



ANNUAL REPORT

2020

CSP

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MESSAGE FROM THE MANAGEMENT

ANEEL 3.2.1



The year 2020 was marked by the new coronavirus (Covid-19) pandemic, which had consequences for our lives and for the economy. CESP acted promptly in this scenario, adopting preventive measures appropriate to preserving its employees' health and safety as well as ensuring power generation service provision continuity with excellence. The resilience of our client portfolio, our agility in reacting to the new environment, and the robustness of our capital structure were essential to mitigate the effects of Covid-19.

The evolution of the pandemic brought socioenvironmental issues and the need for an economy responsible with the future even more to the center of discussions. In the Brazilian electricity sector, energy transition is part of the evolution toward a better, more conscientious country. This promising and no returning path demands strategies and investments, and, at the same time, requires that sector regulations evolve quickly. CESP, a 100% renewable power generation company, is an important part of the solution for this challenge.

In 2020, we created our Sustainability Platform with ESG aspects

As a highlight, in 2020, we took an important step in maturing our management in socioenvironmental and governance aspects (ESG) by identifying material issues and defining priority Sustainable Development Goals (SDGs). With the leaders' engagement and involvement, we created CESP's Sustainability Platform with three thematic lines: Environmental and Climate Proactivity, Local and Human Development, and Inclusive Growth. We also released our first Annual Report, the structure and content of which are inspired by the Integrated Reporting principles of the International Integrated Reporting Council (IIRC).

CESP is committed to continuing its operations in compliance with the principles of transparency, equity, accountability, and corporate responsibility

CESP improves and promotes the adoption of the best corporate governance practices on an ongoing basis, and is committed to keeping its operations in compliance with the principles of transparency, equity, accountability, and corporate responsibility, aiming at strengthening the management and governance structure with the purpose of solidifying the pillars for the sustainability of CESP and its businesses. In February 2021, we laid down the foundations for the creation of the Sustainability Committee to support the Board of Directors and CESP leaders in incorporating and addressing ESG topics in the strategic business decision-making and direction process.

We have also made progress in our digital transformation agenda, reducing risks, automating processes, and achieving swifter responses in the adoption of new technologies. Thus, we kicked off our data/analytics journey, generating a culture of trust in data-driven information.

In operating terms, one of the most significant indicators, the plants' average availability index averaged 95.7% in late 2020, on a consistent and sustained path of increase, above the benchmark levels set by ANEEL, continuously demonstrating good maintenance management and, consequently, greater efficiency in plant availability.

During 2020, we continued pursuing the power balance management strategy, allied to planned physical guarantee seasonalization and to maintaining our client portfolio management. Worthy of note is that during 2020 CESP seized the windows of opportunity on the market and purchased approximately 90% of the power needed for the equilibrium of the power balance in 2021.

Insofar as liability litigation is concerned, we continue with the strategy and the management of legal actions with legal and financial advisors to complement our own team's performance. We closed the year 2020 with a reduction, after monetary correction, of BRL\$2.9 billion in total liability contingencies compared to the balance of December 2019. This can be explained by the combination of (i) court decisions favorable to CESP; (ii) court settlements; (iii) review of estimates as the cases progress. These results are in line with our determination to take an increasingly assertive and judicious approach to reducing this risk.

¹The adjusted EBITDA excludes the provision for litigation and PDV

² Cash Conversion Index =
Operating Cash Flow after Debt
Services/Adjusted EBITDA

Our financial results reflect our diligence in executing our strategies, reaching a Consolidated Adjusted EBITDA¹ of BRL\$1 billion in 2020, with an Adjusted EBITDA margin of 53%, a year-over-year growth of 35%, reflecting operational excellence, adequate power balance management and discipline in costs and expenses.

CESP's strong cash generation capacity puts us in a prominent position in this context. In 2020, we generated BRL\$743 million in operating cash flow after debt service, which represents a cash conversion rate² of 73%.

As a debt management strategy, in August 2020, CESP raised BRL\$1.5 billion by means of the issuance of the 12th Infrastructure Debenture at an IPCA rate of +4.30% pa and a 10-year term. With this transaction, CESP's debt had a 5-year increase in its average term, maintaining the average cost, in addition to improving the contractual conditions to adapt them to the Company's new credit profile.

The combination of strong cash generation with the net result of 2020 allowed for the proposal to distribute profits to shareholders in the amount of R\$850 million, of which R\$150 million via interest on net equity (INE), already deliberated in 2020, and R\$700 million via dividends, a 49% payout and a 9% dividend yield, to be paid in April and September 2021.

Mario Bertoncini
*Chief Executive Officer and
Investor Relations Officer*

Marcelo de Jesus
Chief Financial Officer

Carlos Alberto Dias Costa
Generation Officer

Finally, we emphasize that CESP begins 2021 even better prepared to take advantage of the opportunities that will arise and committed to creating and offering the best power solutions, generating, and sharing wealth sustainably way through the transformation of people and society.

We are grateful to everyone who is with us on this journey.



ABOUT THE REPORT

- Financial, operating, and socioenvironmental performance
- Inspired by the IIRC Integrated Reporting principles
- Content associated with the ESG Sustainability Platform

In this Annual Report, Companhia Energética de São Paulo (CESP) provides information on its financial, operating, and socioenvironmental performance in the period ranging from January 1 to December 31, 2020.

Also featured are the efforts all employees have made to move forward in the Company's ongoing transformation process, which got underway in December 2018, when it became a privately-held company.

