

SHORT SECOND-PARTY OPINION on the second green loan issued by Neoenergia Brasília¹

Loan Amount: BRL 150,000,000.00





Maturity Date: January 2026

SDG's alignment



GLP categories' alignment

- Renewable Energy

GLP	Alignment with best practices	Strengths	Opportunities for Improvement
1. Use of Proceeds	 <p>Comfortable</p>	<ul style="list-style-type: none"> ✓ 100% of the proceeds allocated for capital expenditures (CAPEX) in infrastructure and automation of the energy distribution network; ✓ Proceeds will only be allocated to future investments; ✓ The allocation of proceeds is expected to occur up to December 2024; ✓ GHG emissions factor of the purchased energy by the distributor is less than 100gCO₂/kWh (GHG Protocol methodology). 	<ul style="list-style-type: none"> ✗ Energy purchased by the distributor comes mostly from conventional renewable sources (such as hydropower)
2. Process for Project Evaluation and Selection	 <p>Leadership</p>	<ul style="list-style-type: none"> ✓ Project selection based on Neoenergia's Green Finance Framework; ✓ Clear procedures for projects' social and environmental risk management; ✓ Adequate management capacity to manage the negative impacts of its operation. 	<ul style="list-style-type: none"> ✗ ESG controversies related to the company (see Annex I of this report)
3. Management of resources	 <p>Comfortable</p>	<ul style="list-style-type: none"> ✓ The project's total cost is higher than the green loan amount; ✓ The project's total cost is higher than the total value of green operations issued by the company; ✓ Temporarily allocation of proceeds with low contamination risk. 	<ul style="list-style-type: none"> ✗ Loan proceeds are not segregated into specific accounts; ✗ Mechanisms for redirecting the proceeds in case the projects fail to meet GLP 1 and GLP 2 criteria were not established; ✗ Clauses for suspension or cancelling of the loan in case the proceeds are allocated to other projects than those described in the SPO were not included in the agreement.
4. Report	 <p>Leadership</p>	<ul style="list-style-type: none"> ✓ Financial and environmental benefits indicators will be annually disclosed until the full allocation of proceeds; ✓ Annual external verification of the green operations will follow Neoenergia's Green Finance Framework specification while the loan remains outstanding; ✓ Financial and environmental benefits indicators will be verified by a third-party; ✓ The SPO will be available on Neoenergia's website. 	-

¹ Loan Agreement between Neoenergia Brasília as the 'Borrower' and MUFG Bank, a Japanese banking corporation.

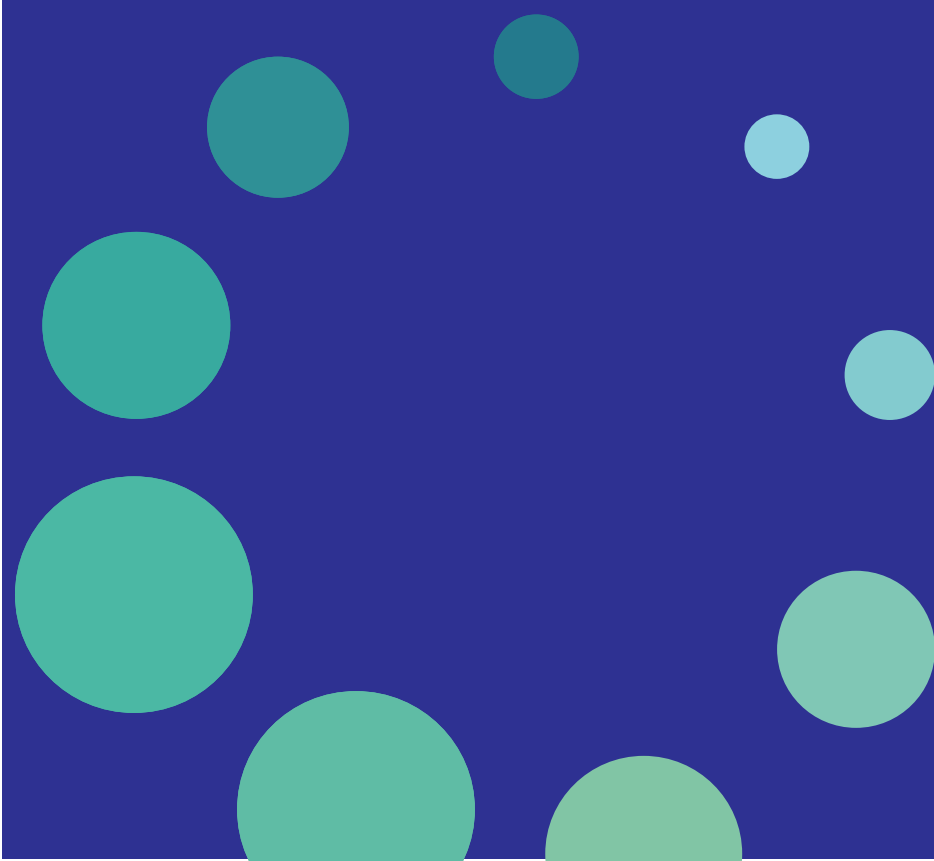


About NINT

NINT (Natural Intelligence), formerly known as SITAWI's Sustainable Finance Program, is the largest ESG research and advisory firm in Latin America, with a +100 staff and local presence in Brazil and Latin America. We are one of the 5 best environmental and social research houses for investors according to Extel Independent Research in Responsible Investment - IRRI 2019 - and a pioneer in the green bond market in Brazil. We have provided second-party opinions for more than 200 ESG debt instruments. Since 2020 we are among the top 10 global providers of second opinions for sustainable bonds, according to Environmental Finance. In February 2023, NINT became part of ERM group.

