% of the capital in the Dardanelos power plant (MT) and increased our stake in Neoenergia Coelba, Neoenergia Cosern and Afluente T by 0.04%. In return, Eletrobras will receive 51% of the shares of the Teles Pires and Baguari I hydropower plants.
- Neoenergia Coelba reopened the Energy Museum, which showcases technologies and provides immersive experiences related to electricity and the concepts of electric energy.





1.7 | Comparative results

Between 2018 and 2022, we increased our operational cash generation (EBITDA) by 154.4%, net profit by 200.3% and assets by 98.3%, demonstrating sustained business growth. The compound annual growth rate (CAGR) hit 26.3% per year in

net profit and 31.7% in value added distributed to shareholders, including dividends, interest on capital paid, profit reserves and retained earnings.

Economic and financial variable

	12/31/2018	12/31/2022	Change (%)	CAGR (%) ¹
Assets (R\$ million)	46,564	92,318	98.3%	18.7%
Net revenue (R\$ million)	25,954	40,822	57.3%	12.0%
EBITDA (R\$ million)	4,552	11,582	154.4%	26.3%
Net income (R\$ million)	1,594	4,787	200.3%	31.6%
Dividends and Interest on Equity (R\$/share) ²	0.1615	0.1958	21.2%	4.9%
Net Debt/EBITDA (ratio)	3.49	3.15	-9.7%	-
Economic value distributed to shareholders (R\$ million)	3,187	9,574	200.4%	31.7%

¹ CAGR: Compound Annual Growth Rate.

² Includes Interest on Capital (JCP) and minimum non-discretionary dividends.

1.8 | Recognitions

Corporate Sustainability Index (ISE) – We remains in the Brazilian stock exchange’s Corporate Sustainability Index (ISE B3) for the third consecutive year. The 18th B3 (Brasil, Bolsa, Balcão) ISE portfolio applies to 2023 and includes 70 stocks.

FTSE4Good Index Series – For the third consecutive year we were a constituent of the FTSE4Good Index Serie, one of the foremost international sustainability indices, published by Financial Times Stock Exchange (FTSE) Russell, a division of the London Stock Exchange. This index selects publicly traded companies with recognized ESG (environmental, social and governance) practices based on stringent criteria that are assessed against 300 public indicators.

The Sustainability Yearbook – We were ranked in the S&P Global ESG Annual list for the third consecutive year. This is a ranked list of the organizations demonstrating outstanding environmental, social and governance (ESG) practices.

CDP – Since our debt in each supplement (2021 for Climate and 2022 for Water Security), we scored A- in CDP Climate assessment and B in its water security disclosures, making it a leader among its peers. This score is the result of the company’s business strategy, which focuses on accelerating the energy transition towards climate neutrality. We have officially participated in CDP since 2021, when we were first listed as a leader in environmental performance, and committed to the growing demand for environmental communication and transparency.

Institutional Investor’s 2022 – We are among the top ranking power sector players when it comes to having the best CFO and the best Investor Relations professionals and have also been recognized for our ESG and Best Analyst Day practices. This award, sponsored by *Institutional Investor*, surveyed 911 professionals in 434 financial services institutions.

Melhores e Maiores 2022 – The parent company Neoenergia and six affiliates were included in the special edition of Exame Melhores e Maiores. With the support of IBMEC, which developed the methodology, the yearbook listed 87 companies in the industry in 2022, looking at the increase in revenue between 2020 and 2021, along with ESG issues.

Transparency Award – For the second consecutive year the company received the Transparency Award as one of the top ten companies in increasing net revenue over R\$ 20 billion for the quality and transparency of its financial information, the consistency of its management reports, and the compliance of its accounting principles. The award is presented by the Brazilian Association of Finance, Management and Accounting Executives (Anefac).

Valor 1000 – Neoenergia was mentioned in the 2022 yearbook for its results in 2022. It was ranked 24th among the largest companies in Brazil (25th in 2021), and # 2 in net revenue among electric utilities.

Smart Customer 2022 – We are among the Top 10 companies with the most awards in the ten years of the Smart Customer award, which recognizes corporate practices offering the best customer and employee experience. Furthermore, this edition we received the gold medal for our “Technology and Customer” case study, a joint effort with Wittel, and the bronze medal for our “End to End Management: Neoenergia Customer Personalization and Welcome” case study.

Conarec – We received the Conarec award in the Energy and Utilities category for our continuous investment in process digitization and better customer experience. This award is given by the National Customer-Company Relationship Congress.



OSE Award – We received three first-place awards in the six OSE Power Sector and Quality of Electric Facilities categories. This was the fourth year the OSE awards were handed out. It is an initiative of *Setor Elétrico* magazine and Cinase (National Electric Power Circuit) and recognizes successful efforts to design, specify, and install electric power engineering facilities in Brazil. The winning project in Technological Innovation was “Godel – network observatory for loss reduction”. The winning project in Research and Development was “Development of Technology for Microgrid Use in Isolated Systems”. The winning project in the OSE 2022 category was “Developing Technology for Microgrid Use in Isolated Systems”.

Abradee Award – Abradee, the Brazilian Association of Electric Power recognized Neoenergia Cosern as the distributor with the best operating management in Brazil among those with over 500,000 customers. The utility was also second place among the top distributors in the country and in the Northeast, and in the financial-economic management category. The company was ranked #3 in terms of customer assessment.

FNQ Gold Category – Neoenergia Cosern was recognized as the company with the best management model in Brazil - Gold category in the Best in Management Award, organized by FNQ, the National Quality Foundation. The company participated in the National Quality and Best in Management award a total of ten times.

ANEEL Ranking – The Brazilian power sector regulator considered Neoenergia Cosern as the best performing large (400,000+ customers) distributor in Brazil. This ranking is based on Overall Continuity Performance (OCP), an indicator that measures distributor performance based on the limits defined by ANEEL on a scale of 0 to 1, where a low score indicates better performance.

Cliente S.A. Awards – We received the gold medal for our End-to-End Management case. This initiative is the main award for the customer management and customer experience areas, highlighting best industry practices in Brazil and awarding gold, silver, and bronze medals. In addition, the major winner in each category is eligible for the 2023 Latam Award, competing with companies in Argentina, Colombia, Mexico, and Paraguay, countries that are part of ALOIC [National Latin American Alliance of Organizations for Customer Interaction].

Pró-Ética Label – For the fourth consecutive time, in 2020-2021 we received the Pró-Ética Label from the Brazilian Audit Court [Controladoria Geral da União]. In 2022, in addition to the four group distributors that participate each year — Neoenergia Coelba, Neoenergia Elektro, Neoenergia Cosern, and Neoenergia Pernambuco — Neoenergia Brasília, now fully integrated in the Group Integrity Program, will participate. This will be reported in 2023 results.

Women Business Leaders – IFC – Solange Ribeiro, Neoenergia VP for Regulations, Institutional Relations, and Sustainability, is among six female business leaders recognized by the International Finance Corporation (IFC), part of the World Bank, as an example of activities to address climate change in the private sector. In addition to her role at Neoenergia and the Brazilian electric power sector, she is also Vice-Chair of the Board of the UN Global Compact to engage companies and governments towards supporting the Sustainable Development Goals and the Ten Principles of the Global Compact.

Wind Ambassador Award – Laura Porto, Executive Director of Renewables at Neoenergia received the Wind Ambassador award during *Brazil Windpower 2022*, the Latin American wind power event. This award recognizes over 20 years of contributions to the development of wind power in Brazil. She was the first

woman to ever receive the award. In her thank-you speech the executive reminded listeners of the industry changes of the past decades, from when wind power was first considered an alternative source to the current debates regarding offshore wind energy. She also stressed the importance of ethics, economic, and social environmental responsibility, along with a more human, collaborative, and diverse organizational culture.

“Yes, they exist” award – in 2018 a project was created to map women executives in the energy industry to catalyze a positive discussion about diversity and gender inclusion in the industry. In 2022, 180 women were nominated for the prize, four of them from Neoenergia: Laura Porto, Executive Director of Renewables; Solange Ribeiro, VP for Regulations, Institutional Relations, and Sustainability; Thaisa Alcoforado, Superintendent of Renewables Business Development; and Claudia Suanno, Superintendent of Regulations.

Aberje Award 2022 – Neoenergia’s Junt+s diversity program received the most important award in Corporate Communication in Brazil. The program received the award in the Diversity and Inclusion category during the regional Rio de Janeiro leg.

ABT Award – We received the silver medal from ABT for our End-to-End Management case. This is an initiative of ABT, the Brazilian Tele-services Association, and is the most important customer relations award in Brazil, recognizing and disseminating best practices submitted by participating companies and transforming winning cases into industry benchmarks.

100 Open Corps 2022 – We were among the Top 50 Open Corps, and placed #4 in the Top 100 Open Corps 2022 Electric Power and Renewables category. This initiative recognizes the leading corporations in open innovation with startups. All our business units submitted projects developed with the support of startups.



02 Business model & strategy



2.1 | Operational context

The global economy is still being shaped by post-pandemic impacts, the Russia-Ukraine war, higher inflation worldwide, soaring interest rates and commodity price volatility. This situation shows how dependent we are on the current energy model, plunging the world into an unprecedented energy crisis, especially in Europe, which makes faster economic electrification even more pressing.

Against this global backdrop, real uncertainty was ever present in Brazil in 2022, mainly fueled by the presidential elections and their implications for the future of the economy. The country ended the year inflation as measured by the Consumer Price Index (IPCA) running at 5.79% and a Selic interest rate of 13.75%, compared to 9.25% in December of the previous year. Gross Domestic Product GDP shed 2.9%, according to the Brazilian Institute of Geography and Statistics (IBGE). Energy consumption increased by just 0.3%, impacted by cooler weather and above-average rainfall in several regions of Brazil compared to the previous year.

The future of energy

The international agency Bloomberg New Energy Finance predicts that electricity demand will double by 2040, driven by all sectors of the economy, with transportation standing out as having the potential to multiply its consumption by 40 to 60 times in the next 20 years. In buildings, electricity consumption is expected to almost double due to the wider use of heating and cooling installations, but will be tempered by the demand for greater energy efficiency.

To meet this demand, the International Energy Agency (IEA) estimates a threefold increase in photovoltaic capacity between 2021 and 2030, a doubling of onshore wind capacity, and a potential sixfold increase in offshore wind capacity. According to the IEA, hydrogen and hydrogen-based fuels should take off after 2030, and should account for 10% of the fuel consumed in the world

by 2050. This is why it is so important to expand wind and solar energies, which are strategic for the growth of green hydrogen. Its abundant wind and sun afford Brazil competitive advantages to becoming a global leader in this sector.

Climate change challenge

Climate change is one of the most important and urgent challenges that humanity faces. Rising greenhouse gas (GHG) concentrations in the atmosphere continue to warm the planet, with the global average increasing by +1.15°C in 2022 compared to pre-industrial levels. The latest report from the Intergovernmental Panel on Climate Change (IPCC) assesses that in order to limit the temperature increase to a maximum of 1.5°C by the end of this century, as outlined in the Paris Agreement, the world must reduce emissions by 43% by 2030 compared to 2019 levels.

The electricity sector and heat generation currently account for about 40% of emissions from the energy sector, which in turn represents almost three-quarters of GHG emissions. The transition to a decarbonized energy model involves improving energy efficiency and phasing out fossil fuels with renewables. Renewable energy generation and the electrification of end uses are therefore crucial for decarbonization.

The opportunities emerging in the electricity sector during the energy transition are revealed in decarbonization scenarios. Updating the net-zero emissions scenario for 2050 presented by the International Energy Agency in the World Energy Outlook 2022 shows how electricity based on 90% renewable sources would provide over half of total final consumption in 2050. Specifically, the electricity sector would achieve net-zero emissions in 2035 in advanced economies and globally by 2040, becoming the new backbone of the global energy system by 2050.

The 5Ds of the energy transition

The following five factors are important in the process of transitioning towards a more sustainable energy system:



Decarbonization

Promoting the use of clean energy, especially wind and solar, reduces greenhouse gas emissions and contributes to the decarbonization of society.



Decentralized

Shifting from a centralized energy generation model to a more distributed and decentralized model allows individuals to produce and consume energy in their own homes.



Digitization

Introducing digital technologies in the process of generating, distributing and consuming more efficient and smarter energy. Resources such as artificial intelligence, smart grids and others can improve energy management across all sectors.



Democratization

Ensuring that low-cost, reliable, sustainable and renewable energy is fair and accessible to all, including marginalized and low-income communities.



Design

Energy market negotiations should factor efficiency, risk management and cost management into contracts.



2.2 | Regulatory environment

In 2022, our five distribution companies had rate adjustments approved by the Brazilian Power Sector Regulator (Aneel). Three distribution companies will undergo rate reviews in 2023 (Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro), and two in 2025 (Neoenergia Pernambuco and Neoenergia Brasília).

Consumption group	Neoenergia Coelba	Neoenergia Pernambuco	Neoenergia Cosern	Neoenergia Elektro	Neoenergia Brasília
Date of adjustment	Apr/22	Apr/22	Apr/22	Aug/22	Oct/22
AT – High Voltage (> 2.3 kV)	20.54%	19.01%	19.75%	23.72%	24.94%
BT – Low Voltage (< 2.3 kV)	21.35%	18.97%	20.55%	11.61%	21.58%
Average rate effect	21.13%	18.98%	20.36%	15.77%	22.55%
Next rate-setting review	Apr/23	Apr/25	Apr/23	Aug/23	Oct/25

Key rate discussions in 2022

Extraordinary Rate Review resulting from Law 14.385/22 – The review prompted by Law 14.385/2022, which addresses the reimbursement of amounts from final and unappealable legal decisions that established the exclusion of ICMS from the PIS/ Cofins calculation base charged on energy bills, resulted in rate decrease for Neoenergia Coelba (-0.50%), Neoenergia Cosern (-1.54%) and Neoenergia Pernambuco (-4.07%).

Distributed Generation – Law 14,300/2022 established the legal framework for Mini and Micro Distributed Generation (MMGD). Units that already have MMGD and those that requested connection by January 6, 2023 will maintain the benefits until December 2045. For those that join later, there will be a transitional rule with progressively partial charges each year until 2029, when the full rate amount that remunerates the distributors will be charged.

ICMS – Supplementary Law 194/2022 set a ceiling of 18% for the ICMS tax rate on the fuel, gas, electricity, communications and collective transportation sectors.

Extraordinary Rate Review (Covid-19) – Aneel Dispatch 1.890/2022 recognized the admissibility of extraordinary rate review requests resulting from Covid-19 submitted by seven distributors, including Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern and Neoenergia Brasília. Aneel opened a process to analyze the requests' merits.

Water Scarcity – Decree 10.939/2022 authorized the creation of the Drought Account to cover total or partial additional costs. Our distribution companies received R\$ 371.6 million.

Market liberalization

Ordinance No. 50, issued by the Ministry of Mines and Energy, states that as of January 01, 2024, high-voltage consumers will be able to choose to purchase electricity from any trader within the National Interconnected Grid (SIN). The full opening of the market will be discussed in a specific public consultation.

Transmission

Annual Permitted Revenue (RAP) – Regulatory Resolution 3.067, dated July 14, established the RAPs for the 2022-2023 cycle, with a 19.6% adjustment compared to the previous cycle.

Generation

Offshore Generation – On January 25, Decree 10.946/2022 was published, which deals with the transfer of use of physical spaces and the use of natural resources for offshore energy generation. In October, Regulatory Ordinance No. 52 was published, establishing the procedures for onerous assignments.

Hydroelectric Generation Capacity – Ordinance No. 709/2022 established the new values for the generation capacity of hydroelectric power plants, valid as of January 01, 2023. The review covered 120 plants. In the case of Neoenergia, five UHEs were eligible for review, as shown in the table below (values in average MW):

Plant	Generation Capacity		
	Effective	01/Jan/23	Change
Baguari	84.7	81.9	-2.8
Corumbá III	49.3	47.0	-2.3
Dardanelos	154.9	147.2	-7.7
Itapebi	209.1	202.1	-7.0
Teles Pires	939.4	964.2	+24.8
Total	1,437.4	1,442.4	+5.0

Note: Full values of generation capacity, without including Neoenergia's percentage share.

Concession term of UHE Dardanelos – Aneel Authorization Resolution 13.297/2022 extended the hydroelectric power plant's concession term, recognizing that the company was not responsible for the commercial operations delay due to the transmission system being down. The resolution extends the concession by 220 days to August 11, 2043. Since the effective extension of 2,148 days resulting from Law 14.052/2020 has not yet occurred, CCEE has to recalculate the GSF extension period to determine the concession's end date, which will be no earlier than June 28, 2049.

2.3 | Business model

Our strategy and business model have been designed in anticipation of the role that the power sector will play in fighting climate change and in creating opportunities for economic, social and environmental development. We believe that confronting this serious threat requires not only the commitment of companies and consumers, but also that of regulators and public institutions, which need to adopt appropriate energy policies and regulations.

We are committed to spearheading the energy transition with a focus on decarbonization, renewable energy, grid decentralization and digitization, in line with what the International Energy Agency (IEA) has reported to be the industry's primary demands.

ESG+F (Environmental, Social and Governance & Financial) concerns have been an integral part of this business model, informed by:

- Economic and financial management that enables the acceleration of value creation for all stakeholders, integrating ESG+F into the company's strategy and management.
- Investment concentrated in the regulated businesses or businesses with long-term contracts, which provide known and recurring cash flows.
- Selective investments in renewables, optimizing the risk-return profile, particularly through wind, solar and hydropower ventures and green hydrogen production, vital decarbonization technologies.
- Commitment to financial robustness, preferably supported by green financing instruments, capable of meeting the defined investment objectives.
- A dividend policy focused on strong and growing returns, in line with better company results.

Value captured

Financial capital
Funds that the company generates or raises in the capital markets.

Manufactured capital
Tangible assets or resources used by the company to carry out its activities and provide competitive energy in a safe and reliable environment.

Intellectual capital
Intangible assets based on people's knowledge and an open innovation model.

Human capital
Employee knowledge, skills, experience and motivation.

Social and relationship capital
Ability to share, engage and collaborate with stakeholders, promoting community development and well-being.

Natural capital
Sustainability use of natural resources potentially affected by our activities.



Value distribution

Financial capital
Balanced growth, financial strength and sustainable dividends.
EBITDA of R\$ 11.6 billion

Manufactured capital
Secure and competitive energy supply, focused on Networks and Renewables.
Investment of R\$ 9.9 billion in 2022

Intellectual capital
Fostering Innovation, Research & Development.
R\$ 164.3 million invested in R&D+I

Human capital
Committed and qualified workforce in a diverse, inclusive and balanced environment.
Some 47,000 thousand direct and indirect jobs

Social and relationship capital
Building trust and engagement with communities.
R\$ 33.3 billion of added value

Natural capital
Fighting climate change and protecting biodiversity
Commitment to reduce specific CO2 emissions by 50% by 2030, compared to 2017



2.4 | 2023-2025 Outlook

The strength of our business model allows us to face the complex macroeconomic and sectoral challenges, thanks to our forward-looking vision of technology and markets. We have developed this vision over the course of 25 years of operating in the Brazilian market, a milestone we reached in 2022.

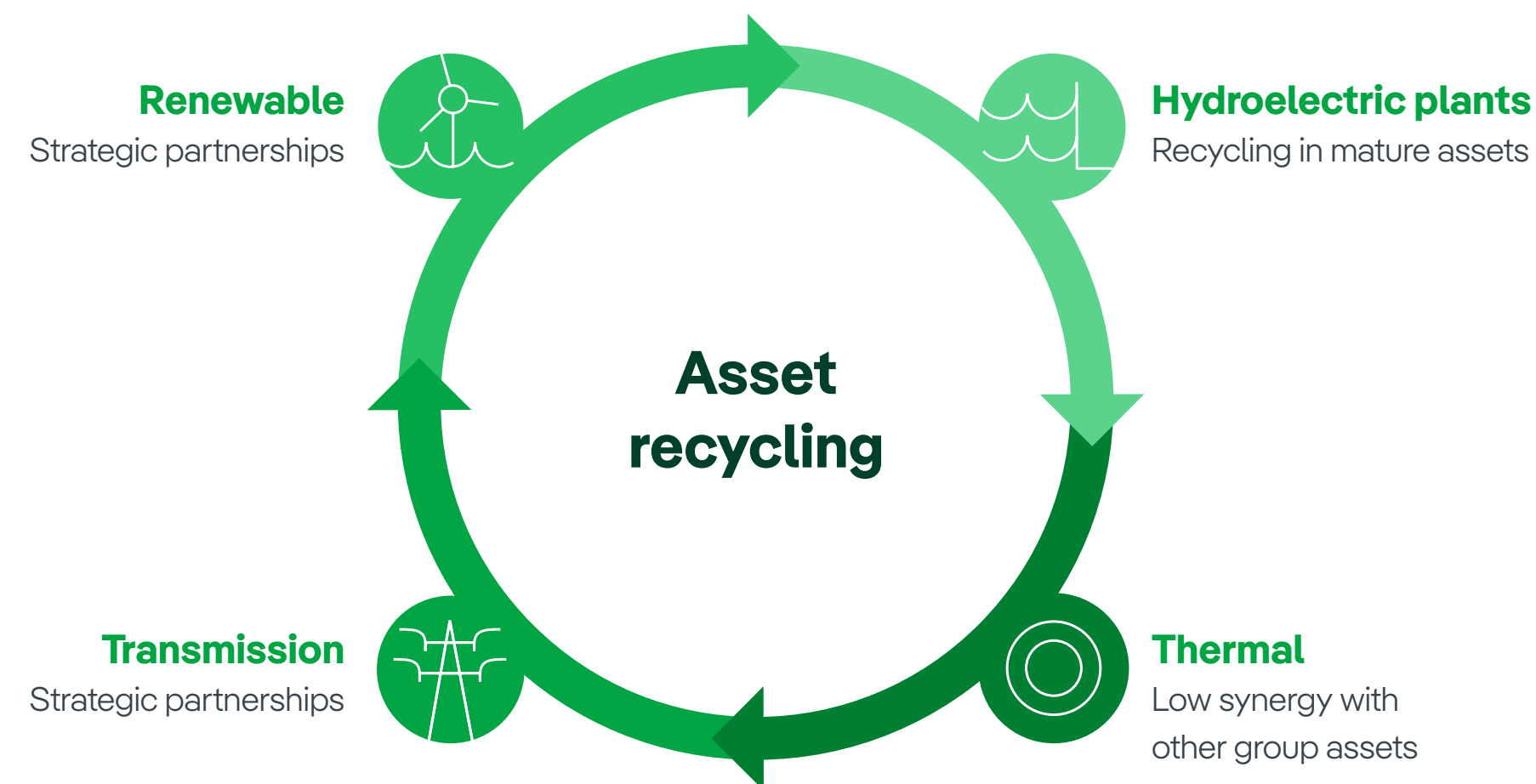
We continue delivering on our commitment to actively contribute to the fight against climate change, promoting the energy transition and investing in the growth of renewables and networks. Transmission and distribution networks are the backbone of the system, enabling the integration of new renewable generation capacities and the adoption of new distributed solutions and services.

