

SECOND-PARTY OPINION

on the Sustainability-Linked Loan issued by Grupo Neoenergia and its subsidiaries¹ in 2024

Sustainability Linked Loan Principles (SLLP)

Loan amount: BRL 1,600,000,000.00

Maturity date: December 2026

Key-Performance Indicator (KPI)	#1	#2
	Percentage of female in leadership positions (%)	Network Digitalization (%)
Sustainability performance target (SPT)	#1 Reach 33% of female in leadership positions by December 2025	#2.1 Reach 79.5% of digitalized networks by December 2024
		#2.2 Reach 83.1% of digitalized networks by December 2025

Baseline 30.4% female in leadership positions in 2023 77.5% of digitalized networks in 2023

Selection of Key Performance Indicators (SLLP 1)

Relevance and materiality for the company's business and alignment with the company's sustainability strategy

Measurable

Verifiable

Comparable

KPI # 1

●●●○ High

☑ Yes

☑ Yes

☑ Yes

KPI # 2

●●●● Very high

☑ Yes

☑ Yes

☑ Yes

Calibrating Sustainability Performance Targets (SLLP 2)

Level of ambition

- Company's historical performance
- Peer companies
- Scientific scenarios

●●●○

Moderate

●●●○

Moderate

●●●○

Moderate

●●●●

Very high

●●●○

Moderate

●●●○

Moderate

Inconclusive

Inconclusive

Operation Characteristics (SLLP 3)

- The loan agreement establishes the key performance indicators (KPIs), its sustainability performance targets (SPTs), the observation dates, and the verification dates.
- The achievement of the SPTs by the reference dates will trigger a step-up of 20 bps considering SPT 2.1 (due December 2024) and a 10 bps step-up for each target, considering SPTs#1, and #2.2 (due December 2025) in the Revolving Credit Facility interest rate. Each verification will occur in April of the following year and the step-ups are applicable to interest rate in the periods following the SPT's achievement verification.
- The interest rate will vary according to the amount available for withdrawal, being CDI + 1.73% to 2.15% (per year) in case the amount being withdrawn is up to 10% of the amount available for withdrawal. Or being CDI + 2.58% to 2.85% (per year) if the amount is over 10% of the amount available for withdrawal. The interest rate may be increased if the borrower: (i) fails to comply with the SPTs within the respective observation dates, to be attested by the External Verifier's Report, or (ii) fails to deliver to the lender the External Verifier's Report by the respective verification date.
- It is relevant to note that, in 2023, Neoenergia Elektro (Neoenergia's subsidiary) issued a sustainability-linked loan with the KPI Network Digitalization (%) with a SPT due 2027 of which current SPTs are intermediate targets. ERM evaluates that by linking another operation to the achievement of the same SPT, Grupo Neoenergia is adding more financial stimulus to the achievement of the targets.
- The company has not established alternatives to be adopted in case it fails to implement strategies to meet the SPTs (backup mechanisms).

Reporting and Verification (SLLP 4 e 5)

- The KPIs performance and SPTs achievement will be annually published on Grupo Neoenergia's Annual Sustainability Report, which is audited by a third-party on an annual basis.
- In April 2025 and April 2026, there will be target verification reports elaborated by an external party that will assess the KPI's performance and SPT's achievement. The current Second-Party Opinion report and the targets Verification Reports will be published on Grupo Neoenergia's corporate website.
- The KPI 2 and its SPTs' definition and calculation methodologies are disclosed in Grupo Neoenergia's Sustainability-Linked Finance Framework of May 2023, which is publicly available at Grupo Neoenergia's website².

¹ Revolving Credit Facility between Grupo Neoenergia and its subsidiaries as the 'Borrower' and Itaú Unibanco as the 'Lender'.

² [Neoenergia Sustainability-Linked Finance Framework \(mziq.com\)](https://mziq.com)



About ERM

ERM is a leading global sustainability consultancy with operations in more than 70 jurisdictions and 8,000 employees worldwide. Within its Sustainable Finance practice, ERM has assessed 300+ financial instruments for sustainability, such as green, social and sustainable bonds, sustainable investment funds and sustainability-linked instruments. ERM is also accredited by the Climate Bonds Initiative at a global level and, since 2020, NINT, currently part of ERM Group, has been among the top 10 global second-party opinion providers for sustainable bonds, according to Environmental Finance.

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1. Scope

This Second Party Opinion (SPO) report aims to provide an opinion on the Revolving Credit Facility provided by Banco Itaú Unibanco S.A. ("Itaú Unibanco") to Grupo Neoenergia (borrower). The operation amounts to BRL 1,600,000,000.00 (one billion, six hundred million Brazilian reais) and matures in December 2026. Grupo Neoenergia is controlled by Iberdrola Energia, a Spanish company from the energy sector.

ERM used its proprietary assessment method, which is aligned with the *Sustainability-Linked Loan Principles* (SLLPs).

ERM's opinion is based on:

- Assessment of key performance indicators (KPIs) and calibration of the sustainability performance targets (SPTs), loan characteristics, reporting and verification (sustainability-linked characteristics).
- Corporate assessment of the company, including research of ESG controversies in which the company has been involved (corporate ESG assessment).

The assessment was based on information and documents provided by Neoenergia, some of them confidential, desk research and interviews with professionals from the financial and sustainability areas. This process was carried out between June and August 2024.

The assessment process was performed in accordance with relevant general principles and professional standards for independent auditing, and in line with the International Standard on Valuation Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), International Standard on Quality Control (ISQC 1, 2009) and Code of Ethics for Professional Accountants of the International Ethic Standards Board for Accountants (IESBA, 2019).

ERM had access to all requested documents and key staff, thus being able to provide an opinion with a reasonable level of assurance regarding completeness, accuracy, and reliability.

Grupo Neoenergia and Itaú Unibanco intend to obtain a Sustainability-Linked Loan classification for the loan, as defined by the SLLPs³, April 2023 version. The company's performance regarding the established SPTs will be externally reviewed by an external verifier in April 2025 and 2026, before the maturity of the operation (in 2026), through targets' independent assessment conducted by an external verifier to be hired by Grupo Neoenergia.

³ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

Declaration of Responsibility

ERM is not a shareholder, subsidiary, supplier or client of Grupo Neoenergia or its subsidiaries. ERM declares that it has no conflict of interest and is able to issue an independent opinion.

NINT, currently part of ERM, was responsible for second-party opinion reports of Grupo Neoenergia's previous green issuances. ERM has also conducted ESG strategy projects for Grupo Neoenergia's subsidiaries. To mitigate the potential conflict of interest and ensure objectivity and impartiality, the professionals responsible for the current Second-Party Opinion have not been involved in the subsidiaries' ESG strategy projects and vice versa. Furthermore, the ESG strategy projects do not involve the development of green criteria, frameworks or fundraising approaches. Therefore, ERM declares that it is able to issue an independent opinion in line with the Sustainability-Linked Loan Principles.

The analysis contained in this Second-Party Opinion is based on public and confidential documents, provided by the company. We cannot attest to the completeness, preciseness, or reliability of these sources. Therefore, ERM will not be held responsible for any decisions based on the information contained in this report.

THIS IS NOT A RECOMMENDATION

We emphasize that all the evaluations and opinions indicated in this report do not constitute an investment recommendation.

2. Opinion

ERM confirms that the Revolving Credit Facility between Itaú Unibanco and Grupo Neoenergia is aligned with the Sustainability-Linked Loan Principles (SLLP). Therefore, it can be characterized as a Sustainability Linked Loan, with positive contributions to environmental conservation, climate, and sustainable development.

The sustainability-linked loan has two indicators (KPIs), namely:

- KPI #1: Percentage of women in leadership positions⁴ (%); and
- KPI #2: Network Digitalization (%).

Under the 'non-financial materiality'⁵ lenses, KPIs #1 has high relevance and materiality and KPI #2 has been classified as very high, with the first generating social impacts and the second generating environmental and social benefits.

According to the SLLP, regarding the level of ambition of the sustainability performance targets (SPT), the SPTs were assessed under i) their historical performance; ii) scientific scenarios or benchmarks; iii) peer companies' targets. ERM has evaluated the SPTs and classified the level of ambition as moderate for both SPTs #1 and #2. We have concluded that both KPIs and the SPTs' calibration are aligned with the SLLP. Therefore, the current financial operation should be properly classified as a Sustainability-Linked Loan. The SLL KPIs and SPTs achievement will be confirmed in April 2025 and 2026 through targets Verification Reports, which will assess the company's performance regarding the SPTs defined.

It is relevant to note that, in 2023, Neoenergia Elektro (Neoenergia's subsidiary) and International Finance Corporation (IFC) issued a sustainability-linked loan⁶, assessed by NINT, currently part of ERM Group. The SLL was based on the performance of the same KPI (% of Network Digitalization) and the SPT was "Reach 86.6% of digitalized networks by December 2027". For the current transaction, due in 2026, the following SPTs were proposed: Reach 79.5 % of digitalized networks by December 2024 and 83.1% by December 2025, which consists of intermediate targets of the final SPT, due 2027. ERM evaluates that by linking another operation to the achievement of the same SPT, Grupo Neoenergia is adding more "skin in the game" to the achievement of the targets.

Assessment Team

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Rio de Janeiro, August 15th, 2024.

⁴ Board of Directors, Superintendence and Management positions.

⁵ Non-financial materiality focuses on *stakeholders* – society and environment.

⁶ The loan's SPO is publicly available at [SECOND-PARTY OPINION \(mziq.com\)](https://www.mziq.com/SECOND-PARTY-OPINION).



2.1 Sustainability-Linked Loan (SLL) Assessment

2.1.1 SLLP1 and SLLP2 – Selection of Key Performance Indicators (KPIs) and calibrating sustainability performance targets (SPTs)

Key-Performance Indicator (KPI) #1

Percentage of female in leadership positions

Baseline: 30.4% of women in leadership positions in 2023.

Scope: The number of women in total leadership positions level at Grupo Neoenergia, considering the leadership positions: Senior leadership (directors, superintendents, and specialists III) and Middle leadership (managers and specialists II). Gender will be defined through a self-declaration process carried out annually by the company.

Relevance and materiality

High



According to *Instituto Brasileiro de Geografia e Estatística* (IBGE), the Brazilian population has over 6 million women more than men. Data from the last Demographic Census (released in October 2023), show that women represent 51.5% of the population while men represent 48,5%⁷. Despite being the majority in Brazilian universities, women find it more difficult to find a job⁸.

Nowadays, Brazilian women are more educated than men, with more access to higher education⁹ and are more likely to graduate. According to a IBGE's 2021 study, "Gender Statistics: social indicators of women in Brazil", the only age group in which there are more men than women with higher education is 'above 65 years of age or older', proving that there were restrictions on access to education in the past decade. As for the level of education of youths aged between 25 and 34 in Brazil, according to the 'Education at a Glance 2023' report, women accounted for 27% of people with higher education (postgraduate) and men accounted for 19%¹⁰. Even though women represented a greater number of young people with higher education, the employability of people aged 25 to 34 with higher education was 90% for men and only 83% for women¹¹. Despite all of the presented above, women continue to receive lower wages and face slower career progressions compared to men¹².

⁷ <https://educa.ibge.gov.br/jovens/conheca-o-brasil/populacao/18320-quantidade-de-homens-e-mulheres.html#:~:text=Os%20resultados%20do%20Censo%20Demoqr%C3%A1fico,da%20popula%C3%A7%C3%A3o%20residente%20no%20pa%C3%ADs>

⁸ <https://www.bbc.com/portuguese/geral-49639664>

⁹ https://biblioteca.ibge.gov.br/visualizacao/livros/liv101551_informativo.pdf

¹⁰ <https://www.oecd-ilibrary.org/docserver/e13bef63-en.pdf?expires=1703034983&id=id&accname=guest&checksum=1460CA60D398B5E4CD140E00AAD805DA>

¹¹ <https://www.oecd-ilibrary.org/sites/7a9958a8-en/index.html?itemId=/content/component/7a9958a8-en>

¹² <https://www.scielo.br/j/cebape/a/Wwqj4gNdm8k8jcGRjCFxvqm/?format=pdf&lang=pt>



Regarding the presence of women in senior roles, according to data from the International Labor Organization, women occupied 37% of senior and middle management positions in Brazil, in 2022. Compared to 2011 data, the country did not make significant progress in the period when women occupied 36.6% of senior and middle management positions in the country¹³. Despite that, according to the most recent edition of the World Economic Forum's Global Gender Gap Report¹⁴, Brazil has risen up the ranking of countries with the best gender parity, from 94th in 2022 to 57th in 2023. Even though the participation of women on boards of directors was only 16.9% and the wage gap between men and women was 9.09%. Globally, 32.4% of senior management positions in mid-market companies were held by women in 2023, according to Grant Thornton's Women in Business - International Business Report (IBR) 2023¹⁵. **Therefore, it is possible to conclude that both in Brazil and globally, there is room for improvement in terms of gender diversity and representation.**

There are several benefits result of promoting diversity and inclusion in companies, especially in leadership positions. In this sense, a study by the Peterson Institute for International Economics concluded that companies, where 30% of leadership positions are filled by women, manage to increase their net profit margin by more than 1% compared to those without female leaders. Another survey by researchers at the University of Arizona found that companies with women in senior management positions experience so-called 'innovation intensity' and register more patents - on average 20% more than teams with male leaders¹⁶.

According to the study 'Consumer's Brand Expectations Around Diversity and Inclusion in 2021'¹⁷, about 50% of consumers are more likely to buy from brands that embrace diversity. In other words, investing in affirmative policies and increasing the number of women in leadership positions can potentially increase the number of sales and brand loyalty¹⁸.

Furthermore, the presence of women in leadership positions is associated with better ESG performance,^{19,20} as are the many benefits associated with diversity. Women in leadership positions enable companies to maximize the power of diverse perspectives and innovative decision-making, which may improve the overall success of a firm's performance. S&P 500 companies with women in senior management above the median observed a 30% higher return on equity and a 30% lower earnings risk relative to lower-ranked peers²¹.