SUMMARY

1. Scope.....	3
2. Green Loan Assessment	5
Annex I - ESG Controversies Research	15
Annex II - Calculation of GHG emissions intensity	18



1. Scope

This Second Party Opinion (SPO) report aims to provide an opinion on the labelling of the loan between the MUFG BANK, LTD. (creditor) and Neoenergia Brasília (borrower) as a Green Loan. The operation amounts to BRL 150,000,000.00 (one hundred and fifty million Brazilian reais) and matures in January 2026. Neoenergia Brasília is part of Neoenergia Group, which is controlled by Iberdrola Energia, a Spanish company from the energy sector.

This operation is the sixteenth based on Neoenergia's Green Finance Framework (GFF), which had its first version published in December 2020 and a second version published in December 2022. The first version of Neoenergia's GFF had a Second Party Opinion report assessed by NINT (formerly known as SITAWI) on December 16, 2020. The second version of the GFF was also evaluated by NINT on December 16, 2022. These documents are available on Neoenergia Group's website². Neoenergia Brasília issued a green bond in June 2022, based on the first version of Neoenergia's GFF. This green bond was also assessed by NINT. Other labelled operations based on the GFF were carried out by other companies of the Neoenergia Group. Therefore, there is no risk of green proceeds contamination.

The use of proceeds associated with the loan raised between the MUFG Bank and Neoenergia Brasília is aligned with the "Energy Distribution" category predefined in Neoenergia's Green Finance Framework. This is aligned with the Green Bond Principles (GBP), Green Loan Principles (GLP), EU Sustainable Finance Taxonomy³, and best practices for issuing green bonds and raising green loans. The full evaluation is described in the Second-Party Opinion issued by NINT, regarding the alignment of the Framework with those references.

The proceeds obtained through the loan will be exclusively allocated to future investments for capital expenditures (CAPEX) in infrastructure and automation of the energy distribution network. The investments will enable the expansion of energy distribution from low-carbon sources and improvement of the distribution network infrastructure in Brasília.

NINT - *Natural Intelligence* used a simplified version of its proprietary assessment method, which is aligned with the Green Loan Principles (GLP)⁴, the Climate Bonds Taxonomy⁵ by the Climate Bonds Initiative, the *Guia de Dívida Sustentável no Brasil*⁶ by FEBRABAN (Federação Brasileira de Bancos, in Portuguese acronym) and other internationally recognized sustainability standards to ensure the loan's alignment with Neoenergia's Green Finance Framework.

NINT's opinion is based on:

- Assessment of the loan agreement;
- Analysis of the alignment of the allocation of resources with Neoenergia's Green Finance Framework.

² <https://ri.neoenergia.com/sustentabilidade/documentos-dividas-verdes/>

³ https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf

⁴ <https://www.lsta.org/content/green-loan-principles/>

⁵ <https://www.climatebonds.net/standard/taxonomy>

⁶ <https://esg.nintgroup.com/guia-divida-sustentavel-no-brasil-2023>



The assessment was based on information and documents provided by Neoenergia Group, some of them confidential, desk research and interviews with professionals from the financial and sustainability areas. This process was carried out between June and July 2023.

The evaluation process comprised of the following:

- Planning of the evaluation;
- Conducting the evaluation, including client preparation, gathering of evidence, and assessment;
- Preparing the conclusion of the report;
- Preparing the report.

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

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).

Neoenergia Brasília and MUFG Bank intend to obtain a Green Loan classification for the loan, as defined by the GLP⁷, February 2023 version. This classification will be confirmed annually until the maturity of the operation, through post-issuance second-party opinion reports assessed by NINT, to monitor Neoenergia's active green operations based on its Green Finance Framework.

⁷ <https://www.lsta.org/content/green-loan-principles/>




2. Green Loan Assessment

Nothing has come to our attention that causes us to believe that, in all material respects, the loan raised between Neoenergia Brasília and MUFG Bank is not in conformance with the Green Loan Principles. The green financial operation assessed will generate positive contributions to the environment, climate, and sustainable development.

The Green Loan Principles (GLP) are guidelines that help the market understand the key points of how a financial product is characterized as Green. Adherence to these principles, although voluntary, signals to investors, underwriters, and other market players that the company follows appropriate standards of sustainability performance and transparency.


In the following subsections, we will analyze the alignment of the operation following the four components of the GLP.