To maximize the opportunities to capture synergies and savings across our various business lines, and to mitigate risk and leverage, in 2022 we

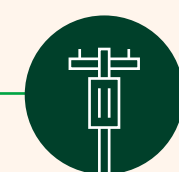
took a single, integrated position. This effort is led by the Operations Department, an area created specifically to seek out synergies across the company's businesses, services, and solutions, creating specific medium and long-term guidelines and directions for each business.

This plan was developed in four steps: diagnosis and assessment of industry trends, prioritization and development of an integrated business plan, plan consolidation, including a roadmap and main implementation enablers, and development of a methodology tailored to Neoenergia. We anchored our business plan to five pillars: to grow organically in distribution, invest in transmission, expand in renewable generation, and prioritize financial efficiency and discipline.

We aim to achieve profitable growth, through both organic means and by identifying opportunities for new investments that ensure value creation.



Our 5 pillars of growth



1. Organic growth in Distribution

- Exposure to high-growth regions, such as the Northeast, and maturer regions like São Paulo and Brasília.
- Annual increase of 300,000 customers.
- Regulated contracts adjusted for inflation.
- Efficient operations with constantly improving operational indicators.



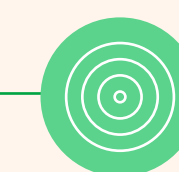
2. Investments in transmission

- Since 2019, 6 lots have been delivered, adding RAP of R\$ 383 million, and 9 lots under construction that will add RAP of R\$ 1.3 billion.
- Capex savings and completion ahead of Aneel's schedule for the delivered lots mean attractive rates of return.
- Expansion pipeline through investments in existing projects, without the need for auctions.
- Competitive advantages: in-house workforce, operational track record, centralized procurement/economies of scale.



3. Renewable Growth

- Wind farms under construction will triple installed capacity to 1.5 GW by early 2023.
- 5.1 GW pipeline of greenfield projects (solar and wind), 100% registered with Aneel.
- 80% of output sold through medium and long-term contracts by 2024.
- Green hydrogen and offshore wind projects.



4. Focus on opex efficiency

- Efficient management of operating expenses (Opex), which are growing slower than inflation. All distribution companies within the regulatory limit.
- Integrated assets, conducive with efficiencies and synergies.
- Insourcing of operational activities, leading to increased efficiency and lower third-party costs.
- Optimizing operational processes, fostering greater synergy among departments.



5. Financial discipline

- Adequate capital structure, with leverage of 3.12 times EBITDA.
- Opportunities for asset recycling.



2.5 | ESG+F Goals

Our Governance and Sustainability System has been structured around ESG+F criteria (environmental, social and governance + finance) since 2021. In 2022, we further defined and disclosed the 16 goals to be achieved in 2025 and 2030, previously approved by the Board of Directors. These targets are based on topics considered material for sustainable management and our commitment to the UN's SDGs.

We accordingly emphasize our pledge to providing transparency on meaningful and measurable objectives that represent the company's priorities in terms of its contribution to sustainable development. The commitments made are monitored and audited internally.

Delivering our ESG+F strategy revolves around three pillars:

- Environmental performance, combating climate change and preserving and recovering biodiversity through environmental policies;
- Social commitment, which appears in social policies;
- Corporate governance standards and policies consistent with international best practices.

This ensures that all corporate and business activities are committed to and effectively work to create sustainable value for all our stakeholders (customers, shareholders, employees, contractors, suppliers, regulators, governments and the communities affected by the business), equitably compensating all groups that contribute to the success of our business enterprise. In addition, the disclosure of ESG +F commitments strengthens the communication and clarity of practices integrated into our day-to-day operations.





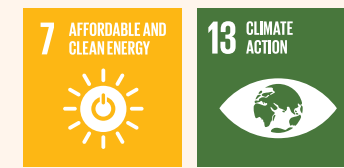
ENVIRONMENTAL

GEE emissions¹

Emissions from generation facilities (scope 1), in gCO₂/kWh

2021 2022 2025 2030

61 1 36 20



Fleet electrification

% of Neoenergia fleet vehicles that are electric

2021 2022 2025 2030

5 8 13 50

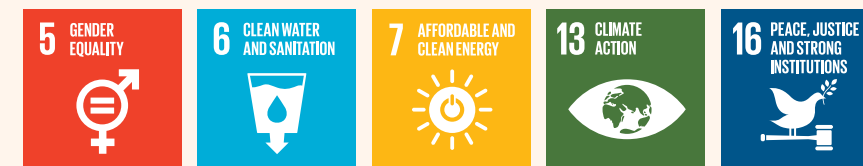


Sustainable Finance

Annually review and update the company's green financing framework

2021 2022 2025 2030

ok ok ok ok



Grid digitization

% of HV (high-voltage) and LV (low-voltage) systems digitized

2021 2022 2025 2030

72 75 83 90



SOCIAL

Women in significant positions²

% women in significant positions

2021 2022 2025 2030

23 28 29 32



Women in leadership positions²

% women in leadership positions

2021 2022 2025 2030

26 29 30 35



Women trained as electricians³

% women trained at electrician schools

2021 2022 2025 2030

15 37 30 35



Women in electrician positions

% women in electrician positions

2021 2022 2025 2030

4 6 9 12



¹ **GHG Emissions:** In 2022, the atypical emission intensity observed was due to the fact that the Termopernambuco natural-gas plant was not called into service by the National System Operator (ONS) for commercial purposes. During the year, the use of gas and its associated emissions corresponded to internal machinery operation testing and maintenance activities.

² **Women in Important and Leadership Positions:** In 2022, we reviewed our recruitment procedures to ensure the presence of female applicants in these processes. This initiative made it possible to prioritize the hiring of women for vacant positions and resulted in improved gender representation in important and leadership positions. The performance achieved in this process indicates our determination to meet these goals, which may be revised upwards in the near future.

³ **Women trained as electricians:** Our electrician training program became even more attractive in 2022 due to a wide-reaching insourcing process within the company. This fact, which led to expectations for possible future hires, led the number of women trained

as electricians during the year to exceed the projected goals. Following the expected completion of the insourcing process and consequent reduction in demand for electricians, from 2023 we will strive to maintain the attractiveness of the program for women based on the natural turnover of these positions. We will therefore reevaluate the current metrics of this published goal so that its commitment to training women as electricians is maintained and supported.

⁴ **Racial diversity:** In 2022, we conducted our first racial census. The self-declaration survey found 30% of people in leadership positions were black, a rate higher than the targets set for 2025 and 2030. To continue fostering the representation of black people, the selection premises were adjusted to intentionally ensure the participation of black application for vacancies. We will also reevaluate the current metrics of this published goal so that our commitment to diversity and inclusion is maintained and supported.

⁵ **Giving back to the community:** After two years of strict social restrictions during the pandemic, in 2022 our Volunteering Program resumed its in-person activities with

SOCIAL

Racial diversity⁴

% Black and mixed-race individuals in leadership positions

2021 2022 2025 2030

Census 30 20 25



Contribution to the community⁵

Corporate volunteering (number of people)

2021 2022 2025 2030

2,000 3,511 2,300 2,600



Safety (ISO 45001)⁶

% of direct employees based at sites certified to ISO 45001

2021 2022 2025 2030

38 48 40 42



Safety⁷

TRIR: Total Recordable Incident Rate – number of lost-time and no-lost-time injuries involving direct employees

2021 2022 2025 2030

0.44 0.26 <0.43 <0.39



Training⁸

Three-year average hours dedicated to training employees and professionals in the communities in which we operate

2021 2022 2025 2030

76 89 67 70



Suppliers

% of significant suppliers classified as sustainable

2021 2022 2025 2030

72 75 >80 >85



GOVERNANCE

ESG-based variable remuneration

% of long term incentive variable remuneration linked to ESG

2021 2022 2025 2030

30 30 30 33



Governance

Best practices in corporate governance

2021 2022 2025 2030

ok ok ok ok



exposure to risks attributed to the new employees participating in the ongoing insourcing process, who worked in straightforward training sessions and/or activities. Considering that the metrics established for this goal propose a significant challenge in relation to the sector's average, which in 2021 was 0.61 (without considering Neoenergia – source Abradee), we remain committed to our efforts for continuous improvement and consolidating such results.

⁸ **Training:** Between 2020 and 2022, the high level of operational insourcing and operational growth (hiring more than 4,000 new employees) demanded a significant volume of per capita technical training to ensure the quality of the services provided. For the coming years, the expected completion of the insourcing will reduce the demand for training for turnover and recycling situations, and a review of this goal's metrics should therefore take place to ensure that the commitment to the training of employees and professionals in the communities in its geographies is maintained and encouraged.

⁷ **Safety TRIR:** Our positive safety numbers for direct employees in 2022 were due to the massive engagement of leadership around the accident prevention service, along with other complementary and integrated initiatives. The rapid progress also reflects the lower

03

The environment



In a world experiencing a growing global demand for energy, we work to build a business model in harmony with nature and mankind and conducive with sustainable development. This performance is strongly linked to the use of natural capital, understood as the pool of natural resources that produce value and generate a flow of goods and services.

We are therefore committed to maintaining a sustainable energy matrix, in which the lower GHG emissions, conservation, protection and promotion of biodiversity, as well as the sustainable and efficient use of resources, are embedded into all our activities and processes. Our model harnesses renewable energies for electricity generation, smart grids, efficient energy storage and the promotion of electrification as a driver for competitive and efficient decarbonization of the economy.

We work on three fronts that jointly address our main impacts:

- **Climate Action:** establishes the strategy, work plans and objectives for reducing emissions and combating climate change.
- **Circular Economy:** sustainable resource use, striving to extend the useful life of assets and seek to use less raw materials and create less waste.
- **Protection of Biodiversity:** we factor biodiversity conservation into decision-making, minimize negative impacts and establish programs for impact recovery and offsetting.

Our environmental policies are integrated in the sustainable development strategy and form a decisive response to the climate challenges, goals and targets, as well as preserving the environment and biodiversity, helping identify and leverage opportunities arising from the energy transition. These policies espouse our commitment to create business value that takes into account and respects the natural capital on which our activity relies, helping to inform and mobilize all stakeholders.

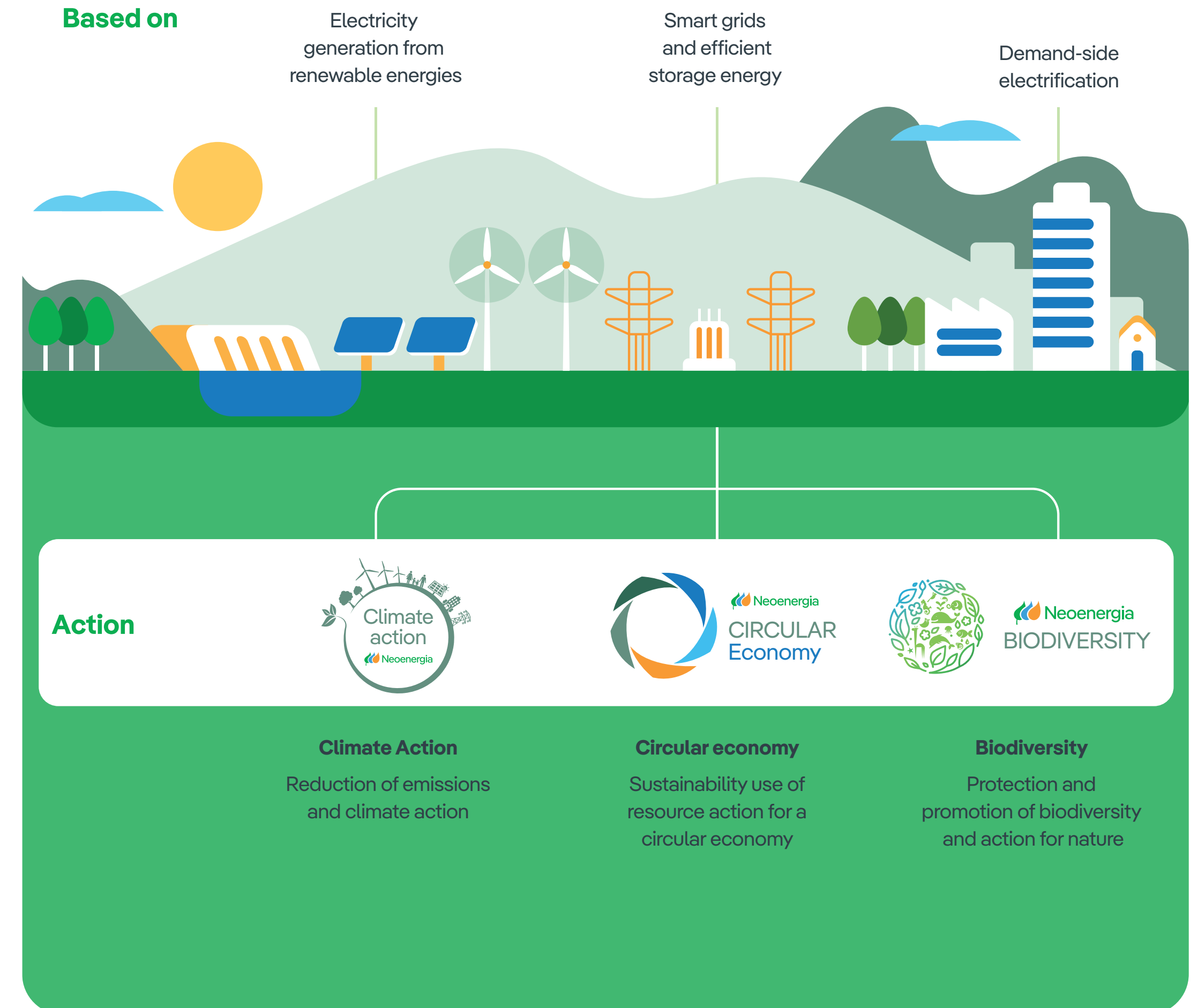
We maintain an Environmental Management System (EMS) that enables the development of a common environmental framework among our companies, respecting regional and business-specific requirements. Through the EMS, based on ISO 14001, our environmental policies establish the following guidelines:

- Protect the environment and contain the loss of biodiversity;
- Combat climate change and its effects;
- Guarantee sustainable modes of production and consumption;
- Strengthen alliances with stakeholders for sustainable development.

To gauge our environmental performance, we use our Corporate Environmental Footprint (CEF), published annually in the CEF of its majority shareholder Iberdrola. The CEF evaluates the effects of our activities on the environment, from a life cycle perspective (ISO/TS 14072:2014 standard). CEF's main objectives are:

- To quantify and unify performance in a single environmental indicator.
- To analyze the effect of its activities on different categories of environmental impact.
- To identify and evaluate the environmental issues of most relevance to Neoenergia's activities.
- To contribute to the monitoring of the organization's environmental performance and to enable traceability of business objectives and continuous environmental improvements.

An energy model in harmony with nature and humankind



3.1 | Decarbonization

Our business strategy has been designed to accelerate the energy transition toward net zero by delivering clean, reliable and smart energy. We address the topic not only as a risk factor, but also as an opportunity to expand our portfolio and for growth through mitigation and adaptation during the transition to a low-carbon economy.

We have a Climate Action Policy line and since 2021 we have adopted the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) as basic principles for corporate management and reporting of non-financial indicators.

Carbon pricing

We have maintained an Internal Carbon Pricing (ICP) project since 2021, which serves as a driver to identify opportunities to reduce emissions and the abatement costs for production processes, seeking new potential decarbonization paths. The first Marginal Abatement Curve (MAC) resulted in an internal price for carbon covering 12 potential emission-reduction projects. These projects include, for instance, measures to electrify the fleet and develop two electric trucks, the result of a R&D project.

We also developed a methodology for assessing climate risks, initially applied to our Termopernambuco thermal power plant, considering the dimensions of climate threats, sensitivity and adaptive measures to evaluate the degree of the thermoelectric plant's exposure to physical risks such as rising temperatures and sea levels, rainfall variation and others. With the support of Coppe and Waycarbon, we are customizing this methodology for our hydroelectric, wind power, transmission and distribution companies.

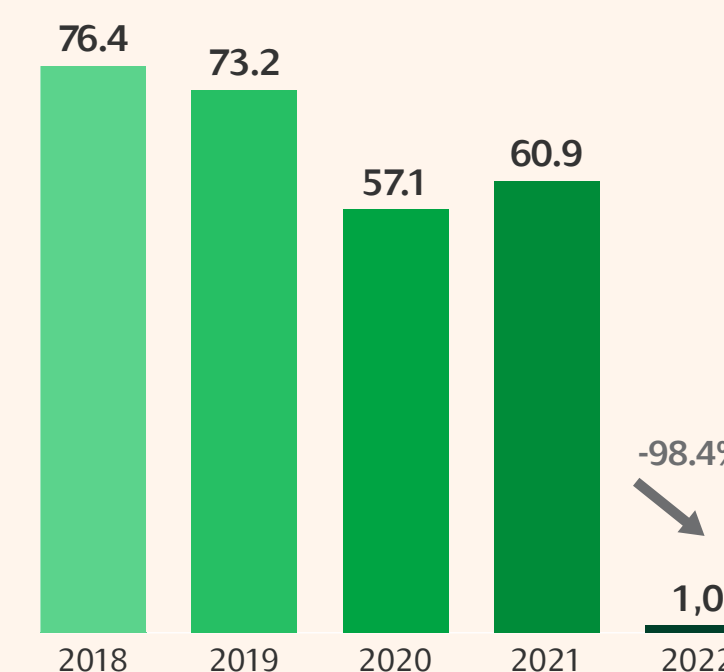
Impactful innovation

See below a few representative examples of innovation that has an impact on climate action and decarbonization: commitment to green hydrogen as an energy vector for the future, digitization and automation, and disruptive technologies. We started to develop a project for local production of green energy using photovoltaic solar power to be used for electric mobility (vehicles). We signed memoranda of understanding with the governments of Pernambuco, Ceará, Rio Grande do Norte and Rio Grande do Sul to develop this source of renewable energy.

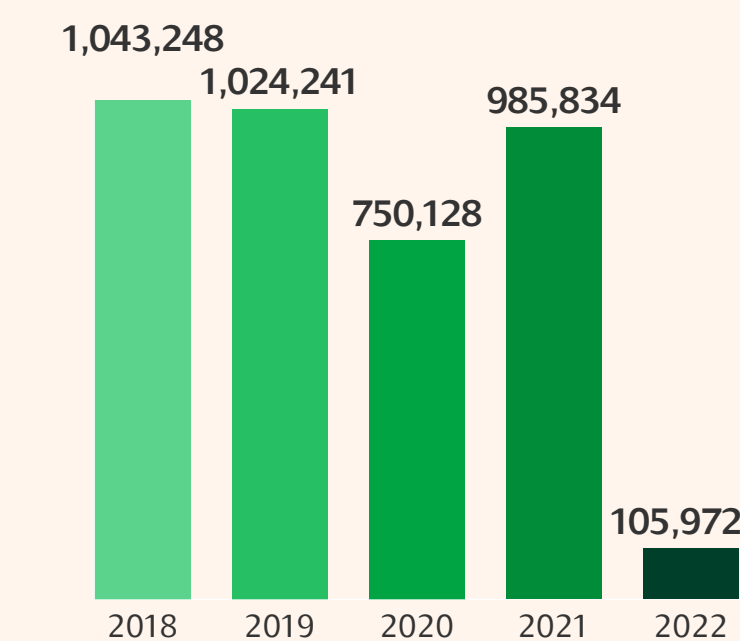
We assumed the ESG commitment of reducing our generation emissions from 61 grams of CO₂e per kWh in 2021 to 20 grams of CO₂e per kWh in 2030. The goal is to be carbon neutral before 2040. In 2022 it was only 1 g of CO₂e/kWh, however this was an atypical year in which our combined cycle natural gas thermal plant Termopernambuco did not operate commercially, because it was not dispatched by the National Grid Operator (ONS). Having 90% of its high and medium voltage grids digitized by 2030 and electrifying 50% of our fleet are part of our decarbonization commitment.

As part of our efforts on climate change, we annually compile and publish greenhouse gas (GHG) emissions inventories that are assured by independent auditors. Publishing our inventory earned us Gold reporting status from the Brazilian GHG Protocol Program. We scored A- in the CDP Climate, making us a leader among peers.

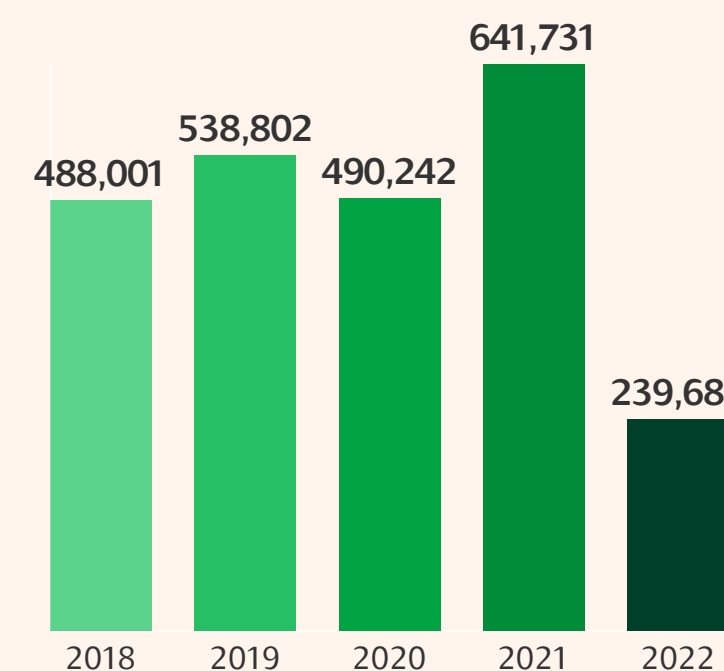
Emissions intensity (gCO₂/kWh generated)



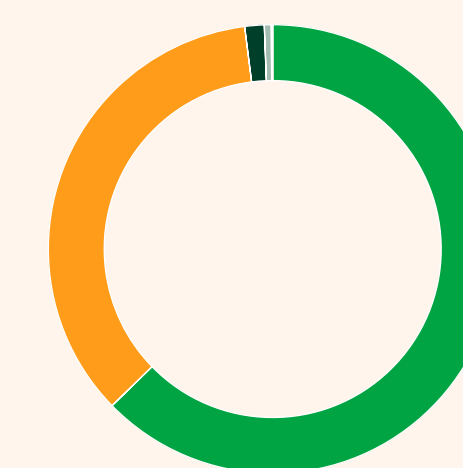
Direct ghg emissions scope 1 (tCO₂e)



Indirect ghg emissions scope 2 (tCO₂e)



Indirect ghg emissions by type scope 3



- 62.7% Emissions associated with the energy purchased from third parties
- 35.3% Emissions associated with the supply chain
- 1.4% Emissions from employee business travel
- 0.5% Emissions associated with employee commutes to/from the workplace
- 0.1% Viagens e negócio de empregados

2022 data is preliminary and will undergo auditing, scheduled for June 2023. The updated information will be available in our Greenhouse Gas (GHG) Inventory on our website. The Termopernambuco plant did not enter into operation in 2022 which resulted in lower scope 1 emissions.