For the first time, CESP's report has its structure and content inspired by the Integrated Reporting principles of the International Integrated Reporting Council (IIRC). The chapters are organized pursuant to the capitals of this methodology, and each one shows the association of the subjects addressed with the thematic lines of the Company's new **sustainability platform**, built based on the material topics and the Sustainable Development Goals (SDGs) related to the business and set as priorities. Both the thematic lines and the materiality and priority SDGs were set in 2020, by means of work that paves the way for CESP to make significant progress in its ESG strategy in the near future. *Learn more about these studies in the chapter titled "A new look at sustainability".*

This publication also discloses CESP's data related to the indicators for the annual report on socioenvironmental and economic-financial responsibility of the National Electric Energy Agency (ANEEL), validated by the Board of Directors and the Fiscal Council.

In addition, the effects of the Covid-19 pandemic in the various areas of the Company are addressed throughout the report.

For more information, contact the Investor Relations team at ricesp@cesp.com.br. CESP's Annual Report is available for your information at <https://ri.cesp.com.br/relatorio-anual-de-sustentabilidade/>.

A NEW LOOK AT SUSTAINABILITY



Fish ladder at the Porto
Primavera HPP

From a state-owned corporation, in 2018, to a privately-held Company in full transformation since the beginning of the new management, which is working on upgrading processes, operations, and on definitively incorporating environmental and social issues and the best corporate governance practices into its culture and strategy. This is CESP!

And, in today's world, you cannot think about transformation without diving deep into the topic of sustainability. This is exactly what the Company dedicated itself to doing in 2020, aiming to pave its way forward on a solid, consistent bases.

And this is the path we have been on since 2019, when the changes needed for the new company were designed and started to be turned into reality. In 2020, the consolidation process of the new CESP matured, and a new look at major topics began to be shaped.

During the year, the Company kicked off a corporate sustainability agenda to be integrated into its business strategy and contribute to generating shared value. To this end, it focused on the United Nations (UN) Sustainable Development Goals (SDGs) and built its materiality matrix, identifying topics that reflect the significant economic, environmental, and social impacts for the Company and its stakeholders. The material topics that were identified and the priority SDGs are the drivers of CESP's new Sustainability Platform.



10 priority SDGs

5

to be worked
on by 2023

5

to be considered
by 2028

Priority SDGs

The work done to define the priority SDGs was carried out in partnership with an external consultancy firm and sought to relate sustainability issues to the Company's socioenvironmental challenges, to the opportunities to generate value, and to positive impacts for CESP and its stakeholders.

SDG prioritization was the outcome of extensive engagement with our internal audience, which actively participated in discussions, workshops, and studies that were essential to understand where CESP is and what path we want to follow to get where we want to be in the future. It was a construction done by many hands, through these processes:

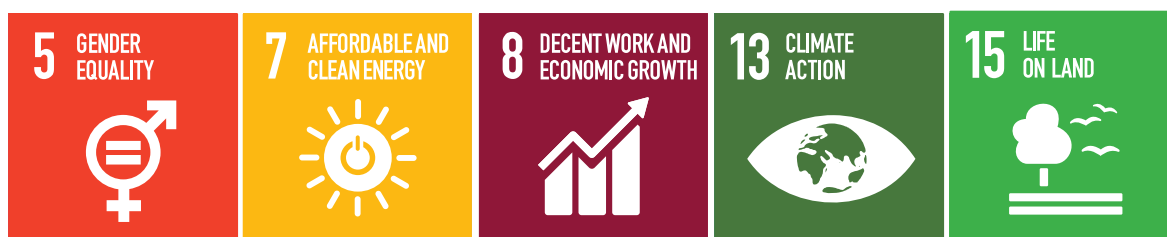
- **Analysis of CESP's strategic positioning:** Analysis of documents and interviews with executives, considering ten criteria – strategy, guidelines, opportunities, challenges, audience, governance, indicators, investments, objectives, and actions.
- **Analysis of sector benchmarks:** Evaluation of companies operating out of the electric sector and their position relative to the SDGs, recommendations made by the B3 Sustainability Index (ISE)¹, and the correlations with the electric sector, according to the Global Compact's study on the Power Sector.
- **Engagement of the workforce:** Holding meetings and workshops with the company's leadership to get to know and discuss the SDGs, in addition to producing communication materials for CESP's entire internal audience.

¹ ISE BR is composed by the 40 companies with the best ESG performance in the Brazilian stock market.

After completing this work, which relied on the participation of our employees at different hierarchical levels, positions, and activities, we arrived at ten priority SDGs, five to be addressed by 2023 and other five by 2028.



SDGs prioritized until 2023



SDG 5. Achieve gender equality and empower all women and girls.

SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy to all.

SDG 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

SDG 13. Take urgent action to combat climate change and its impacts.

SDG 15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.

Definition of materiality

As the companies and organizations' value creation migrates from tangible to intangible, where reputation and brand, the ability to innovate and to relate to different stakeholders is more valued than industrial parks and fixed assets, companies are faced with numerous social, economic, and environmental issues. These issues need to be addressed and managed appropriately to determine which are most significant for the business, for the worldview, and for the profile that the company wants to have. In this regard, defining what is material, or building materiality, is the process that identifies and prioritizes the topics that reflect the most significant impacts of the Company and its stakeholders.

Discussing and learning about the organizations' economic, social, and environmental impacts is part of the challenge of building a better and sustainable world for current and future generations, as each company has its own context and needs. Hence the importance of each organization precisely knowing the impacts it has through its materiality matrix.

And it was to define this materiality matrix, with the material topics, that CESP worked in partnership with a company specialized in this process in 2020.