Principles and classification	Analysis and description										
<p>Use of proceeds</p> 	<p>Use of Proceeds and project's description: The loan agreement between the MUFG Bank and Neoenergia Brasília ("Borrower") will amount to R\$ 150 MM (one hundred and fifty million reais).</p> <p>The green proceeds will be destined exclusively for future expenses (2024) referring to the distributor's capital investments (CAPEX) associated with the National Electricity Agency (Agência Nacional de Energia Elétrica - ANEEL, in Portuguese acronym) Distribution Development Plan (DDP). Neoenergia did not provide the DDP for NINT analysis.</p> <p>The loan's proceeds will be used for the expansion of the distribution system, renewal of substations, high-voltage lines, distribution network (DR), and in telecommunication and automation projects. The use of proceeds is described in Table 1.</p>										
	<p><i>Table 1 - Use of Proceeds</i></p> <table> <tr> <th>Use of Proceeds</th><th>Description</th></tr> <tr> <td>Distribution System Expansion</td><td rowspan="2">Infrastructure projects (system quality improvements, end-of-life equipment replacement and others).</td></tr> <tr> <td>Substation Renewal</td></tr> <tr> <td>DR renewal</td><td rowspan="2">Infrastructure projects (system quality improvements, end-of-life equipment replacement and others); Capital investments in grounding lines exposed to weather risks.</td></tr> <tr> <td>Renewal of High Voltage Lines</td></tr> <tr> <td>Automation</td><td rowspan="2">Capital investments in smart grids (automation and adoption of IT resources for distribution systems energy)</td></tr> <tr> <td>Telecommunication</td></tr> </table>	Use of Proceeds	Description	Distribution System Expansion	Infrastructure projects (system quality improvements, end-of-life equipment replacement and others).	Substation Renewal	DR renewal	Infrastructure projects (system quality improvements, end-of-life equipment replacement and others); Capital investments in grounding lines exposed to weather risks.	Renewal of High Voltage Lines	Automation	Capital investments in smart grids (automation and adoption of IT resources for distribution systems energy)
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	<p style="text-align: right;"><i>Source: Neoenergia Brasília</i></p> <p>Neoenergia Brasília estimates that the proceeds will be fully allocated by December 2024. It is in accordance with its Green Finance Framework⁸, which establishes that the total allocation of proceeds needs to occur up to 36 months.</p> <p>Project's environmental benefits and alignment with sustainability standards: The expectation with the investments is that there will be improvements in the energy distribution networks, in addition to an increase in the distribution of low-carbon energy in the region where Neoenergia Brasília operates.</p> <p>The use of proceeds is aligned with the 'renewable energy' category of the Green Bond Principles (GBP)⁹ and Green Loan Principles (GLP)¹⁰. Furthermore, the 'renewable energy' category of GBP and GLP is considered by the Green Project Mapping¹¹ of the International Market Capital Association (ICMA) as primary for climate change mitigation and tertiary for the conservation of natural resources and the prevention and control of pollution.</p> <p>The Climate Bonds Initiative (CBI) Taxonomy¹² determines that energy distribution projects are compatible with the decarbonization trajectory to keep global warming below 1.5° C, defined at COP21, by meeting the indicator that the infrastructure supports integration from renewable sources or energy efficiency systems and their load balancing.</p> <p>The publication "The Coolest Bonds"¹³ classifies electricity distribution projects as capable of generating emission reductions of up to 20% throughout their life cycle, given that distribution systems are responsible for connecting consumers to the transmission grid. Endpoints are essential elements to ensure that renewable energies safely reach users.</p> <p>In the national scenario, energy distributors purchase the energy to be distributed directly from generators and traders. In this way, it is possible to make a direct connection between the generated and distributed energy, identifying the sources of the acquired energy and classifying them as renewable or non-renewable to evaluate the system. In addition, investments in distribution systems can lead to reduced losses and increased energy efficiency.</p> <p>The European Union's Sustainable Finance Taxonomy¹⁴ considers energy distribution to be substantial for mitigating and adapting to climate change.</p> <p>The European Union's Sustainable Finance Taxonomy considers that the system where the project is inserted must have emissions below 100 gCO₂/kWh.</p> <p>The Green Finance Framework (GFF) of Neoenergia requires that investments in distribution infrastructure be associated with a purchased and distributed energy emissions index that has a moving average equal to or less than 100 gCO₂/kWh, considering the last 5 years. In the table below, it is possible to observe the intensity of greenhouse gas (GHG) emissions associated with energy purchased by Neoenergia Brasília from 2018 to 2022. The calculation methodology can be found in Annex II.</p>
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	<p>Table 2 - Intensity of GHG emissions from energy purchased by Neoenergia Brasília</p> <table><tr><th>Year</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr><tr><td>The intensity of GHG emissions from energy purchased by Neoenergia Brasília (gCO2/kwh) according to the GHG Protocol Tool v.2022.1.1</td><td>37</td><td>37</td><td>38</td><td>38</td><td>41</td></tr></table> <p>Source: NINT</p> <p>The data proves that the company has operated, in the last 5 years, within the guidelines established for the evaluation and selection of energy distribution projects disclosed in Neoenergia's GFF (more details in the item 'Process of selecting and evaluating assessment'). The GHG Protocol emission factor is methodologically robust and, therefore, can be used to calculate the indicator.</p> <p>More information on the rationale for adopting the GHG Protocol emission factors is presented in Annex II.</p> <p>Level of alignment with best practices: No gaps were identified regarding alignment with key standards for labelling green loans. However, the energy purchased by the company comes mostly from conventional renewable sources, such as hydropower. Therefore, the item Use of Proceeds (Green Bond Principle 1) is classified as Comfortable.</p>	Year	2018	2019	2020	2021	2022	The intensity of GHG emissions from energy purchased by Neoenergia Brasília (gCO2/kwh) according to the GHG Protocol Tool v.2022.1.1	37	37	38	38	41
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<p>Process for Project Evaluation and Selection</p> 	<p>Alignment with the borrower's strategy: The purpose of the loan is to finance improvements to the power distribution system by replacing end-of-life equipment, carrying out corrective and preventive actions, and adopting IT (information technology) resources for grid automation.</p> <p>The loan is aligned with the purpose of the Neoenergia Group: to build a healthier and more accessible model of electricity collaboratively¹⁵. The reduction of the environmental impact of the activities developed by the Group, the competitiveness of the energy products supplied, efficiency in the processes of distribution and commercialization of energy, as well as promotion of the responsible use of energy, are some of the principles of the Group's Sustainable Management Policy¹⁶.</p> <p>Neoenergia Brasília is indirectly controlled by the Spanish company Iberdrola S.A and directly by the Neoenergia Group, which holds 100% of its shares¹⁷.</p>												