3.2 | Water

Water is an essential and irreplaceable resource in many of our operations. Aware our reliance on water and the business risks stemming from water shortages, we are committed to using water resources responsibly. Our water management received a B rating in CDP module water security. Our leading initiatives are:

- Managing water withdrawal and consumption volumes across all companies.
- Ensuring and monitoring legally required stream flows for all hydroelectric reservoirs.
- Continuously improving facilities to minimize water consumption and impacts.
- Carrying out employee awareness campaigns to improve water efficiency and responsible consumption in office settings.

The bulk of the company's water withdrawals occur at Termopernambuco, a combined gas and steam thermal plant that accounts for 98.2% of the group's total water withdrawals. As classified by Aqueduct's Water Risk Atlas tool (since 2020 for generation assets), water for thermal power plant requirements is withdrawn in an area with low to medium risk. Of the total water withdrawn, 98.1% is seawater, which is unaffected by water stress. This water is used for cooling purposes at the plant.

Water used for hydroelectric power generation is not considered to have been consumed, and is classed as turbined water. All our hydroelectric dams are classified as run-of-river dams, without significant water impoundment.

Our administrative initiatives included: purchasing plumbing fixtures with flow reducers and installing rainwater harvesting systems, for water not needing the same treatment as would be required for potable water. All new office buildings are required to have an installed capacity of 5,000 ML water/year depending on their roof area, the efficiency of water harvesting systems, and annual rainfall rates.

Water withdrawal, consumption and discharge¹

	2022 ²	2021	2020
Water withdrawal by source (ML)			
Surface water	39,820	243,391	238,518
Freshwater	0	0	0
Other water (seawater)	39,820	243,391	238,518
Utility water	139	216	244
Freshwater	139	216	244
Other water	0	0	0
Total water withdrawal	39,958	243,607	238,773
Freshwater	139	216	256
Other water	39,820	243,391	238,518
Water discharge (ML)			
Freshwater	0	0	0
Other water (seawater)	39,820	243,391	233,269
Total	39,820	243,391	233,269
Water usage (ML)			
Total	139	216	5,504
Total Consumption/Withdrawal (%)	0	0	2

¹ Water withdrawal and consumption in areas with water stress is negligible.

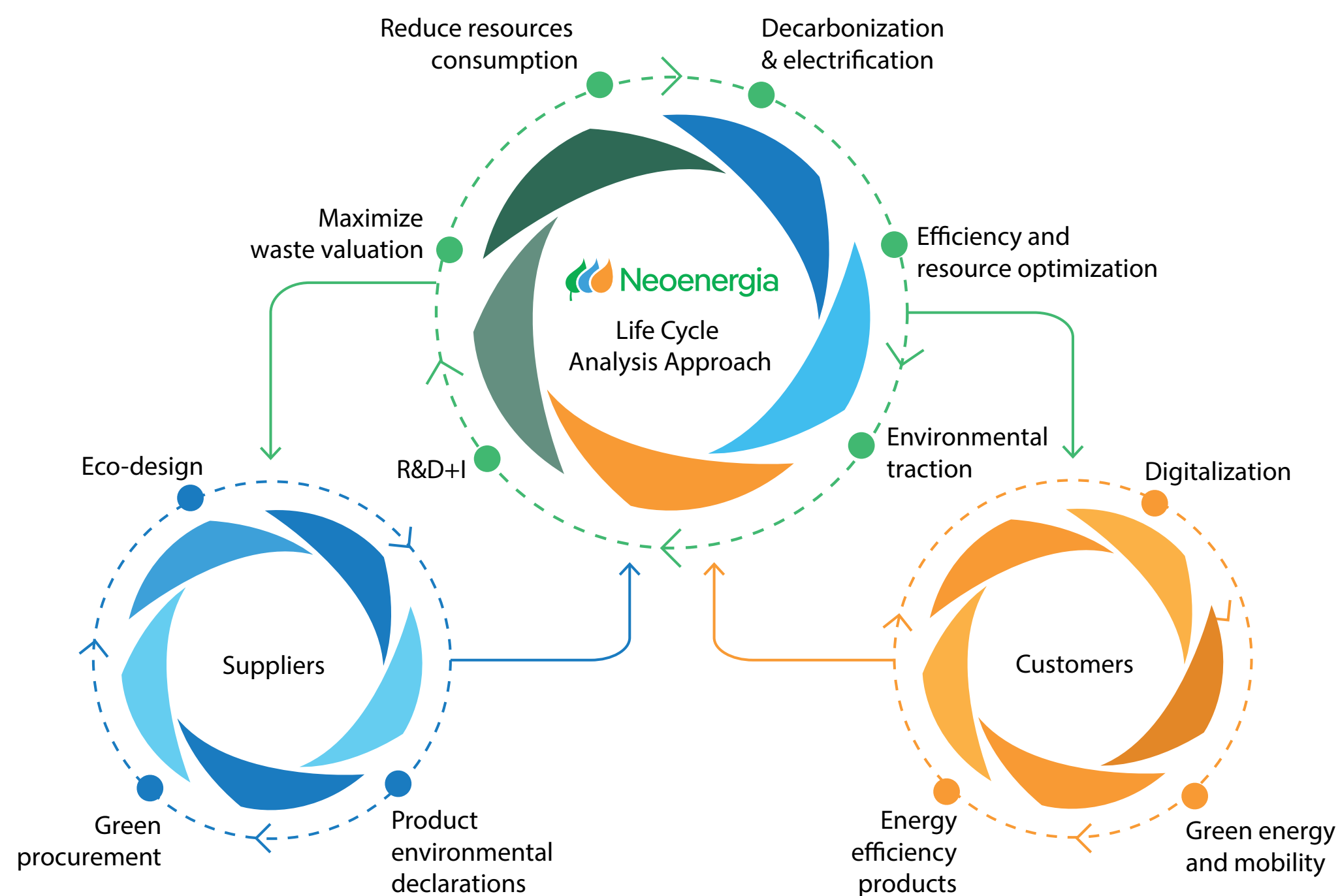
² In 2022, water withdrawals were reduced as Termopernambuco was not commercially operated but only run when required for maintenance activities.



3.3 | Circular economy

Our sustainable energy model, committed to innovation, decarbonization and electrification of the economy, is directly aligned with the circular economy. This is achieved through reducing emissions and the consumption of raw materials, using renewable resources for energy production, improved efficiency, optimizing resources and maximizing waste reuse.

The challenges of sustainability cannot be approached in an isolated manner, but rather must be addressed holistically. In 2019, our majority shareholder Iberdrola accordingly defined its circular economy model, which includes the value chain from suppliers to customers, along with its operations. The approach is shown in the diagram below:



Waste management

We strive to minimize waste production in any and all processes and activities (construction, operation and maintenance) and to increase recycling and reuse of materials. We understand the circular economy is imperative for sustainable development and an opportunity to address climate change and the energy transition. Neoenergia's waste management practices are based on the following principles:

- Minimize the generation of waste at source;
- Maximize the reuse, recycling and recovery of waste;
- Promote awareness-raising campaigns regarding the minimization of waste;
- Specific treatment and management of hazardous waste.

We have several initiatives in place across all our businesses. In our Networks division, one notable initiative is the installation of fully recyclable distribution poles made from waste poles removed from the power grid. A specialized company separates the components (metals, gravel, aggregates, concrete dust), and eco-friendly poles are made. This initiative was initially adopted by Neoenergia Coelba. We also refurbish transformers, extending their lifespan, regenerate and store insulating oils and reduce environmental impacts. We also implement reverse logistics for substation batteries and have partnerships for utilizing urban pruning waste as soil fertilizers.

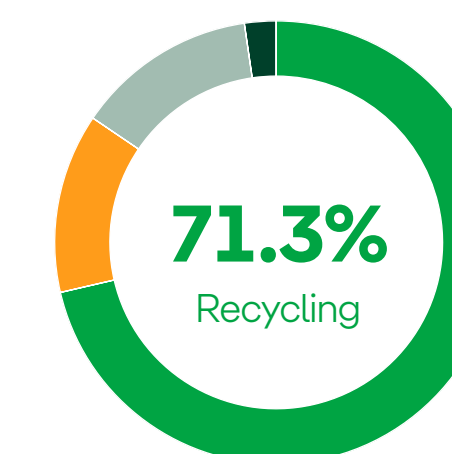
We promote improved environmental awareness among employees by using the sustainable practices of our distribution companies as examples. The pathway is made up of three modules: the first covers general environmental concepts, espousing sound environmental practices and fostering a culture of sustainability, while the other two modules address topics such

as environmental legislation applied to projects and vegetation management, sharing information required for proper environmental intervention.

In our Renewable Energy sector, our hydropower plants use washable industrial towels instead of rags and cloths to remove oils, grease, resins, etc., without generating contaminating waste. Another initiative is installing composting systems that reduce organic waste volume by up to 90%, which is later used in restored areas, reforestation projects, gardens or donated to employees and community entities.

In 2022, we recycled 71.3% of the waste we generated. Only 13.2% of the total waste was eliminated, with 42.2% being incinerated, 38.8% sent to landfills, and 19% managed through other disposal operations.

Waste disposal



- 71.3% Recycling
- 13.1% Other valuation operations¹
- 13.2% Destined for disposal
- 2.3% Reuse

¹ Offscourings electrical and electronic equipment sold for reuse by third parties.



3.4 | Biodiversity

We understand that respect for biodiversity and ecosystems must be at the forefront of its business strategy, as ecosystem conservation is an essential condition for global sustainability. We have therefore had a [Biodiversity Policy](#) in place since 2019, revised in 2021, in which we commit to embedding biodiversity protection and conservation in decision-making and developing a responsible energy model with nature as a source of sustainable development.

We identified impacts and dependencies stemming from the interaction of these activities on biodiversity and natural capital. We apply the conservation hierarchy (avoid, minimize, remedy, and as a last resort, offset) to all projects. In the environmental impact assessment (EIA) processes, alternative sites are analyzed, which are decisive to avoid installing new infrastructure in protected areas or areas with high biodiversity value without formal protection status. Below are some of the assessment tools used:

- Corporate Environmental Footprint
- Environmental impact assessments of greenfield projects
- Impact surveillance, monitoring and re-evaluation programs

The Biodiversity Action Plans for facilities consolidate the different instruments applicable to each phase of the facilities' life cycle and are reported to stakeholders in the [Global Biodiversity Report](#), which is released every two years. These plans can be summarized as follows:

Since 2019, we have been developing pilot projects in metrics to measure the impacts on biodiversity and seek a net positive balance for our energy generation, transmission and distribution assets. In 2022, these pilots in Renewables and Grids helped define the methodological framework for this measurement, this allowing us to develop of the 2030 Biodiversity Plan.

Protection and restoration

Our hydropower plants runs programs to rehabilitate disturbed land and restore and offset habitats. Our revegetation programs aim to ensure that forest cover is adequately restored in all Permanent Conservation Areas surrounding reservoirs. The power plants also implement programs for the protection, conservation and monitoring of fauna and flora species, as well as salvaging fish species.

One notable initiative is the creation of a biodiversity corridor by the Baixo Iguaçu Hydropower Plant, which connects the forested areas of the Iguaçu National Park (PNI) with the areas subject to expropriation and vegetation recovery in the plant's direct influence area.

We are working to restore the Caatinga ecosystem in our wind clusters. When building the Chafariz and Otis wind clusters, we took great pains to minimize the area of vegetation to be cleared, using 40% less land than that allowed by the Deforestation Permit. As a compensatory measure, 16,728 seeds and 4,669 seedlings were planted to restore the ecosystem.

At the distribution companies we developed projects to minimize adverse effects of power grids on wild fauna species, such as biological distancers to dissuade *Furnarius rufus* from building nests on distribution network poles in Brazil, reducing the number of power outages and the risk of the birds suffering electrocution.

In partnership with SOS Mata Atlântica we voluntarily planted 25,000 native Atlantic Forest seedlings in celebration of our 25th anniversary. The planting was carried out in December 2022 and the area's monitoring and maintenance program will last five years.

Biodiversity action plan





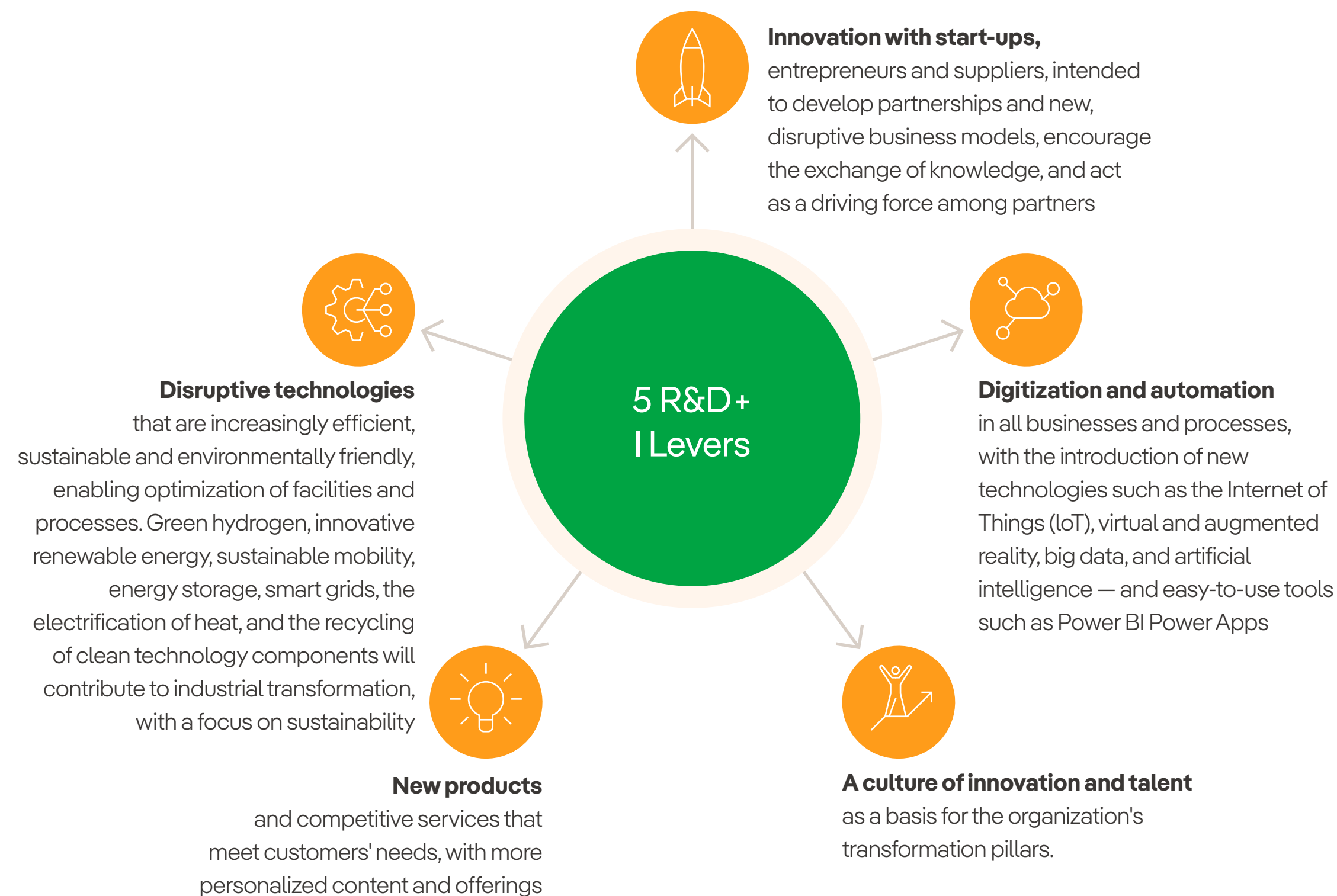
3.5 | Innovation

Our innovation strategy is aligned with our sustainable development strategy focused on renewable energies, and on capturing opportunities that enable business digitization and automation. It also believes in emerging technologies to face the challenges and leverage transformation opportunities in the power sector. This also helps us achieve two Sustainable Development Goals (SDGs): SDG 9 (Industry, innovation and infrastructure) and SDG 13 (Climate action).

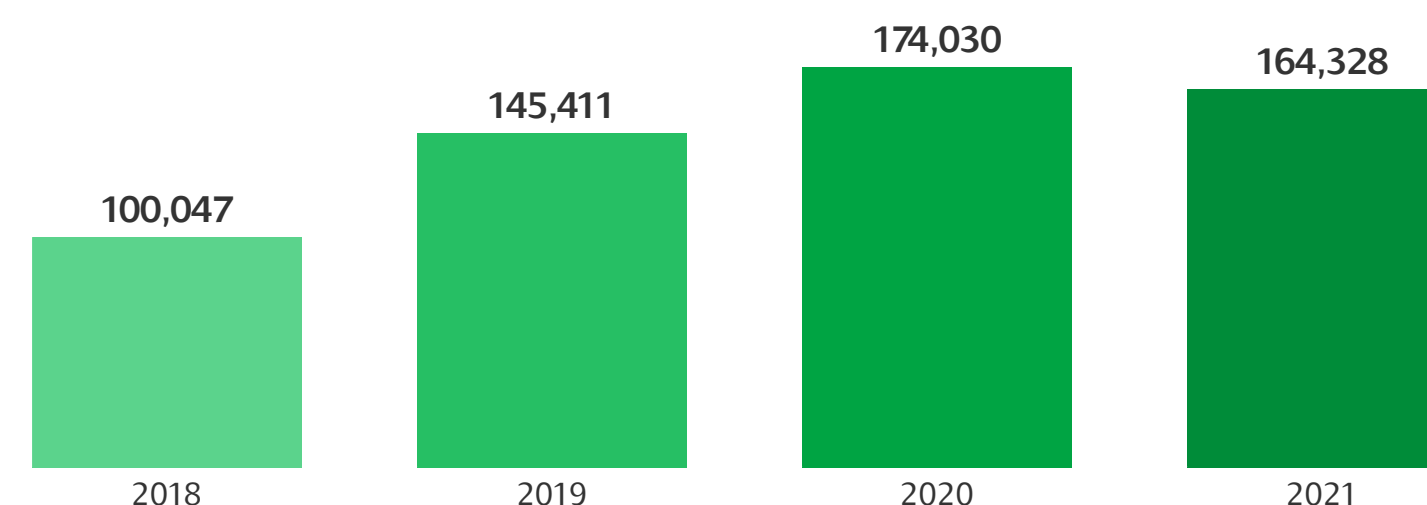
We invested R\$ 164.3 million in Innovation, Research and Development in 2022, with efforts organized around five major lines, which in turn are aligned with the fundamental vectors for energy transformation, decarbonization and electrification of the economy.

Innovation governance has the support of the Go In collaborative platform created in 2021 and a technology solution to manage the innovation portfolio, encouraging diverse ideas to seek promising solutions for the company's businesses and the power sector in general.

We were recognized in one of the largest innovation rankings in Brazil, the Top 100 Open Corps 2022, which identifies the corporations that have most engaged in open innovation with startups in the country. Between July 2021 and June 2022 we interacted with over 47 startups. One of the projects developed under this model is a solution developed by Automa, winner of the Non-Technical Losses Startup Challenge: Digital Twin, solutions using drones, computational vision and artificial intelligence.



R&D + I investment (R\$ thousand)



Research and development

We developed a Research and Development program regulated by Aneel (Law 14.120 of March 01, 2021), whereby generation and transmission utilities allocate 1% of net operating revenue to R&D projects, with distribution companies allocating 0.5% to R&D and 0.5% to Energy Efficiency Programs. In 2022 this stood at R\$ 219.4 million, including R\$ 83 million effectively applied to projects at and the remainder allocated to the National Scientific and Technological Development Fund (FNDCT), the Ministry of Mining & Energy and the Energy Development Account (CDE).

Our R&D program is underpinned by five topics: Smart Technologies, Safety, Energy Recovery, Quality and Reliability, and Business Sustainability — and is in line with the company's strategy of delivering practical and tangible results.

In Renewables efforts are focused on process digitization and automation of tasks, deploying new technology for failure prediction and equipment and facilities inspections. The goal is to maximize profitability while minimizing safety risks for people and equipment.

In Networks we prioritized new technologies and services that transform the customer experience. We also identify new opportunities to further automate assets and digitize processes, and to grow smart grids.

Liberalized business is focused on improving the efficiency of operating assets and processes affecting quality, safety and costs. Other important initiatives are supporting the ongoing liberalization of the power sector in Brazil, alongside investments in green hydrogen.



Transforming the energy sector

Digitization and automation – We are embracing technologies such as Artificial Intelligence (AI), the Internet of Things (IoT), clouds and blockchains (advanced databases that enable data sharing) which can help overcome challenges of integrating renewable sources and developing smart grids. It includes the Smart Grid Automation Systems (SNA), which will automatically reconnect over 500,000 distributor customers. Another initiative is the Mobile Inspection and Commissioning System (MICS) to maintain its transmission assets. This tablet-based tool is handed out to field teams so they can register activities in real time.

Digital Connection – The initiative modernizes the customer journey, developing integrated digital solutions and digital inclusion. Through these levers, the program is helping to improve the customer experience, putting the customer at the center of the business.

Hydrodigital – Use of artificial intelligence and data from turbine sensors to assess and inform regulatory incentives to improve generation performance.