In direct and indirect consultation with stakeholders – public authorities, employees, leaders, customers, suppliers, investors, and communities – and by reviewing the sustainability context, 18 initial topics were defined, evaluated pursuant to the GRI (Global Reporting Initiative) materiality principles. These topics were discussed internally, and resulted in 12 material topics for CESP for a business cycle of up to three years (until 2023):

CESP's materiality matrix

- Material topics**
- Initial topics
- 1 Environmental compliance
 - 2 Environmental and biodiversity conservation
 - 3 Greenhouse gas emissions
 - 4 Employment and human development
 - 5 Ethics, transparency, and good corporate governance practices
 - 6 Hazardous waste management
 - 7 Supplier management
 - 8 Local communities impacts management
 - 9 Energy efficiency management
 - 10 Climate changes and renewable energies use
 - 11 Diversity and equality promotion
 - 12 Air quality
 - 13 Customer relations
 - 14 Business model resilience
 - 15 Occupational health and safety
 - 16 Dam safety
 - 17 Energy security and water management
 - 18 Universalization and accessibility of energy use

Significant environmental, economic, and social impacts of the company

| | | | | | |
|--|----|---|---------|-------------------------------------|--------------------|
| Significant influence on stakeholder decision making | | | | | |
| | | 7 | | 1 2 4 11 14 15 16 | 5 8 10 17 |
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The 12 material topics and the priority SDGs related



| | | | | | |
|---|---|---|---|---|---|
| Environmental and biodiversity conservation | | | | | ✓ |
| Diversity and equality promotion | ✓ | | | | |
| Employment and human development | ✓ | | ✓ | | |
| Ethics, transparency, and good corporate governance practices | | | ✓ | | |
| Environmental compliance | | | | | ✓ |
| Customer relations | | ✓ | | | |
| Energy security and water management | | ✓ | | ✓ | |
| Local communities impacts management | | ✓ | | | ✓ |
| Climate changes and renewable energies use | | ✓ | | ✓ | |
| Business model resilience | | | ✓ | | |
| Occupational health and safety | | | ✓ | | |
| Dam safety | | | | | ✓ |

A new sustainability platform

Upon the completion of these steps, CESP brought the results of this work together in a Sustainability Platform that aims to align the company's management processes with the ESG (Environmental, Social, and Corporate Governance) criteria relevant to the business, which were identified by crossing the priority SDGs and the materiality matrix.

To make sure that the Sustainability Platform is managed in such a way as to clearly present the Company's social and environmental performance, CESP set down three thematic lines:

- **Environmental and climate proactivity:** Align the electric power generation with ensuring multiple uses of water in actions carried out to conserve the ecosystem, with minimizing the impacts of operations, adapting to climate change, promoting environmental education, and with guaranteeing good community relations.

- **Local and human development:** Continuous pursuit of value creation and commitment to transparency in management, reinforcing commitments to stakeholders: Employees, communities, customers, suppliers, and investors. This is done by offering proper working conditions, health, safety, well-being, diversity, and transparency, thus guaranteeing rights and opportunities for human development and business generation.
- **Inclusive growth:** Sustainability and profitability must go together. For this reason, the focus should be on creating socioenvironmental programs that foster a new mentality among employees and the community, providing financial and social inclusion and developing local skills.

CESP'S SUSTAINABILITY PLATFORM

Thematic lines

Environmental and climate proactivity

ENVIRONMENTAL CAPITAL



Environmental compliance

Environmental and biodiversity conservation

Climate change and renewable energies use

Energy security and water management

Local and human development

SOCIAL CAPITAL



Employment and human development

Ethics, transparency, and good corporate governance practices

Diversity and equality promotion

Occupational health and safety

Dam safety

Inclusive growth

ECONOMIC CAPITAL



local communities impacts management

Customer relations

Business model resilience

The view of local communities

Another fundamental action to seal our commitment to the sustainability of our Company and the regions where we have operations was the work done in 2020 to strengthen our relationship with local communities, which is essential to help us consolidate the changes so we can be the company that we want in the future.

Over the year, we carried out the Socialenvironmental Baseline Study, in the Porto Primavera HPP environmental licensing process context to typify possible weaknesses, conflicts as well as to identify cultural, and environmental opportunities in the municipalities located in the HPP area of influence. Further detailed in the chapter titled "Our relationships," data derived from this study offer better subsidies for the development of environmental education and social communication projects that are better connected to reality, local demands, and current technologies.

The participation of CESP employees and managers of the municipal departments of 12 municipalities in the area of influence of the Porto Primavera HPP, representatives of institutions (universities and NGOs), leaders of community associations, fishermen colonies, and cooperatives of local importance that are related to the enterprise was essential to enhance our understanding of the role we play and to subsidize the entire process that we are designing seeking to achieve excellence in sustainability management.

All these initiatives are a first and fundamental step taken toward permanently incorporating sustainability into the company's strategy, a journey that has just begun and which is also part of a larger transformation and modernization process, encompassing all Company areas. Strategic goals will be set for 2021, consolidating CESP's path toward its goal of being a benchmark in sustainability for the electricity sector.



CESP 2020 BUSINESS MODEL

FINANCIAL CAPITAL

- Privately held company since 2019
- Management of liability litigation

MANUFACTURED CAPITAL

- 2 hydroelectric generation plants:
 - Porto Primavera, with 14 power generating units and 1,540 MW of electricity generation power
 - Paraibuna, 2 power generating units and 87 MW of electricity generation power
- Administrative office in São Paulo (SP)

INTELLECTUAL CAPITAL

- Partnerships with educational institutions for training and qualifying employees
- Research and development projects aligned with the business strategy
- Collaborations with research and innovation institutes and companies
- CESP “Mais Valor” Program (CMV): Encouraging employees to contribute ideas that bring financial and process gains for the Company

HUMAN CAPITAL

- Own employees and partners at the plants and at the São Paulo office

SOCIAL AND RELATIONSHIP CAPITAL

- Relations with employees, large customers and leaders in their industries, investors, governments, suppliers, and with communities near the Company’s areas of operation

NATURAL CAPITAL

- Water is the source of CESP’s electric power generation
- 2 biodiversity conservation centers at the Paraibuna HPP: The “Centro de Conservação de Aves Silvestres” (CCAS, Wild Bird Conservation Center), and the “Estação de Hidrobiologia e Aquicultura” (EHA, Hydrobiology and Aquaculture Station)
- Cisalpinia Private Natural Heritage Reserve (RPPN) in the Porto Primavera HPP area, which guarantees the conservation of 3,850 hectares of natural areas and is home to more than 259 species of the region’s native fauna
- 2 nurseries to produce native tree seedlings: One in Porto Primavera and the other in Paraibuna
- Maintenance and conservation of 67,000 hectares of natural areas along the banks of the reservoirs

RESOURCES

PRIORITY SDGs



PURPOSE

To create and offer the best energy solutions, generating and sharing wealth in a sustainable way through the transformation of people and society.