⁸ <https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/61aafae9-05af-e905-3dda-b3a9e8d3622d?origin=1>

⁹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

¹⁰ <https://www.lsta.org/content/green-loan-principles/>

¹¹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Project-Mapping-June-2021-100621.pdf>

¹² https://www.climatebonds.net/files/files/Taxonomy/CBI_Taxonomy_Tables-08A%20%281%29.pdf

¹³ <https://esg.nintgroup.com/the-coolest-bonds>

¹⁴ https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf

¹⁵ <https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Documents/politicas-jul/2021.07.15-Proposito-e-Valores-do-Grupo-Neoenergia.pdf>

¹⁶ <https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Documents/politicas-jul/2021.07.15-Politica-de-Gestao-Sustentavel.pdf>

¹⁷ <https://ri.neoenergia.com/a-companhia/empresas-controladas/>



Neoenergia Brasília serves more than 3 million inhabitants and operates in an area of more than 840,000 km².

A study of controversies through the media was carried out by NINT. We concluded that Neoenergia Brasília is involved in cases of low, medium and high severity. The controversies are in [Annex I](#) of this report.

Expected environmental benefits: As defined in Neoenergia's Green Finance Framework (GFF), to monitor the benefits promoted by energy distribution projects, the company monitors the following indicators referring to Neoenergia Brasília's operation:

Table 3 - Benchmarks for green bonds

Energy Distribution Projects - Neoenergia Brasília in 2022

a) Number of households/customers connected by smart grids	387.955
b) Energy loss and technical availability rates (DEC and FEC)	DEC 6,65 FEC 5,72
c) Company investment with social action (R\$ thousand)	3.540
d) Renewable energy purchase index (%)	2022: 83,00%
e) Waste management: amount of recyclable waste (tons)	To be disclosed in future Neoenergia's Sustainability Reports.

Source: 2022 Neoenergia's Sustainability Report

Project selection and evaluation process: The selected projects are aligned with Neoenergia's **Green Finance Framework (GFF)**¹⁸, as well as the **Climate Action Policy**¹⁹ and the Neoenergia Group's **Governance Policy**²⁰. The Group's Financial Department is responsible for identifying, together with the Group's Business and Sustainability areas, the guidelines that need to be observed for the initial analysis of the projects.

Under Neoenergia's GFF, the following eligibility criteria for distribution assets are analyzed:

¹⁸ <https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/61aafae9-05af-e905-3dda-b3a9e8d3622d?origin=1>

¹⁹ <https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Paginas/politicas-meio-ambiente-mudanca-climatica.aspx>

²⁰ <https://www.neoenergia.com/pt-br/governanca-corporativa/sistema-de-governanca-corporativa/Paginas/politicas-governanca-corporativa.aspx>