Smart grids – We developed and patented technology for a smart sensor that has now been licensed for commercial use. The sensor was originally developed to reduce technical and commercial losses. The project offers multiple functionalities for determining the capacity to accommodate distributed generation and new medium-voltage loads. Using big data, it can analyze large volumes of data and check losses by feeder section and piece of equipment, thus enabling smart and accurate planning.

Microgrid – Through a centralized solar energy system with batteries and a distribution grid, the project benefits 113 consumers in the backlands of Bahia with a safe and high-quality power supply for previously underserved communities, supporting local economic and social development.

Wind Turbine Performance and Automated Reporting WebApp – We developed the tool in partnership with Iberdrola Innovation Middle East, in Qatar, to automate windfarm performance analysis, thereby helping to identify potential operational issues affecting wind turbines.

Decarbonization

Green hydrogen – Green hydrogen is considered a key factor to drive the energy transition, decarbonizing manufacturing industries such as chemicals, fertilizers, steel, and heavy transportation, all of which are hard to electrify and are some of the major sources of GHG emissions. With R&D funds from ANEEL, we have started to develop a project for local production of green energy using photovoltaic solar power to be used for electric mobility (vehicles). When the project is completed, it will have an estimated capacity to produce up to 1.79 kg/h of green hydrogen to fuel electric vehicles.

Green Industry Solutions – ideal for any industry that burns fossil fuels to generate heat or cold in its manufacturing processes and wants to reduce its GHG emissions to be more sustainable and lower energy costs. We developed an emissions calculator for commercial and industrial customers, allowing them to monitor their emissions reduction over time while also minimizing fossil fuel costs.

Demand-side electrification

Green Corridor – The first electric vehicle-ready highway in the Northeast, stretching over 1,200 km from Salvador (BA) to Natal (RN), with 17 charging stations.

Electric truck – Vehicles developed for power line maintenance, and a smart system that ensures safe and efficient recharging on the low-voltage network of concession operators.

Green Trail – Project in Fernando de Noronha which will use electric vehicles and charging stations distributed in strategic locations on the island, ensuring a reliable supply through renewable sources with a power storage system. It includes two new solar plants, 12 eco-points and 18 electric vehicles for our fleet and operations.

04 Social

In the social dimension, we recognize and strive to achieve a social dividend, which consists of the direct, indirect or induced contribution of value to all our stakeholders. Behind the social dividend are our commitments to:

- Sustainable development.
- Contributing to the progress of the communities where we operate.
- Sharing the success of our business project with all our stakeholders.
- Managing the direct and indirect impacts of our activities on our stakeholders.
- Respecting human rights as a requirement when carrying out our own activities and throughout our value chain.

We contribute to the creation and maintenance of quality jobs, with pillars in people management including equal opportunities, non-discrimination, talent development and management, and care for the safety and health of all.

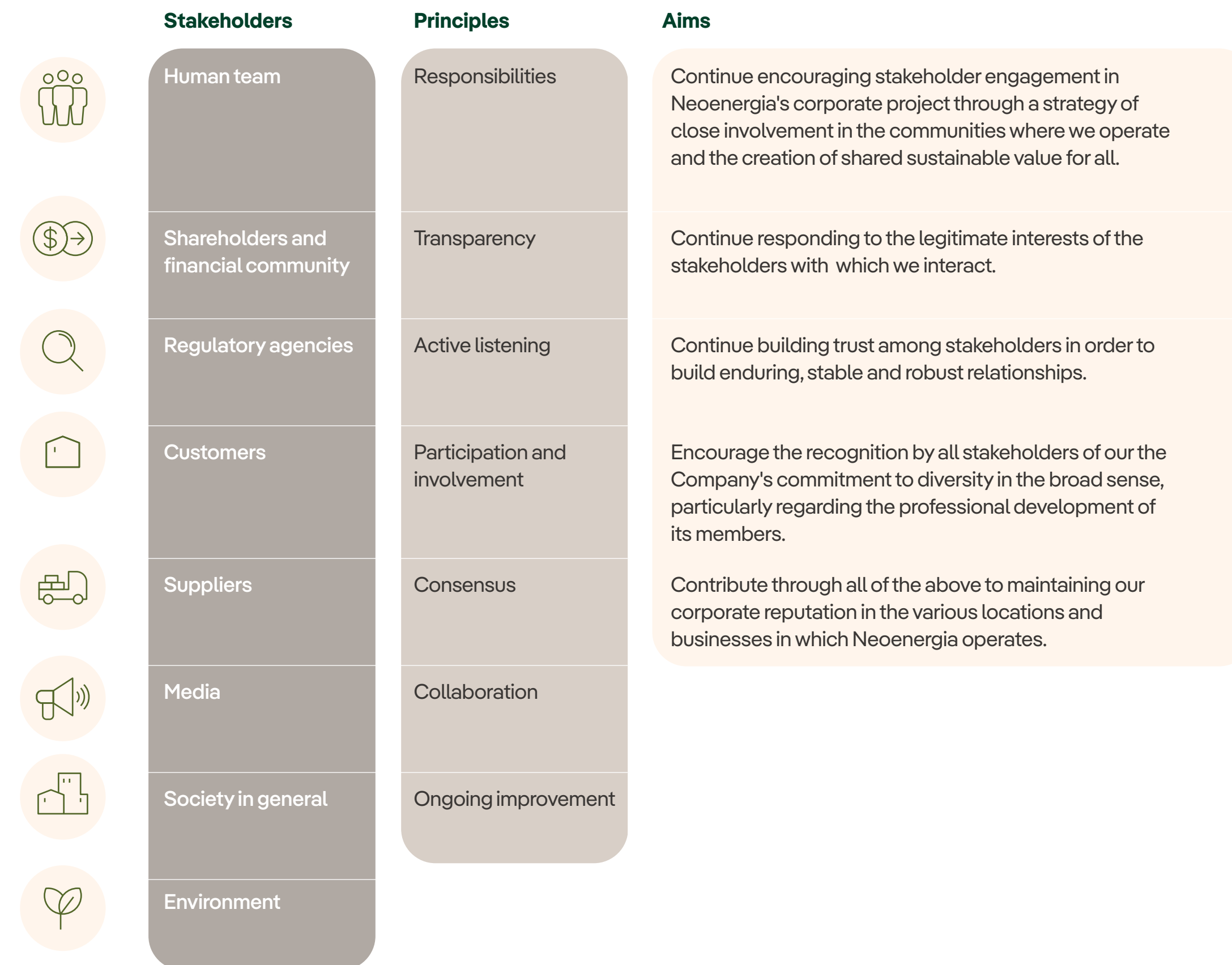
We work to continuously improve the quality of our products and services, investing in digitalization and accessibility, with solutions that take into account the real needs of our customers.

We collaborate with the development of the communities in which we operate through initiatives carried out by our companies and Instituto Neoenergia.

We seek to motivate our suppliers of materials and services to further improve their ethical, social and environmental performance, driving a more sustainable management of the entire supply chain.

4.1 | Stakeholders

Strong engagement of our stakeholders is an imperative for developing a responsible and sustainable business model. This requirement is stipulated in our [Stakeholder Engagement Policy](#). An internal assessment informed the selection and identification of groups and entities whose decisions and opinions influence us and who, at the same time, are affected by our activities.



We maintain a Global Stakeholder Engagement Framework based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES 2015), in its four principles of Accountability AA1000 (AA1000AP, 2018), of inclusiveness, materiality, responsiveness and impact. Among other objectives, this framework seeks to systematize stakeholder relations and create a corporate culture with respect to the significance of dialog for more sustainable performance by the company.

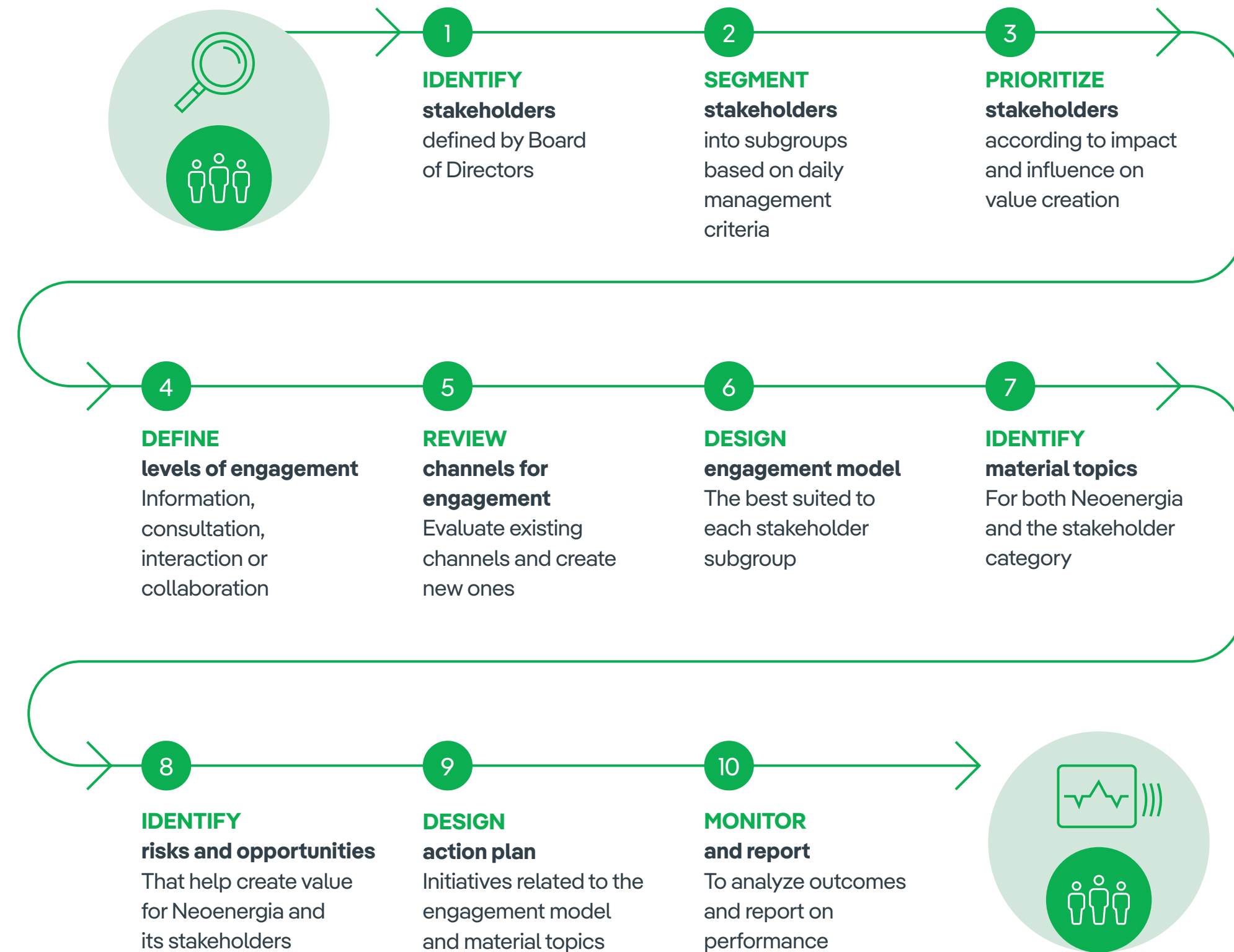
Through a shared digital system, the various business areas are able to identify groups of sub-stakeholders that are relevant and should be addressed in a specific way, and to define relevant topics, channels (phone, e-mail, assemblies, meetings, events, social networks and others), and the degree of engagement, including listening, information, interaction and collaboration.

Good practices

An example of good practices in stakeholder management was the 2022 launch of the Safe Community Program, focusing on the safety of the population through the proper use of electrical energy. The objective is to improve people's daily interaction with the distribution network through awareness-raising actions. These actions are based on identifying the main causes of accidents involving the network and will be mainly carried out in schools, community organizations, social institutions and companies.

Another example was the socioenvironmental diagnosis of the operative Caetité Wind Cluster, with the involvement of government agents, and local and community leaders to understand the needs and expectations of the communities in the region. We harnessed this to produce a socioenvironmental vulnerability map and updated the stakeholder and material topics matrix, and also enabled an analysis of the social risk. Social projects were developed based on this data, in support of local communities.

Stakeholder engagement model



Service channels

We keep the relationship channels with stakeholders updated and make continuous efforts to identify the issues that are most important to each of them, working to create shared value.

While implementing the Stakeholder Engagement Framework between January 01, 2021 and March 01, 2022 the most relevant topics we identified were:

Cross-cutting topics and channels of relevance to all stakeholders

Cross-cutting channels	Usage frequency	Relevant issues
<ul style="list-style-type: none"> ○ Telephone, e-mail, web and intranet ○ Meetings and interviews 	<ul style="list-style-type: none"> ○ Permanent ○ Periodic 	<ul style="list-style-type: none"> ○ Occupational health and safety ○ Attracting, developing and retaining talents ○ Diversity and equality ○ Customer satisfaction and experience ○ Energy transition ○ Supply chain sustainability ○ Power quality ○ Climate change and decarbonization ○ Socially responsible investment ○ Relationships between the company and the community/venture ○ Sociocultural heritage of local communities.



4.2 | Our commitment to human rights

We have adopted a set of tools that ensure and promote the protection of, and respect for people to prevent, mitigate and redress any possible impact on human rights. We aligned our practices with the universal principles of the UN Global Compact and the Guiding Principles on Business and Human Rights (GPBH), the OECD Guidelines for Multinational Companies, the Tripartite Declaration of Principles concerning Multinational Enterprises and the Social Policy of the International Labor Organization (including ILO Convention 169), and the UN Sustainable Development Goals (SDGs).

Our [Respect for Human Rights Policy](#) formalizes this commitment to human rights as a fundamental component of our Purpose and Values. We explicitly undertook the obligation to:

- Reject child labor and any type of forced, slave-like labor;
- Respect freedom of association and collective bargaining;
- Respect the right of freedom of movement within the company;
- Refrain from any form of discrimination;
- Respect the rights of ethnic minorities and of indigenous peoples in the places in which it does business, fostering candid dialog that includes cultural frameworks in the areas where we operate;
- Respect the right to the environment, considering the expectations and needs and the surrounding communities; and
- Understand that access to energy is a right related to other human rights, collaborating with government institutions to implement systems to protect vulnerable customers and plans to extend services to communities that do not have access to power.

Other policies bolster this commitment, such as social, Personal Data Protection and Procurements, which includes the view of shared responsibility with suppliers regarding respect for human rights.

Due diligence system

We defined our human rights expectations for different stakeholders in the performance of their activities — employees, suppliers and investment partners — demanding absolute respect for human and labor rights recognized in Brazilian and international law. Our Human Rights Due Diligence System is supported by the Governance and Sustainability System and the model based on the three lines of defense (prevention, monitoring and assessment). The system is designed to identify and manage the risks and impacts associated with the development of operations in all phases (planning, construction, operation, maintenance and closure of facilities), taking into account geographical, social and supply chain factors. It is also adapted to the diversity and specificities of the facilities in our various geographies.

We are firmly committed to the defense of human rights and have adopted a set of tools that ensure and promote the protection of, and respect for people to prevent, mitigate and redress any possible impact on human rights.



Identifying impacts

The Human Rights Risk Map, prepared in 2022 by Iberdrola, identified that our operations have risks in the following areas: working conditions, environmental impact, land and property and indigenous peoples. This took into consideration environmental aspects, working conditions, equality and non-discrimination, universal access, privacy, occupational health and safety, land and property, union freedoms, forced labor, indigenous people, public safety, suitable standards of living, and child labor.

Whenever a potential risk or impact is detected, the due diligence system includes the design and implementation of measures appropriate for its prevention and mitigation, as applicable. In the case of actual impacts that have already occurred, this system includes measures to mitigate or remediate them.

Complaints and grievances mechanisms

We have different communication channels, such as the [Ethics Channel](#), so that the affected parties may contact the company directly and share their concerns or complaints related to the impact on human rights caused by employees, suppliers or any other stakeholder.



4.3 | Our people

We operate in a competitive and ever-changing environment. Excellence in people management is essential to achieve our competitiveness and business efficiency goals in a climate of social harmony, favoring stable and high-quality jobs, and promoting a culture based on non-discrimination and the promotion of diversity and inclusion to ensure sustainable business growth.

We ended 2022 with 15,406 employees, of whom approximately 65% work in the states of Northeast Brazil. In addition to company employees, another 31,855 contractor employees provide services to the group, in particular field services for the distribution and transmission companies, alongside 524 interns.

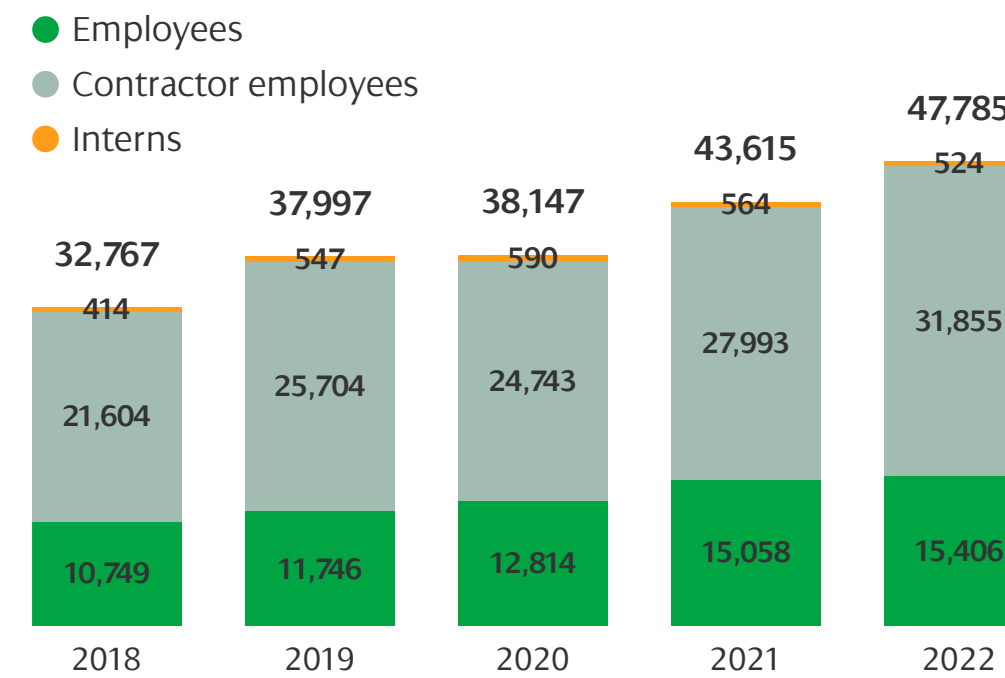
Attracting, developing and retaining talents

Talent management is a key element to ensure we successfully achieve our goals. For this reason, all group companies join forces to attract, select, train, and retain professionals who share behaviors, knowledge and skills that are aligned with the company's purpose and values, and with its current and future needs.

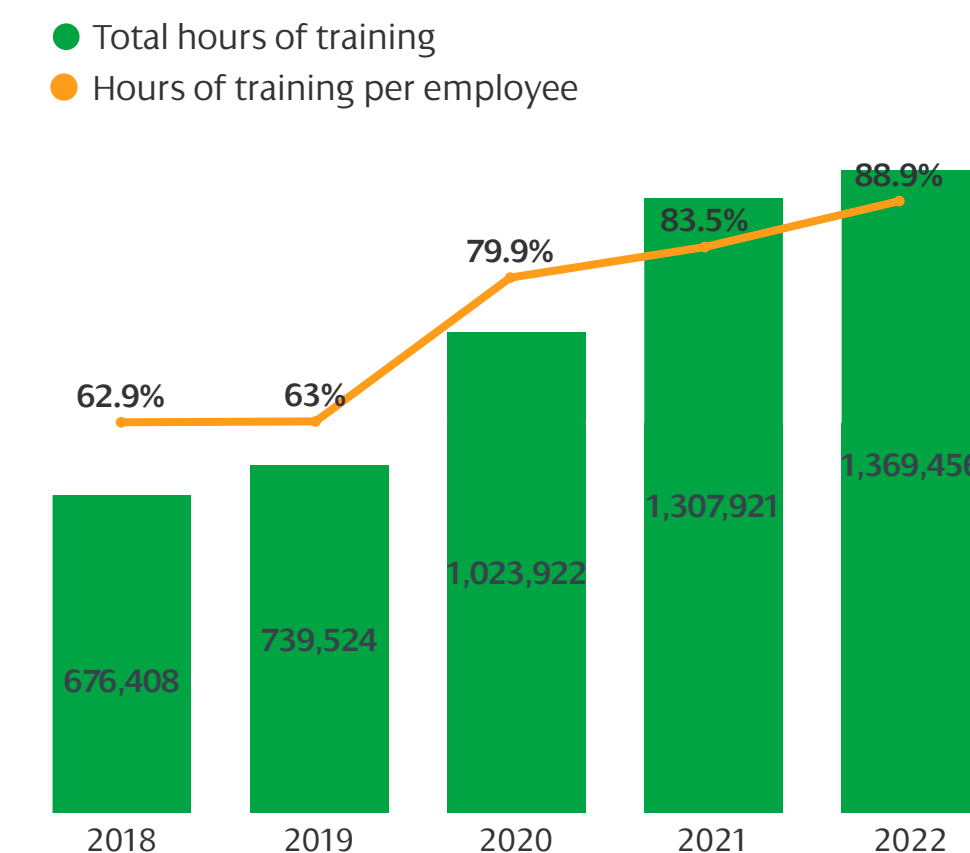
The standards that apply to selection processes were reviewed in 2022. One of the main premises is to value professional growth and prioritize in-house recruitment. This approach offers a consistent career plan, keeps up the level of engagement and helps develop a strong culture. In 2022, 32% of the openings were filled in-house, 72% of these for leadership positions.

We introduced an insourcing process in 2017 to improve customer service and safety management. Since then, over 5,000 people were added to our headcount.

Number of workers



Hours of training



An important gateway is the internship program, with continuously open positions, resulting in even more assertive recruiting that is faster and more dynamic. In 2022 we attracted over 13,000 interested individuals for 200 positions. Last year we also created the International Graduate Trainee Program, a two-year program that offers successful applicants an international experience in countries where Iberdrola operates.

In 2022, we administered approximately 1.4 million hours of training, averaging 88.9 hours per employee. We offer a range of skills-building programs that equip employees to perform their tasks and help to create a culture of individual development, value creation and continuous improvement.

Digital tools are increasingly used to facilitate and encourage employee ownership. Recognizing that people learn in different ways, we use the 70/20/10 Learning Model (70% on-the-job experience, 20% interactions and 10% formal education).