¹³ <https://www.insper.edu.br/noticias/mulheres-ocupam-37-dos-cargos-gerenciais-de-nivel-senior-e-medio-no-brasil/>

¹⁴ https://www3.weforum.org/docs/WEF_GGGR_2023.pdf

¹⁵ <https://www.grantthornton.com.br/insights/women-in-business-2023/movimento-pela-igualdade/>

¹⁶ <https://exame.com/carreira/liderar-e-cuidar-por-que-a-lideranca-atual-tem-mais-espaco-para-mulheres/>

¹⁷ https://www.quantilope.com/resources/insight-studies-consumers-expectations-around-diversity?_ga=2.233575387.435106361.1703012420-1014747878.1703012420

¹⁸ <https://gptw.com.br/conteudo/artigos/lideranca-feminina/#:~:text=Atuar%20para%20que%20mais%20mulheres,efetivamente%20contribuem%20para%20a%20sociedade>

¹⁹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resource/s/private+sector+opinion/women+in+business+leadership+boost+esg+performance

²⁰ <https://einvestidor.estadao.com.br/comportamento/mulheres-cargos-lideranca-impulsionam-esg/>

²¹ [S&P 500 companies with more gender diversity on boards see 15% higher ROE: BofA](#)



Several companies report that gender diversity has delivered a 5% to 20% increase in profits²² and innovation. Those which already have the theme of diversity at the center of their strategies report positive performances. A corporate organization that illustrates the plurality of society, creates an environment of greater respect for cultural differences, greater tolerance for divergent opinions, and lower rates of discrimination and prejudice²³. Diversity and inclusion stimulate greater sensitivity in communication between employees, avoiding multiple forms of microaggressions²⁴.

Among the challenges to greater promotion of diversity and inclusion in companies is the need for companies to engage in the cause and adopt policies that promote equity in the workplace. In addition, there is evidence that the lack of confidence women have in themselves (commonly known as impostor syndrome), reinforced by the characteristics attributed to men and women, can have a major influence on how women perceive themselves and are perceived by others in the labor market²⁵.

It is therefore important that preconceptions, stereotypes and unconscious biases are clarified, since they limit the inclusion of women in companies. Examples of stereotypes that need to be combated include maternity leave as a problem associated with women's low productivity after pregnancy, which biases the hiring of women, and the fact that women's appearance based on beauty standards is taken into account when hiring them.^{26,27} According to the survey "Behind the appearance: A study on women and the challenges of aesthetic standards in the job market", for a significant portion of the interviewees, people who meet the standards imposed by society are more likely to reach high-level position²⁸.

As in other sectors, in the energy sector, the presence of women is lower compared to men. While women represent 47% of the global labor force²⁹, they represent 15% of the energy workforce, according to International Energy Agency (IEA) World Energy Employment 2023 report³⁰.

Specifically in the renewable energy sector, women account for 32% of the workforce. Despite the higher presence in the renewable energy sector, it still demonstrates that women remain underrepresented in the sector as a whole. Also, at the time of the study, 45% of the women employed in the oil and gas, renewables, and wind power workforce worked **in administrative positions**, according to a report by the International Renewable Energy Agency (IRENA)³¹.

²² <https://exame.com/esg/diversidade-impacto-positivo-negocios/>

²³ <https://www.kenoby.com/blog/diversidade-no-ambiente-de-trabalho>

²⁴ <https://www.mckinsey.com/~media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.pdf?shouldIndex=false>

²⁵ https://www.em.com.br/app/noticia/economia/2019/07/12/internas_economia,1069103/apenas-3-mulheres-brasil-ocupam-cargos-de-lideranca-aponta-pesquisa.shtml

²⁶ <https://www.meioemensagem.com.br/home/womentowatch/2022/06/27/aparencia-feminina-no-trabalho-ferramenta-de-opressao-ou-empoderamento.html>

²⁷ <https://mundonegro.inf.br/mulheres-negras-com-cabelo-natural-tem-menores-chances-de-conseguir-uma-entrevista-de-emprego/>

²⁸ [Padrões estéticos afetam carreira das mulheres, indica pesquisa | Carreira | Valor Econômico \(globo.com\)](https://globo.com/Padrões-estéticos-afetam-carreira-das-mulheres-indica-pesquisa-Carreira-Valor-Econômico)

²⁹ <https://webapps.ilo.org/infostories/en-GB/Stories/Employment/barriers-women#:~:text=The%20current%20global%20labour%20force,more%20than%2050%20percentage%20points.>

³⁰ https://iea.blob.core.windows.net/assets/ba1eab3e-8e4c-490c-9983-80601fa9d736/World_Energy_Employment_2023.pdf

³¹ <https://www.irena.org/Publications/2023/Sep/Renewable-energy-and-jobs-Annual-review-2023>



When it comes to positions specifically in science, technology, engineering, and mathematics those numbers are even lower, in the renewable energy sector it drops from 32% to 28%. IRENA's analysis also finds that women are more likely to be employed in lower-paid, non-technical, administrative and public relations positions than in technical, managerial or policy-making positions³². This percentage is even lower at management levels, where women make up less than 12% of leaders, according to an IEA report³³.

According to an analysis made by Organisation for Economic Co-operation and Development (OECD) and IEA, of data from approximately 2,500 firms classified in energy-related sectors, in 2021 women make up just under 14% of senior managers, with representation strongest in the utility sector³⁴. While the difference in seniority of management roles can perhaps be explained by other social and cultural issues, it cannot be explained by academic qualifications. According to IEA data, the education levels are roughly similar for male and female executives, with around 50% having a bachelor's degree, 35% a master's degree and 15% a doctorate³⁵.

According to McKinsey & Company³⁶, "the talent pipeline varies by industry". Some industries struggle to attract entry-level women", while sectors such as Energy, Utilities, and Basic Materials fail to advance women into middle management. **This contrasts sharply with the higher level of education among women than among men.**

The situation in Brazil is not very different from other countries. FESA Group carried out a study of senior management executives in the energy sector, looking at the 25 largest energy companies operating in Brazil, in energy generation, transmission, distribution, and commercialization sectors. **The result shows that 19% of the positions are held by women, with only 6% working in business positions, such as CEO or leader of the Operations, Maintenance, New Business, or Engineering / Construction areas**³⁷. Still, according to the study, the distribution segment is the most inclusive, with 31% of women in management. Power generation comes next with 23%, while the transmission and commercialization sectors have only 13% and 12% of women at the highest strategic roles (C-level), respectively. According to IEA, it is more common to have higher representation of women leadership positions at large energy-related multinational enterprises and publicly listed firms. One of the reasons mentioned is that larger firms tend to come under increased scrutiny from investors and are therefore more likely to have adopted comprehensive gender employment practices³⁸.

³² [https://www.irena.org/publications/2013/Dec/Renewable-Energy-and-Jobs-\(2013\)](https://www.irena.org/publications/2013/Dec/Renewable-Energy-and-Jobs-(2013))

³³ <https://www.iea.org/commentaries/gender-diversity-in-energy-what-we-know-and-what-we-dont-know>

³⁴ [Data - OECD](#)

³⁵ [Women in senior management roles at energy firms remains stubbornly low, but efforts to improve gender diversity are moving apace – Analysis - IEA](#)

³⁶ <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace>

³⁷ [Predominantemente masculina, a área de energia ainda tem muito o que investir na diversidade de gênero – FESA Group](#)

³⁸ [Women in senior management roles at energy firms remains stubbornly low, but efforts to improve gender diversity are moving apace – Analysis - IEA](#)

Meanwhile, the sector's importance in contributing to and combating climate change is undeniable, with current energy system being a major driver of global warming, accounting for about 75% of total greenhouse gas emissions³⁹

IEA estimates that clean energy investment must reach \$4.5 trillion per year by 2030 to limit global warming to 1.5°C⁴⁰. Alongside, IRENA estimates that the renewable energy sector will employ 43 million people by 2050 under a 1.5°C scenario, out of the 122 million people employed in the energy sector as a whole²⁰.

However, according to the report Jobs in a Net-zero Emissions future in Latin America and the Caribbean by the Inter-American Development Bank (IDB)⁴¹, **women will not benefit from job creation unless the gender equality agenda is also included.**

IRENA points out that women face a series of barriers, perceptions and structural obstacles that can make it difficult for them to remain and progress in their careers, throughout society and not exclusively in the energy sector. The main barriers identified were **cultural and social norms**, lack of gender-sensitive programs and policies, and lack of skills and training opportunities.

For the promotion of inclusion, IRENA points to the fundamental role of education and training in creating a qualified workforce, in close coordination between industry and education and training institutions to attract a wide and diverse audience.

Regarding KPI 1's alignment with the company's sustainability strategy: Grupo Neoenergia is committed to increasing women's participation in the market through employment opportunities, aligned with Sustainable Development Goal 5 "Achieve gender equality and empower all women and girls". In 2021, the company launched its diversity position "Together, our energy is made of diversity", reinforcing the theme as a company value. New recruitment and selection guidelines were defined to bring diversity into the company, focused on women's attraction and recruitment for operational positions.

Grupo Neoenergia's diversity work groups are also connected to Iberdrola, Grupo Neoenergia's controlling shareholder, and its Global Diversity Committee, which gathers every two months to discuss diversity actions that has been taken in the countries where it is present.

Since 2022, Grupo Neoenergia has supported the Women's Empowerment Principles (WEPs), promoted by UN Women and the Global Compact. As a result, they have committed to its seven premises: training corporate leadership focused on gender equality, fair and non-discriminatory treatment, guaranteeing health, safety and well-being, promoting education, training and professional development for women, supporting female entrepreneurship and encouraging gender equality through initiatives aimed at the community and social activism.

³⁹ [Climate Change – Topics - IEA](#)

⁴⁰ [IEA: Clean energy investment must reach \\$4.5 trillion per year by 2030 to limit global warming to 1.5°C | World Economic Forum \(weforum.org\)](#)

⁴¹ [Jobs in a Net-Zero Emissions Future in Latin America and the Caribbean \(iadb.org\)](#)



In 2023, Grupo Neoenergia joined the “Elas Lideram 2030” movement⁴², an initiative of the Global Compact Brazil Network and UN Women in partnership with other institutions.

The company invests consistently in employee training, and on the female leadership front, Her Energy stands out - a focused global female mentoring program focused on leadership development, launched to accelerate the development of female executives and strengthen the premise of gender equity in senior leadership positions. The event has national and international activities, in which participants have contact with executives from across the group.

Through training for women at the Electricians' School, in 2023 Grupo Neoenergia hired more than 250 women for this role. The group represents 49% of the 492 students who completed the course in the 36 classes during the period. **According to Grupo Neoenergia’s sustainability reports, the number of women joining the course and the number of women hired by Grupo Neoenergia has grown every year.** Since 2019, when the initiative was launched, the company has hired 637 women, representing 65.6% of the total of 970 women trained in the period. The Electrician School Program and similar initiatives not only contribute to reducing gender inequality, but also to training highly qualified professionals for the sector.

Considering the scenario of gender inequality in Brazil and in the world and the positive impacts that diversity and inclusion bring to society as a whole, KPI 1 is presented to have significant relevance. Moreover, the KPI expresses an improvement in performance (outcome) of the company's practices concerning the promotion of diversity, equity and inclusion, as well as being aligned with its sustainability strategy, is directly associated with the company's non-financial materiality (i.e the impacts generated for society and the environment). However, the KPI does not affect multiple fronts of the company's operations, thus capturing monothematic impacts. Therefore, the assessment of the proposed indicator level of relevance and materiality and alignment with the company’s strategy is **high**.

Measurable

Yes



The indicator is measured by the equation:

$$\text{Female in leadership positions (\%)} = \frac{\text{Number of women in leadership positions}}{\text{Total number of leadership positions}}$$

The Superintendence of Organizational Development is responsible for recruiting new partners and training employees. The leadership positions related targets and indicators are internally verified by the Human Resources (HR) department. Since the KPI definition, in 2022, the KPI has been monthly monitored by the Human Resources Department of Performance and Indicators through a dashboard which is based on the closing of the headcount. In addition, the results are shared with the sustainability team on a quarterly basis for disclosure in the results release to the public and annually for disclosure in the sustainability report. In addition, Grupo

⁴² [Movimento elas lideram - Pacto Global](#)

Neoenergia has an internal control process, which checks compliance with the target on a quarterly basis in accordance with the established methodology.

Verifiable	Yes	<input checked="" type="checkbox"/>
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The leadership positions considered include all hierarchical levels that have people management, i.e Board of Directors, Superintendence and Management positions. Gender will be defined through a self-declaration process carried out annually by the company.

As previously mentioned, the data is internally verified by the Human Resources (HR) department. The HR management is responsible for the target monitoring and publishes a quarterly monitoring report in the Results Release. According to the company, the Sygris system is used for monitoring. It is worth mentioning that ERM did not access this KPI's baseline evidence. However, the baseline is included in the audit scope of the 2023 Sustainability Report, which is audited by another specialized consulting company. The report has an assurance letter, which is publicly available.⁴³

Comparability	Yes	<input checked="" type="checkbox"/>
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The number of women in total leadership positions level at Grupo Neoenergia follows the Global Reporting Initiative⁴⁴ indicator GRI 2.7. Thus, it can be compared to the data of other companies from the energy sector that disclose leadership positions by gender. The positions considered within the leadership category are: Senior leadership (directors, superintendents, and specialists III) and Middle leadership (managers and specialists II). Gender will be defined through a self-declaration process carried out annually by the company.