	<ol style="list-style-type: none"> 1. Capital investments in smart grids (automation and adoption of IT resources for energy distribution systems); 2. Capital investments in the grounding of lines exposed to weather risks; 3. Average emission index from energy purchased by the distributor is less than or equal to 100 gCO₂e/kWh, considering the last 5 years; 4. Infrastructure projects (network expansion, system quality improvements, end-of-life equipment replacement, and others). <p>Considering that this loan will invest in infrastructure projects aimed at improving the energy system quality, as well as automation in energy distribution systems (investments in smart grids), the projects meet the eligibility criteria for Neoenergia's GFF distribution projects.</p> <p>For the classification of distribution projects, the following exclusion criteria are considered:</p> <ol style="list-style-type: none"> 1. Direct connection or expansion of the existing direct connection between concessionaires with an emission volume greater than 100 gCO₂e/kWh distributed considering the contracted and distributed energy sources and a substation or the network itself; 2. OPEX and regular maintenance of existing networks. <p>Neoenergia Brasilia's gCO₂e emissions per contracted energy source are below 100 gCO₂e/kWh between 2018 and 2022. The loan proceeds will be used to expand and improve the quality of the energy distribution system. This loan is therefore aligned with the Neoenergia Group's GFF.</p> <p>Neoenergia's Financial Department, Business, and Sustainability areas assess whether the projects to be financed comply with the evaluation criteria. Then, they define the projects able to receive the proceeds. These areas are also responsible for evaluating other ESG criteria (environmental, social, and corporate governance), such as environmental licensing and other authorizations; preservation of biodiversity; contribution to climate change; anti-corruption policies; transparency. Once the green projects have been selected, the designated areas submit the decision to Neoenergia's Board of Directors for approval.</p> <p>Alignment with Climate Bonds Initiative sectorial criteria: Following the Climate Bonds Initiative 'Electrical Grids and Storage' criteria²¹, the financing of energy distribution infrastructure and power transmission lines is eligible for climate bond labelling. To be labelled, these assets must meet some specific requirements, which were analyzed in relation to Neoenergia's operations. The conclusion of this analysis, which corroborates the environmental additionality of the eligible projects and partial compliance with the requirements, are presented below.</p> <ol style="list-style-type: none"> 1. Mitigation Requirement: Pathway to decarbonization: To meet the decarbonization criterion, the Climate Bonds Initiative considers eligible those assets that belong to a system whose emission factor has a moving average of the last 5 years below the threshold of 100 gCO₂e/kWh.
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²¹ <https://www.climatebonds.net/standard/electrical-grids-and-storage>



	<p>Taking into consideration the Brazilian scenario, the energy distributor companies purchase energy directly from the free energy market or from energy-generating companies. Therefore, the mitigation requirement is met since the emissions index of the energy purchased by the distributor in the last 5 years is below the threshold determined in the Taxonomy, as indicated in Table 2 of this report.</p> <p><u>Thus, it is evidenced that the eligible projects meet the mitigation requirement of CBI's Electrical Grids and Storage²² criteria.</u></p> <p>2. <u>Adaptation and resilience requirement:</u> The issuer shall adopt actions to mitigate the impacts of climate change on the assets, according to the following items:</p> <ol style="list-style-type: none"> 1. Identifying the clear boundaries and critical interdependencies between the infrastructure and the system in which it operates; 2. Identifying the main physical climate hazards to which the infrastructure will be exposed and vulnerable throughout its operational life; 3. Establishment of strategies and measures to address the risks mapped, so that they are sufficient to keep the infrastructure adequate to the conditions of climate change throughout its operational life; 4. Establishment of strategies and measures that increase the climate resilience of the system in which the assets operates, as indicated by the boundaries and critical interdependencies of item (1); 5. Ongoing monitoring and evaluation of risks, resilience measures and adjustments related to those measures, as necessary. <p>Neoenergia has been conducting pilot studies for climate risk adaptation and resilience assessment in assets. The methodology of climate risk assessment developed contemplates the identification of the main physical climate risks on projects, the establishment of mitigation strategies and risk monitoring.</p> <p>There is no evidence that Neoenergia's climate risk management performs the identification of the limits and interdependencies of the infrastructure and the SIN, as well as that the infrastructure reinforces the SIN's climate resilience. <u>Thus, the CBI's adaptation and resilience requirement is partially met by Neoenergia's climate risk assessment process.</u></p> <p><u>Level of alignment with best practices:</u> The eligible projects are aligned with the sustainability strategy of the company. Also, Neoenergia Brasília has well-defined procedures for projects evaluation and selection, internal capacity to manage adverse impacts of the project and for resolving ESG controversies. Thus, the item Project selection and evaluation process (Green Bond Principle 2) is classified as <u>Leadership</u>.</p>
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²² https://www.climatebonds.net/files/files/Grids%20Criteria_March%202022.pdf



Management of proceeds

Loan characteristics: The green loan agreement between MUFG Bank and Neoenergia Brasília is dated June 15, 2023. The loan amounts to BRL 150,000,000 (one hundred and fifty million reais) and matures in January 2026.

The proceeds raised through the green loan will be fully allocated to future expenses. The aim is to invest in distribution network infrastructure projects related to 2024 Neoenergia Brasília’s Distribution Development Plan (PDD). The energy distributor company estimates that the total allocation of the green loan proceeds will occur by December 2024.

The loan is equivalent to 96,95% of Neoenergia’s Brasília expected capital expenditures projects in 2024, as illustrated in [Table 4](#). As the loan amount is lower than the total amount of the eligible projects, the risk that the proceeds raised will be allocated to other (not eligible) projects is reduced.

Table 4 - Green Loan participation in Neoenergia Brasília CAPEX Plan

CAPEX Distribution Development Plan 2024 - Neoenergia Brasília	BRL thousand	%
Total eligible green CAPEX (R\$ mil)	154.726	100,00
Neoenergia Brasília’s Green Loan	150.000	96,95
Eligible green CAPEX remaining	4.726	3,05

Source: NINT. Adapted from Neoenergia Brasília’s information.

According to the loan agreement, the proceeds shall be transferred to Neoenergia’s account designated in the Loan Request.

The proceeds from **Neoenergia Brasília’s 1st green bond**²³, issued in June 2022, were allocated to the company’s 2021, 2022 and 2023 CAPEX Plan. The total amount of the 2022 green bond represented 77.48% of Neoenergia’s Brasília green CAPEX for the eligible projects, as illustrated in [Table 5](#). This operation was also assessed through a Verification Report elaborated by NINT in May 2023²⁴.