Diversity and inclusion

We have internal guidelines that nurture diversity and help retain the best talents, developing a culture of innovation, and more creative and productive teams that can contribute to a more equitable society. We strive to create an inclusive work environment where differences are respected, employees are empowered and discrimination is fought. Four affinity groups (race, women, LGBTQIA+, people with disabilities) bring together employees from all over Brazil to discuss themes related to the group. A racial self-declaration census was completed in 2022, so that these themes may be more accurately addressed over the coming years.

We set targets to expand:

- **The number of women in important positions:** we hit 28% in 2022 and are targeting 32% by 2030.
- **The number of women in leadership positions:** 29% in 2022 with a target of 35%.
- **Women working as electricians:** we achieved 15% and 4%, respectively, targeting 35% and 12% in 2030.
- **The number of black and brown individuals in leadership positions:** 30% in 2022, surpassing our long-term target.



We updated our selection and recruiting standards to promote the inclusion of minority groups in in-house and external processes. It is recommended that at least one-third of the finalists for supervisor, analyst, and technician positions come from one of these groups. Leadership positions must include a list of diversified finalist candidates with at least one representative of each gender.

Our Equality, Diversity and Inclusion Policy does not allow any form of discrimination based on race, color, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation or any other personal, physical or social condition among its professionals. The policy also ensure equal salary, including equal pay for men and women for the same type of work, and salary review criteria are the same for all genders. The ratio of the mean salary for men to the mean salary for women was 0.8% in 2022.

In March 2022, we signed a statement in support of the Women Empowerment Principles (WEP). This is a UN Women and Global Compact initiative that reinforces our commitment to gender equality in our companies, the market and the community

In 2022 we implemented several initiatives to address the topic of diversity and inclusion among our employees. For example, we organized Diversity Week, created inclusive environments, shared educational content, launched campaigns against prejudice, and celebrated diversity.

One of our most emblematic initiatives is the Electrician School, where we offer exclusive classes for women to encourage and support their entry into a profession that is still predominantly male-dominated. This focused training allowed us to hire more than 264 female electricians in 2022.

Health and safety

Improved safety services, promoting an increasingly safe work environment is a target linked to the variable compensation of all our employees. Consistent with this, the "Life Above All" program remains the Company's main internal accident prevention initiative. In 2022, we standardized our health and safety management processes by consolidating the teams from our Networks, Renewables, and Liberalized businesses into the corporate Resources area.

These structural changes, the use of technology and cameras to monitor operations, an increase in the number of inspections and audits, and ISO 45001 certification all contributed to a 12.1% drop in our direct-employee accident rate in 2022.

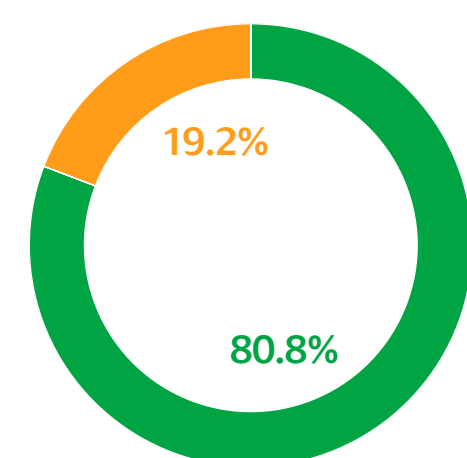
All occupational hazard assessment and prevention measures extend to contractor employees, thus ensuring they fulfill all workplace health and safety requirements. If a supplier does not have a certified management system contracting this supplier may be postponed until specific plans to avoid any hazards are in place and under the control of Neoenergia.

Health care services at all units have the goal of promoting and preserving worker health, and to track and diagnose workplace related issues and chronic diseases as early as possible. Campaigns include vaccination against the flu, cancer prevention (Pink October, Blue November), and access to physical activities via Gympass.



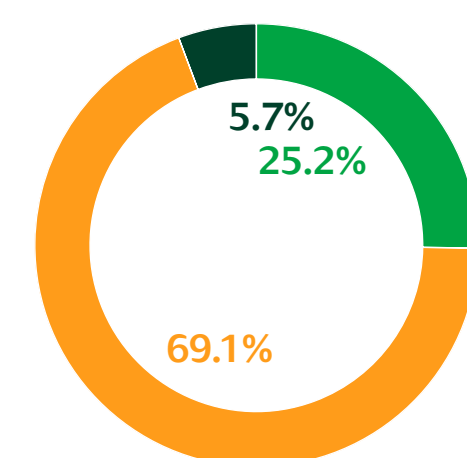
Employees

Workforce by gender



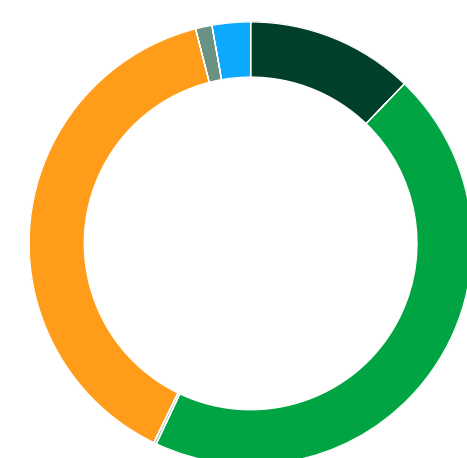
- Men
- Women

Employees by age group



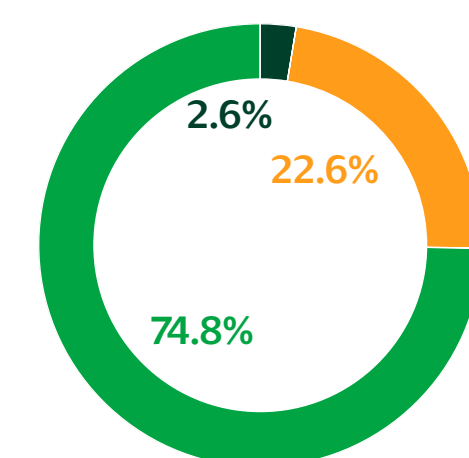
- Up to 30
- 31 to 50
- Over 50

Employees by race



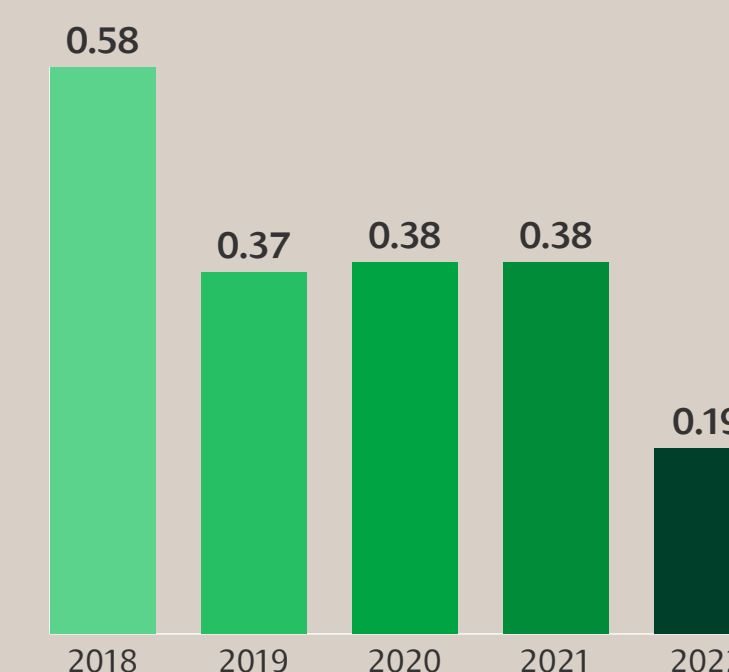
- 12.2% Black
- 44.8% Mixed race
- 0.2% Indigenous
- 38.8% White
- 1.2% Asian
- 2.8% Not disclosed

Workforce by employee category



- Direct leadership
- Intermediate controls and qualified technicians
- Support staff and teams

Injury frequency rate¹



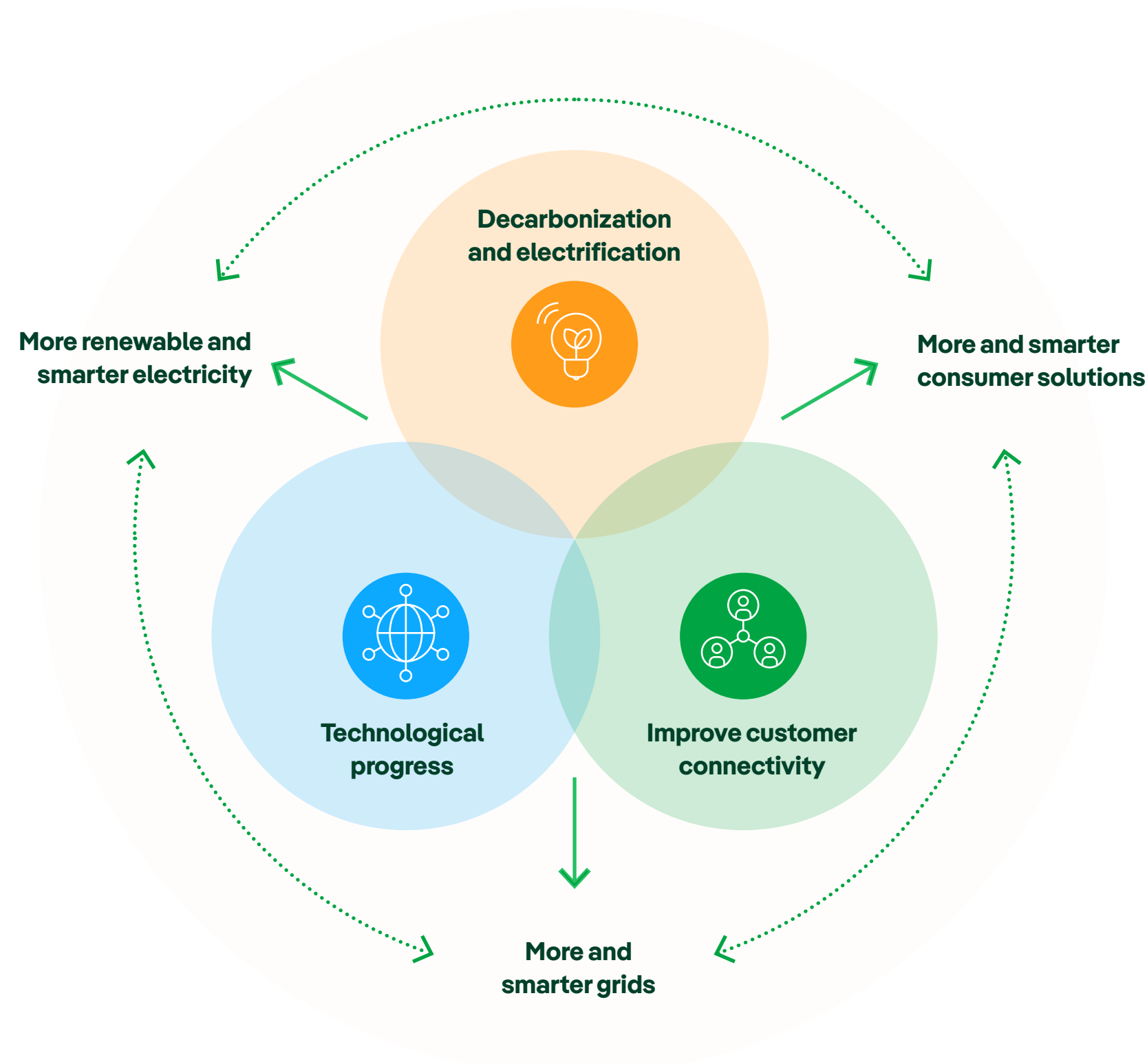
¹ Considers own employees.



4.4 | Products and services

We have developed smarter, more flexible, efficient, agile and higher-quality products and services to provide better solutions and experiences for our customers. We invest in innovation, leveraging technologies and projects aligned with the key drivers of the energy sector's transformation, considering the 5 Ds of the energy transition: decarbonization, digitalization, decentralization, design and democratization (see more on page 19).

In 2022, we further strengthened our strategy of putting the customer at the center of everything we do, with a focus on enhancing their journey. We launched the Excellence Plan, with several working groups have been created to help with planning, monitoring and evaluating actions. The "Customers Are Our Everything" program has played a critical role in this journey, placing an emphasis on concepts such as customer experience, service excellence, simplification, streamlining, and empathy in customer relationships.



Generation & transmission availability

The availability factor of a hydroelectric power plant, wind farm or transmission line measures the percentage of time that the facility is online to generate or transmit energy. Downtime, especially when unplanned, impairs the generation of electricity, reduces efficiency, and sometimes impacts the quality of supply. Maximizing uptime is therefore one of our top priorities.

In recent years, digitalization and artificial intelligence have enabled us to improve operational processes and maintenance work, leading to continuous improvement in the availability factor of our facilities. Investments in maintenance and automation ensure high uptime rates for power generators. The transmission systems also enjoy excellent uptime, exceeding the limit established by the National System Operator (ONS), of between 95% and 98%.

A safe and efficient energy supply

In 2022 our five distribution companies remained below the regulatory limits for the service quality indicators Equivalent Outage Duration (EOD) per Consumer and Equivalent Outage Frequency (EOF) per Consumer, which measure outages in the distribution system.

Our strong performance is partly attributable to self-healing systems that minimize outages in the event incidents such as tree branches falling onto power lines. By using this technology, the number of outages is reduced, and in the event of an outage, power can be restored in up to 60 seconds. We have a fleet of 16,470 reclosers, of which 34% have self-healing capabilities, in 536 municipalities across five states and the Federal District.

Average availability in generation (%)

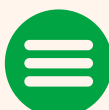
	2022	2021	2020
Hydroelectric	96.19	97.62	97.10
Wind ¹	97.53	66.15	98.30
Thermal – combined cycle	96.19	96.49	94.18

¹ EIn 2021, 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 (%)

	2022	2021	2020
Afluentes T	99.90	99.83	99.97
SE Narendiba ¹	99.95	99.98	99.97
SE Extremoz II ¹	99.95	99.98	100.00
SE Brumado II ¹	99.95	99.98	99.97
Potiguar Sul	99.91	99.98	99.93
Dourados	99.99	99.98	NA
Santa Luzia	100.00	NA	NA
Jalapão	99.99	NA	NA
Atibaia	100.00	99.90	99.99
Biguaçu	99.97	99.92	100.00
Sobral	99.99	99.98	100.00

¹ Narendiba comprises 3 substations: Narendiba, Extremoz II and Brumado II. NA: Not applicable.



Power outage frequency – EOF (times)

	Regulatory Limit	2022	2021	2020
	2022			
Neoenergia Coelba	7.35	4.99	5.18	5.54
Neoenergia Pernambuco	7.99	4.77	5.75	5.37
Neoenergia Cosern	7.06	3.05	2.81	3.87
Neoenergia Elektro	5.70	3.84	4.22	4.50
Neoenergia Brasília ¹	5.77	5.72	7.06	NA

¹ Neoenergia Brasília was merged into the Neoenergia group in March 2021.

Power outage duration – EOD (hours)

	Regulatory Limit	2022	2021	2020
	2022			
Neoenergia Coelba	13.40	11.41	11.46	12.43
Neoenergia Pernambuco	12.94	11.75	12.00	12.62
Neoenergia Cosern	10.80	7.94	6.78	9.21
Neoenergia Elektro	7.78	6.97	7.38	7.57
Neoenergia Brasília ¹	7.59	6.65	8.91	NA

¹ Neoenergia Brasília was merged into the Neoenergia group in March 2021.

Smart and innovative digital solutions

Digitization is one of the primary levers through which we have contributed to the digital transformation of the power sector. This has included the development of new payment methods and enhancements to the customer experience. The journey began in 2020 with the launch of *Conexão Digital* (“Digital Connection”), the result of a major customer-focused research and development project in the Brazilian power sector. As of year-end 2022, 93% of customer service at distribution companies was handled digitally, compared to 78% in 2018.

Our distribution companies became the first power-sector utility to offer bill delivery via WhatsApp and added new features to its customer service channels in 2022, such as payment by PIX, PIX bill reprints, PIX-based debt negotiation, PIX-based reconnections, and human support for micro and mini distributed generation (MMGD) customers. Satisfaction levels with digital service channels are around 85%, and Neoenergia has provided over 35 million digital service sessions to date.

Our main initiatives at distribution companies to drive digital transformation were:

CRM – The Customer Relationship Management platform unifies customer service and support platforms, which provides historical information and visibility of all activities generated for the agent. Key benefits include a 360-degree view of customers, ease of use, omnichannel capabilities (all channels), and service questions and instructions integrated within the CRM platform.

VRA – Virtual Remote Assistant that can be used to provide customer support without an on-site visit through guided, real-time interaction. The customer reports an issue, and the help desk contacts them and suggests phone-based video support if necessary. In the first phase, the VRA was implemented for the internal and external circuit breaker checking process, resulting in improved first-contact resolution, increased customer satisfaction, fewer unproductive site visits, and reduced costs. If the problem is not resolved, a technical crew is sent to the location as usual.

New Application – With more features, it only takes a few minutes to sign up for digital invoices, pay bills, view electricity bill details, report power outages, among other actions, helping to provide the best possible customer experience.

In the Liberalized Business area, Neoenergia Serviços has expanded its offering of Smart Solutions. An example is assisting clients in optimizing their energy consumption by installing distributed generation systems through photovoltaic solar panels. It ended the year with 2,400 installations at customer sites.

There is also a business line focused on developing charging infrastructure for electric vehicles, including charging stations and smart charging solutions for companies looking to electrify their fleets and facilities, with 165 such facilities installed by late 2022.

Client satisfaction

The service solutions have placed our distribution companies firmly in the top five positions of the Aneel ranking that evaluates the quality of call centers in terms of Service Level Index (SLI) and Abandonment Index (AI). We boasted the top regulatory call center rating, achieving 6.5% improvement in service levels compared to 2021 and 13% compared to 2020, and a 70% reduction in abandoned calls compared to 2021 and 87% compared to 2020, demonstrating sustainable growth.

These indicators pushed up our NPS (Net Promoter Score) by 31% compared to 2021 and 48% compared to 2020. Meanwhile, FCR (First Call Resolution) improved by 14% compared to 2021 and 40% compared to 2020. We also recorded:

- 27% reduction in total complaints.
- 14% reduction in substantiated complaints, down to 5.71%
- Significant (67%) improvement in customer ratings on the consumer.gov website, becoming a benchmark in the power sector.
- 7% reduction in the Customer Effort Score (IEC), to 1.38.



We boasted the top regulatory call center rating, achieving 6.5% improvement in service levels compared to 2021 and 13% compared to 2020.



4.5 | Responsible supply chain

In 2022, the amount paid to suppliers, including energy purchases, was R\$ 31.5 billion. R\$ 11.6 billion was spent on equipment, materials, works and services — 99.6% to local suppliers in Brazil. Of these, approximately 60% are located in Bahia, São Paulo, Pernambuco and Rio Grande do Norte. We procured from 5,347 in the year.

We follow a local supplier strategy for our strategic contracting, which has enabled creating indirect jobs and helped drive the development of industries and services in the geographies in which we do business. Products such as insulators and small transformers are sourced from local partners; level A materials (such as voltage and power transformers and reclosers) are purchased from global suppliers with operations in Brazil.

To develop new and smaller local suppliers, and help make them more competitive, we created a working group in 2022 to map potential candidates for providing services to the Networks Business. As a result, Neoenergia Cosern contracted with two new companies.

Promoting sustainability

We strive to motivate suppliers to improve their ethics, social, and environmental performance, driving the sustainable management of our own chain. In 2022, 76% of new suppliers were screened against contractual environmental and social criteria clauses. Our ESG (environmental, social and governance) commitments also cover suppliers. Our goal is to have at least 80% of suppliers ranked as sustainable by 2025, and over 85% by 2030. In 2022, 75% of the company's suppliers were sustainable.

Of the 985 essential suppliers engaged, 101 are classified as strategic suppliers, as they represent 79.4% of total procurement spend and have contracts exceeding R\$ 30 million. The 494



suppliers with contracts exceeding R\$ 4 million are monitored in a more systematic way for ESG risks, and must complete a questionnaire on this theme. Around 20% were given improvement programs to complete in 12 months.

We have developed a model for supplier sustainability assessment around the principles of ESG. Supplier assessment measures their performance in attributes that range from identification and commitment to the Sustainable Development Goals (SDG) to the management of risks associated with climate change, circular economy strategy, an due diligence regarding human rights, among others. In 2022, energy suppliers were included in monitoring.

The terms for purchasing equipment, materials, works, and services include specific supplier corporate social responsibility clauses, which are based on the UN Universal Declaration of Human Rights, the conventions of the International Labor Organization, the principles of the Global Compact, and compliance with the Code of Ethics.

During the contract period, we reviewed the degree of compliance with the established principles. If non-compliance is identified and corrective plans are not adopted, we have the right to cancel the contracts. No such cases were recorded in 2022. All relevant general input suppliers are assessed using this approach and any significant risk for human rights regarding their impact on society.

Supplier relations

We promote active and constant communication with our suppliers because we understand that they play a relevant role in helping us achieve our goals as a company and as promoters of a more responsible supply chain. In 2022 we created a new supplier service channel based on WhatsApp and e-mail, and thus more agile.

The year saw the third edition of EPX 2022 [from the Portuguese initials for Partner Company, Experience], an event to share best practices and bring distributor contractors closer together. More than 300 people attended the online event. Examples of best practices in materials management were presented by four distribution Service Providers (SPs). During the event we showcased our ESG practices and compliance policy.



4.6 | Supporting local communities

We allocated own and tax-deducted funds to social and environmental initiatives in our geographies, in initiatives conducted by Instituto Neoenergia always aiming to fulfill the Sustainable Development Goals (SDG). These investments amounted to R\$ 26.5 million in 2022 and complement the programs included in the environmental permitting process and the territorial development programs using non-compulsory funds and energy efficiency initiatives.

In the year we switched to the internationally known Business for Societal Impact (B4SI) framework as an approach to measure and analyze contributions to the community.