Sustainability Performance Target (SPT) #1

Reach 33% of women in leadership positions⁴⁵ by December 2025

Baseline: 30.4% of women in leadership positions in 2023

Company's historical performance	SPT #1 Moderate	<div><div></div><div></div><div></div><div></div></div>
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By the end of 2023, 19.8% of Grupo Neoenergia's employees were women⁴⁶, of which **41.6%** (1,468 women) in **qualified intermediate and technical positions** and 13.7% women in professionals and support staff (1,607 women). There were 21.6% of women in junior management positions (first level of management), **8.7% in senior leadership positions** (just two categories away from the CEO), **31%** of women on the **board of directors**, 22.88% in STEM positions (science, technology, engineering and mathematics) and **24.5%** of women in **management positions** in

⁴³ neoenergia.com/documents/d/guest/annual_sustainability_report_2023_neoenergia
⁴⁴ [GRI - Standards \(globalreporting.org\)](https://www.globalreporting.org/)
⁴⁵ Women in leadership positions being in the Board of Directors, Superintendence and Management positions.
⁴⁶ neoenergia.com/documents/d/guest/annual_sustainability_report_2023_neoenergia



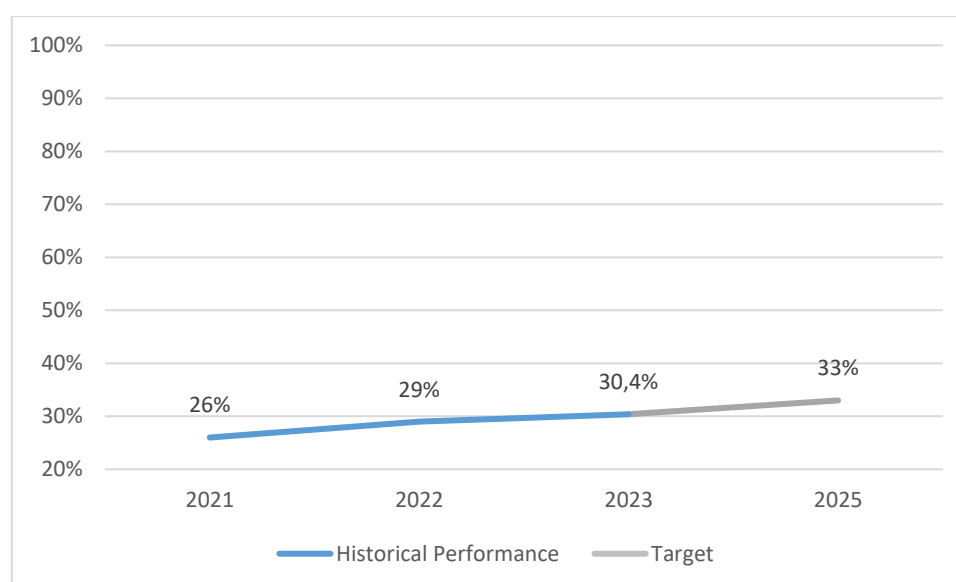
revenue-generating functions. It is relevant to note that, in 2023, more occupations became considered senior management positions, which included specialists II and III, which were not being considered before.

Overall, the year ended with approximately **20%** women in **corporate** teams and a total **30.4%** of **women in leadership positions** (129 women in total). Grupo Neoenergia's target is to reach **33% of women in leadership positions by 2025**. Regarding the target for 2030, it is relevant to mention that, in 2023, the target was reevaluated, to make it more ambitious, and changed from 35% to **40% by 2030**.

However, it is necessary to highlight Grupo Neoenergia's **target for 2030 is not being considered in the current assessment as it has no influence on the Loan (RCF) between the borrower and Itaú Unibanco**.

Graph 1 presents Grupo Neoenergia's historical performance and established targets for KPI 1 (women in leadership positions) and the expected annual increases.

Graph 1 - Women in leadership position (%)



Source: Own elaboration. Data from Grupo Neoenergia's Sustainability Report 2023.

According to Grupo Neoenergia Sustainability Report 2023, the percentages given for 2021 and 2022 considered: Senior leadership (directors and superintendents) and Middle leadership (managers). For 2023, the following were considered: Senior leadership (directors, superintendents, and specialists III) and Middle leadership (managers and specialists II). Therefore, after 2023 more occupations were considered within the scope of the KPI (specialists II and III), which were not being considered before. Moreover, the two new roles added to the indicator are lower within the hierarchy, in the sense that specialist's role is lower than managers in middle leadership and the percentage of women as specialists increases the percentage of overall women in leadership positions. However, since the scope is the same for both the baseline (2023) and the SPT (due 2025), ERM believes it does not necessarily affect the SPT's ambition regarding company's historical performance.

Analyzing the historical growth of women in leadership positions in Grupo Neoenergia per year (annual growth rate - CGAR), the percentage of women in leadership roles (compound annual growth rate) has been **8.13%** between 2021 and 2023, as presented in Table 1. With SPT #1, the company is proposing a **2.6 p.p.** increase in two years - between 2023 and 2025 -, which represents a **4.19% compound annual growth** in the percentage of female participation. Therefore, the annual growth rate proposed is **lower than the real growth** of the past years, and the proposed **target is not more ambitious** than the company's historical performance.

Table 1 - Compound Annual Growth Rate - Women in leadership positions in Grupo Neoenergia

Period	Annual Growth Rate (real and expected)
2021-2023 (historical performance)	8.13%
2023-2025 (SPT #1)	4.19%

Source - Own elaboration, data provided by Grupo Neoenergia

Table 2 provides the turnover rates per category (including, leadership positions, which would be both top and senior management) and gender.

Table 2 - Turnover Rates by Category and Gender

Category ⁴⁷	2021	2022	2023
Top Management	N/A	6.2%	8.4%
Senior Management	N/A	8.4%	7.2%
Junior Management	N/A	7.6%	9.2%
Category	2021	2022	2023
Men	8.0%	8.0%	7.4%
Women	7.3%	8.3%	8.6%

Source - Own elaboration, data provided by Grupo Neoenergia

There is no information specifically of turnover rates for leadership positions held by women. It should be noted that there are no plans to create more leadership positions. The turnover rate for leadership positions was 7.6% on average between 2022 and 2023. Between 2021 and 2023, the turnover rate for men was, on average, 7.8%, while for women was 8.1%.


Grupo Neoenergia has informed ERM the turnover rates are monthly monitored by the Human Resources Department of Performance. It is possible to evaluate the indicator with different levels of job openings and gender. The exit rate for women in leadership positions (directors, superintendents and managers) up to May 2024 was 3.79%, which represents 5 employees leaving the company.

⁴⁷ Top Management: Directors and Superintendents.
 Senior Management: Managers.
 Junior Management: Supervisors and Managers.
 NA: Not available

According to the company, there is no expectation of growth in the leadership ranks at Grupo Neoenergia, however, in every leadership replacement process the recruitment and selection procedure dictates that: "For senior leadership positions, a diverse list of finalists is mandatory, in which there is at least one representative of each gender and, ideally, the parity of candidates is sought. The possibility of diversity on the interview committee is also recommended". As a result, Grupo Neoenergia is steadily increasing its female representation in leadership positions.

In addition to the mandatory requirements included in the selection processes, as previously mentioned, in order to develop female leadership within the company, Grupo Neoenergia has also invested in training women through exclusive programs for female. Also, the company highlights it has constant campaigns to promote diversity within the group, that aim to embed this concept in its organizational culture, so that the search for diversity at the time of hiring or promotion becomes something increasingly natural for its leaders.

Despite the efforts being made, Grupo Neoenergia's 2025 target is not more ambitious in numerical terms than its recent historical performance. Moreover, the company has achieved higher levels of annual growth previously. Thus, considering the company's historical performance the ambition of this SPT is **moderate**.

Peer companies	SPT #1 Moderate	
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The peer companies research took into account companies that operate in the electric utilities sector, including generation, distribution, transmission, and energy trading, in Brazil and other countries. This research is fully presented in the [Annex I](#) of this report.

Grupo Neoenergia's peer companies targets and scope related to female representatives on leadership positions. It is important to highlight that **each company's scope of "leadership positions", which means, the positions being considered as "leadership" positions, must be considered when comparing the targets**. Overall, while many companies have set clear targets for increasing the number of women in leadership, **the definitions of "leadership roles" can vary, typically encompassing directors, senior managers, and specialists**. Therefore, not all peer companies evaluated are completely comparable to Grupo Neoenergia's target.

Grupo Neoenergia's targets are **more ambitious** than the CPFL's, which have targets around 30% by 2030 and has similar scope. Grupo Neoenergia's targets are **less ambitious** than Enel's, that has targets of 31% for middle leadership positions (managers), due 2024, and of 38% for higher leadership (directors) due 2026, respectively, which is more ambitious than Grupo Neoenergia's. The scope is also similar to Grupo Neoenergia's.

As mentioned, some peer companies are not comparable, either because have not established targets in the theme, as Alupar, Cemig, Energisa, Eletrobrás and SRP, or because the scope of roles included as "leadership" is not known or is too different and therefore, **not comparable and inconclusive**, as EDP and Copel. Finally, Engie has a target of 40% of leadership positions by 2030, but the scope is not identified, therefore it is not comparable (inconclusive).



Still, it is relevant to mention that unlike Grupo Neoenergia, some peer companies have set targets to 2030 with no intermediate target, which could mean Grupo Neoenergia seeks faster progress within a shorter period.

Grupo Neoenergia's target **of 33% female representation in senior leadership roles by 2025** seems **relatively ambitious** and **competitive within the industry**, compared to most of the peer companies evaluated. Therefore, positioning the company well among companies with strong commitments to gender diversity in leadership. **While not the highest, it seems to be on average and demonstrates a clear commitment to increasing female representation in leadership roles.**

In addition, as previously mentioned, at the 25 largest energy companies operating in Brazil, in 2021, only 19% of the positions are held by women, with only 6% working in business positions, such as CEO or leader of the operations, maintenance, new Business, or engineering and construction areas⁴⁸. Therefore, overall the peer companies assessed seem to be above the average considering Brazilian energy sector.

Within the selected peer group, the company is above the average but below the top tier considering the targets or current performance. Thus, Grupo Neoenergia's SPT #1 is **moderately** ambitious compared to its peer companies.

Scientific scenarios

SPT #1 Very High



Globally, many initiatives aim to integrate women into the labor market, including in non-traditional employment. The US Department of Labor defines a non-traditional career as one in which 25% or less of those employed across the field are women. That encompasses a range of occupations, from architects and civil engineers to computer programmers, mechanical engineers and others⁴⁹.

The comparison of the target proposed by the company with other initiatives in the scientific field is part of the analysis of the ambition of the emission targets. The European Union has established that, as of 2023, the minimum percentage of seats on councils without an executive function must be occupied by women is 40% and, in collegiate bodies with executive positions, **33% by 2026**. In addition, the UN Global Compact Brazil, through the *Elas Lideram* 2030 Movement, has set targets for companies that join the movement, namely, to reach **30%** of women in top leadership **by 2025** or 50% by 2030⁵⁰.

Moreover, the Women in Business 2023 study by Grant Thornton, which considers the rate at which women have taken up leadership positions since the research was

⁴⁸ [Predominantemente masculina, a área de energia ainda tem muito o que investir na diversidade de gênero – FESA Group](#)

⁴⁹ <https://www.learnhowtobecome.org/career-resource-center/underrepresented-careers-for-women/>



⁵⁰ <https://www.pactoglobal.org.br/noticia/567/movimento-elas-lideram-2030-promove-igualdade-de-genero-a-partir-de-contextos-de-lideranca>



first carried out, in 2004, Grant estimates that by 2025 only 34% of leadership positions will be held by women.⁵¹

Finally, the proposed target is in line with United Nations Sustainable Development Goals (SDGs)⁵² 5 and 10 and some of its targets, as presented in the table below:

Table 3 - SDG's aligned with KPI and SPT #1

SDG	Target
	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status; 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

Source: Own elaboration. Data from United Nations Sustainable Development Goals (SDGs)

Based on an analysis of 'Scientific scenarios', we can conclude that Grupo Neoenergia's proposed target (to reach 33% of women in leadership positions⁵³ by December 2025) **anticipates** the target established by the European Union in **one year** and **exceeds** the *Elas Lideram* 2030 Movement's target by 3%. Regarding the Grant study prediction, it is **1% below**. In this sense it is relevant to highlight the Grant study considers the women representation in leadership roles globally, and Brazilian context is very particular and different than world average. As previously mentioned, Brazil has ranked 94th overall out of a total of 156 countries in the World Economic Forum's Global Gender Gap Index survey on gender inequality⁵⁴.

Therefore, the SPT#1 ambition evaluation under scientific scenarios research was considered as **very high**.

Target level of ambition	SPT #1 Moderate	
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ERM is of the opinion that SPT #1 - Reach **33%** of women in leadership positions by **December 2025**, with the baseline of 30.4% of women in leadership positions in 2023 is **moderately** ambitious. This analysis considered the SPT #1 ambition under the following aspects:

⁵¹ <https://www.grantthornton.com.br/insights/women-in-business-2023/movimento-pela-igualdade/>


⁵² [THE 17 GOALS | Sustainable Development \(un.org\)](https://www.un.org/sustainabledevelopment/goals/)

⁵³ Women in leadership positions being in the Board of Directors, Superintendence and Management positions.

⁵⁴ <https://www.weforum.org/reports/global-gender-gap-report-2022>



- Company’s historical performance: **moderate**
- Peer companies benchmark: **moderate**
- Scientific scenarios benchmark: **very high**

Key-Performance Indicator (KPI) #2		
Network Digitalization (%)		
Baseline: 77.5% of digitalized networks in 2023.		
Scope: Grupo Neoenergia’s networks digitalization.		
Relevance and materiality	Very high	

According to data from the Brazilian Energy Balance (Balanço Energético Nacional – BEN, in Portuguese acronym) the total energy consumption in Brazil was 271 million tonnes of oil equivalent (Mtep⁵⁵) in 2022⁵⁶. Compared to the previous year, there was an increase of 3%. Also, between 2022 and 2023, the electrical energy consumption in Brazil has risen even more, up to 3.7% , according to Câmara de Comercialização de Energia Elétrica (CCEE)’s annual balance, disclosed in February 2024.⁵⁷

The Ten-Year Energy Expansion Plan (Plano Decenal de Energia - PDE in Portuguese acronym)⁵⁸ of the Energy Research Office (Empresa de Pesquisa Energética - EPE in Portuguese acronym) estimates that, in 2032, the energy consumption in Brazil will be equivalent to 341 Mtep.

This growing consumption of energy demands a **more efficient** energy system. For that, digitalization is essential to improve the energy system not only in Brazil, but globally. The **digitalization of the energy system** is the process of **implementing and operating** a set of assets by **monitoring, transferring and analyzing data** which have been generated by one of the actors in the energy system⁵⁹. **Digitalization** is one of the three main trends driving the **transformation of the energy system** and catalyzing the transition to a **sustainable model**, besides decarbonization and electrification.

In Europe, for example, the European Union is making efforts to **digitalize** its energy system focusing on the sector integration, decarbonization, and energy and resource efficiency. It is estimated that around EUR 170 billion investments in digitalization will be needed out of a total of around EUR 400 billion investments in the distribution grid over the period 2020-2030⁶⁰.

⁵⁵ [PRCapLiv214835_Petróleo e Gás_compl_P_BD.pdf \(bndes.gov.br\)](#)
⁵⁶ [BEN2023.pdf \(epe.gov.br\)](#)
⁵⁷ [Press Release - Brasil consumiu 3,7% mais energia elétrica em 2023, diz CCEE.docx \(poder360.com.br\)](#)
⁵⁸ [https://www.gov.br/mme/pt-br/assuntos/secretarias/spe/publicacoes/plano-decenal-de-expansao-de-energia/pde-2032/cadernos/caderno-de-demanda-e-eficiencia-energetica/view](#)
⁵⁹ [https://smartgrid.ieee.org/bulletins/september-2016/the-digitalization-of-distribution-systems](#)
⁶⁰ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0552](#)



The International Energy Agency (IEA) estimates that investments in **smart grids** will need to more than double through to 2030 to get on track with the Net Zero Emissions by 2050 Scenario, especially in emerging markets and developing economies⁶¹. The emerging market and developing economies require around USD 220 billion per year through 2030, whereas investment in electricity transmission and distribution in these countries has been only around USD 80 billion annually since 2015, according to the IEA.