Table 5 - Neoenergia Brasília’s Green Operations

Neoenergia Brasília’s green operations	Green Operation Amount (A)	Total Green CAPEX Eligible (B)	% (A)/(B)
1 st green operation - June 2022	R\$ 300 MM	R\$ 387,200 MM	77.48%
2 nd green operation - July 2023	R\$ 150 MM	R\$ 154,726 MM	96.95%


Source: NINT. Adapted from Neoenergia Brasília’s information.

Neoenergia Braasilia has not issued another financial operation labelled with use of proceeds linked to the 2024 CAPEX Plan. Thus, there is no risk of contamination of green revenues.

²³ <https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/88cc2530-53b0-ee10-0dea-fb365efaea41?origin=1>

²⁴ <https://api.mziq.com/mzfilemanager/v2/d/2aec7c3f-0df1-4df1-967a-66ab1030fc14/f1a6b8bb-d0c5-ac65-39c5-9313c2ce2f37?origin=1>



	<p>Procedures for the management of proceeds: The green loan proceeds will be managed by the Financial Department of the Neoenergia Group to ensure that the financial allocation of proceeds will meet the ESG criteria defined in the Group's Green Finance Framework (GFF). According to the GFF, the flow of green proceeds will be monitored continuously throughout the maturity of the debt. The proceeds will not be held in a separate account and there is no mechanism for redirecting the proceeds in case the projects fail to meet the GLP 1 and GLP 2 criteria.</p> <p>Temporarily unallocated proceeds: Proceeds temporarily not allocated to eligible projects may be directed to low-risk and high-liquidity assets, such as:</p> <ul style="list-style-type: none"> - Federal government bonds; - Financial bills (LF, in Portuguese acronym) from the National Treasury; - Bank Deposit Certificates (CDBs, in the Portuguese acronym); - Repurchase agreement (repo) backed by public and private bonds. <p>Investments may occur through direct investments in the assets listed above, or through Exclusive Funds under Neoenergia Group's Financial Policy.</p> <p>According to Neoenergia's GFF, a part of the funds can be directly allocated to Bank Deposit Certificates and financial bills and backed by private bonds by banks previously approved by Neoenergia's risk department. Thus, the risk of allocating funds to carbon-intensive activities is mitigated. It is worth noting that, through its GFF, Neoenergia declares that it does not make investments that could accelerate climate change.</p> <p>Level of alignment with best practices: As the loan proceeds will not be segregated in a separate account and there is no mechanism for redirecting the proceeds in case the projects fail to meet the eligible green criteria, the item 'Management of Proceeds' (Green Loan Principle 3) is classified as Comfortable.</p>
<p>Report</p> 	<p>Under Neoenergia's Green Finance Framework (GFF), the borrower undertakes to annually inform investors and other stakeholders about the status of proceeds allocation (% of the proceeds that have already been allocated to the eligible green projects), as well as the environmental and climate benefits related to the projects financed. The report will occur every year until the full allocation of the proceeds. These indicators will be reported in Neoenergia Group's Annual Sustainability Report, published on the Group's website.</p> <p>Moreover, the Sustainability Report will have a section dedicated to reporting debts backed by the GFF. In the case of energy distribution projects, the indicators of environmental benefits to be disclosed are:</p> <ol style="list-style-type: none"> a) Number of households/customers connected by smart grids (smart grid) b) Energy loss and technical availability index (DEC and FEC) c) Company investment in social projects (R\$) d) Renewable energy purchase index (%) e) Waste management: amount of recyclable waste (tons) <p>According to the loan agreement, Neoenergia shall report on the allocation of proceeds and the impact of the use of such proceeds in the</p>

	<p>projects. This reporting may be part of the green finance reporting package published by Neoenergia or a separate and individual report prepared by an independent entity.</p> <p>The Neoenergia Group's GFF and the second-party opinion of the Framework, elaborated by NINT, can be consulted on Neoenergia's website²⁵.</p> <p>Furthermore, all debts that may be backed by the GFF will have an external assessment through a simplified second-party opinion report to be elaborated by NINT. Such report will confirm the alignment of the green debt with Neoenergia's Framework. While the green operations backed by the GFF remain active, it is also expected that an annual external verification be requested.</p> <p><u>Level of alignment with best practices:</u> No gaps were identified in the 'Report' (Green Loan Principle 4) in terms of frequency, the content of disclosure of financial information and the impact and publicity of the SPO. Therefore, it is classified as <u>Leadership</u>.</p>
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²⁵ <https://ri.neoenergia.com/sustentabilidade/documentos-dividas-verdes/>

Declaration of Responsibility

NINT (Natural Intelligence)²⁶, formerly known as SITAWI's Sustainable Finance Program, is not a shareholder, subsidiary, supplier or client of Neoenergia Group or its subsidiaries. NINT declares that it has no conflict of interest and is able to issue an independent opinion.

NINT was responsible for second-party opinion reports of Neoenergia Group's previous green issuances. NINT has also conducted ESG strategy projects for 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, NINT declares that it is able to issue an independent opinion in line with the *Green 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, NINT 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.