THEMATIC LINES OF THE SUSTAINABILITY PLATFORM:

- Environmental and Climate Proactivity
- Local and Human Development
- Inclusive Growth

2020 RESULTS

FINANCIAL CAPITAL

- Net earnings: BRL\$1.9 billion
- Gross profit: BRL\$1.7 billion
- Adjusted EBITDA¹: BRL\$ 1 billion
- Reduction of BRL\$2.9 billion in the total contingency of liability litigation compared to 2019
- BRL\$1.5 billion raised by means of the issuance of the 12th Infrastructure Debenture at an IPCA¹ rate of +4.30% pa and a 10-year term
- Beginning of the sales of I-REC (International REC Standard) certificates, a system that allows the trading of renewable energy certificates

¹Extended National Consumer Price Index - IPCA, aimed at measuring the inflation rate for a group of products and services from retail trade, relative to household expenditure.

MANUFACTURED CAPITAL

- 95.7% energy availability index
- Generation of 1,016.7 average MW of energy
- Creation of CESP Comercializadora
- The two HPPs are rated Category B under the National Electric Energy Agency (ANEEL) dam risk classification matrix

INTELLECTUAL CAPITAL

- Definition of the Sustainability Platform, with 12 material topics and 5 SDGs prioritized
- Development of the Corporate Governance Manual and of the Risk Management policy
- Implementation of the GRC system for Internal Control Management
- Partnership with the Votorantim Academy and the Dom Cabral Foundation for employee and leadership development, respectively
- Deployment of the Escola de Talentos (Talent School) Learning Management platform
- BRL\$ 87,257,201.24 earmarked for Research & Development projects since 2016, and BRL\$ 6,565,062 in 2020
- 100 new ideas and 34 projects completed under the CESP Mais Valor (More Value) Program, with fundraising worth BRL\$34 million (estimate for 2020-2025)

HUMAN CAPITAL

- 208 employees
- Featured in the Great Place to Work ranking of the Best Companies to Work For
- Board of Directors with a member representing the employees
- Health and safety actions involving all employees to prevent and combat the Covid-19 pandemic
- Creation of a diversity and inclusion group that will initially focus on women and persons with disabilities (PWDs)
- Participation of three employees in the Votorantim Academy “Potenciar” Program

SOCIAL AND RELATIONSHIP CAPITAL

- Part of the B3 - Brazilian Stock Exchange Corporate Governance Level 1 segment
- Investors: More than 200 interactions with investors and analysts, with participation in conferences and NDRs
- Government: Work done together with the civil defense teams in building contingency plans where CESP has operations
- Communities:
 - Socialenvironmental Baseline Study with the community in the context of the environmental licensing for the Porto Primavera HPP
 - Podcasts, videos, and newsletters under the Social Communication Program
 - Workshops of the “Colhendo Frutos” (Harvesting Fruits) Environmental Education Program in the municipality of Rosana (SP), where Porto Primavera HPP is located
 - Training of young people from the municipality of Brasilândia (MS), by means of the “Projeto Jovem Monitor Ambiental” (Young Environmental Monitor Project), to undertake environmental protection and sustainable solution actions for the community
 - In the Porto Primavera’s HPP surrounding communities, creation of a group to deal with emergency aid and PPE, hospital equipment, and basic food item donations during the Covid-19 pandemic
 - BRL\$ 2 million invested in social actions

NATURAL CAPITAL

- Programs to mitigate the risks posed by the operations to the environment: Monitoring of water quality and of the ichthyofauna (fish in the reservoirs), operation and monitoring of the Fish Ladder at the Porto Primavera HPP, riparian forest reforestation, maintenance of Active Germplasm Banks in the area surrounding the Porto Primavera HPP, and solid waste management
- More than 5,000 water quality analyses per year
- More than 20 million seedlings produced, and 2 million seedlings of 200 native species donated to date
- About 5,600 birds bred and released by CCAS since its creation
- Around 11.7 million native fries in the Paraiba do Sul River basin, 117,100 of which released in 2020
- 200 hectares reforested at Porto Primavera
- 200 species of trees from the Atlantic Forest and Cerrado cultivated in seedling nurseries

CESP IN 2020



Definition of the Sustainability Platform, alignment of the company's management processes to ESG (Environmental, Social, and Corporate Governance) criteria



Creation of CESP Comercializadora



We are on the Great Place to Work ranking of the Best Companies to Work For

12

Material Topics defined

208

Employees

5

SDGs prioritized for action through 2023

BRL\$ 17.8 million

Invested in environmental actions

BRL\$ 1.9 billion

Of net operating income

95.7%

Energy availability index

2

Hydroelectric generation plants

1.032 MW

Generated in 2020

1,627 MW

Of capacity

BRL\$ 1 billion
Of adjusted EBITDA

BRL\$ 2 million
Invested in social actions

OUR RESULTS AND ASSETS

FINANCIAL AND MANUFACTURED CAPITAL



For us, at CESP, our financial resources and physical assets are means through which we can exercise our mission of generating and trading energy by means of pioneering initiatives, firm in the purpose of operating with excellence, reflecting our commitment to ethics, transparency, results, and to the responsibility to generate a positive impact on the communities where we have operations.