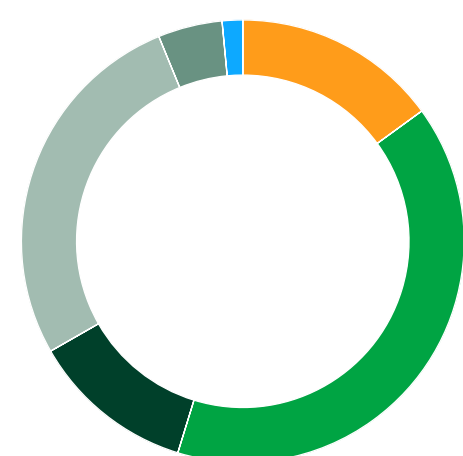
We also indirectly encouraged the customers of our distribution companies to make donations to non-profits via their power bills. In 2022, this strategy resulted in some R\$ 48.7 million donated to 14 institutions.

3,511 employees participated in the Volunteering Program and were engaged in 35 opportunities with all companies across Brazil. They engaged in campaigns to donate food, clothes, sanitary pads, tree seedlings, Christmas gifts for children in vulnerable communities, and clean-up actions to collect garbage from the streets, among others.

We participated in various private social investment initiatives, such as "Juntos pelo Desenvolvimento Sustentável" (Together for Sustainable Development), to enhance public services. In 2022, we provided emergency assistance to mitigate the impacts caused by heavy rains in Bahia and Pernambuco, with funds raised by our employees through the Volunteering Program and donated by Instituto Neoenergia. With the support of the Energy Efficiency Program, we also donated 1,204 refrigerators and 1,571 energy-efficient light bulbs to affected communities.

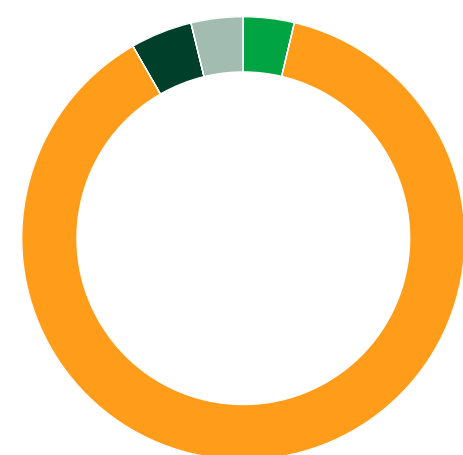
Community contribution

By area



- 15.0% Education
- 39.8% Art and culture
- 12.0% Welfare
- 27.1% Socioeconomic development
- 4.7% Environmental
- 1.5% Humanitarian aid

By category



- 3.7% Spot contribution
- 88.0% Social investment
- 4.5% Initiatives aligned with the business
- 3.8% Management costs*

* Management costs: administrative costs of the Neoenergia Institute.

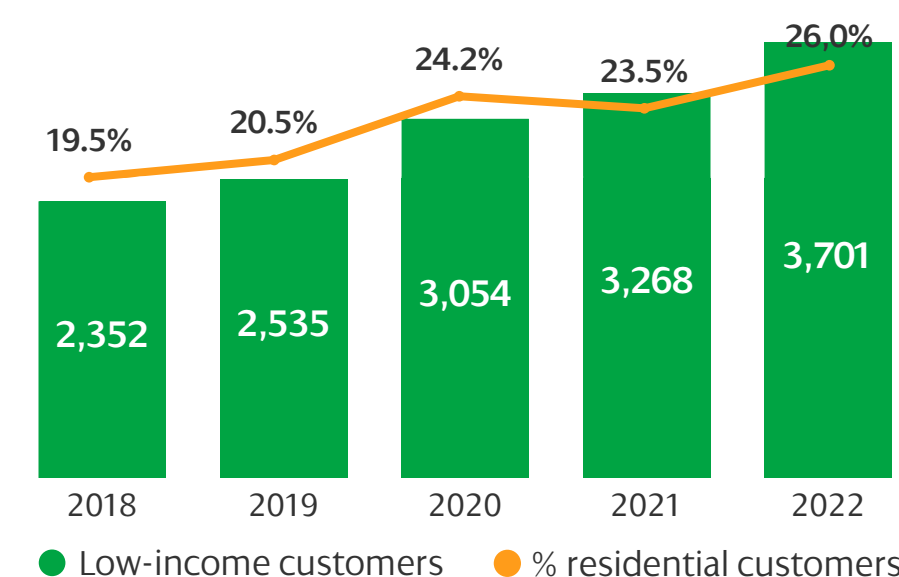
Access to Energy

We contribute to ensuring universal access to electricity in Brazil, and in recent years have had a specific program entitled Light for All [*Luz para Todos*] for rural Bahia. In 2022 we invested R\$ 685.4 million in 18,256 new connections in the state – R\$ 478.3 million was Neoenergia Coelba funds, and R\$ 207.1 million was federal government subsidies. Over 19 years this program has connected 704,301 customers to the power grid in Bahia state. The goal is to complete the Light for All program with a further 12,178 connections in 2023. The other four distributors had previously completed their universal access target.

Energy access is also facilitated by the Social Power Rate, a power bill discount granted to low-income families registered in the Single Registry, or where one of the members of the household is a beneficiary of the Continued Benefit (Benefício de Prestação Continuada – BPC). This discount ranges from 10 to 65% up to a maximum of 220 kWh, depending on the monthly power use by each household. For indigenous and quilombola households that are also low-income, the discount can be 100%, depending on the amount of power consumed.

In late 2022, 3,700,561 consumer units served by our five distribution companies were entitled to the Social Power Rate, accounting for 26% of all residential customers.

Low-income customers



Instituto Neoenergia

With the support of Instituto Neoenergia, we run initiatives that have a positive impact on sustainable development. In 2022, around R\$ 15.1 million were invested in projects under its management, of which R\$ 4.5 million of own resources and the rest of incentive laws, contemplating more than 180 municipalities, in 12 states and in the Federal District. The work of the Institute follows the guidelines of the Iberdrola unified Master Plan 2022-2025, which guides the group's foundations and institutes in its five pillars of action:

Training and research – Teacher and school administrator training and qualification is one of the lines of action of this pillar, as a focus of the project **Education Ideas and Practices Exchange**, training teachers and administrators in the network of municipal schools, encouraging the development of new education policies. Three self-teaching courses were launched in 2022, taking advantage of the material produced for online training during the pandemic, making training available to teachers across Brazil.

Biodiversity and Climate Change – Initiatives to preserve land and sea ecosystems, with initiatives that help mitigate the impacts of climate change. Leading initiatives are the projects **Coralizar**, which further develops approaches to restore corals; **Green Impact**, launched in 2022 to train Civil Society Organizations (CSOs) in social businesses that have a positive impact on biodiversity, sustainable tourism and agriculture, and environmental technology; and **Flyways**, which in 2022 continued to monitor some 20 species of wetland birds, helping preserve the species.

Art and Culture – One of the highlights for the year was the 2nd **Inspirar (“Inspire”) Awards**, given to 16 female leaders who develop initiatives in arts and culture, promoting social transformation in their territories. A center was also created for the **Transforming Energy into Culture** call



for proposals, which made it possible to closely monitor the 25 projects selected in 2021. 42 projects were selected in 2022.

Programa de Iluminação Cultural (Cultural Illumination Program) carried out the lighting project for Teatro Cinema Guarany, in Triunfo (PE). In 2022, the Institute also supported the first project in the **Recovering History** [*Resgatando a História*] initiative, the largest ever public call for projects for recovering and restoring Brazil's cultural heritage, in a partnership with the BNDES. A total of R\$ 2 million was allocated to requalify Portomídia in Recife, Pernambuco.

Social Action – The Impactô Social Acceleration Program, carried out since 2019, is aimed at organizations and/or social impact businesses that work with children and youth in professional training, education and social inclusion of people with disabilities and serious illnesses. **Healthy Communities** proposes collaborative action plans between community-based organizations, using social tools to analyze the sustainable capabilities of each organization. In 2022, six organizations were benefited.

Institutional Collaboration – This pillar stimulates strong relationship networks between the players in the private social investment field to build and exchange knowledge.

Community safety

To ensure the health and safety of its customers, we believe it is crucial to maintain effective communication and education on the safe use of energy. We accordingly created the Safe Community Program in 2022, an initiative to increase the safety and sustainability of the interaction between power grids and the communities, contributing to a healthy life and promoting well-being for all.

This program consolidates a number of external safety-related activities (communication, training, lectures, educational materials) and technical actions across the five group distributors. Illegal connections followed by self-construction are the leading causes of accidents.

In addition to this program, we work constantly to raise public awareness through messages on electricity bills, information through customer relationship channels, a safety hub on the website (www.naovacilenao.com.br), posts on social media, advertising campaigns, educational initiatives and partnerships with trade associations.

Energy efficiency

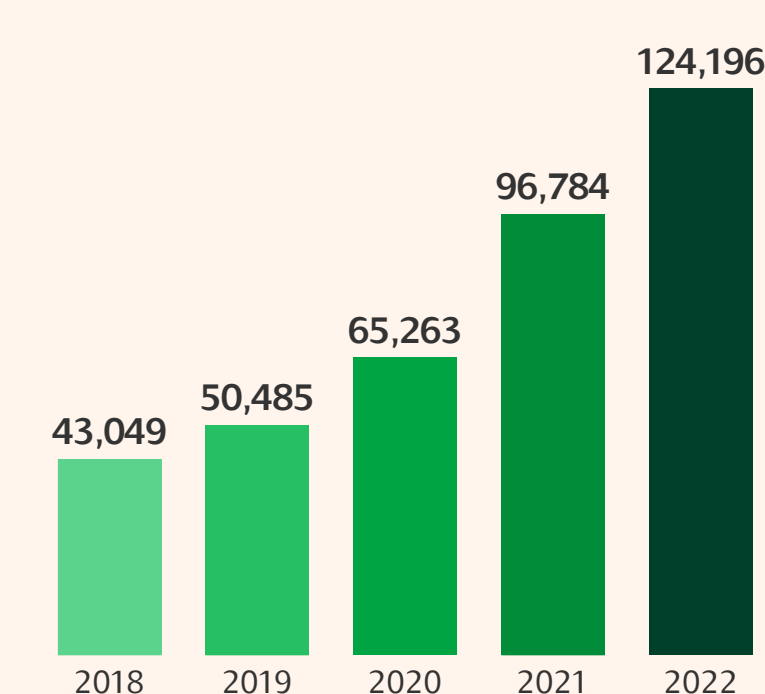
We promotes conscientious, efficient and safe use of electricity through an Energy Efficiency Program regulated by the Brazilian power sector regulator (Aneel), which runs a wide range of initiatives across different fronts and consumer segments. The program directly supports SDG 7 – Affordable and clean energy.

The investments amounted to R\$ 124 million in 2022, allocated in accordance with Law 9,991, dated July 24, 2000, which requires energy distribution companies to annually allocate 0.28% of their net revenue to initiatives aimed at energy efficiency and behavior changes for conscientious consumption, with an emphasis on low-income consumers. Educational activities supplement the program, providing training to teachers and students on preventing electricity waste and increasing energy efficiency.

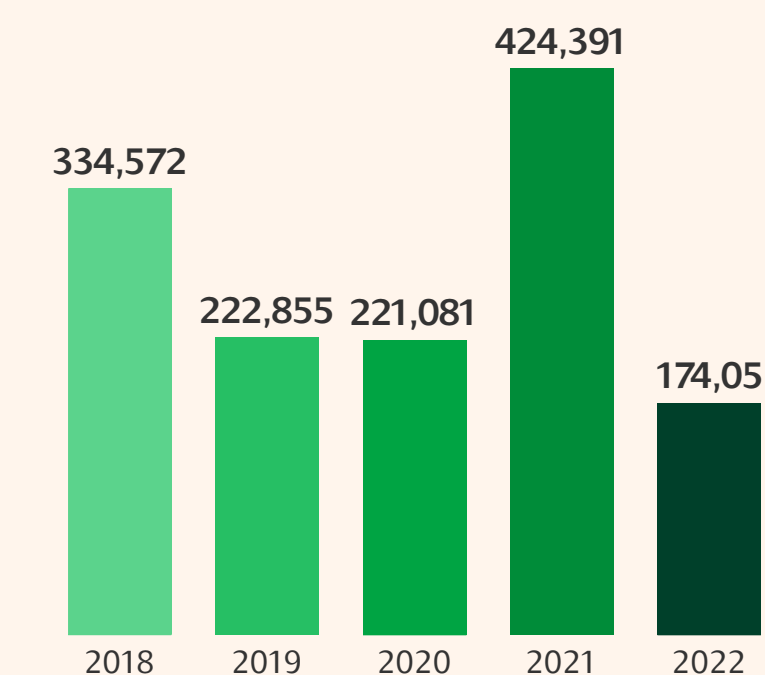
Last year these programs benefited 174,050 customers with total electricity savings of 60,131 MWh/year, equivalent to the consumption of 25,000 homes consuming an average of 200 kWh per month. Since 2008, R\$ 860 million has been invested across more than 300 energy efficiency projects, with more than half of this amount invested in initiatives benefiting low-income consumers with the replacement of incandescent and fluorescent light bulbs with LED units.

Execution of energy efficiency projects may vary over the course of the year and from one year to the next; they may also vary by type, number, and stage. In 2020 the pandemic delayed some projects, and results were offset in 2021, which explains the increase in units served that year.

Energy efficiency investments (R\$ thousand)



Units served (Number)





4.7 | Corporate reputation and brand building

We consider reputation as a valuable intangible asset that influences issues as significant as talent attraction and retention, business relationships with customers, the company's market value, integration within the communities we operate in, and overall company performance. We manage and measure our reputation with a dual objective:

- To leverage opportunities that foster a favorable behavior from stakeholders towards the company.
- To minimize and mitigate the inherent reputational risks associated with our activities.

Our brand

The “Neoenergia” brand reflects our corporate purpose and values and seeks to transmit our commitment to creating sustainable value for all stakeholders, contributing to the development of the communities around our operations and the well-being of people, providing quality service and solutions that are efficient and innovative, and respect the environment. To identify and adapt to the needs of each state it serves, we created a brand culture based on national-local balance.

To make the brand better known nation-wide, in 2021 we unified the distributor brands to take advantage of all communication activities and provide an asset that is important for the development of the business.

Reinforcing the Marketing department and creating a dedicated director-level department was essential to strengthen the brand, which turned 25 in 2022. This development was necessary amid a scenario where the customer is gaining importance and is at the core of our business.

4.8 | Cybersecurity and information privacy

We follow a global cybersecurity risk policy whose scope of application includes not only information and communication technologies, but extends to the protection of industrial control systems and smart grids, whether operated by its own personnel or with the support of third-party operations and services. We integrate cybersecurity into all strategic and operational decisions, supported by the pillars of governance, cybersecurity culture, proactive risk management, resilience, assurance and collaboration. This policy is adapted to the regulations of each country.

Our governance model is the foundation of our commitment to sustainability. We adopt best market practices, reflected in the composition of our management bodies, risk management and control systems, ethical and transparent behavior, governance and compliance policies, and a tax strategy based on excellence and compliance with applicable tax regulations.



In 2022 we adjusted our digital security governance system to more rapidly identify possible vulnerabilities and ensure more accurate and assertive responses. We implemented a backup and recovery solution was created for the distribution companies in Bahia, Rio Grande do Norte, São Paulo and Pernambuco, which enables data protection, and quickly recording, storing and recovering data. A key advantage of this tool is the time to recover the full environment, from one week to 20 hours at most.

Each day we handle huge amounts of personal data, and for this reason we have a Personal Data Protection Policy, approved by the Board of Directors and compliant with the BR GDPR (Brazilian General Data Protection Regulation). Its purpose is to ensure data protection for all those who interact with group companies, ensuring respect for the right to privacy in processing their personal data. We address privacy holistically, integrating privacy and data protection into the company's management system and culture. Responsibility for this protection lies with the businesses and corporate functions that process this data under the coordination and supervision of the Data Protection Officer (DPO), with the support of Legal.



05 Governance

5.1 | Governance & sustainability system

Our governance model is the foundation of our commitment to sustainability. We adopt best market practices, reflected in the composition of our management bodies, risk management and control systems, ethical and transparent behavior, governance and compliance policies, and a tax strategy based on excellence and compliance with applicable tax regulations.

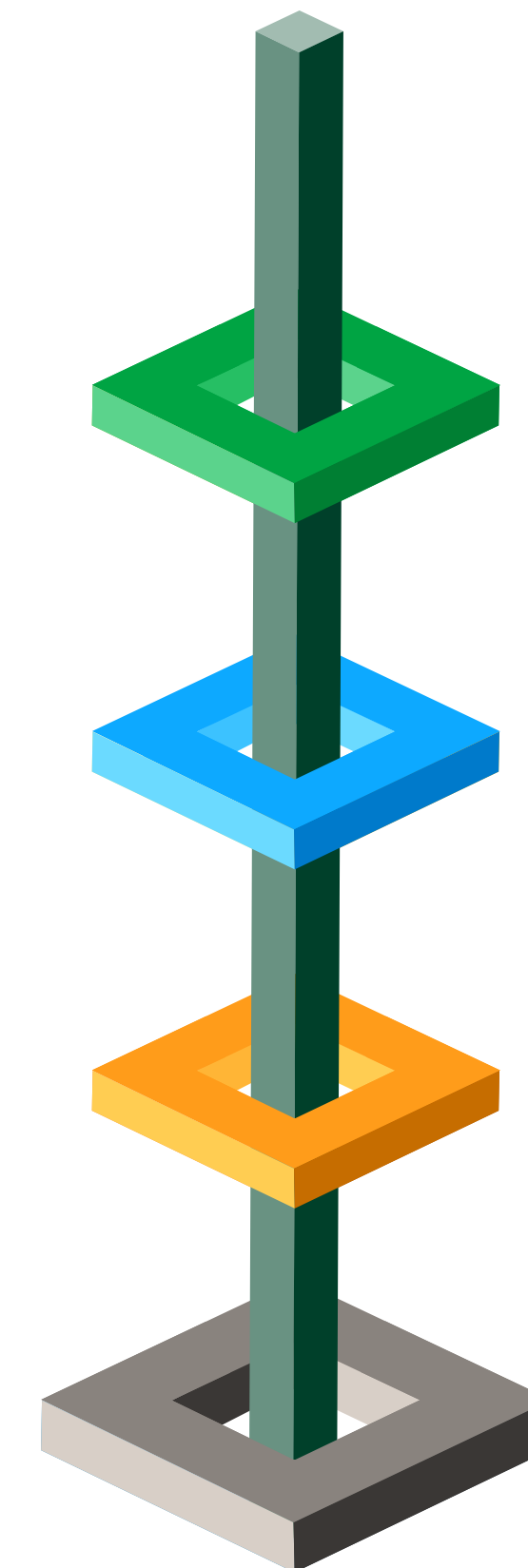
As a publicly traded company our shares are traded on the B3 exchange (Brasil, Bolsa, Balcão) as part of the companies listed in Novo Mercado, a special listing segment bringing together companies that voluntarily adopt enhanced corporate governance practices above and beyond those required by Brazilian regulations, with corporate rules providing enhanced shareholder rights, and requiring more transparent and comprehensive oversight and control structures. Our shares have also been traded on Latibex in Madrid since June 2022.

We operate as a holding company, with a stake in other companies with businesses in the same areas of activity.

Our Governance & Sustainability System is comprised of the policies, industry best practices, and principles that govern us and make us a role model in our area of business. It is structured based on ESG criteria that value the objectives we have set for environmental performance, our social commitment, and our corporate governance practices. The system was designed in accordance with the Shareholders' Agreement and current legislation, and is inspired on the purpose to "collaboratively continue building a more affordable and sustainable electric energy model each and every day".

In line with our sustainable development strategy, the System transcends the traditional, corporate governance-centered focus and is based on three pillars: (i) environmental performance, fighting climate change and protecting and restoring biodiversity; (ii) the company's social commitment, which is reflected in its social programs; and (iii) corporate governance standards and policies.

"Collaboratively continue building a more affordable and sustainable electric energy model each and every day".



Structure of the governance and sustainability system

BY-LAWS

The core of the internal system of rules, they make up the backbone of the Governance and Sustainability System. Based on the Purpose and Values, they lay out the guidelines that define the identity and unique aspects of the company and its business enterprise.

ENVIRONMENT AND CLIMATE ACTION

The policies that make up this book are Neoenergia's response to sustainable management, the challenges of climate action, the preservation of the environment and the loss of biodiversity, while helping to identify and take advantage of the opportunities arising from the energy and ecological transition.

SOCIAL COMMITMENT

The policies that make up this book reflect the company's commitment to addressing the challenges relating to human rights, to recognising and valuing the importance of human and personal capital, and to promoting diversity, inclusion, equal opportunity and non-discrimination.

CORPORATE GOVERNANCE

The policies and rules of this book include the best good governance practices, which are reflected in the guidelines and standards for conduct of the corporate bodies, establishing the operation thereof and complying with legal requirements and the highest standards in this field.

PURPOSE

This is the basis on which the Governance and Sustainability System is built and established. The rules and policies that make up this book embody the Company's corporate philosophy and the ideological and axiological bases on which its corporate enterprise is based.



5.2 | Corporate governance

We are structured in two levels: the holding company, Neoenergia S.A., which is responsible for the supervision, organization and strategic coordination within the group; and the subsidiary companies, which assume the day-to-day management of the businesses. We therefore maintain a decentralized management model, combined with the necessary strategic coordination and an effective system of controls. Our Management Appointment Policy defines the criteria for the make-up of the Board of Directors, the Advisory Committees and the Executive.

Board of Directors – This is our highest governance body. It is responsible for setting and overseeing general guidelines. This includes, among other things, group policies and strategies, and overseeing the general development of these policies by the companies that are part of the parent company. It is composed by 13 serving members and 9 alternates.

- The board members include the Chairman of the Board, an executive of Neoenergia S.A. (the CEO), and three independent members (23%).
- The board is diverse, comprising different skills, experiences, nationalities, genders (13.6% are women, 86.4% are men), and ages (22.7% are between 31 and 50, and 77.3% are over 51).
- The positions of Chairman of the Board and CEO of the holding company are separate.
- Our Board of Directors continually reviews and updates the Governance and Sustainability System.

Committees – Our Board of Directors is assisted by five advisory committees: Audit, Finance, Compensation and Succession, Related Parties and Sustainability. Each committee is composed of five serving members and four alternates, with the exception of the Related Parties Committee, made up of three serving members, two of whom must be independent, and one selected externally. Members of the Audit and Compensation and Succession committees are members of the BoD. The Finance and Sustainability Committees may include members of the Board or their designees.