Grupo Neoenergia believes that integrating renewable energy sources into the generation mix can facilitate Brazilian transition towards sustainable energy patterns and overcome associated challenges, with electricity playing a pivotal role. For that, it is required a more efficient, intelligent, and flexible **electricity transmission and distribution infrastructure**. A fully integrated business model to promote **renewable energy generation** and **digitalization**, requires investments in terms of connectivity, digitalization, demand management and efficiency. Grupo Neoenergia's plan to energy transition and a zero-carbon future prioritizes decarbonization, renewable energies, decentralization and the **digitalization of networks**, using **smart grids** and **system integration**, through initiatives that are in line with what the International Energy Agency (IEA) requires for the sector.

The company is focusing on **digital network technologies** and maximizing the value of data to improve all operational and customer-related processes. Therefore, Grupo Neoenergia's investment in **network digitalization** competitively places the company within the energy industry, with high standards in terms of quality of service, **customer satisfaction**, **operational efficiency**, **automation**, investments in telecommunications and greater and better **data management**.

Through automation, the company aims to reduce intermittences in energy systems and be more agile in re-establishing power. Also, digital technologies allow more efficiency in energy reading, lost controls and default controls by the expansion of 'smart measures'. Digital technologies can improve end-use and systems **efficiency** through avoided investments in energy infrastructure (such as peaking plants), enhanced energy security⁶², and improved integration of renewables, including a flexible electricity system with demand-side solutions and energy storage⁶³. The digitalization of the energy system also brings benefits for consumers, small and medium enterprises (SMEs) through innovative data-driven services that enable them to better manage their bills, know their energy consumption in real-time, sell electricity back to the market, in case they generated electricity themselves, and other benefits⁶⁴.

Digitalization, and innovation are strategic pillars of Grupo Neoenergia's business. Both play a transversal role by supporting the expansion of smart projects and then offering cleaner solutions. Grupo Neoenergia's investments in **automation and digitalization** are a priority for the company's energy distributors (Grupo Neoenergia's subsidiaries) and are in line with the company's commitment to achieve **90%** of high and medium-voltage **networks digitalized by 2030**. The company is

⁶¹ <https://www.iea.org/reports/smart-grids>

⁶² <https://www.iea.org/articles/energy-efficiency-and-digitalisation>

⁶³ https://energy.ec.europa.eu/topics/energy-systems-integration/digitalisation-energy-system_en

⁶⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0552>

committed to investing **BRL 25 billion until 2025** on **decarbonization** and **digitalization** through renewable energy and smart grids.

Under Iberdrola's Strategic Plan 2023-2025, there are also targets related to **smart grids**, namely, to have 83% of high-voltage (HV) and medium-voltage (MV) of smart grids by 2025⁶⁵. Iberdrola has been enhancing efforts in digitalization, exchanges of best practices, innovation and use of economies of scale. For that, it has developed the Global **Smart Grids Innovation Hub**⁶⁶ to boost knowledge on smart grids and energy transition, helping Grupo Neoenergia to be immersed into an ecosystem to promote innovation. In Iberdrola's 2023 Integrated ESG report the company highlights it is evolving to better reflect its commitment to digitalization, implemented within its assets to improve the quality, efficiency and safety of electricity supply.⁶⁷

Regarding the KPI's alignment with the company's sustainability strategy, according to Grupo Neoenergia's Sustainability Report 2023, digitalization is part of the company's strategy to improve the quality of services for its clients and is one of the pillars supporting the decarbonization of the electricity sector. To this end, the company has **invested in network automation**, including around 17,500 remote-controlled reclosers and switches, and by implementing decentralized self-healing logic, it will be able to self-recompose the networks, benefiting more than 800,000 customers by 2023 alone. Grupo Neoenergia has also made progress with **Automatic Grid Recomposition** (AGR), which uses artificial intelligence to act in a similar way to the controllers at the Operation Centers. With this automation, the company was able to serve around 465,000 customers faster and more efficiently (specifically, Neoenergia Pernambuco and Neoenergia Cosern distributors' customers).

Hence, considering network digitalization and its benefits for the energy system, including renewable energy integration and decarbonization, benefits for consumers, the commitments made by the company and the efforts made towards that, both in decarbonization and digitalization roles, KPI #2 level of relevance and materiality and alignment with the company's sustainability strategy is considered **very high**.

Measurable

Yes



The KPI is calculated as a weighted average of the following sub-components:

40% - **Automated substations (%)**: This KPI is calculated as the number of automated substations out of total substations. To be considered automated, a substation must have remotely controlled devices that acquire real-time information and allow it to monitor/perform remote operations.

$$\text{Automated substations (\%)} = \frac{\text{Number of automated substations}}{\text{Total substations}}$$

40% - **Automated equipment (%)**: This KPI measures the density of automated reclosers/switches in the network - which are used to protect and restore the grid in

⁶⁵ https://www.iberdrola.com/wcorp/gc/prod/es_ES/estaticos/informe-integrado-esg/assets_en/pdf/business_model/business-model_esgf-targets.pdf

⁶⁶ <https://www.iberdrola.com/innovation/global-smart-grids-innovation-hub>

⁶⁷ [integrated-report-esg-2023-iberdrola-today.pdf](https://www.iberdrola.com/innovation/global-smart-grids-innovation-hub)



case of outages; compared to a target (17 km/equipment – i.e. when automation of new equipment is expected to have a low contribution to Grupo Neoenergia’s grid performance).

$$\text{Automated Equipment (\%)} = 1 - \frac{\text{km / equipment} - \text{target}(17 \text{ km / equipment})}{\text{km / equipment}}$$

20% - **Real-Time System (RTS) Maturity (%)**: This KPI evaluates the implementation of various functionalities in Grupo Neoenergia’s grid, such as SCADA technology, GIS integration, and others.

The methodology is disclosed in Grupo Neoenergia’s Sustainability-Linked Finance Framework, which is available to the public through the company’s website⁶⁸.

Verifiable	Yes	<input checked="" type="checkbox"/>
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Annually, Grupo Neoenergia will internally verify the targets, according to an internal process of control that is being developed by the company to monitor the KPIs. The verification processes will be conducted by a qualified external reviewer with relevant expertise, and it will occur in 2025 and 2030. It is worth mentioning that ERM did not access this KPI’s baseline evidence. However, the baseline is included in the audit scope of the 2023 Sustainability Report, which is audited by another specialized consulting company. The report has an assurance letter, which is publicly available⁶⁹. As previously mentioned, KPI 2 and its SPTs’ definition and calculation methodologies are disclosed in Grupo Neoenergia’s Sustainability-Linked Finance Framework of May 2023, which is publicly available at Grupo Neoenergia’s website.

Comparability	Yes	<input checked="" type="checkbox"/>
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The KPI is built upon a methodology properly constructed by Iberdrola. It is important to point out that Grupo Neoenergia is a pioneer in monitoring the level of network digitalization, by working with Iberdrola’s innovative methodology. When Iberdrola’s methodology is available, other companies can reply to the KPI, in order to be properly comparable with Grupo Neoenergia’s performance.

It is also possible to verify the level of energy system digitalization, in general terms, if companies publicly disclose any information about the level of automated substations, the level of automated equipment, Real-Time Systems implementation and/or similar indicators.

Sustainability Performance Target (SPT) #2

Reach 79.5% of digitalized networks by December 2024 and 83.1% by December 2025.

⁶⁸ [Dívidas Verdes - RI Neoenergia](https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/f397d847-e739-7dd7-d5c0-f33e3e3c08cd). Available at <https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/f397d847-e739-7dd7-d5c0-f33e3e3c08cd>
⁶⁹ neoenergia.com/documents/d/guest/annual_sustainability_report_2023_neoenergia



Baseline: 77.5% of digitalized networks in 2023.

Company's historical performance

SPT #2 Moderate

In 2018, Grupo Neoenergia started the implementation of the SISCON Project, responsible for developing the company's Control System, which has the potential to enhance the network management of Neoenergia Coelba (BA), Neoenergia Pernambuco (PE), Neoenergia Cosern (RN) and Neoenergia (SP/MS) – Neoenergia's energy distributors. The Project uses technologies adopted by the holding company (Iberdrola) and has already generated a great data volume among the world's power utilities through smart grids. Also, it includes GIS tools, allowing more precise control of the electrical grid's operation. According to Neoenergia, SISCON has no precedent, becoming a global innovation. For that, a huge infrastructure has been required, such as the implementation of data centers, operation centers and digitalization of networks and operations.

Grupo Neoenergia's investment in **automation processes** and in the **SISCON Project** contribute to the increase in the level of the **network's digitalization**. Therefore, the **SPT evolution depends** on the conclusion of the SISCON Project, and it is linked to compliance with the **substation and recloser automation plans**.

Grupo Neoenergia will annually invest in capital expenditure (CAPEX) to its **energy distributors**, in order to support the **target achievement**. Such investment is already foreseen in the company's investment plans for the coming years. Table 4 below presents the **capital expenditure (CAPEX) investment plan between 2024 and 2029** (in BRL billion) and the investment plan specifically for **digitalization** (BRL million), of Grupo Neoenergia's subsidiaries: Coelba, Pernambuco, Elektro, Cosern and Brasília.

The scope of the digitalization investments provided by the company includes cybersecurity, SISCON BRR and SISCON BAR Projects, telecommunications networks and telemetering and other two things, as informed by Grupo Neoenergia). In 2023, the investment in **digitalization** was **BRL 190 million** (4% of the total capex investment in the year) and **between 2024 and 2029**, the investment planned are between **BRL 206** and **305 million** (as presented in the second line of table 4).

The third line of the table presents the percentage of the investment specifically for digitalization networks, considering the total capex investment plan. The investments in **digitalization** represent, on average, **4% of the total** in the plan between **2024 and 2029**, same percentage as 2023.

Table 4 - Grupo Neoenergia's CAPEX Investment Plan in Network Digitalization

Year	2024	2025	2026	2027	2028	2029	Total or average
Investment plan - total CAPEX (BRL billion)	5.69	6.25	6.28	6.15	5.82	5.79	36,01
Investment plan - total digitalization (BRL million)	236.66	215.74	206.17	228.86	257.69	305.12	1,450

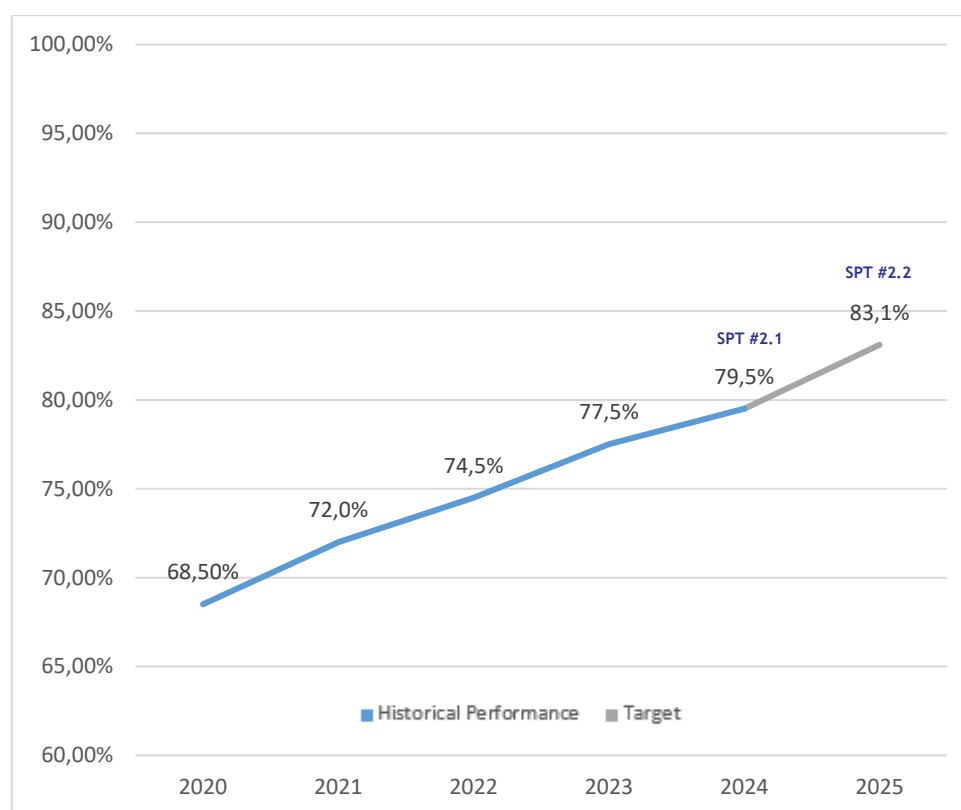
Percentage of investment in digitalization (average)	4%	3%	3%	4%	4%	5%	4%
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Source - Own elaboration, data provided by Grupo Neoenergia. Considers the subsidiaries: Coelba, Pernambuco, Elektro, Cosern and Brasília

When comparing Grupo Neoenergia's digitalization investments in 2023 with 2024 and 2025, the deadlines for the SPTs achievement, there is not an increase in investments in order to achieve the targets. Considering the average between 2024 and 2029, the percentage is the same as 2023. Therefore, the future investment plan in digitalization does not present high ambition when compared to the past investments made.

Graph 2 presents Grupo Neoenergia's KPI #2 historical performance since 2020, and the established targets expected by 2024 and 2025, which are the SPTs observation dates (31st of December of each year).

Graph 2 - Digitalized networks (%)



Source - Own elaboration, data provided by Grupo Neoenergia

Table 5 presents the compound annual growth rates of Grupo Neoenergia's digitalized networks, according to the annual percentages of digitalized networks, presented in the Graph.

Table 5 - Compound Annual Growth Rate - Digitalized networks in Grupo Neoenergia

Period	Annual Growth Rate (real and expected)
2020-2023 (historical performance)	4.20%
2023-2024 (SPT 2.1)	2.58%
2023-2025 (SPT 2.2)	3.55%

Source - Own elaboration, data provided by Grupo Neoenergia

Analyzing the growth of digitalized networks per year, taking into consideration the first data from 2020, it is possible to note there has not been a steady increase in network digitalization over the years. As presented Table 5, the historical performance of the compound annual growth rate is **4.20%**.