CESP'S SUSTAINABILITY PLATFORM

THEMATIC LINES RELATED TO THIS CHAPTER

Local and human
development

Inclusive growth

MATERIAL TOPICS RELATED TO THIS CHAPTER

Ethics, transparency,
and good corporate
governance practices

Business model resilience

Dam safety

SDGS RELATED TO THIS CHAPTER



CESP

Companhia Energética de São Paulo (CESP) is an electric power generation company the Government of the State of São Paulo created in 1966 by merging 11 electric energy companies that used to operate in São Paulo.

On October 19, 2018, the CESP stock auction was won by the São Paulo Energia Consortium, comprising VTRM Energia Participações S.A. ("VTRM"), and SF Ninety Two Participações Societárias S.A. ("SF 92"), the outcome of a partnership between Votorantim Energia and the Canadian fund Canada Pension Plan Investment Board (CPP Investments). On December 11, 2018, after the execution of the Share Purchase and Sale Agreement with the State of São Paulo, CESP became a privately-held company.

VOTORANTIM
energia

CPP Investments

50%

50%

VTRM Energia

Free Float

ON: 93.5%
PNB: 13.7%
Total: 40.0%

ON: 6.5%
PNB: 86.3%
PNA: 100%
Total: 60.0%

CESP

As a result, since 2019 the new management has been working to establish a new level of governance at the Company, implementing structural changes related to modernization, operating excellence, and focus on results. And the year 2020 was the period for the consolidation and maturation of many of these initiatives in pursuit of the new CESP.

CESP and the power generation market

Our business is based entirely on generating power from renewable sources, in particular hydroelectric generation.



2

hydroelectric
generation plants



16

generating units



1,627_{MW}
of capacity



935_{MW}

of physical
guarantee capacity

CESP's assets are strategically positioned in river basins of great relevance to the National Interconnected System, such as the Paraná River (Porto Primavera HPP) and the Paraíba do Sul River (Paraibuna HPP), in addition to being connected to and transporting the power that is generated to the largest Brazilian electricity consumer market, which is the Southeast/Midwest (SE/MW) submarket.



PORTO PRIMAVERA POWER PLANT

Power: 1,540 MW
Physical guarantee: Average of 887 MW
Concession until April/2049 (contract signed in April/2019)
Location: Rosana (SP)
Reservoir area: 2,040 km²
Dam extent: 10.2 km
Generating units: 14



PARAIBUNA POWER PLANT

Power: 87 MW
Physical guarantee: Average of 48 MW
Concession until March/2021
Location: Paraibuna (SP)
Reservoir area: 177 km²
Dam extent: 0.6 km
Generating units: 2

Financial performance in 2020

- **Net earnings:**
BRL\$ 1.9 billion
- **Net income:**
BRL\$ 1.7 billion
- **Adjusted EBITDA¹:**
BRL\$ 1 billion
- **Proposed distribution of BRL\$ 850 million in earnings, BRL\$ 2.59 per share and 9% dividend yield**

¹ Excludes the provision for litigations, voluntary termination plan, judicial deposit write-offs, impairment reversal, and adjustments to the Jupia and Ilha Solteira assets.

In May 2020, the concession for the Jaguari Hydroelectric Plant came to an end, and, as decided during CESP's Board of Directors' Meeting of June 28, 2019, the company decided not to renew the concession for this plant, which accounted for less than 2% of its total assured energy. In November 2020, Ministry of Mines and Energy Ordinance No. 409/2020 appointed Furnas Centrais Elétricas S.A. to provide the power generation service at the Jaguari Hydroelectric Power Plant from January 1, 2021.

Management of liability and asset litigation

A very important aspect of our work is managing liability and asset litigations originating from the Company's pre-privatization period. Each year, we make progress with this work.

Liability litigation

CESP is currently a party to lawsuits that account for a total contingent liability of approximately BRL\$10 billion. It must be emphasized that the Company also has a procedure in place to carefully assess the liability dispute balance, including the hiring of external legal and financial advisors to complement our own team's work.

Due to the relevance of liability litigation, the amounts under litigation are constantly reviewed, as are the loss forecasts applicable to the lawsuits. In addition, permanently seeking to optimize management and reduce legal liability contingencies, the Company continues to judiciously qualify certain cases as "strategic," subjecting them to its own monitoring and to the conduct of external offices with a high level of technical expertise and reputation. In late 2020, the strategic suit group covered about 45 cases, accounting for approximately 75% of the Company's total liability disputes.

In 2020, CESP advanced in the management of strategic cases, which, combined with all movements in the period, allowed for a BRL\$2.9 billion reduction in its total contingency, approximately, compared to 2019, after the effects of monetary correction. The reduction in liability litigation over 2020 is explained by the combination of: (i) final decisions favorable to CESP; (ii) court settlements; (iii) a careful review of the amount of the contingency attributed to each of the strategic cases (adjustments may mean an increase or decrease in the amount of the contingency), and (iv) new claims against the Company, which partially offset the reductions made in the period.

The amount appraised by the active litigation expert consists of:



BRL\$ 1.9 billion
Plant



BRL\$ 1 billion
Locks and Canal



BRL\$ 1.8 billion
Land

Asset litigation

The case related to the reimbursement of indemnifiable assets of the Três Irmãos plant concession is at the first instance, in the discovery phase, with discussions focusing on the court expert's last report, which appraised reversible assets at BRL\$4.7 billion (historical values of June 2012). The appraised value consists of: Power plant: BRL\$1.9 billion; Locks and Canal: BRL\$1.0 billion; Land: BRL\$1.8 billion.