²⁶ In February 2023, NINT (Natural Intelligence) integrated ERM Group.



Annex I - ESG Controversies Research

NINT carried out a desk research in the media and identified a history of environmental and social controversies involving Neoenergia Brasília. The table below provides a short description of the events.

Table 6 - ESG Controversies involving Neoenergia Brasília

Social		
Controversy	Severity Level	Responsiveness
Dec/2022: Two teenagers and a child are hit by high voltage wire and die, in Brasília ²⁷	High: A high voltage wire fell, killing two teenagers and a 5-year-old child during a heavy rain in the Federal District, in Ceilândia. The three victims were from the same family. The criminal investigation report being carried out by the Civil Police has not yet been completed.	Remedial: After being informed of the fact by the Fire Department, the company sent a technical team immediately to the site to proceed with the appropriate emergency measures. In a press release, the distributor highlights the data on the maintenance of the electrical network on the site, indicating that an inspection was carried out in August 2022, and all the identified safety risks were corrected. The press release listed probable causes for the tragedy, such as lightning strikes, strong winds, large volume of rain and other external factors that may have led to the rupture of the wire. Neoenergia paid the funeral expenses and provided professionals for social and psychological assistance to support family members.

²⁷<https://g1.globo.com/df/distrito-federal/noticia/2022/12/10/dois-adolescentes-e-uma-crianca-sao-atingidos-por-fio-de-alta-tensao-e-morrem-eletrocutados-no-df.ghtml>



<p>Jan/2023: After deaths by electroshock, explosion of poles scares residents of Ceilândia²⁸</p>	<p>Low: After the death of three victims in December 2023, explosion on power poles and blackouts scared residents of Ceilândia.</p> <p>Through social media, residents report frequent blackouts in the region.</p>	<p>Remedial: According to the company, the power supply in the region is normal.</p> <p>"We recorded a one-time occurrence on the network in Ceilândia during this dawn. From the moment we were triggered, our teams immediately went to the site, made inspections until this morning and normalized the situation", said Neoenergia.</p> <p>According to Neoenergia, the administrative region of Ceilândia has already received R\$ 28 million in investments in infrastructure, technology, and network intelligence since Neoenergia arrived in the Federal District.</p>
<p>Mar/2023: Privatization of Brasília's Energy Company (CEB): The Court of Justice will rule on a lawsuit that could restore job stability for workers in the Federal District²⁹</p>	<p>Low: Two years after the privatization of the energy distribution service in the Federal District, the employees of CEB, who were rehired by Neoenergia, lacked job stability.</p> <p>The Special Council of the Court of Justice of the Federal District and Territories (TJDFT) ruled on the Direct Action of Unconstitutionality against the law that established the employment retention of CEB workers.</p>	<p>Defensive: According to the company, the law has been ruled unconstitutional by the Special Council of the Court of Justice of the Federal District and Territories (TJDFT). Currently, the action is awaiting the judgment of an appeal.</p>
<p>Mar/2023: A proposal made by the Ministry of Labor regarding the dismissals at Neoenergia Brasília will be deliberated upon during an assembly³⁰</p>	<p>Low: The Ministry of Labor has formulated a proposal to be deliberated upon by the employees in an assembly concerning the layoffs at Neoenergia Brasília.</p>	<p>Defensive: According to the company, the assembly has rejected the compensatory proposal offered by Neoenergia.</p> <p>The Supreme Court (STF) has determined that at the time of the collective dismissals in April 2022, there was no requirement for dialogue with the union. As a result, Neoenergia withdrew its proposal.</p>

Governance

Controversy

Severity Level

Responsiveness

²⁸<https://www.metropoles.com/distrito-federal/apos-mortes-por-eletrochoque-explosao-de-postes-assustam-moradores-de-ceilandia>

²⁹<https://www.brasildefato.com.br/2023/03/06/privatizacao-da-ceb-tj-julgara-acao-que-pode-devolver-estabilidade-para-trabalhadores-no-df>

³⁰<https://www.urbanitariosdf.org.br/?p=25235>



<p>Oct/2022: Court of Justice prohibits Neoenergia from cutting ISPS cables in Brasília³¹</p>	<p>Low: Court of Justice prohibited Neoenergia from cutting ISPS cables in Brasília. The decision was a result of an appeal filed by the Association of Providers of Brazil (ASPRO, in Portuguese acronym). The entity complains that Neoenergia has been cutting the cables of associated providers, charging high prices for the use of poles, and terminating contracts unilaterally.</p>	<p>Defensive: Neoenergia claims that the occupation of the poles was clandestine and that it posed risks to infrastructure and people.</p> <p>The legal department of the company requested the revocation of the injunction. In addition, Neoenergia indicated its communication department used the press strategically to encourage the judiciary to revoke the injunction granted to ASPRO.</p>
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³¹<https://www.pontoisp.com.br/justica-proibe-neoenergia-de-cortar-cabos-de-isps-no-df/>



Annex II - Calculation of GHG emissions intensity

The GHG emissions intensity from the energy purchased by Neoenergia Brasília, from 2018 to 2022, was calculated using the emission factor of the GHG Protocol tool, version 2022.1.1.³²

The World Resources Institute (WRI) developed the GHG Protocol in partnership with the World Business Council for Development (WBCSD). The GHG Protocol methodology is compatible with the norm ISO 14.064 and other quantification methodologies of the Intergovernmental Panel on Climate Change (IPCC). In Brazil, the GHG calculation was adapted to the national context³³.