From 2023 (SPT's baseline) to 2024 and 2025 (SPTs' deadlines), the level of network digitalization will have a compound annual growth rate of **2.58% and 3.55%**, respectively. Compared to the annual growth rates between 2020 and 2023 (**4.20%**), it is possible to note SPT #2.1's annual growth rates are **1.62 percentual points (p.p.) lower** than the **real growth of the past years**, and SPT #2.2 is **0.65 p.p lower**.

Regarding the SPT achievement, Grupo Neoenergia informed it is possible to reach 100% of network digitalization. However, it will demand additional investments that bring minor returns, concerning operational efficiency and financial return. Thus, the company has designed a plan to reach an optimum level of investments compared to the results.

As mentioned in the KPI #2's 'Measurable' assessment section, it is calculated as a weighted average of three sub-components: (i) **Automated substations (%)**; (ii) **Automated equipment (%)** and **Real-Time System (RTS) Maturity (%)**. Currently, the company already has **100% of automated substations**. Grupo Neoenergia also plans to reach **96% of Real-Time System (RTS) Maturity by 2030**. Currently, the system has 56% of RTS Maturity. Concerning the automated equipment, the company expects to reach **100% of automated equipment by 2045**, when it will have 17 pieces of equipment per kilometer of medium voltage network. Therefore, the **SPT achievement is associated with ongoing investments not only in the SISCON Project, but also in automation and digitalization, including investments in the RTS maturity and automated equipment, at least by 2030**.

Regarding the challenges that may impact the SPT achievement, changes in the macroeconomic scenario may impact equipment prices. Impacts on the logistics chain of automation equipment supply also may impact the implementation of automation plans. Also, supplier delays can negatively impact the implementation of the SISCON Project.

Finally, it is relevant to note that, in 2023, Neoenergia Elektro and International Finance Corporation (IFC) issued a sustainability-linked loan⁷⁰, which was assessed

⁷⁰ The loan's SPO is publicly available at [SECOND-PARTY OPINION \(mziq.com\)](https://www.mziq.com/second-party-opinion).

by NINT, currently part of ERM Group. **The SLL was based on the performance of the same KPI (% of Network Digitalization) and the SPT was “Reach 86.6% of digitalized networks by December 2027”.** The current operation, due 2026, has proposed the SPTs: Reach 79.5 % of digitalized networks by December 2024 and 83.1 by December 2025, **which consists on intermediate targets of the final target of 86.6% digitalized networks by December by 2027. ERM evaluates that by linking another operation to the achievement of the same SPT, Grupo Neoenergia is adding more financial stimulus to the achievement of the targets.**

Thus, considering (i) the investment amount needed to reach the SPT not only in digitalization but also in other associated infrastructure and related projects, such as Real-Time System (RTS) Maturity and the SISCON Project; and (ii) that the SPT achievement depends on the enhancement of the RTS Maturity as well as the development of automated equipment per kilometer. However, the company has achieved higher levels of annual growth previously, as the compound annual growth rate on average has been higher in the past than the SPT’s average. Thus, considering the company’s historical performance the ambition of this SPT is **moderate**.

Peer companies	Inconclusive
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The peer research took into account companies that operate in the electric utilities sector, including generation, distribution, transmission and energy trading, in Brazil and other countries. The peer research is presented in [Annex I](#) of this report.

In general, grid digitalization commitments are commonly associated with the commitment to decarbonization and decentralization, as these trends are fundamental keys to reduce greenhouse gas (GHG) emissions from the energy sector. Of the 12 companies analyzed, three of them had investment volume targets in network digitalization (CPFL, Cemig and Eletrobrás). However, none of them established targets regarding the level of digitalized networks.

As it was not possible to assess how Grupo Neoenergia’s SPT#2 is positioned in relation to its peers, the peer companies benchmark research was **inconclusive**.

Scientific scenarios	Inconclusive
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There are many initiatives around the world related to the decarbonization of energy systems and their digitalization. One example is the European Green Deal⁷¹, in which one of its main objectives is to build interconnected energy systems and better-integrated grids to support renewable energy sources⁷². In October 2022, the European Commission adopted the ‘Digitalization of the energy systems – EU action plan (COM/2022/552)’, a digitalization energy action plan that aims to contribute to the EU energy policy objectives, including supporting investment in digital energy

⁷¹ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/energy-and-green-deal_en
⁷² https://energy.ec.europa.eu/topics/energy-systems-integration/digitalisation-energy-system_en



infrastructure⁷³. However, under this Action Plan, no specific goal regarding the percentage of energy system digitalization was defined yet⁷⁴.

The publication 'Digitalization in Urban Energy Systems – Outlook 2025, 2030 and 2040'⁷⁵ of the European Commission also establishes recommendations for the energy system infrastructure. For 2025, the publication recommends digitalizing the energy system infrastructure in different sectors and promoting the development of the first layer of digital twins⁷⁶ at the European Union and at national governmental levels. For 2030, to strengthen digitalization in the energy service and promote the development of a second layer of digital twins on national levels. And, in 2040, to digitalize the urban energy system as a whole in the European Union. However, no measurable and time-based target was proposed.

Although all these initiatives are related to smart grids and energy systems digitalization, they do not present a target related to the percentage of **network digitalization**. So, in order to evaluate Grupo Neoenergia's performance in digitalization, it was decided to assess the **investments foreseen** in comparison with what has been the **global average level**.

According to IEA (2023), the **global investment in digital electricity infrastructure and software** in the pre-Covid period was being, approximately, **20% annually**. Also, according to IEA (2023, p. 9)⁷⁷, "annual investment in grids will need to more than double from around **USD 330 billion to USD 750 billion per year** by 2030, with around 75% of the investments allocated to the distribution grids to expand, strengthen, and digitalize technologies". From 2024 to 2029, Grupo Neoenergia expects to allocate, on average, **4% of the investments** directed to **distribution for digitization projects**, as presented in Graph 3, below.

⁷³ https://energy.ec.europa.eu/topics/energy-systems-integration/digitalisation-energy-system_en

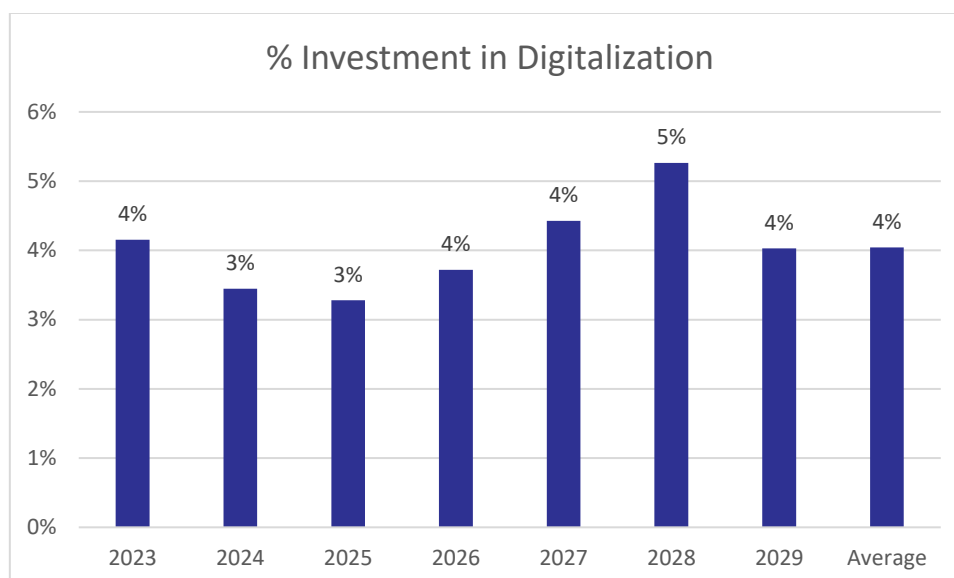
⁷⁴ <https://digital-strategy.ec.europa.eu/en/policies/digitalisation-energy>

⁷⁵ <https://energy.ec.europa.eu/system/files/2022-10/publication%20on%20digitalisation%20in%20cities.pdf>

⁷⁶ Digital twins in the energy sector are virtual – and often real-time – representations of the physical grid assets. Digital twins help utility companies improve planning and specifications, operational efficiency and personnel training. Source: <https://www.iec.ch/blog/how-digital-twins-are-used-energy-sector#:~:text=Digital%20twins%20in%20the%20energy,operational%20efficiency%20and%20personnel%20training>

⁷⁷ <https://iea.blob.core.windows.net/assets/0b8c1500-2b02-4aaf-9072-90d88ae1e66c/UnlockingSmartGridOpportunitiesinEmergingMarketsandDevelopingEconomies.pdf>

Graph 3 - Grupo Neoenergia's investment in CAPEX Digitalization / CAPEX Distribution




Source - Own elaboration, data provided by Grupo Neoenergia. Considers the subsidiaries: Coelba, Pernambuco, Elektro, Cosern and Brasília

When examining Grupo Neoenergia's investment plan, it becomes evident that it the projected annual investment will be, on average, **4% until 2029**. The proposed investments is **below** the investment level needed to achieve global carbon neutrality and it is not aligned with the **20%** global average investment in digitalization in the pre-Covid period.

It is worth highlighting, however, that it was not found enough data to compare Grupo Neoenergia's baseline in digital electricity infrastructure against a baseline of a global average digital electricity infrastructure in the pre-Covid period or even nowadays.

Finally, it is relevant to note that Grupo Neoenergia's proposed target is in line with United Nations Sustainable Development Goals (SDGs)⁷⁸ is aligned with Sustainable Development Goal 7 ("Ensure access to affordable, reliable, sustainable and modern energy for all") and 9 ("Industry, innovation and infrastructure") and the targets presented in the table below:

Table 6 - SDG's aligned with KPI and SPT #2

SDG	Target
7 AFFORDABLE AND CLEAN ENERGY 	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

⁷⁸ [THE 17 GOALS | Sustainable Development \(un.org\)](https://un.org/sustainabledevelopment/)



9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Source: Own elaboration. Data from United Nations Sustainable Development Goals (SDGs)

However, it is not possible to affirm that Grupo Neoenergia is in line, less or more engaged in digitalizing its networks, including considering the investments planned for digitalization, when compared to a global average's scientific scenarios. Therefore, we consider the ambition of the target in relation to scientific scenarios to be **inconclusive**.

Target level of ambition

SPT #2 Moderate



ERM is of the opinion that SPT #2 – Reach 79.5% of digitalized networks by December 2024 and 83.1% by December 2025, with a baseline of 77.5% of digitalized networks in 2023 has **moderate** ambition. This analysis considered the SPT #2 ambition under the following aspects:

- Company's historical performance: **moderate**
- Peer companies benchmark: **inconclusive**
- Scientific scenarios benchmark: **inconclusive**

2.1.2. Operation Characteristics (SLLP 3)

The revolving credit facility between Grupo Neoenergia (borrower) and Banco Itaú Unibanco (lender) amounts to BRL 1.6 billion and matures in August and December 2026. All sustainability Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) are defined in the loan agreement.

The achievement of the SPTs by the reference dates will trigger **step-ups** in the Revolving Credit Facility **interest rate**, therefore, bringing to an increase in the interest rate applicable to periods following April of the following year (April 2025 and April 2026). The 20-bps step-up might be triggered regarding the achievement of SPT #2.1 (due December 2024) and the 10-bps step-up for each of the SPTs #1 and #2.2 achievements (due December 2025)⁷⁹.

Therefore, the reference dates for each target are: for KPI 1, SPT #1 is due December 31st, 2025, to be verified on April 1st, 2026. For KPI 2, SPT #2.1 is due December 31st, 2024, to be verified on April 1st, 2025, and SPT #2.2 is due December 31st, 2025, to be verified in April 1st, 2026.

The interest withdrawal rates vary according to the amount being withdrawn, considering the total amount available to be withdrawn, being:

⁷⁹ With SPTs being: SPT #2.1 Reach 79.5% of digitalized networks by December 2024; SPT #1: Reach 33% of female in leadership positions by December 2025; SPT #2.2 Reach 83.1% of digitalized networks by December 2025.

Table 7 – Applicable interest withdrawal rates

Applicable rate	Withdrawal Amount
CDI ⁸⁰ + 1.73% to 2.15% (per year)	Up to 10% of the amount available for withdrawal
CDI + 2.58% to 2.85% (per year)	Over 10% of the amount available for withdrawal

Following the Sustainability-Linked Loan Principles of LSTA (Loan Syndications and Trading Association) of February 2023, updated on April 2023, often there is a reduced margin when the borrower satisfies a pre-determined SPT.

An article from Reorg, published on 2023, pointed out that the applicable cumulative ESG margin ratchet step-downs and step-ups of European SLLs in 2022 leveled off within the range of -/+7.5 bps to -/+20 bps. Compared to 2021 SLL's distribution of margin adjustments, data suggests that the European market is moving towards a standardized ESG margin ratchet adjustment⁸¹.

In relation to the 20 bps and 10 bps variation, in ERM's perception this seems in line with loans and bonds issued in the Brazilian market, which typically use of variations of 20 to 25 bps.

About the factors that may negatively affect the achievement of the SPTs, regarding the SPT 1 (Reach 33% of female in leadership positions by December 2025) some of the factors highlighted by the company are market competitiveness, mergers and acquisitions, material changes in applicable laws or regulations including, but not limited to, those issued by ANEEL and material changes in the dynamics of the sector that impact the baseline calculation, among others.

Concerning the achievement of the SPT 2 (Reach 79.5% of networks digitalization by December 2024 and 83.1%% of networks digitalization by December 2025), changes in the macroeconomic scenario that might impact equipment prices, an imbalance between the physical and financial realization of automation plans, delays in the logistics of supply chain equipment for automation, and suppliers' delays in the implementation of the SISCO Program are some of the factors that may negatively affect this SPT.

Grupo Neoenergia has not established strategies it will adopt in case it cannot achieve its sustainability performance targets (back-up mechanisms). The contract established that, as agreed between the Parties, the interest rate may be increased if the borrower: (i) fails to comply with the SPTs within the respective observation dates, to be attested by the External Verifier's Report, or (ii) fails to deliver to the lender the External Verifier's Report by the respective verification date.

2.1.3 Reporting and Verification (SLLP 4 and 5)

All KPIs and Grupo Neoenergia's progress against its SPT(s) will be disclosed through Grupo Neoenergia's Sustainability Report, publicly available.