Members of the Board of Directors

Position	Name	Status	Nationality	Start of tenure	End of tenure	Committee
Chair	José Ignacio Sánchez Galán	Chair	Spanish	08/22/2021	08/21/2023	-
Director	José Sainz Armada	Serving member	Spanish	08/22/2021	08/21/2023	Compensation and Succession
Director	Daniel Alcaín López	Serving member	Spanish	08/22/2021	08/21/2023	Audit
Director	Mário José Ruiz-Tagle Larrain	Serving member	Chilean	08/22/2021	08/21/2023	-
Director	Pedro Azagra Blazquez	Serving member	Spanish	08/22/2021	08/21/2023	Financial
Director	Santiago Matias Martínez Garrido	Serving member	Spanish	08/22/2021	08/21/2023	Compensation and Succession
Director	Eduardo Capelastegui Saiz	Serving member	Spanish	06/15/2022	08/21/2023	-
Director	Denísio Augusto Liberato Delfino	Serving member	Brazilian	08/22/2021	08/21/2023	Audit, Sustainability
Director	Márcio de Souza	Serving member	Brazilian	08/22/2021	08/21/2023	Compensation and Succession
Director	Ênio Mathias Ferreira	Serving member	Brazilian	03/30/2022	08/21/2023	Audit
Director	Juan Manuel Eguiagaray Ucelay	Serving member – Independent	Spanish	08/22/2021	08/21/2023	Audit, Related Parties
Member	Marina Freitas Gonçalves de Araújo Grossi	Serving member – Independent	Brazilian	02/17/2022	08/21/2023	Audit, Sustainability, Remuneration and Succession
Director	Cristiano Frederico Ruschmann	Serving member – Independent	Brazilian	08/22/2021	08/21/2023	Audit, Related Parties, Financial
Director	Jesús Martínez Pérez	Substitute	Spanish	08/22/2021	08/21/2023	Financial
Director	Alejandro Román Arroyo	Substitute	Spanish	08/22/2021	08/21/2023	-
Member	Mônica Grau Domene	Substitute	Spanish	03/30/2022	08/21/2023	Audit
Director	Tomas Enrique Guijarro Rojas	Substitute	Spanish	08/22/2021	08/21/2023	-
Director	Miguel Gallardo Corrales	Substitute	Spanish	08/22/2021	08/21/2023	Financial
Director	Justo Garzón Ortega	Substitute	Spanish	08/22/2021	08/21/2023	Sustainability, Financial
Director	João Ernesto de Lima Mesquita	Substitute	Brazilian	08/22/2021	08/21/2023	-
Director	Lauro Sander	Substitute	Brazilian	08/22/2021	08/21/2023	-
Member	Ana Maria Gati	Substitute	Brazilian	03/30/2022	08/21/2023	-



Oversight Board – A permanent body made up of ten members, including serving members and alternates, who are elected for a one-year term, all representing shareholders and with no executive position. This meets to express its opinion on the annual management report and related statements and to review quarterly balance sheets and other financial statements.

Executive Board – Responsible for implementing our strategic plan, it is made up of 11 members (including the CEO) appointed by the Board of Directors for (renewable) three-year terms. In 2022, Mario Ruiz-Tagle, who served as the CEO for five years, was replaced by Eduardo Capelastegui, previously the Executive Director of Asset Control and Planning.

The resumes of all directors, members of the Advisory Committees and the Executive Committee are available on the Investor Relations page of the company's website under [Corporate Governance](#).

Ownership Structure

Our corporate and governance structures are based on decentralized decision-making. As a holding company we are responsible for corporate strategy and oversight, leaving subsidiary management to their respective governance bodies.

To improve management transparency, Neoenergia S.A., Neoenergia Coelba, Neoenergia Cosern, Neoenergia Pernambuco, and Neoenergia Elektro have independent members on their boards of directors. Although Neoenergia Brasilia is a closely held company, it has an independent board member like its other distribution subsidiaries. Other group companies are not required to have independent board members.

Our practices follow the guidelines issued by the Brazilian Institute for Corporate Governance (IBGC). This model creates synergy across Group companies and our parent company, unifies processes and drives gains a scale.

Commitment to shareholders and investors

Our Code of Ethics and General Governance and Sustainability Policy determine that the relationship between the company and its shareholders must be based on accurate and transparent communication of complete information that allows them to monitor Neoenergia group's activities and performance.

- We seek to understand the opinions and concerns of shareholders and investors around corporate governance and sustainable development and to nurture their sense of ownership and alignment of interests.
- We encourage shareholders to attend General Meetings as we believe this is the best channel for them to participate in corporate life.
- Each year we disclose our Participation Handbook and Management Proposal for attending Annual Shareholder Meetings, which includes all of the information shareholders need for the meeting.
- Another way to encourage shareholder attendance at General Meetings is to have them fill out and deliver an Absentee Ballot, available on our [Investor Relations](#) page, the [Brazilian Securities Commission](#) – CVM website and the website of B3 S.A. – [Brasil, Bolsa, Balcão](#) or sent directly to ri@neoenergia.com.
- We also provide online the information and documents required under Law 6.404 of December 15, 1976 (“Brazilian Corporation Law”) and CVM Directive 481 of December 17, 2009 (“ICVM 481”) on our [Investor Relations](#) page, on the [Brazilian Securities Commission](#) website (CVM), on the website of B3 S.A. – [Brasil, Bolsa, Balcão](#) and at the company's headquarters.

Our governance structure guides our business activities in a way that creates shareholder value and supports sustainable development.

CORPORATE AND GOVERNANCE STRUCTURE

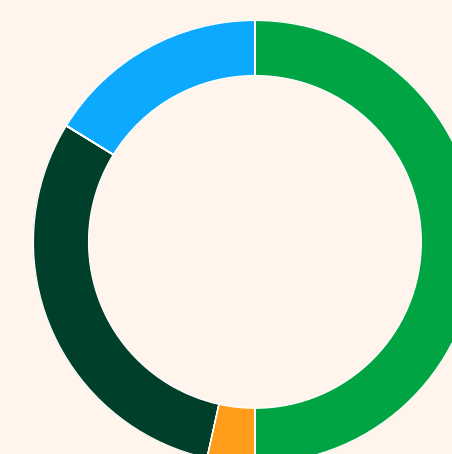
BOARD OF DIRECTORS

- Advisory committees**
- Audit
 - Financial
 - Compensation and Succession
 - Related Parties
 - Sustainability

BUSINESS

Renewables	Networks	Liberalized
7 hydropower plants	5 distributors	2 traders
44 wind farms in 7 wind complexes	1 Diesel-burning facility in the District of Fernando de Noronha (PE)	1 thermal power plant
2 solar farms	16 transmission companies	3 service companies

Ownership structure



- 50.0% Iberdrola Energia S.A.
- 3.5% Iberdrola S.A.
- 30.3% Previ
- 0.04% Directors and executives
- 16.2% Free float

Governance strategy

The key elements that define our governance and sustainability strategy are:

- System of separation of duties, checks and controls.
- Environmental performance, with emphasis on climate change
- Promoting diversity, inclusion, equal opportunities and excellence.
- Shareholder involvement
- Actively listening to the legitimate interests of stakeholders.
- Social dividend, contribution to the Sustainable Development Goals, and respect for human rights.
- Zero tolerance for corruption and fraud.
- Prudent and balanced risk management.
- Transparency.
- Continuous improvement of corporate governance standards and practices.

Remuneration

The General Shareholders' Meeting discusses and approves the Board of Directors' proposal regarding the overall amount of remuneration for executives, based on the [Directors' Remuneration Policy](#). The BoD is responsible for assigning this amount to its members and to the executive board, within approved limits.

- Executive officer compensation may take the form of stock or stock options.
- The Compensation and Succession Committee is responsible for overseeing activities and decisions regarding compensation of executive directors and other Neoenergia officers.
- The Meeting also approves long-term incentive plans which include targets to increase the number of women in significant positions, suppliers considered sustainable and to strengthen intellectual capital by training employees.



Key activities of the Board of Directors

Key topics in 2022

- | | |
|--|--|
| Balanced growth | <ul style="list-style-type: none"> ○ Reviewing and reporting results: degree of performance of Prospects. ○ Approving budgets for 2023. ○ Evolution and expectations of each business within the group. |
| Sustainability | <ul style="list-style-type: none"> ○ Reviewing climate-change and biodiversity risks and opportunities. ○ Formulating the Non-Financial Information Statement. Annual Report. ○ Monitoring targets to reduce greenhouse gas emissions. ○ Planning the global biodiversity strategy for 2030. ○ Overseeing the group's actions with an impact on Stakeholder Groups and their alignment with Sustainable Development Goals. ○ Updating Climate Action Policy. ○ Restructuring the Corporate Governance System based on ESG Principles. ○ Publishing the Fiscal Transparency Report. ○ Intensifying support for actions proposed by Instituto Neoenergia. ○ Analyzing Talent Management trends and best practices. ○ ESG 2030 goals (environmental, social and corporate governance). |
| Financial strength | <ul style="list-style-type: none"> ○ Approving major financing operations, prioritizing green bond issuance. ○ Monitoring key financial indicators. ○ Strengthening subsidiary conditions for obtaining financing. ○ Financing agreement with the European Investment Bank (EIB). ○ Divesting from non-strategic assets: Initiating studies for the potential sale of the interest in Norte Energia. |
| Enterprise risk matrix | <ul style="list-style-type: none"> ○ Reviewing and updating Risk Policies and approving risk limit guidelines. ○ Monitoring risk control and management systems and compliance with tax policies of the companies. |
| Corporate Governance and Compliance | <ul style="list-style-type: none"> ○ Updating the Governance and Sustainability System, aligned with environmental, social and corporate governance (ESG) criteria. ○ Holding the General Shareholders' Meeting in-person. ○ Appointing and re-electing directors. ○ Selection and composition of corporate bodies. ○ Compensation of the Board of Directors and senior management members. ○ Monitoring contacts with shareholders (related parties). |



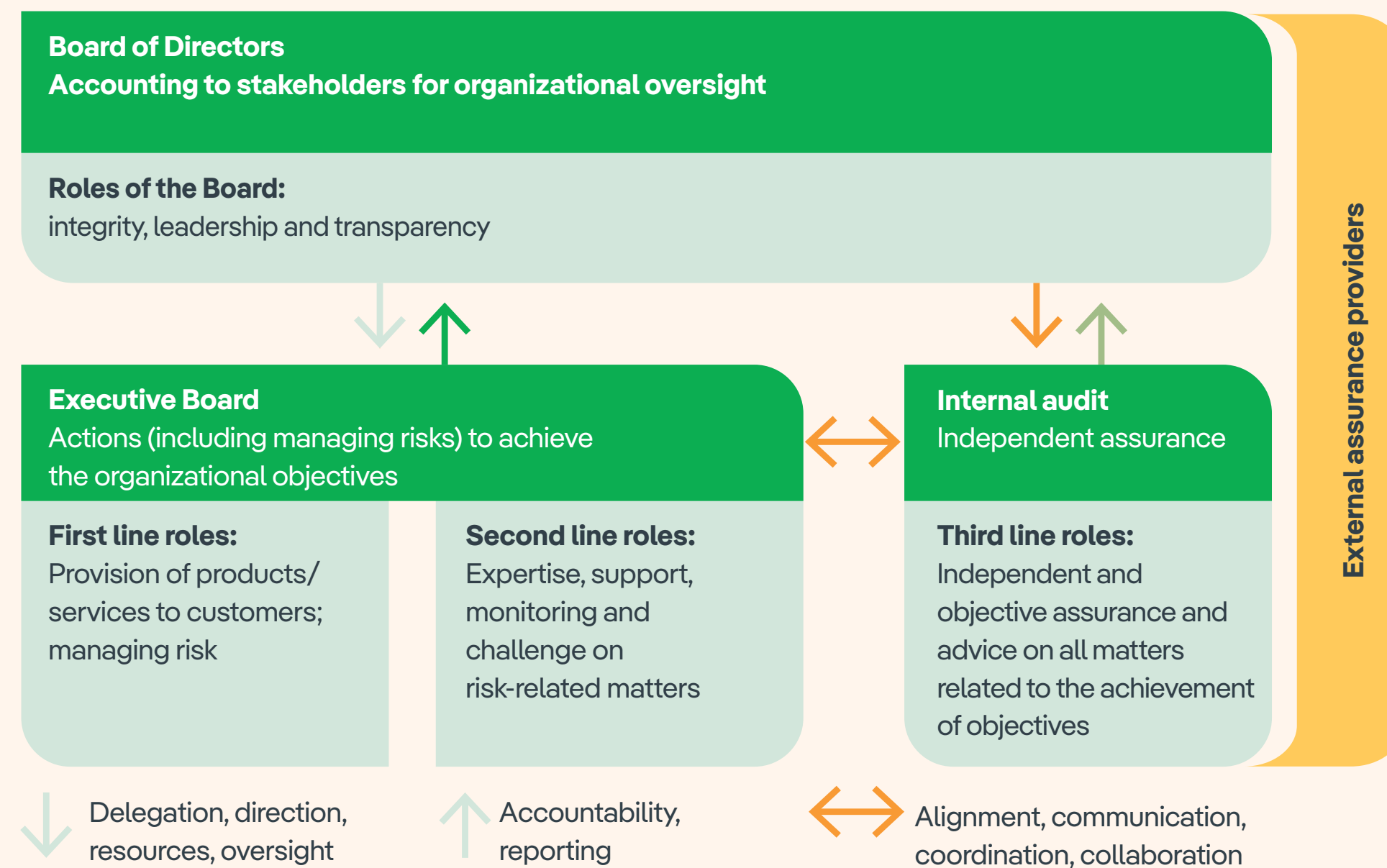
5.3 | The three-lines model

Our risk governance and internal control system is based on the Three Lines of Defense model, which provides a comprehensive view of how the different parts of the organization interact in an effective and coordinated manner. This model is in compliance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO), resulting in more effective management.

○ In the first line of defense, business functions are responsible for managing specific risks and for developing mitigation strategies and implementing controls.

○ The second line comprises the Corporate Risk, Internal Controls, and Compliance areas (GRC), and is responsible for supporting the first line in managing risks, recommending adjustments as necessary, and working in an advisory capacity, including as regards policies and procedures.

○ The third line is the Internal Audit, which issues independent reports and opinions, and makes recommendations on controls.



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

5.4 | Risks

Our risk management is based on prevention, independence, commitment to business objectives, and involvement of senior management and the Board of Directors. We are aware of the importance of risk management in achieving strategic objectives, and are therefore committed to making every effort to ensure that all of the relevant risks associated with all business activities are properly identified, measured, managed and controlled.

The Board of Directors has the following responsibilities in this regard:

- Annually review and approve the level of risk tolerance based on risk policies that define the qualitative and quantitative limits and indicators) appetite for risk of the group and each of its main businesses and roles and responsibilities, as per the objectives stated in the multi-year plan and in annual budgets.
- From time to time, the company monitors risks (maps of the main risks), significant threats, and different exposures the group is subject to, along with compliance with the approved indicator limits.

Integrated system

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. Our 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 results
- Ensure its activities are legally compliant and aligned with Neoenergia values and with its strategic planning, policies and commitments

- 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, we observe the following basic principles:

- Incorporate a risk-opportunity vision into group management
- Segregate duties between risk-taking and risk management functions, ensuring an adequate level of independence
- Use communication and training to disseminate a risk culture among Neoenergia group employees
- Ensure proper use of risk mitigation tools and limits
- 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 functions 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.

In 2022, we started to review our risk matrix, embedding ESG-associated risks across the board, and assessing ESG+F risk associated with our compliance with the commitments made and disclosed to the market (see more information in ESG+F goals on page 23).



Our risk management and control system enables preventive identification of risks, or points to disparities between limits and indicators that enable decisions to minimize potential impact. The Iberdrola Group Executive Risk Committee, of which we are part, meets every month to update best practices in all countries where Iberdrola does business, and reports the main risk factors to Neoenergia. This committee is supported by the Credit and Market Risk Committees, who also meet on a monthly basis.

Major risk factors

We are exposed to a number of risks inherent to the areas and markets in which we operate. These risks are grouped into:

Governance Risk: these risks are due to the possibility of non-compliance with applicable legislation, the provisions of our Governance & Sustainability System, industry best practices and recommendations by the regulator, and with international governance standards. The consequences of such breaches include challenges against corporate agreements, disagreements among shareholders, citations from regulators, failure to meet ESG commitments, and divestments or lack of interest in our shares.

Market risk: earnings and equity exposure to fluctuations in prices and other market variables, such as:

- Financial: exchange rate, interest rates, solvency, liquidity, inflation, and the value of the company's financial assets and liabilities.
- Cost of energy and other raw materials: cost of energy, gas, and other fuels, the cost of the right to issue CO2 certificates and other mechanisms to support renewable energy, and the cost of other raw materials (steel, aluminum, copper, etc.).

Credit risk: defined as the possibility of counterparty default on financial and contractual obligations (such as clients, partners, suppliers, financial institutions and others), including the risk of bankruptcy and replacement, such as default or “non-performance” resulting in economic or financial losses.

Business risk: uncertainty regarding how key variables intrinsic to the group's businesses will behave, such as the balance of electricity supply/demand, hydrology, and the strategies of other players.

Regulatory and political risks: arising from the creation or amendment of regulatory standards, such as changes in the degree of control over regulated activities and supply conditions or changes in environmental or tax regulations.

Operational, technological, environmental, social and legal risks: occurrence of direct or indirect economic or financial losses, resulting from external events or inadequate internal processes, such as technological failures, human errors, operation and construction of facilities, supply chain, cybersecurity, health and safety of individuals, climate change, pandemics, litigation, arbitration and tax contingencies, among others.

ESG+F Risks: the set of risks related to environmental, social, and governance issues that could impact the company's economic-financial performance and/or its reputation. This assessment includes but is not limited to stakeholder engagement, the materiality matrix, value chain sustainability, assessments and action plans related to the risk of climate change, and social responsibility.

Reputational risk: the potential for negative impact on the value of the Neoenergia group due to conduct, behavior or positioning that goes against the expectations of various stakeholders.





5.5 | Ethics and integrity

Our activities are underpinned by decisions made in accordance with Brazilian laws, industry best practices, our Code of Ethics and internal rules. Our concern about complying with ethical and legal compliance crosses our value chain and we take a zero tolerance approach to all forms of corruption, kickbacks, bribery, money laundering and any other behavior that goes against the law and the principles of good corporate governance. As evidence of this mindset, and reaffirming our commitment to process integrity and fighting corruption, we were audited and ISO 37001 re-certified (bribery management systems), a process that is repeated every three years.

We are a member of Ethos Institute's Business Movement for Integrity, Transparency and Anti-Corruption, an initiative that seeks to engage business leaders, governments and civil society around the adoption of practices that prioritize transparency and the fight against corruption in the business environment and in public-private relationships. We also comprise the Anti-Corruption Platform of the Brazil Network of the UN Global Compact and participate in the Alliance for Integrity, an organization that promotes and strengthens ethical and compliant behavior in the private sector.

Compliance System

Our Compliance is based on the pillars of prevention, detection and remediation, and on the three lines of defense (detailed on page 50), which contain the elements necessary for strategic integrity management. A key element is a continuous procedure to identify, assess and monitor the risks associated with crime and offense prevention (especially as regards compliance with Law 12.846/13 – Anti-Corruption), segregation of activities and the securities market, by diagnosing the main mechanisms, policies, processes, and procedures up and running at Neoenergia group.

The Compliance Unit, which reports to the Board of Directors through the Sustainability Committee (and via the Audit Committee for whistleblower reports involving financial fraud), has budgetary autonomy and operates independently. The Audit Committee submits an annual work plan to the Board and monitors the progress of the Compliance Unit's activities on a quarterly basis.

Compliance is responsible for promoting a culture of integrity, assessing corruption risks, evaluating suppliers, and investigating and monitoring violations of our rules of conduct, as well as providing clarification about the Code of Ethics and the correct interpretation of its provisions. It is supported by a Compliance Committee, which has an advisory role and has representatives from key areas of the organization. Consequence management and the application of disciplinary measures are the responsibility of Human Resources.

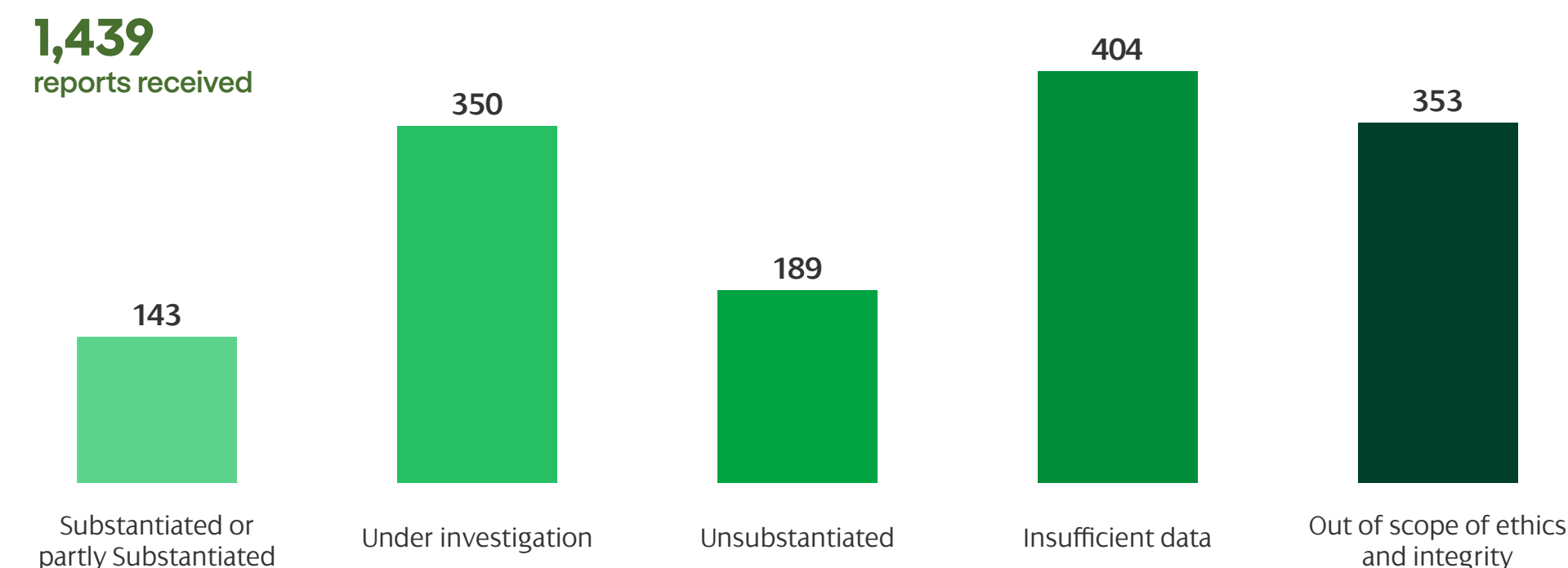
Training in the Code of Ethics and Integrity Policies is available on the company's learning platform. Annual refresher training on our Code of Ethics was attended by 93% of employees.