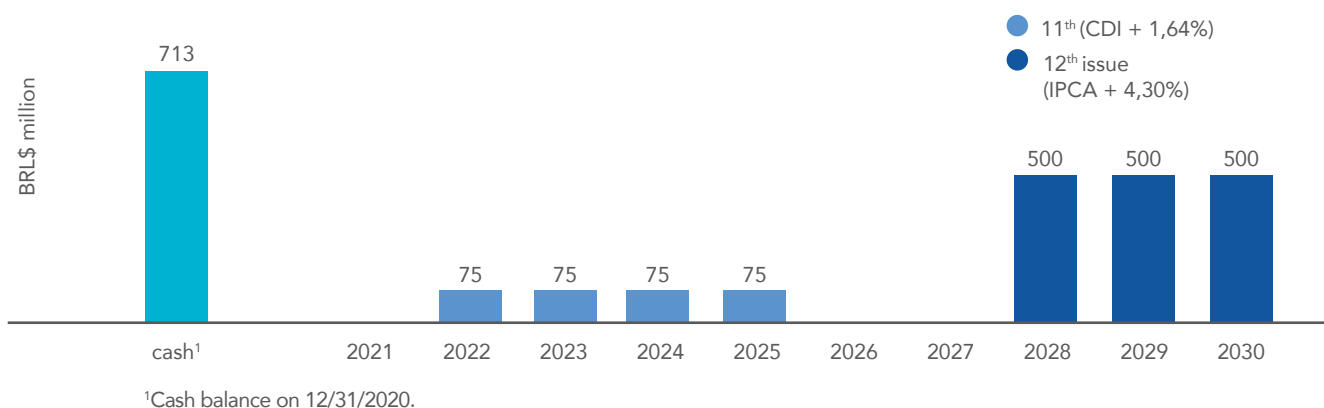
Parallel with the handling of the case, there is an appeal pending judgment at the Superior Court of Justice (STJ) to demand the immediate payment, by the Federal Government, of the undisputed amount of BRL\$1.7 billion (June 2012 base date value).

Indebtedness & Leverage

On December 31, 2020, CESP's gross indebtedness was BRL\$1.8 billion. As a debt management strategy, in August CESP raised BRL\$1.5 billion by means of the issuance of the 12th Infrastructure Debenture at an IPCA rate of +4.30% pa and for a 10-year term. The fundraising aimed to partially prepay the debentures issued under the 11th Issuance, which, in turn, were issued to fund the payment for the granting of the renewal of the Porto Primavera HPP concession. This transaction increased the average term of CESP's debt by 5 years, but maintained the average cost, in addition to improving the contractual conditions and making them more adequate to the Company's new credit profile.

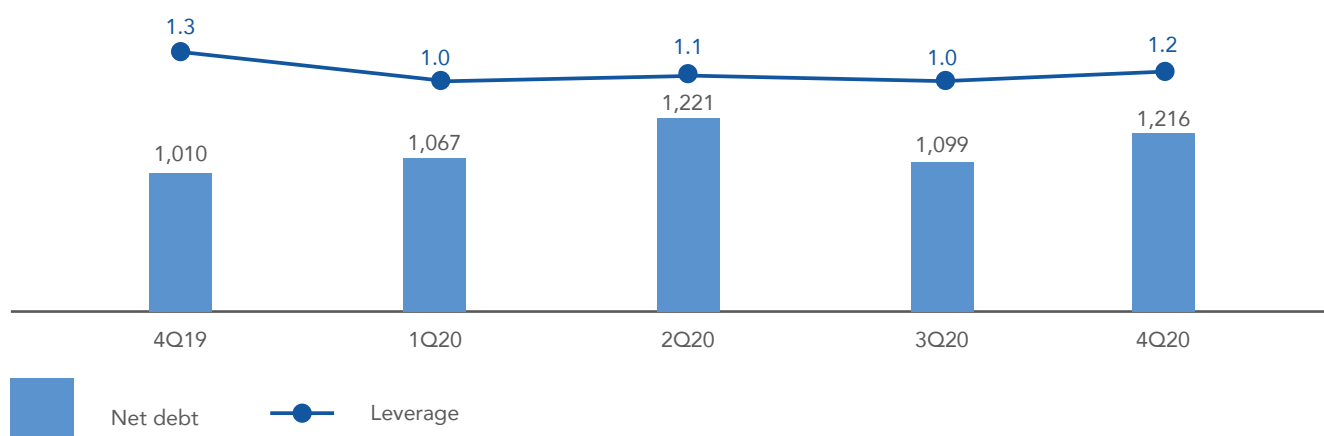
The cash and cash equivalent position at the end of December 2020 was BRL\$713 million, and the net debt was BRL\$1.2 million.

Amortization schedule



Leverage, measured based on the net debt/adjusted EBITDA ratio, reached 1.2 times in December 2020.

Net debt (BRL\$ million) and Leverage

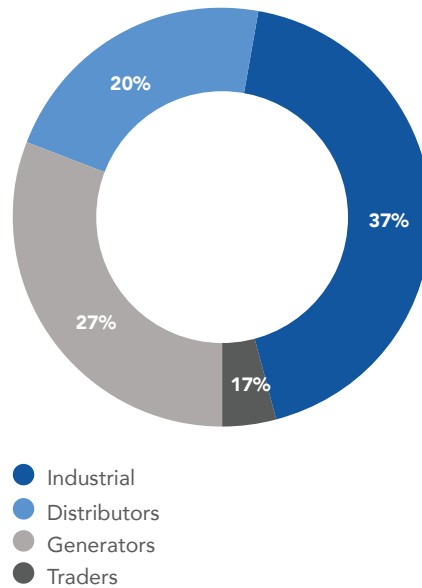


Strategy and competitiveness

Our client portfolio consists of large companies with premium credit risks, leaders in their industries that maintained their activities even during the strictest quarantine periods during the Covid-19 pandemic.