⁸⁰ Acronym from the Portuguese word '*Certificado de Depósito Interbancário*', the index responsible for setting the interest rate on loans between banks.

⁸¹ <https://reorg.com/2022-european-sustainability-linked-loans-wrap/>

The Revolving Credit Facility operation contract establishes that the borrower is committed to reporting annually, within 120 days after the end of the fiscal year, on the status of the SPTs defined, through the Sustainability Report publicly available on its website. And it commits to submit the External Verifier's Report to the lender by the applicable verification date.

The non-financial information in its Sustainability Report, including the SPTs, will be verified by Grupo Neoenergia's internal audit, an internal control tool, and an external audit on an annual basis. Additionally, the company has informed that a monitoring process is being developed to track Grupo Neoenergia's SPTs.

The company will provide aggregated reporting for all its sustainable financing instruments through its Integrated Sustainability Report, including:

- Definition of KPI(s) and SPT(s) for sustainability-linked financings, including calculation methodologies, strategies for SPT achievement, and explanation of planned back-up mechanisms if SPTs cannot be calculated or observed.
- Description of the agreed financial incentives and other relevant structural characteristics for sustainability-linked bonds.
- Annual update on the performance of the selected SPT(s), regarding the original baseline.
- Illustration of potential positive impacts of enhanced sustainability performance concerning the SPT(s).
- Exceptional events (such as a significant change in consolidation scope because of material M&A activities, drastic changes in the regulatory environment, or extreme events) that might substantially impact the calculation of KPI(s), restatement of SPT(s) and/or pro-forma adjustments of baselines or scope.

This second-party opinion (SPO), about the loan between Itaú and Grupo Neoenergia, will also be published on Grupo Neoenergia's corporate website. The company's performance regarding the established SPTs will be externally reviewed by an external verifier in April 2025 and 2026 through targets' verification reports.

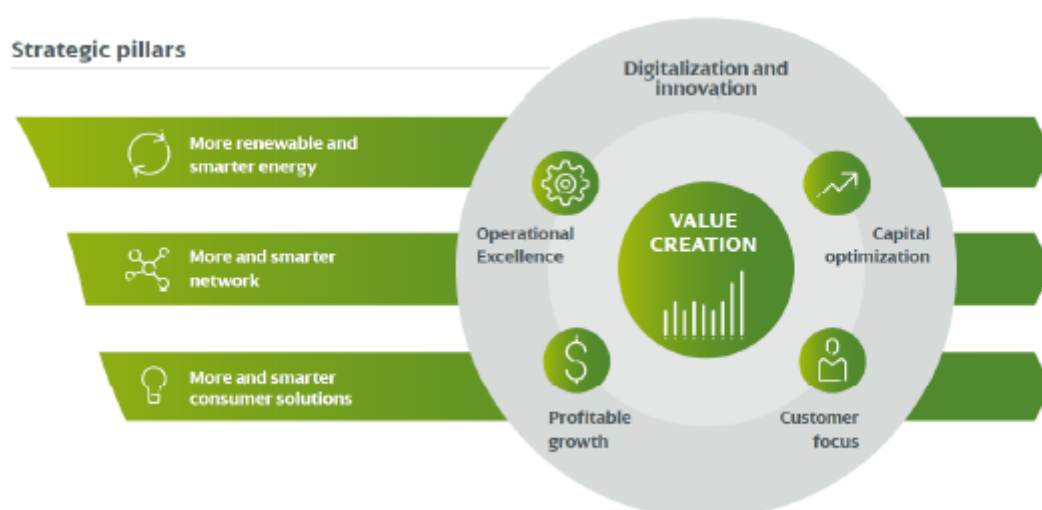
3. Grupo Neoenergia's ESG Performance

Grupo Neoenergia is an integrated energy company that operates in three strategic segments: Networks (distribution and transmission); Renewables (wind and hydroelectric generation) and Free Market (thermal generation, energy trading, and services). It is controlled by the Spanish Group Iberdrola which, on May 18, 2023, held 53.5% of the shares. On that same date, PREVI had 30.3% of the shares, and the remaining 16.2% was free float. Grupo Neoenergia operates as a holding company, with a stake in other companies with businesses in the same area of activity, including energy distributor.

Social responsibility and sustainability are part of Grupo Neoenergia's Strategic Plan, which is based on its purpose, values, and management policies, as well as the outlook for the energy industry. The plan is organized around five pillars: (1) Operational Excellence, (2) Customer Focus, (3) Profitable Growth, (4) Capital Optimization, and (5) Digitalization and Innovation – which is cross-cutting and applies to all projects and processes. Together, these five pillars support the development of smarter businesses to bring more renewable energy, networks, and smart solutions to consumers.

Financial stability is also considered a key balancing factor. The company strives to maintain high levels of solvency and liquidity to ensure regular operations, good access to the capital market, and compliance with a policy-oriented toward growing dividends, in line with the improvement of company results.

Figure 1 - Grupo Neoenergia's strategic pillars



Source Grupo Neoenergia.

Environmental

Grupo Neoenergia owns thermal and hydro power plants. As part of its Sustainable Management Policy⁸², Grupo Neoenergia is committed to reducing the environmental impact of all its activities and to the efficient use of water and natural resources across its operations. The company is also committed to the decarbonization of its electricity matrix and the promotion of renewable sources, in line with its Policy Against Climate Change, which, together with the Environment, Sustainable Management, and Biodiversity policies, define the company's best practices in this area.

Currently, 88.3% of the company's installed generation capacity is renewable. Renewable investments aim to increase this level to 92.6% in 2022, resulting from an expected 4.8 GW of greenfield pipeline (solar and wind).

Since 2021, new investments (in solar and wind generation) consider a 'Climate Dossier' for decision-making, which considers future scenarios of climate threats and the sensitivity of the business to them, aiming to minimize the climate risk on the enterprise at the territory level, supporting the decision on the financial contribution to the new business and plant.

The Iberdrola Group, Grupo Neoenergia's controlling shareholder, has a Policy Against Climate Change in which it formalizes its commitment to decarbonizing its energy matrix by 2050⁸³.

Following the global strategy of the Iberdrola Group and its Climate Action Policy, Grupo Neoenergia started to consider the **TCFD recommendations**⁸⁴ as one of its basic principles for corporate management and the reporting of non-financial indicators. In addition, Grupo Neoenergia has a goal of transitioning from the use of gasoline to ethanol in corporate vehicles in the medium term, and electric vehicles in the long term, to mitigate its GHG emissions, and in its 2021 Sustainability Report – most recent Report available as of May 2023 -, it states that there was a 22.6% decrease in diesel consumption and a 39.9% decrease in gasoline consumption.

In accordance with its Biodiversity Policy⁸⁵, the company promotes the protection, conservation, and sustainable use of the landscape that may be impacted by its operations.

⁸²<https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Paginas/politicas-meio-ambiente-mudanca-climatica.aspx>

⁸³https://www.iberdrola.com/documents/20125/42427/climate_action_policy.pdf

⁸⁴ [Força-Tarefa sobre Divulgações Financeiras Relacionadas ao Clima | TCFD](https://www.iberdrola.com/documents/20125/42427/climate_action_policy.pdf) (fsb-tcf.org)

⁸⁵<https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Documents/agosto/Politica-de-Biodiversidade-13032019.pdf>



Social

The company's projects may generate several impacts on surrounding communities. However, according to the company, in 2021, there was no resettlement of people in any project.

In relation to traditional communities, Grupo Neoenergia is concerned with minimizing the impacts of its generation and transmission projects. The company doesn't have a formal procedure for evaluating the socioeconomic impacts caused by its activities, but it states that adopts compensation programs and voluntary initiatives to address the needs of the affected populations and minimize any identified negative aspects. It also has practices of dialogue with communities around its projects about its possible impacts on these locations and compensation in accordance with the legislation.

Grupo Neoenergia establishes in its Relationship Policy with Interest Groups the establishment of communication and relationship channels with its customers. Quality processes and action plans are also established to improve the relationship with these stakeholders. In this sense, the Group established a Supplier Code of Ethics⁸⁶, which defines principles of business ethics and transparent management between Grupo Neoenergia and its suppliers.

In relation to employees, Grupo Neoenergia guarantees the right of free association, organization, and union mobilization in its Code of Ethics⁸⁷, as well as using internal communication channels to publicize and inform the progress of negotiations. The company also holds meetings to monitor the Collective Bargaining Agreement throughout the year.

In addition, the Group has been a signatory to the UN Global Compact since August 2007 and, each year, Grupo Neoenergia reports its actions and advances related to the ten principles through its Sustainability Report.

Grupo Neoenergia also has an Equality, Diversity, and Inclusion Policy whose purpose is to obtain a favorable environment that facilitates and enhances equal opportunities, non-discrimination, diversity, and inclusion of professionals from the companies belonging to the Group, betting on a management model of people committed to professional excellence and quality of life⁸⁸.

⁸⁶ https://www.neoenergia.com/pt-br/fornecedores/Documents/pdf/Codigo_de_Etica_do_Fornecedor_Neoenergia.pdf

⁸⁷ [Reglamento de la Comisión de \(neoenergia.com\)](https://www.neoenergia.com/pt-br/comisao-de-eticas/Documents/pdf/Reglamento_de_la_Comision_de_(neoenergia.com).pdf)

⁸⁸ [politica-igualdade-diversidade-inclusao.pdf \(neoenergia.com\)](https://www.neoenergia.com/pt-br/politica-de-igualdade-diversidade-inclusao.pdf)



Governance

The company has a confidential and independent channel for complaints open to all its stakeholders⁸⁹. It has internal procedures for investigation of misconduct, assessment of corruption risks, and supplier due diligence. Grupo Neoenergia does not sponsor partisan political activities.

The Grupo Neoenergia is also associated with the Ethos Institute of Business and Social Responsibility. The Institute is dedicated to helping companies responsibly manage their businesses, to build a fair and sustainable society. In 2017, Grupo Neoenergia was one of the 23 companies that received the Selo Pró-Ética, an initiative of the Ministry of Transparency, Inspection and General Controllershship of the Union and of the Ethos Institute. The Pró-Ética recognizes companies that adopt and disseminate lawful, ethical, and transparent practices in their activities and that maintain effective integrity programs in compliance with Brazilian anti-corruption legislation. The validity of the seal has been extended for three consecutive years.

According to the company's 2023 Sustainability Report, the Board of Directors is composed of 23 members, including full members and alternates, elected by the Extraordinary General Meeting (AGM), who were elected and/or reelected for a term of office until August 2025. Within the Board of Directors, 78,3% of the members are men and 21.7% women.

and the chairman of the Board of Directors does not have an executive role at Grupo Neoenergia. The assessment of the management bodies, including the Board of Directors, is carried out in a collegiate manner, annually, by an external auditor hired for this purpose.

ESG Controversies research

Through research on environmental and labor inspection portals, we found that Grupo Neoenergia is not listed in the Register of Employers that have subjected workers to conditions analogous to slavery.

In addition, ERM carried out a media survey of cases with negative repercussions involving the company. It is worth noting that the survey only considered new cases, which occurred between September 2023 (the date of the last ESG Controversies research for Grupo Neoenergia⁹⁰) and June 2024, that had not been included in the SPOs carried out for its concessionaires⁹¹.

⁸⁹ <https://canalconfidencial.com.br/neoenergia/>

⁹⁰ Available at Neoenergia's website: [SECOND-PARTY OPINION \(mziq.com\)](https://www.neoenegria.com.br/segunda-opinioe)

⁹¹ Among the reports prepared in 2024 are for Neoenergia Elektro, Coelba, Brasília, Cosern, among others, which can be checked on the company's website, available at: <https://ri.neoenergia.com/sustentabilidade/dividas-verdes/>



Grupo Neoenergia sent responses and evidence about the cases. The table below provides a short description of the events.

Table 8 - Grupo Neoenergia's ESG Controversies

Social		
Controversy	Severity Level	Responsiveness
<p>Apr/2024: A family of farmers from Lagoa Nova (RN) has won a lawsuit against Neoenergia, responsible for wind towers installed next to their house, due to excessive noise. The company must pay BRL 50.000 in damages but can still appeal. The judge also requested an investigation into a possible environmental crime. Reports showed that the noise exceeded the permitted 35 decibels, causing continuous discomfort to the family.⁹²</p>	Medium	<p>Defensive: According to the company, Neoenergia has not yet been notified of the decision. Once received, the terms of the court decision will be duly analyzed, and the appropriate measures taken. The company clarifies that the project strictly complied with the environmental legislation in force at the time, including approved requirements for both decibel levels and the minimum distance allowed between homes and wind turbines. The farm was monitored at all stages using a methodology approved by environmental agencies. Also, the company highlights all of Neoenergia's wind farms, including those located in Rio Grande do Norte, are certified by international quality, environmental, health and safety standards, as well as being audited by specialized companies.</p>
<p>Apr/2024: The Civil Police of the Federal District have arrested 10 outsourced employees of Neoenergia Distribuição Brasília for embezzling around BRL 13 million by transferring customer debts into the names of deceased people. The operation, called <i>Sinergia Reversa</i>, revealed crimes of electronic fraud and entering false data. Those involved could face up to 17 years in prison. Neoenergia denounced the irregularities, fired those involved and is cooperating with the investigation.⁹³</p>	Medium	<p>Remedial: According to the company, Neoenergia identified irregularities carried out by outsourced employees, who were providing services to the company, and filed a criminal complaint so that they could be investigated and duly punished. Those involved were dismissed by the outsourced company and the distributor is taking the appropriate administrative measures. Neoenergia has informed it has provided all the information necessary for the investigation and trusts the criminal authorities to punish all those responsible for the proven irregularities.</p>

⁹² <https://noticias.r7.com/brasil/terceirizados-da-neoenergia-sao-suspeitos-de-usar-nomes-de-falecidos-para-fraudar-dividas-18042024/>

⁹³ <https://www.jota.info/energia/neoenergia-devera-indenizar-motociclista-por-acidente-com-fio-solto-22042024>

Apr/2024: Neoenergia was ordered to pay BRL 4,000 to a motorcyclist who had an accident due to a loose wire on a pole near the Ceilândia Bus Terminal (DF). The 3rd Panel of Special Courts of the Federal District considered that the company had been negligent in maintaining the electrical infrastructure. The motorcyclist suffered neck injuries and fell off his bike. The decision highlighted the danger and the need for punishment. Neoenergia contested liability, but the court increased the compensation from BRL 2,000 to BRL 4,000.

Medium

Defensive: According to the company, Neoenergia has not been contacted by the press about this matter. However, the company has highlighted that these wires are telecommunications wires (telephone and internet), for which the companies themselves are responsible.