In 2022 we created the Compliance Facilitators program to disseminate a culture of integrity across the company. These employees, who joined the facilitator group voluntarily and with the consent of their supervisors, are a group that is trained to work as ambassadors of topics related to ethics and integrity.

Fighting corruption

Our policies on Anti-Corruption & Fraud and Crime Prevention and our manuals on Donations, Sponsorship & Social Investment, on Receiving and Offering Gifts, Hospitality and Advantages, on Dealings with Government Officials and on Conflicts of Interest

Whistleblowing channel



support our efforts to combat all forms of corruption, fraud, bribery, favoritism, influence peddling, extortion and kickbacks internally or in our interactions with suppliers, partners or government officials.

Starting at registration, our suppliers must agree to comply with the company's Code of Ethics and Anti-Corruption and Fraud Policy. All contracts have anti-corruption clauses to ensure compliance with these principles. In 2022 we created the Supplier Integrity Program to encourage a select group of suppliers to implement integrity programs or optimize existing ones.

In addition, all new suppliers registered for centralized and decentralized procurement (consulting, advisory, legal, representation, market intelligence and advertising services) entered the Dow Jones Risk & Compliance tool and are monitored for compliance on a daily basis.

Whistleblowing hotline

We have an independent Whistleblowing Channel operated by a specialized firm, with all reports kept anonymous and confidential. Reports can be submitted 24/7 by email, via a toll-free number, or online. The channel is available to all our employees, contractors and society in general.

In 2022, the channel received 1,439 reports, of which 1,086 were accepted for investigation. Of these, 189 were considered unsubstantiated, 404 had insufficient information for investigation, 66 were substantiated or partly substantiated, 77 were substantiated and 350 were still being investigated at the end of the year.

Substantiated or partly substantiated reports resulted in the appropriate remedial actions, applying appropriate disciplinary measures (verbal or written warnings, suspensions and even termination).



5.6. | Fiscal responsibility

We have a Corporate Tax Policy that reflects our tax strategy. It is based on ensuring compliance with applicable tax regulations, excellence and commitment to enforcing tax best practices tailored to our corporate structure and governance.

Aware of the importance that tax information has for all stakeholders and our commitment to transparency and best practices, since 2021 we have voluntarily issued a Fiscal Transparency Report. This report includes relevant tax information and an analysis of the our tax contributions. This report is available on our corporate website.

We undertake the following good tax practices, among others:

- Refrain from using artificial structures unrelated to the group's business for the sole purpose of reducing our tax burden, especially not entering into transactions solely to erode the tax basis or to transfer profits to low-tax territories.
- Avoid opaque tax structures, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved.
- Not to create or acquire companies domiciled in tax havens, with the sole exception of those cases in which we are obliged to do so in the case of an indirect acquisition in which the company domiciled in a tax haven is part of a group of companies being acquired.
- Make the necessary whistleblower channels available to anyone who wishes to report any conduct that may involve any wrongdoing or conduct contrary to the law or to the Governance and Sustainability System, including the rules of conduct set forth in the Code of Ethics and consequently tax-related activities.
- The fiscally responsible behavior of all companies is part of the General Sustainable Development Policy, which includes basic principles of conduct that must be respected.

Tax paid

In 2022, the taxes paid amounted to R\$ 12.3 billion, 6% lower than the amount recorded in 2021 (R\$ 11.7 billion). This decrease was primarily due to the offsetting of credits resulting from the exclusion of ICMS from the PIS and COFINS calculation base and the reduction in the ICMS electricity rate.

In terms of own taxes (R\$ 976 million in 2022), the amounts paid for Corporate Income Tax (IRPJ) accounted for 55% of the total, and contributions on salaries paid to employees represented 40%. The taxes collected in FY 2022 totaled R\$ 11.359 billion, with Consumption Tax (ICMS, PIS, COFINS, and similar taxes) representing 94% of the total.

Taxes paid to the public treasury (R\$ million)



06 Finance



6.1. | Economic-financial performance

Consolidated net revenue was R\$ 40,822 million in 2022, a variation of (1%) on the previous year reflecting the 0.8% decrease in distributed electricity and rate adjustments approved by ANEEL in response to rising inflation and energy costs.

The Gross Margin was R\$ 16,201 million (15% more than in 2021), explained by the effects:

- i. of the 2022 Rate Adjustments of Neoenergia Coelba, Neoenergia Pernambuco and Neoenergia Cosern effective from the end of April/22 (variance of Component B: +14.14%, +14.82% and +14.75% respectively), of Neoenergia Elektro, effective from the end of August/22 (variance of component B: +9.32%) and Neoenergia Brasília, effective from early November/22 (variance of component B: + 5.2%);
- ii. of Neoenergia Brasília's 2021 Rate-Setting Review (+11.10%); and
- iii. better performance of our wind operations thanks to the operational start-up of the Eólicos Chafariz and Oitis wind clusters and higher margins at Termopernambuco.

EBITDA and Net Income

EBITDA was R\$ 11,582 million in the year (up +18% versus 2021), reflecting sustained cost efficiency and discipline, good collection levels, continued progress on transmission projects, and the start of operation of the Chafariz wind cluster, the partial start-up of the Oitis wind cluster and the partial operation of the Luzia solar farm, which added R\$ 731 million in cumulative EBITDA in the year. Net income was R\$ 4,718 million, up 20% on the previous year.

Indebtedness

Our consolidated net debt, including cash and cash equivalents and securities, was R\$ 36,471 million, an increase of 19% on 2021 explained primarily by capital expenditure on grid and renewable projects. Our outstanding debt balance breaks down as 83% long term and 17% short term.

We aim to structure our debt profile in a way that is consistent with the financial cycle of our businesses and the nature of our concessions. We actively manage financial liabilities to effectively lengthen maturities and avoid maturity concentration. Average debt maturity was 5.29 years as of December 2022 (5.06 years as of December 2021), with a leverage ratio of 3.15 times EBITDA (3.12 at the previous year-end).

Our results are detailed in the 2022 Financial Statements, available [here](#).

EBITDA was
R\$ 11,582 million

Investments

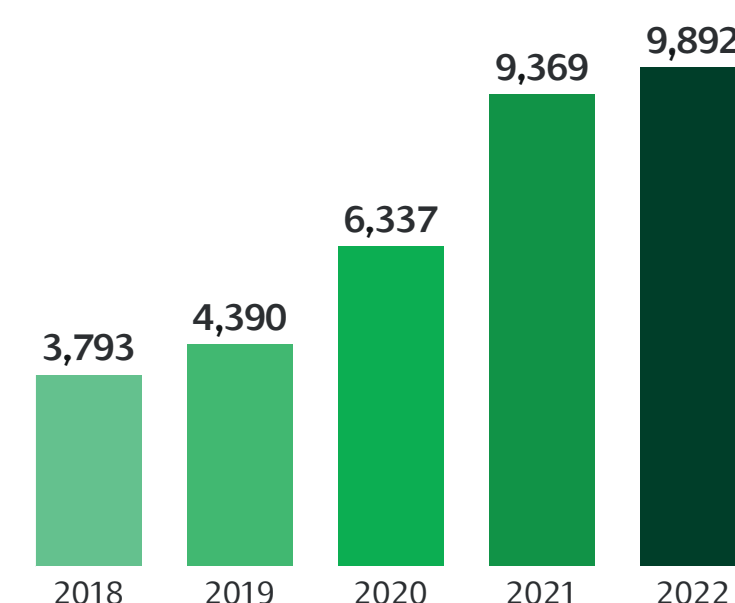
Our Capital Expenditure was R\$ 9.9 billion in 2022, up 6% on the previous year. Most of the expenditure (R\$ 8.1 billion) was invested in Grids, with R\$ 5.5 billion allocated to the Distribution segment (67%), earmarked for both expansion and improvement/efficiency.

The R\$ 2.6 billion investment in Transmission was allocated to the development of assets acquired in auctions between 2018 and 2021. In Renewable energy, R\$ 1.7 billion was ploughed in the Oitis wind complex in Piauí and Bahia, which will be completed in early 2023, adding 566.5 MW of capacity, and in the solar farms – Luzia, with 143 MWp, in Paraíba, which started operating in the second half of 2022.

The hydroelectric plants received investments of R\$ 59 million, mainly in maintenance.

Investments in the Liberalized business (R\$ 62 million) were used for maintenance at Termopernambuco.

Capital expenditure (R\$ million)





6.2 | Sustainable financing

In keeping with our sustainable business model, we are one of Brazil's pioneering business groups in ESG financing. Our first green loan in the capital market was secured in 2019 under our 6th issuance of debentures in two series, totaling R\$ 1.3 billion, allocated to expanding Renewables and Networks.

These issuances were made to: (i) align financial strategy with our purpose, values and investment strategy, (ii) optimize the cost of our debt, and (iii) diversify our sources of financing, transforming sustainability into both an end and a means for the financial strength we pursues and which characterizes it.

We signed new green finance transactions in 2022 in the total amount of R\$ 1.5 billion. In addition, we certified financing facilities taken out from the BNDES for transmission projects in the approximate amount of R\$ 2.050 billion. In 2022 we obtained our first Sustainability-linked loan from the International Finance Corporation (IFC), a member of the World Bank Group, for a distribution company in Brazil. The loan, worth R\$ 550 million, was obtained by Neoenergia Coelba with a maturity of eight years and with the proceeds allocated to the improvement, expansion and digitization of the distribution network. Related metrics will be measured in 2026, supporting its status as a "super green loan."

The loans classified as sustainable finance totaled R\$ 10.2 billion at the end of 2022, compared to R\$ 6.7 billion at the end of the previous year, in 19 transactions since 2019. Since then, we have intensified financing through this type of instrument, with issuances in various formats: public and private operations, senior and subordinated debt, issued by the holding company or our subsidiaries.

The differentiating feature of this financing is the commitment to use the funds obtained for sustainable and socially responsible environmental projects, including renewable energy, expansion and digitalization of electricity transmission and distribution grids, researching new, more efficient technologies and smart mobility projects. We also committed to provide annual reports on the environmental return generated by these projects in the corresponding period.

Since 2020, most of our green debts have been secured by the Green Finance Framework, which has external certification issued by NINT (formerly Sitawi), which confirms the company's good sustainability practices. This framework is aligned with the Green Bond Principles established by the International Capital Markets Association (ICMA). Each framework transaction also has a second party opinion of a confirming that the transaction meets the criteria described in Neoenergia's Green Finance Framework.

The documentation for all green transactions contracted by Neoenergia is available on the corporate Investor Relations website, in the Sustainability/Green Debts section.

The table below summarizes our green loans and bonds since 2019:

Green finance – Neoenergia Group

Company	Instrument	Summary of use of proceeds	Volume	Qualified via
2019				
Neoenergia	6 th Debenture Issuance – 1 st Tranche	Transmission & Renewables	R\$ 803 million	Second Party Opinion
Neoenergia	6 th Debenture Issuance – 2 nd Tranche	Transmission & Renewables	R\$ 492 million	
Neoenergia	Long Term – BEI	Renewables	€ 250 million	BEI
2020				
Neoenergia Itabapoana	1 st Debenture Issuance	Transmission	R\$ 300 million	Second Party Opinion
Neoenergia Coelba	Long Term – JICA	-	R\$ 508 million	JICA
2021				
Neoenergia Elektro	3 rd Promissory Note Issuance	PDD1	R\$ 500 million	Green Finance Framework aligned with ESG best practices
Neoenergia Pernambuco	11 th Debenture Issuance – 3 rd Tranche	PDD1	R\$ 200 million	
Neoenergia Coelba	13 th Debenture Issuance – 3 rd Tranche	PDD1	R\$ 800 million	
Neoenergia Coelba	1 st Commercial Note Issuance – 1 st Tranche	PDD1	R\$ 266 million	
Neoenergia Cosern	1 st Commercial Note Issuance – 1 st Tranche	PDD1	R\$ 66.67 million	
Neoenergia Cosern	1 st Commercial Note Issuance – 2 nd Tranche	PDD1	R\$ 133.33 million	
Neoenergia	Long Term – BEI	Renewables	€ 200 million	BEI
2022				
Neoenergia Elektro	11 th Debenture Issuance	PDD1	R\$ 200 million	Green Finance Framework
Neoenergia Brasília	5 th Debenture Issuance	PDD1	R\$ 300 million	Green Finance Framework
Neoenergia Vale do Itajaí	BNDES Loan	Transmission	R\$ 1.305 billion	Green Finance Framework
Neoenergia Pernambuco	2 nd Commercial Note Issuance – 1 st and 2 nd Tranches	PDD1	R\$ 450 million	Green Finance Framework
Neoenergia Coelba	IFC – Super Green Loan	PDD1	R\$ 550 million	Sustainability-Linked Finance Framework and Green Finance Framework
Neoenergia Santa Luzia	BNDES Loan	Transmission	R\$ 368.98 million	Green Finance Framework
Neoenergia Dourados	BNDES Loan	Transmission	R\$ 375 million	Green Finance Framework

07

About this report



7.1 | About this report

Integrated report

This report has been prepared in accordance with the guidelines of the International Integrated Reporting Council (IIRC) and relied on consolidated data from financial and non-financial information. The key operational, financial and non-financial figures were approved by our Board of Directors on February 15, 2023, following a favorable opinion from the Sustainability Committee.

The financial data has been prepared in accordance with International Financial Reporting Standards (IFRS) and is sourced from the Management Report and Standardized Financial Statements of Neoenergia S.A. for the year 2022, independently audited by Deloitte Touche Tohmatsu.

The non-financial information has been sourced from our 2022 Annual Sustainability Report, which has been assured internally and externally, certified by Internal Controls, and verified by the Sustainability Committee, Audit Committee and the Board of Directors.

A multidisciplinary team, including business and corporate areas, was involved in preparing this document, with the aim of providing a comprehensive overview of the companies that make up Neoenergia group, its business model, the challenges and risks it faces, and its social, environmental, economic and governance performance.

Material topics

The topics covered in this report were compiled in a materiality assessment in 2022 to identify the topics that are a priority for managing sustainability. The assessment drew on guidance from the Global Reporting Initiative (GRI) Standard, AA1000 (Accountability 1000) and recommendations from S&P Global's Corporate Sustainability Assessment (CSA) for the Dow Jones Sustainability Index (DJSI).

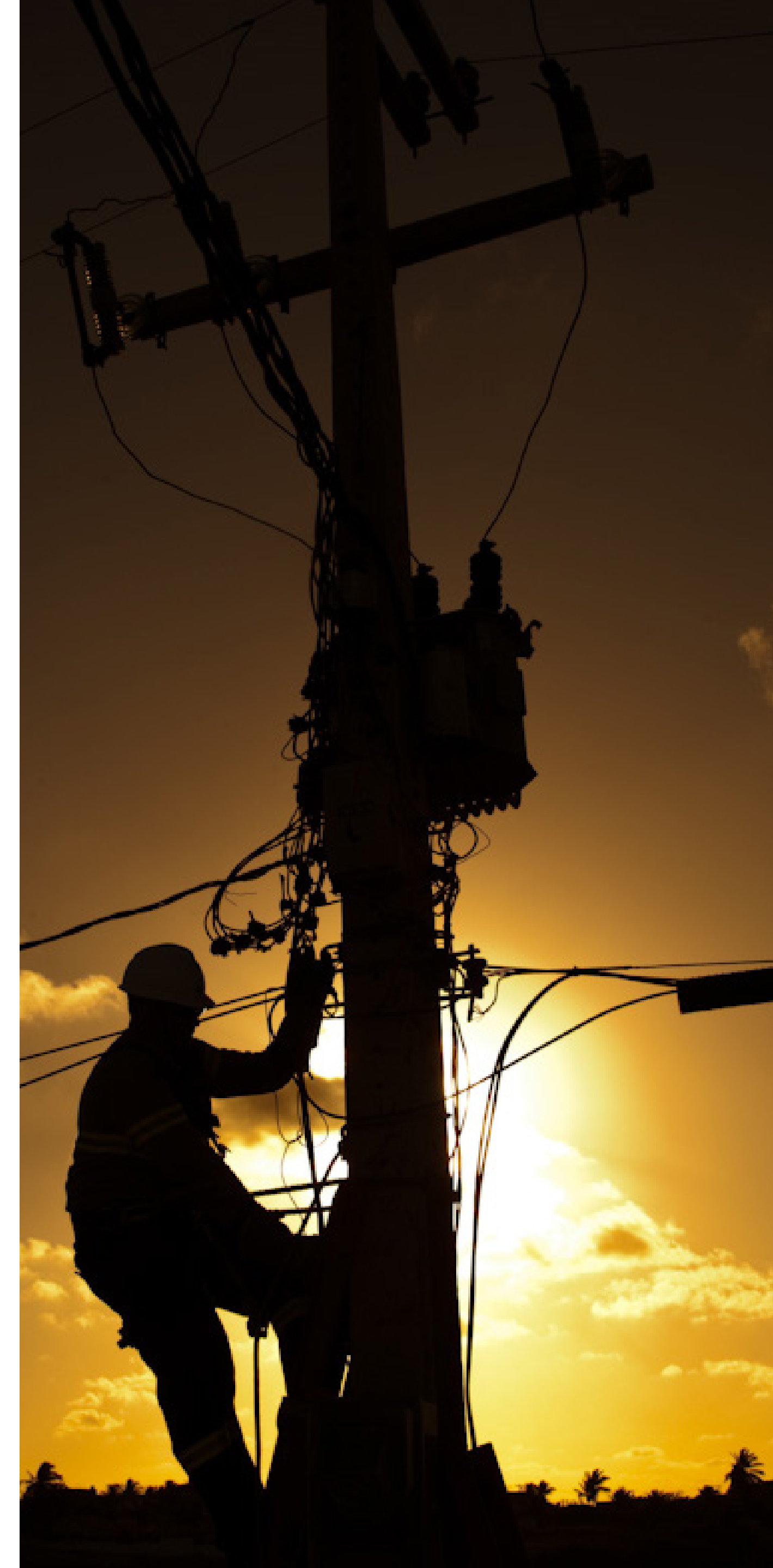
The assessment process used both the double materiality approach (considering both financial and non-financial impact) and the dynamic materiality approach, based on eliciting stakeholders views and considering current and future issues that could become material for the company.

A preliminary list of topics was compiled in a multi-stage process that included industry benchmarking, identifying matters prioritized by experts from leading sustainability organizations, business strategy, internal and external commitments assumed by us, and topics prioritized by our controlling shareholder, Iberdrola.

We also consulted representatives of stakeholders (employees, customers, suppliers, community members, non-governmental organizations, shareholders, financial market, public and regulatory agencies, media and environmental agencies) and company executives. They provided input on these topics based on the company's strategy and ESG commitments, as well as their understanding of the impacts that each of these issues represents for the company, the economy, the environment and society.

As a result of the process, the ten topics considered as priorities were:

- **Environmental topics:** Climate change and energy transition; Biodiversity.
- **Social topics:** Health and safety; Diversity, equality and inclusion; local communities and vulnerable customers; Responsible supply chain; Customer satisfaction, efficiency and reliability.
- **Governance topics:** Ethics, integrity and transparency; Innovation, digitalization and cybersecurity.
- **Economic and financial topics:** Economic performance and sustainable financing





Boundaries of information

The information published in this report covers the period January 01 to December 31, 2022 and all entities controlled and managed by Neoenergia, including 5 distribution utilities, 6 hydropower plants, 41 wind farms, 1 thermal power plant, 9 operational transmission companies, and 3 trading and services companies. Social and environmental disclosures exclude one hydroelectric dam (Belo Monte, in which the company has a 10% stake), two photovoltaic solar farms that started operation near the end of 2022, and three wind farms under construction (Oitis 9, 10 and 21).

Neoenergia's growth

Various subsidiaries engaged in transactions that changed the composition of their assets in 2022, including the following:

- The company expanded its renewables portfolio, moving up delivery of the Oitis Wind Farm (567 MW) between the states of Piauí and Bahia, which ended the year at 70% operating capacity (commercial + testing). The Luzia solar farm was also brought online, adding 143 MWp (solar) of installed capacity.

- In transmission, new transmission lines were brought online in Jalapão (728 km) and Rio Formoso (210 km), both earlier than stipulated in the bid document. The company also delivered sections of other lots that are still under construction, ending the year with additional total Permitted Annual Revenue (PAR) of R\$ 200 million

Two developments resulted in changes to our capital structure:

- A public offering of shares in Neoenergia Pernambuco to acquire a minority interest. As a result of the transaction, we now own the distribution company in its entirety (100% of capital).
- Share swap with Eletrobras Announcement. As a result of this transaction, we now own 100% of the Água da Pedra (Dardanelos) hydroelectric power plant as well as a residual 0.04% interest in Neoenergia Coelba, Neoenergia Cosern and Afluente T; in exchange, Eletrobras will receive a 51% interest in the Teles Pires and Baguari I hydroelectric plants. The transaction should be completed in the first half of 2023.

Disclaimer regarding forward-looking statements

We have prepared this report with the aim of presenting the overall situation and progress of our business. The document is the property of Neoenergia and should not be used for any other purpose without our prior written consent. The information contained in this document reflects the current conditions and the organization's viewpoint up to this date, and is subject to change. The document contains statements that present our expectations and projections about future events. These expectations involve various risks and uncertainties, and results or consequences may therefore differ from those discussed and projected here, and we cannot guarantee they will materialize.

In this regard, while we believe that the expectations contained in such information or statements are reasonable, company investors and shareholders are advised that future projections are subject to risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These risks may cause actual results to be significantly different from those expressed, implied or projected in the information and statements with forward-looking projections. Among these risks and uncertainties are those identified in documents we have submitted to the Brazilian Securities Commission (CVM) and are accessible to the public.

The information, statements or representations containing forward-looking projections refer exclusively to the date on which they were presented, do not guarantee future results and have not been reviewed by Neoenergia's auditors. We recommend you not make decisions that rely on information, statements or representations containing forward-looking projections. All information, statements or representations containing forward-looking projections reflected in this report are subject to the disclaimers made and relied on information available at the date of approval. Except as required by applicable law, we undertake no obligation, even when new data is published or new facts arise, to publicly update statements or representations or revise information containing forward-looking projections.