The Brazil GHG Protocol Program is an initiative of the Sustainability Studies Center of Fundação Getúlio Vargas (FGV), in partnership with the World Resources Institute (WRI), Ministry of Environment (MMA, in Portuguese acronym), the Brazilian Business Council for Sustainable Development (BCSD or CEBDS, in Portuguese acronym) and the WBCSD.

Neoenergia Group carries out its Greenhouse Gas Inventory through the GHG Protocol and in 2022 was awarded the Gold Seal of the Brazil GHG Protocol, regarding the Group activities in 2021³⁴.

The greenhouse effect gas emission factors adopted by the tool consider the emissions in tCO₂/MWh associated with energy generation, segmented by fuel source. The factors are calculated by the Ministry of Science, Technology and Innovations (MCTI, in Portuguese acronym) for the national communications of Brazil to the United Nations Framework Convention on Climate Change, considering the IPCC (2006) methodology for the preparation of national inventories. The factors presented by the tool were converted to gCO₂/kWh, as shown below.

Table 1 - Emission factor by fuel source

Emission factor - GHG Protocol Tool v2022.1.1 (gCO ₂ /kWh)	
Dry natural Gas	200
Unspecified steam coal	360
Fuel Oil	280

The calculation of the energy emission index of energy purchased by Neoenergia Brasília from 2018 to 2022 used the equation:

$$\text{Purchased energy emissions intensity} \left(\frac{\text{gCO}_2}{\text{kWh}} \right)$$

³² The emission factors shall be updated according to the newest versions of the tool, or other methodological approach that brings more precision and robustness.

³³ https://cetesb.sp.gov.br/proclima/wp-content/uploads/sites/36/2014/05/cartilha_ghg_online.pdf

³⁴ <https://registropublicodeemissoes.fgv.br/participantes/2932>



$$\frac{(\text{fuel emission factor} * \text{energy purchased by the company per fuel source})}{\text{total of energy purchased by the company (kWh)}}$$

The result of the emission index is presented in the following table:

Emissions intensity of energy purchased by Neoenergia from 2018 to 2022

GHG emissions intensity (gCO ₂ /kWh) - GHG Protocol v2022.1.1.					
Year	2018	2019	2020	2021	2022
GHG Emissions Intensity gCO ₂ /kWh	37	37	38	38	41

The data of energy purchased by Neoenergia Brasília in the period, which originated the calculation, are presented below.

Energy purchased by Neoenergia Brasília from 2018 to 2022

Neoenergia Brasília	2018		2019		2020		2021		2022	
	kWh	%	kWh	%	kWh		kWh	%	kWh	%
Renewables	7.218.563.553	84%	7.679.105.720	84%	7.708.664.788	84%	7.674.027.394	84%	7.660.679.696	83%
Hydropower	6.967.481.854	81%	7.237.559.195	79%	7.280.194.586	79%	7.238.959.964	79%	7.242.984.938	78%
Wind	77.172.431	1%	227.695.383	2%	231.057.929	3%	231.057.859	3%	231.057.859	2%
Solar	0	0%	0	0%	0	0%	0	0%	0	0%
Biomass	31.386.329	0%	78.478.632	1%	63.075.092	1%	71.983.211	1%	61.026.261	1%
PROINFA*	142.522.939	2%	135.372.510	1%	134.337.182	1%	132.026.360	1%	125.610.638	1%
Non-renewables	1.361.173.429	16%	1.481.028.571	16%	1.476.856.136	16%	1.504.413.308	16%	1.613.072.161	17%
Nuclear	243.386.653	3%	250.117.929	3%	248.093.038	3%	243.508.929	3%	243.016.650	3%
Natural Gas	345.436.629	4%	431.967.283	5%	404.003.597	4%	435.976.298	5%	386.607.384	4%
Diesel Oil	65.974.298	1%	65.981.829	1%	65.974.302	1%	65.974.303	1%	82.003.341	1%
Fuel Oil	350.713.172	4%	350.753.207	4%	350.544.574	4%	350.713.154	4%	384.621.790	4%
Coal	355.662.677	4%	382.208.323	4%	408.240.625	4%	408.240.624	4%	408.240.624	4%
Total	8.579.736.982	100 %	9.160.134.291	100 %	9.185.520.924	100 %	9.178.440.702	100 %	9.273.751.856	100 %

*Proinfa are alternative renewable sources such as small Hydroelectric, Wind and Biomass Power Plants

In this report it was opted to follow with the 'Indicator of GHG emissions of energy purchased' according to the GHG Protocol emission factors, since the GHG Protocol methodology was adapted to the Brazilian context and presents scientific robustness. As mentioned above, the emission factors are calculated by MCTI for Brazil's national communications to the United Nations. Furthermore, the information generated can be applied to reports and questionnaires of initiatives such as Carbon Disclosure Project, Bovespa Corporate Sustainability Index (ISE) and Global Reporting Initiative (GRI).





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