May/2024: Neoenergia is responsible for a manhole that prevented the completion of repair work in the garage of a condominium in Asa Norte, Brasília. After it was discovered during excavations that began in August 2023, the condominium requested that the box be relocated. Despite the responsibility initially accepted by Neoenergia, there were significant delays in the work, justified by problems with suppliers. Residents face financial life quality losses due to the constant postponements.⁹⁴

Low

Defensive: According to the company, Neoenergia has informed the press that this box was built on this site many years ago, long before Neoenergia arrived in the Federal District. Also, the company informed the work to adapt the structure is currently in progress and is expected to be finished by the end of June.

Source: Own elaboration. Data publicly available

⁹⁴ <https://www.metropoles.com/distrito-federal/construida-em-local-errado-caixa-da-neoenergia-trava-obra-de-predio>

Method

The analysis conducted by ERM is based on a proprietary methodology, grounded in the Sustainability-Linked Bond Principles (SLBP) and Sustainability-Linked Loan Principles (SLLP), and refined through ERM's market experience and best ESG practices. This methodology comprises two assessments:

1) Evaluation of the financial transaction against the SLBP or SLLP:

- The defined KPIs concerning their materiality and relevance, alignment with the company's sustainability strategy, measurability, comparability and verifiability;
- The ambition level of the targets compared to the company's historical performance, peer groups benchmark and scientific scenarios;
- The characteristics of the financial transaction, such as interest rates (bps applied in step-up or step-down mechanisms), penalties, early maturity, debt term, and backup mechanisms for contexts where there are risks of not achieving the target;
- The degree of transparency in reporting KPIs and targets, and the verification of targets.

The classification regarding the materiality and relevance of the KPIs, their alignment with the company's sustainability strategy, and the ambition level of the targets is divided into four levels. The summary of each classification is described below. It is noteworthy that these definitions underpin ERM's evaluation but are not entirely rigid. The highest classification level is 'Very high' followed by 'High,' 'Moderate,' and 'Insufficient.'

Level of ambition	Key-Performance Indicator (KPI)	Sustainability performance target (SPT)
Very High	The selected KPI must be an outcome KPI and it must be material from the point of view of its impact on society/the environment. It must capture structural improvement in company's performance or be a meta-KPI, be manageable by the company and be directly associated with the issuer's impact performance on a topic partially aligned with the company's ESG strategy.	<p>Against scientific scenarios: The company's target is aligned with or ahead of the most challenging scientific/<i>best-available-technology</i> scenarios (e.g., goal aligned to SBTi 1.5°C climate change scenario).</p> <p>Against peers: Within a comparable peer group (sector, region, business model, production, etc.) with a minimum number of components, the company's target is ahead of its peers' targets and the top tier.</p>

		<p>Against historical performance: The company's target should be numerically superior to its most recent performance and its performance history in recent years. It should represent a high level of effort in terms of team mobilization, cultural shift, and investment.</p>
High	<p>The selected KPI must be an outcome KPI and it must be material from the point of view of its impact on society/the environment. The selected KPI may capture monothematic impacts that do not affect multiple fronts of the company's operations, as long as it is manageable and directly linked to the company's business.</p>	<p>Against scientific scenarios: The company's target is in line with scientific scenarios, advanced technical references, or regulatory standards (e.g., target aligned to the 2°C climate change scenario).</p> <p>Against peers: Within a comparable peer group (sector, region, business model, production, etc.) with a minimum number of components, the company's target is ahead of the current performance of its peers or in line with the top tier's targets. If there is no peer group with a sufficient number of components or a degree of similarity that allows a fair comparison, and the company is ahead of these peers, it may also be classified as highly ambitious.</p> <p>Against historical performance: The company's target should be superior to its most recent performance and its performance history in recent years. It should represent a significant level of effort in terms of team mobilization, cultural shift, or investment.</p>
Moderate	<p>The selected KPI may be a process KPI, however, the KPI must present some level of materiality (even if indirect) from the perspective of societal/environmental impact and not solely financial. The representative impact may not be fully manageable by the company but should be linked to the company's business.</p>	<p>Against scientific scenarios: The company's target is slightly behind the identified scientific scenarios or technical references.</p> <p>Against peers: Within the selected peer group, the company is above the average or median (depending on N) but below the top tier considering the targets or current performance.</p> <p>Against historical performance: The presented target represents a marginal improvement over the company's historical performance and most recent performance, potentially having already been achieved in the past under less</p>

	challenging conditions. Achieving the target does not involve significant efforts in terms of team mobilization, cultural shift, dedication of efforts, and investment.
--	---

2) Evaluation of the Borrower/Issuer's ESG Performance: In this stage, we assess the company operating the project or issuing the financial operation in accordance with best sustainability practices through internationally recognized standards, such as GRI. In this context, the main aspects analyzed are:

- Socio-environmental and corporate governance policies and practices for measuring, preventing, mitigating, and compensating ESG risks of their activities;
- The company's contribution to sustainable development and climate change mitigation, if applicable;
- ESG controversies involving the company, its subsidiaries, holding company, and/or projects.

Controversies are classified into four levels of severity, as described below.

Severity Levels	
Low Severity	Violates the law and/or negatively impacts stakeholders, but does not cause considerable harm or causes minimal damage that does not require remediation. Controversies that have already been mitigated through fines, Conduct Adjustment Agreements (TACs), or judicial decisions are considered as 'low severity.'
Medium Severity	Violates the law and/or negatively impacts stakeholders, but the remediation of the caused impacts is straightforward and has a negligible cost for the company. Controversies that have not yet been mitigated through fines, TACs, judicial decisions, and/or structural/behavioral adjustments by the company can be considered 'medium severity.'
High Severity	Violates the law and/or negatively impacts stakeholders, with a medium level of difficulty and cost of remediation. Controversies that have not yet been mitigated through fines, TACs, judicial decisions, and/or structural/behavioral adjustments by the company can be considered 'high severity.' For instance, companies found guilty of an ESG-related crime in a lower court can be classified as 'high severity.'
Critical	Violates the law and negatively impacts stakeholders, with irremediable damage or remediation that is difficult and costly. Controversies that have not yet been mitigated or where the mitigation process is still ongoing through fines, TACs, judicial decisions, and/or structural/behavioral adjustments by the company can be considered 'critical.' Companies found guilty of an ESG-related crime, regardless of the judicial level, can be classified as 'critical.'

Responsiveness Levels	
Proactive	In addition to the company acting in a remedial manner when faced with a controversy, the company takes measures that go beyond its obligation. In addition, the company carries out systematic procedures to prevent the problem that occurred from recurring.
Remedial	The company takes the necessary actions to correct the damage and communicates appropriately with the impacted stakeholders.
Defensive	The company takes insufficient action to correct the damage or issues a statement without corrective action
Non-responsive	There is no action or communication from the company regarding the controversy.

The Second-Party Opinion prepared by ERM includes a level of assurance in accordance with relevant general principles and professional standards of independent auditing. It aligns with the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), the International Standard on Quality Control (ISQC 1, 2009), and the Code of Ethics for Professional Accountants by the International Ethics Standards Board for Accountants (IESBA, 2019). The levels of assurance are described below.

Assurance Level	
Reasonable	An assessment in which the assurance risk is acceptably low under the circumstances of the engagement undertaken. The conclusion is expressed in a way that conveys the professional's opinion on the outcome of the assessment in relation to the criteria observed.
Limited	An assessment in which the engagement assurance risk is greater than a reasonable assurance level but still capable of supporting the main arguments used in the analysis.

Sustainability-Linked Loan Form

Section 1. Basic Information

Issuer name: Grupo Neoenergia S.A.

Bond ISIN⁹⁵: Not applicable

Independent External Review provider's name for pre-issuance review: ERM

Completion date of this form: August 15th, 2024

Section 2. Overview

SCOPE OF REVIEW

The review:

- ☒ assessed the 5 core components of the SLBP (**complete review**) and confirmed the alignment with the SLBP.
- ☐ assessed only some of them (**partial review**) and confirmed the alignment with the SLBP; please indicate which elements:
 - ☐ Selection of Key Performance Indicators (KPIs)
 - ☐ Calibration of Sustainability Performance Targets (SPTs)
 - ☐ Verification
 - ☐ Bond characteristics
 - ☐ Reporting

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- ☒ Second Party Opinion
- ☐ Verification
- ☐ Other (*please specify*):
- ☐ Certification
- ☐ Scoring/Rating

Does the review include a sustainability quality score⁹⁶?

- ☐ Of the issuer
- ☐ Of the framework
- ☐ No scoring
- ☒ Of the selected KPIs/SPTs
- ☐ Other (*please specify*):

ISSUER'S OVERARCHING OBJECTIVES

⁹⁵ The ISIN code is mandatory for publishing the form in the Sustainable Bond Issuers Database.

⁹⁶ The external review may indicate the provider's opinion of the overall sustainability quality of a bond or bond framework and assess whether it has a meaningful impact on advancing contribution to long-term sustainable development.



Does the review include:

- ☒ An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- ☒ An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- ☒ A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY⁹⁷

Does the review assess:

- ☐ The issuer's climate transition strategy & governance?
- ☐ The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- ☐ The credibility of the issuer's climate transition strategy to reach its targets?
- ☐ The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- ☐ If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- ☐ The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways⁹⁸ that are deemed necessary to limit climate change to targeted levels?
- ☐ The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?⁹⁹

Overall comment on this section: Not applicable.

Section 3. Detailed pre-issuance review

⁹⁷ For issuers seeking to utilise green bonds, sustainability bonds or sustainability-linked bonds towards the achievement of their climate transition strategy, guidance on issuer level disclosures and climate transition strategies may be sought from the [Climate Transition Finance Handbook](#).

⁹⁸ GHG emissions reduction targets that are in line with the scale of reductions required to keep the average global temperature increase to ideally 1.5°C, or at the very least to well below 2°C above pre-industrial temperatures. Science Based Targets Initiative (SBTi) is a branded verification body for science-based targets and SBTi verification is one way for issuers to validate the alignment of their emission reduction trajectories with science-based reference trajectories. In addition, ICMA has published a [Methodologies Registry](#) which includes a list of tools to specifically help issuers, investors, or financial intermediaries validate their emission reduction trajectories..

⁹⁹ Including information such as the respective contribution (e.g. %) of the different measures to the overall reduction, the total expenses associated with the plan, or the issuer's climate policy engagement.

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)¹⁰⁰

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable, if that is not already the case |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| <input checked="" type="checkbox"/> Current verification or assurance status | <input type="checkbox"/> Other (<i>please specify</i>): |

Overall comment on this section: The operation has two key-performance indicators (KPIs):

KPI #1: Percentage (%) of women in leadership positions out of total leadership positions in Grupo Neoenergia's business; and

KPI #2: Percentage (%) of network digitalization.

The KPIs were assessed regarding its (i) relevance and materiality and (ii) alignment with the company's sustainability strategy. They are also measurable, verifiable and able to be benchmarked.

Both KPIs are **relevant and material** and both are aligned with the company's **sustainability strategy**. KPI 1 was assessed as **high** alignment and KPI 2 was assessed with **very high** alignment with these items. They are measurable, verifiable and comparable.

It is relevant to note that KPI 1 considers the leadership positions: Senior leadership (directors, superintendents, and specialists III) and Middle leadership (managers and specialists II). And, that KPI 2 has already been used in other SLL (between Neoenergia Elektro and International Finance Corporation). It is important to highlight that, in 2023, Neoenergia Elektro and International Finance Corporation (IFC) issued a sustainability-linked loan, which was assessed by NINT, currently part of ERM Group. The SLL was based on the performance of the same KPI (% of Network Digitalization) and

¹⁰⁰ Reviewers are encouraged to provide the information for each KPI.

the SPT was "Reach 86.6% of digitalized networks by December 2027". The current operation, due 2026, has proposed the SPTs: Reach 79.5 % of digitalized networks by December 2024 and 83.1 by December 2025, which consists on intermediate targets of the final target of 86.6% digitalized networks by December by 2027. ERM evaluates that by linking another operation to the achievement of the same SPT, Grupo Neoenergia is adding more financial stimulus to the achievement of the targets.

CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)¹⁰¹

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement compared to issuer's own performance over baseline | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input type="checkbox"/> Other (<i>please specify</i>): |

Does the review assess if the specificities of the sector and/or local context have been identified and addressed?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <input type="checkbox"/> Not applicable | |

Relevance and reliability of selected benchmarks and baselines

- | | |
|---|--|
| <input checked="" type="checkbox"/> Issuer's past performance | <input checked="" type="checkbox"/> Issuer's peer performance |
| <input type="checkbox"/> Science-based trajectories (<i>please specify the references</i>): | <input checked="" type="checkbox"/> Other (<i>please specify</i>): The SPTs were benchmarked against the Brazilian scenario and international regulations. For more details see the 'scientific scenarios benchmark items' in this report. |

Does the review assess the credibility of the issuer's strategy and action plan to achieve the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review identify the key factors that may affect the achievement of the SPTs?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Does the review opine on:

¹⁰¹ Reviewers are encouraged to provide the information for each SPT.

- | | |
|---|--|
| <input checked="" type="checkbox"/> the timelines for the target achievement | <input checked="" type="checkbox"/> the target observation date(s) |
| <input checked="" type="checkbox"/> the trigger event(s) | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | |

Overall comment on this section:

The sustainability-performance targets (SPTs) ambition was assessed according to the company's historical performance and benchmarked against its peer companies and scientific scenarios.

The SPTs #1 is: to increase the percentage of women in leadership positions from 30.4% in 2023 to 33% in 2025. And the The SPT #2 is: to increase the share of digitalized networks from 77.5% in 2023 to 79.50% by December 2024 and 83.1% by December 2025.

The ambition of the **SPT#1** was classified as **moderate**. Considering the company's historical performance, the SPT#1 was considered of **moderate** ambition. In comparison to peer companies, the SPT#1 is **moderately** ambitious and regarding the scientific scenario benchmark research, the SPT#1's ambition was considered **very high**.

The ambition of the **SPT#2** was classified as **moderate**. Considering the company's historical performance, the SPT#2 has **moderate** ambition. Both the scientific scenario research and the peer companies' benchmark research were classified as **inconclusive**.

The SPTs 2.1 and 2.2 have indirectly already been used in other SLL (between Neoenergia Elektro and International Finance Corporation). ERM evaluates that by linking another operation to the achievement of the same SPT, Grupo Neoenergia is adding more financial stimulus to the achievement of the targets.

BOND CHARACTERISTICS

Does the review assess whether the bond's financial and/or structural characteristics are commensurate and meaningful?

- ☐ Yes ☒ No

Does the review opine on the fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner?

- ☐ Yes ☒ No

Overall comment on this section: The loan between Itaú Unibanco S.A. and Grupo Neoenergia amounts to BRL 1.6 billion with maturity date in

December 2026. The achievement of the SPTs by the reference dates will trigger a step-up of 20 bps and 10 bps in the Revolving Credit Facility interest rate (bringing to an increase in the interest rate applicable to interest periods following April 2025 and 2026). The 20 bps is considering SPT 2.1 (due December 2024) and 10 bps SPTs 1 and 2.2 (due December 2025). The interest rate will vary according to the amount available for withdrawal, being CDI + 1.73% to 2.15% (per year) in case the amount being withdrawn is up to 10% of the amount available for withdrawal. Or being CDI + 2.58% to 2.85% (per year) if the amount is over 10% of the amount available for withdrawal.

REPORTING

Does the review assess the commitments of the issuer to report:

Content:

- | | |
|--|---|
| <input checked="" type="checkbox"/> The performance of the selected KPIs | <input checked="" type="checkbox"/> Verification |
| <input checked="" type="checkbox"/> The level of ambition of the SPTs | <input checked="" type="checkbox"/> Assurance report |
| | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report, or annual report and accounts | <input checked="" type="checkbox"/> Information published in sustainability report or sustainability suite of reporting |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (<i>please specify</i>): |

Overall comment on this section: The KPIs and SPTs performance will be annually disclosed on Grupo Neoenergia's Integrated Sustainability Report. This report is verified by an external auditor. In addition, a process for monitoring the SPTs' performance is being developed by Grupo Neoenergia.

Grupo Neoenergia's Sustainability-Linked Loan Second Party Opinion report will be publicly disclosed on its website. The company's performance regarding the established SPTs will be externally reviewed in April 2025 and April 2026 through targets verification reports, that will assess the company's performance regarding the SPTs defined.

Section 4. Post-issuance

CHANGE TO PERIMETER REVIEW¹⁰² (if applicable)

Material change:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Perimeter ¹⁰³ | <input checked="" type="checkbox"/> KPI methodology |
| <input checked="" type="checkbox"/> SPTs calibration | <input type="checkbox"/> Other ¹⁰⁴ (please specify): |

VERIFICATION

Level of verification:

- | | |
|--|--|
| <input type="checkbox"/> Limited assurance | <input checked="" type="checkbox"/> Reasonable assurance |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Section 5. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.):

<https://www.neoenergia.com/pt-br/sustentabilidade/modelo-negocio-energia-sustentavel/relatorios-sustentabilidade/Paginas/default.aspx>

<https://ri.neoenergia.com/sustentabilidade/documentos-dividas-verdes/>

Analysis of the contribution to the UN Sustainable Development

Goals: The KPIs and SPTs established contribute to the SDGs 5, 7, 9 and 10 and the targets: 5.5, 7.1, 9.1, 10.2 and 10.3.

Additional assessment in relation with the issuer/bond framework:
Not applicable.

¹⁰² Post issuance, in case of any material change to perimeter/KPI methodology/SPT(s) calibration, issuers are encouraged to ask external reviewers to assess any of these changes.

¹⁰³ E.g. a material change to baselines for which SPTs are measured against for example business acquisitions/disposals.

¹⁰⁴ Can cover other potential cases such as amendment to any applicable laws, regulations, rules, guidelines and policies relating to the business of the issuer.

Annex I - Peer companies' benchmark

The peer/competitor benchmark was carried out considering electric utilities companies that have generation, distribution, transmission and energy trading activities, in Brazil and other countries. The companies used for comparing indicators, its targets and other initiatives, are presented below.

Table 9 - Peer companies

Energy distribution, transmission, and generation sector	
Company	Description
Alupar	Alupar operates in the area of energy transmission and generation. Alupar's Transmission Companies have a broad national transmission network composed of overhead lines and substations with varying voltage levels. Regarding generation, the company's energy matrix is diverse. It invests in small and medium-sized generation assets, such as hydroelectric plants, small hydroelectric plants, wind farms, and photovoltaic plants in Brazil, Colombia, and Peru.
Companhia Energética de Minas Gerais (Cemig)	Cemig operates in the generation, transmission, distribution, and commercialization of electric energy and natural gas distribution.
CPFL Energia	CPFL Energia is an energy company with business in distribution, generation, transmission, and commercialization of electric energy and services, with operations in all regions of the country.
Companhia Paranaense de Energia (Copel)	Copel is one of the largest electricity companies in Brazil and operates in the areas of generation, transmission, distribution, and energy commercialization.
EDP – Energias do Brasil S.A.	EDP operates in the electric energy transmission segment in Brazil.
Energisa	Energisa is a reference in the generation, transmission, distribution, and commercialization of energy and integrated solutions for the market.
Eletrobrás	Eletrobras is engaged in promoting studies, construction projects, and the operation of power plants, transmission lines, and substations intended to supply the country's electricity.

Enel	Enel is a Electric Utilities and Independent Power Producers and Energy Trader (including fossil, alternative and nuclear energy).
Électricité de France S.A (EDF Group)	EDF is a French multinational electric utility company.
Engie	ENGIE is a global energy player, focused on Renewable energy and low carbon distributed energy infrastructures ¹⁰⁵ .
Salt River Project (SRP)	Salt River Project is a community-based, not-for-profit organization providing affordable water and power to more than 2 million people in central Arizona. It's made up of two separate organizations: the "Association," a private water corporation founded in 1903, and the "District," an electricity provider formed as an agricultural improvement district and a political subdivision of the State of Arizona in 1937.
Transmissora Aliança de Energia Elétrica S.A. (Taesa)	Taesa is one of the largest private electric energy transmission groups in Brazil in terms of Annual Permitted Revenues (also known as RAP). The company is exclusively dedicated to the construction, operation and maintenance of transmission assets, with 12,122 km of lines in operation and 1,985 km of lines under construction, totaling 14,107 km of extension and 104 substations.

Source: Own elaboration

The scope of the indicators and targets' assessment includes the comparison of the issuer's initiatives against its peer companies. The research conducted is briefly presented below.

- **Assessment of the KPI#1 and SPT#1**

Table 10 - Peer companies benchmark - KPI#1 and SPT#1

Company	Indicator and Targets
Grupo Neoenergia	KPI: Percentage of female in leadership positions (%). SPT: Reach 33% of female in leadership positions by December 2025.
Alupar	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ¹⁰⁶
Companhia Energética de	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ¹⁰⁷

¹⁰⁵ <https://www.engie.com/en/group/our-vision/our-strategy>

¹⁰⁶ <https://api.mziq.com/mzfilemanager/v2/d/7055e766-fc6d-42b3-9911-c19f8e89875a/759940ce-2e49-4a43-caea-1faf40d177aa?origin=2>

¹⁰⁷ <https://www.cemig.com.br/wp-content/uploads/2023/06/ras-2022.pdf>



Minas Gerais (Cemig)	
CPFL Energia	- Target: 30% female leadership by 2030 . - Scope: Includes directors and senior managers (coordinators, managers and supervisors). ¹⁰⁸
Companhia Paranaense de Energia (Copel)	- Target: 40% female leadership by 2025 . - Scope: Includes senior and middle management, such as directors, board of directors, superintendents and directors' assistants. ¹⁰⁹
EDP – Energias do Brasil S.A.	- Target: 31% female leadership by 2026 and 35% by 2030 . ¹¹⁰ - Scope: not identified
Energisa	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ¹¹¹
Eletrobrás	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ¹¹²
Enel	-Target: 31% female middle leadership by 2024 and 38% female in top management até 2026 . -Scope: Includes managers and directors. ¹¹³
Électricité de France S.A (EDF Group)	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ^{114,115}
Engie	- Target: 40% dos postos de liderança até 2030 (ano base: 2019 - 24%) ^{116,117} - Scope: not identified.
Salt River Project (SRP)	There is no specific target concerning the participation of female in leadership positions in their publicly available reports or website. ¹¹⁸
Transmissora Aliança de	-Target: 50% female leadership by 2030 . ¹¹⁹

¹⁰⁸ <https://www.grupocpfl.com.br/sites/default/files/2024-03/CPFL-RA23.pdf>

¹⁰⁹ <https://api.mziq.com/mzfilemanager/v2/d/16a31b1b-5ecd-4214-a2e0-308a2393e330/e59e5d19-3bb4-a99c-660d-0475a98ed8de?origin=1>

¹¹⁰ <https://brasil.edp.com/pt-br/sustentabilidade/compromissos-de-sustentabilidade/compromissos-e-Targets>

¹¹¹ <https://api.mziq.com/mzfilemanager/v2/d/60f49a2d-bd8c-4fd9-95ab-bdf833097a83/986a8eb7-80fc-e4f5-d593-405592920cae?origin=2>

¹¹² https://eletrobras.com/pt/Documents/Eletrobras_RA_2023.pdf

¹¹³ <https://www.enel.com.br/content/dam/enel-br/quemsomos/relatorios-anuais/2023/Relat%C3%B3rio%20de%20Sustentabilidade%20Enel%20Brasil%202023.pdf#page=3>

¹¹⁴ <https://www.edfenergy.com/sites/default/files/edf-sb-datasheet-2023.pdf>

¹¹⁵ <https://www.edfenergy.com/about/sustainability/social-contribution>

¹¹⁶ <https://www.alemdaenergia.engie.com.br/newsletters/lideranca-com-mulheres-ate-2030/>

¹¹⁷ https://www.engie.com.br/uploads/2024/04/ENGIE_RS2023.pdf

¹¹⁸ <https://www.srpnet.com/assets/srpnet/pdf/grid-water-management/sustainability-environment/Sustainability-Report.pdf>

¹¹⁹ https://ri.taesa.com.br/wp-content/uploads/2018/11/Taesa_Relatorio-2023_02-05-2024_alta.pdf



Energia Elétrica S.A. (Taesa)	- Scope: not identified.
--------------------------------------	--------------------------

Source: Own elaboration

- **Assessment of the KPI#2 and SPT#2**

Table 11 - Peer companies benchmark - KPI#2 and SPT#2

Company	Indicator and Targets
Grupo Neoenergia	KPI: Network Digitalization (%). SPT: Increase the share of digitalized networks from 77.5% in 2023 to 79.5% by December 2024 and 83.1% by December 2025.
Alupar	There is no specific target concerning the Network digitalization ¹²⁰
Companhia Energética de Minas Gerais (Cemig)	There is no specific target concerning the network digitalization. However, the company intends to invest in smart grids, digitalization and analytical capacity. ¹²¹
CPFL Energia	There is no specific target concerning the Network digitalization. In its 2023 Sustainability Report, the company states that approximately 75% of the CAPEX carried out in 2023 (BRL3.8 billion) was earmarked for projects and works to boost automation, digitalization, innovation, security, and network expansion in the 687 municipalities we serve. By 2028, they plan to invest BRL23.4 billion in their distributors. ¹²²
Companhia Paranaense de Energia (Copel)	There is no specific target concerning the network digitalization. ¹²³
EDP – Energias do Brasil S.A.	There is no specific target concerning the network digitalization. In the Sustainability Report, the company reports that it is committed to anticipating industry trends, such as decarbonization, digitalization, and decentralization, to stimulate the energy transition in the country. ¹²⁴

¹²⁰ api.mziq.com/mzfilemanager/v2/d/7055e766-fc6d-42b3-9911-c19f8e89875a/759940ce-2e49-4a43-caea-1faf40d177aa?origin=2

¹²¹ cemig.com.br/wp-content/uploads/2023/06/ras-2022.pdf

¹²² ri.cpf.com.br/Download.aspx?Arquivo=pcr6gFKgNC5bkIPASoi/+w==&linguagem=pt

¹²³ api.mziq.com/mzfilemanager/v2/d/16a31b1b-5ecd-4214-a2e0-308a2393e330/be311c33-9fa8-62ae-d7e3-423d84fd2ee8?origin=1

¹²⁴ <https://api.mziq.com/mzfilemanager/v2/d/fdc31e8d-cd08-47c5-8b5c-3f120d561d2b/2e829215-3367-f3ed-8976-df897afd792c?origin=1n>



Energisa	There is no specific target related to the network digitalization. In the Sustainability Report, the company reports it is committed to "helping customers in the energy transition by offering solutions aligned with the 4Ds (digitalization, decarbonization, decentralization), contributing to the avoided emission of at least 510.8 thousand tCO _{2e} per year from our customers, starting in 2026." ¹²⁵
Eletrobrás	<p>Eletrobrás is committed to the digitalization of the networks is in the sphere of research and development. The Innovation and Digital Transformation index is calculated as:</p> $\frac{\text{Investment in technology and innovation (R\$)}}{\text{Return on Learning (ROL)(R\$)}}$ <p>Eletrobrás reached the index of 1.69% in 2022, exceeding the target set for this year of 1.3%.¹²⁶</p>
Enel	There is no specific target concerning the network digitalization. ¹²⁷
Électricité de France S.A (EDF Group)	There is no specific target concerning the network digitalization. ¹²⁸
Engie	There is no specific target concerning the network digitalization. ¹²⁹
Salt River Project (SRP)	There is no specific target concerning the network digitalization. ¹³⁰
Transmissora Aliança de Energia Elétrica S.A. (Taesa)	There is no specific target concerning the network digitalization. ¹³¹

Source: Own elaboration

¹²⁵ api.mziq.com/mzfilemanager/v2/d/60f49a2d-bd8c-4fd9-95ab-bdf833097a83/986a8eb7-80fc-e4f5-d593-405592920cae?origin=2

¹²⁶ eletrobras.com/pt/Documents/Eletrobras_RA_2023.pdf

¹²⁷ [Relatório de Sustentabilidade Enel Brasil 2023.pdf](https://relatorio.sustentabilidade.enel.com.br/2023/pt-br)

¹²⁸ [EDF-2023-URD-EN_VBAT_HD](https://www.edf.com/fr/medias/2023/04/2023-URD-EN_VBAT_HD)

¹²⁹ engie.com.br/uploads/2024/04/ENGIE_RS2023.pdf

¹³⁰ [Sustainability-Report.pdf \(srpnet.com\)](https://sustainability-report.pdf.srpnet.com)

¹³¹ ri.taesa.com.br/wp-content/uploads/2018/11/Taesa_Relatorio-2023_02-05-2024_alta.pdf



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