All the power we generate is sold at prices set in contracts in the regulated environment (distributors) and in the free environment (generators, traders, and industry), adjusted annually for inflation or based on the dollar exchange rate, when applicable.

Profile of the Customers in the Revenue (BRL\$)



With the free power market expansion prospect, CESP is starting to position itself to seize opportunities arising from this movement. For 2021, we will expand our commercial structure and invest in process automation, making our commercial performance more agile.

As a result of the physical guarantee reviews and of the negative effect of the GSF, or hydrological risk, CESP's power balance had a deficit in the period ranging from 2020 to 2022. To equalize its balance sheet, the Company acts strategically aiming to optimize results and reduce its exposure to this risk.

For the year 2020, we equalized the power balance with a 15% reduction in the power purchase price. For 2021, the Company has been seizing the best windows of opportunity for acquisitions, and has currently already acquired 90% of the power needed to cover the deficit.

In 2020, we started selling I-REC (International REC Standard) certificates, a global system that makes it possible to trade renewable energy certificates. The Porto Primavera HPP was registered to sell this certificate, and is the second largest asset in Brazil to issue renewable energy certificates.

CESP Comercializadora

As part of the Company's business strategy, in January 2020, we started operations at CESP Comercializadora, a wholly owned subsidiary of CESP Geradora. Operating on the power trading market, CESP Comercializadora focuses on seizing commercial opportunities, attracting new customers, and optimizing CESP Geradora's portfolio, increasing our market share and managing hydrological and market risks by improving the Company's commercial strategy.

Objective of CESP Comercializadora

- Direct electricity marketing
 - Optimization of CESP Geradora's asset management
 - Mitigation of market risks
 - Liquidity for selling CESP's power
-

Corporate Governance

CESP has improved and promoted the adoption of the best Corporate Governance practices since its privatization (concluded in December 2018). In fact, it has ensured conduct superior to the segment in which it is currently listed, i.e., Level 1 of B3 S.A. - Brazil, Stock Exchange, Over-the-Counter ("B3").

Since July 2006, we have been part of the B1 Corporate Governance Level 1 segment. Level 1 translates into a set of more transparent and comprehensive rules for the relations between the controlling shareholder, the Board of Directors, the Executive Board, the other shareholders and, in particular, the financial market, to ensure the exchange of information with quality, fairness, agility, and transparency.

CESP has a Corporate Governance structure that is responsible for preparing and disseminating policies, rules, responsibilities, flows, and processes, and for directing them to ensure adherence to the market's Corporate Governance practices.

CESP has made a commitment to its shareholders and stakeholders to constantly improve and promote the adoption of the best Corporate Governance practices, and it is committed to continue operating in compliance with the principles of transparency, fairness, accountability, and corporate responsibility, aiming at strengthening the management and governance structure with the purpose of solidifying the pillars for the sustainability of CESP and its businesses.



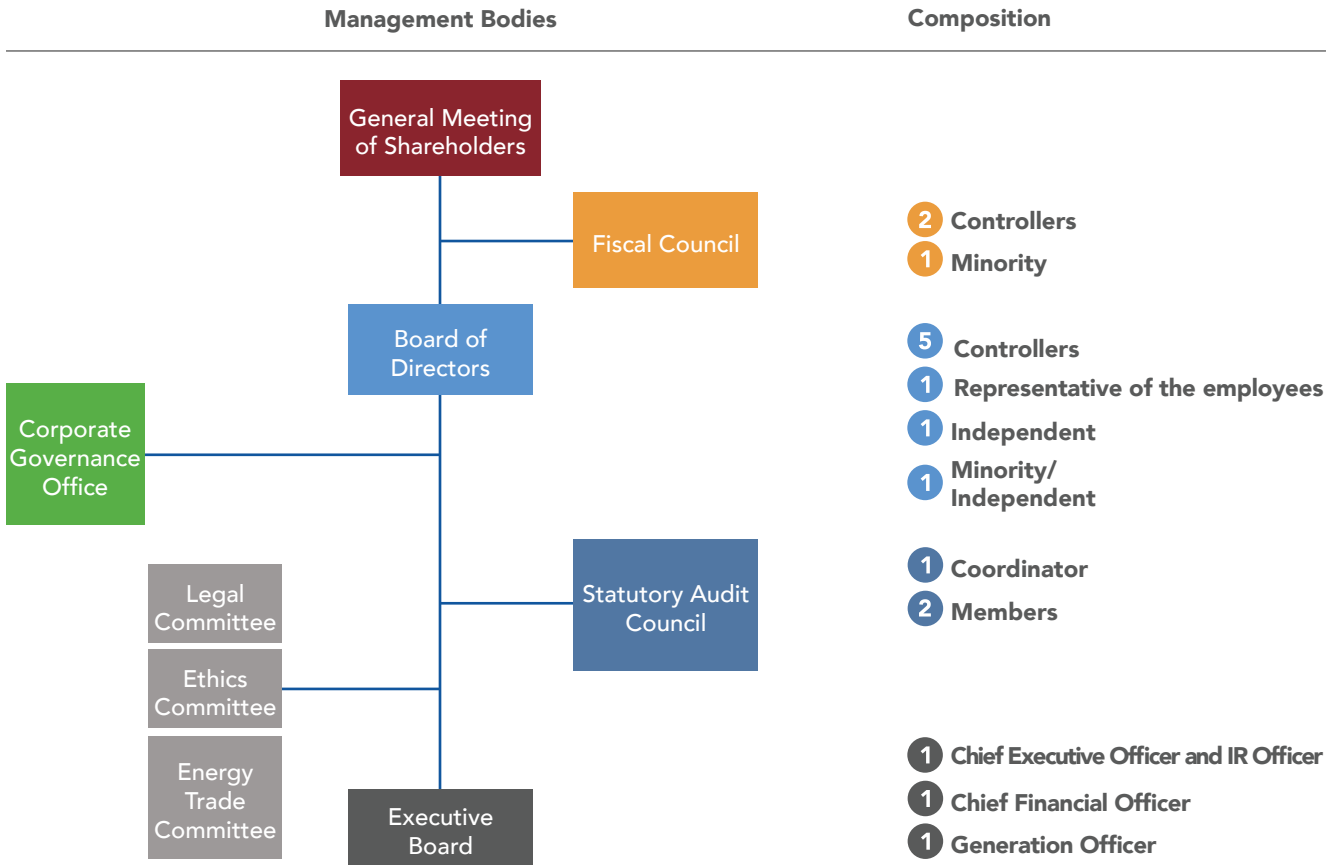
CESP has created, implemented, or adopted important Corporate Governance initiatives beyond those already required by B3 Level 1, including:

- Adhesion to the **B3 Market Arbitration Chamber** to settle differences, disputes, and controversies between shareholders and the Company, or between controlling and minority shareholders.
- **100% Tag Along**, granting to those holding class B preferred shares (CESP 6) the receipt of an amount per share corresponding to 100% of the amount paid to the controlling shareholder in the event control over the Company is sold.
- Board of Directors consisting of **25% independent members, including a representative of the employees**, elected by their direct vote, thus ensuring and allowing monitoring by an eye external to that of the controlling shareholders.
- More than ten hours of **training** in Corporate Governance, CESP Representation, and Authority Policy for 120 corporate and plant employees, involving all areas and positions.
- Approval of **new corporate governance documents**, such as:
 - The **Internal Regulations of (i) the Board of Directors; (ii) the Executive Board; (iii) the Fiscal Council, and (iv) Statutory Fiscal Council**, documents whose main objective is to determine how each body operates, the relationship with the Company's other corporate bodies, and the rights and duties of its members, subject to the provisions of the Company's Bylaws and applicable legislation;

Launched in 2020, CESP's Corporate Governance Handbook is a guide that addresses the Company's best practices in governance

- The Company's **Referral Policy**, the purpose of which is to make sure that the composition of the Company's Board of Directors, Fiscal Council, Statutory Committees, and of the Executive Board occurs in an organized, adequate manner, aligned with the best Corporate Governance practices. It also determines, in the process of appointing members to the Company's bodies, diversity in capabilities, knowledge, in experience, behaviors, in cultural and age aspects, and in gender;
- Update of the **Authority Policy** to reflect new approval criteria and limits for the Company's management bodies, thus allowing more effective, assertive control over relevant transactions requiring or not discussion and prior analysis, pursuant to the Company's Bylaws and to the applicable legislation;
- Preparation and approval, at Board of Directors and/or Executive Board of Directors meetings, of **ten new Corporate Policies and seven new Management Standards** addressing the most diverse topics, from power trading to risks, health, and safety.
- Preparation and release to the entire Company and its managers of CESP's **Corporate Governance Manual**, an internal document that consolidates, in a format that is practical, dynamic, and accessible to all, several aspects of CESP's Corporate Governance structure and summarizes meeting flows, management responsibilities, and governance guidelines/practices, information that ends up being featured in different documents (Bylaws, Rules, Policies, etc.).

CESP'S Corporate Governance structure



General Meeting of Shareholders

This is the highest decision-making body formed by all shareholders, regardless of the class of shares. Its functions are to elect the members of the Board of Directors, to decide on the financial statements and on the destination of the Company's profits, and to deliberate on any form of corporate reorganization, among other attributions.

Board of Directors

The Board of Directors is the body responsible for setting the Company's general business guidelines, plans, and budget, as well as for overseeing the management of the Executive Board. CESP's Board of Directors consists of a minimum of 3 and a maximum of 11 members, elected by the General Meeting, all with a unified two-year term, beginning on the date of the election and ranging through the investiture of the successors, reelection being allowed for a maximum of 3 consecutive terms.

The Chairman of the Board of Directors is appointed at the General Meeting, as provided for under CESP's Bylaws.

The members of the Board of Directors are appointed considering the choice of executives with notorious knowledge of the electricity sector, of the financial and capital markets, and with unblemished reputation and moral integrity.

As determined by the Company's Bylaws, the participation of a representative of the employees on the Board of Directors is guaranteed. Such representative shall be elected by the employees in a direct election and have a term coinciding with that of the other Members.

Also guaranteed is the participation of a representative of the minority shareholders, whose term shall coincide with that of the other Members, pursuant to article 141 of the Brazilian Corporation Law.

| | |
|------------------------------|--|
| Fabio Rogerio Zanfelize | Chairman of the Board of Directors |
| Raul Almeida Cadena | Deputy Chairman of the Board of Directors |
| Ricardo Szlejf | Board Member |
| Mauro Eduardo Guizeline | Board Member |
| Frederico Ferreira Sarmento | Board Member |
| Iara Pasian | Independent Board Member |
| Felipe Dutra Cançado | Independent Board Member |
| Paulo Sérgio Cordeiro Novais | Board Member (representative of the employees) |

Fiscal Council

The Fiscal Council is a non-permanent supervisory body of the Company that monitors and verifies the actions of its management and the meeting of its legal and statutory duties, exercising the powers inherent to its supervisory power pursuant to the current legislation and to the Bylaws of the Company, seeking, through the principles of transparency, fairness, and accountability, to contribute to improve the Company's performance.

The Fiscal Council consists of a minimum of 3 and a maximum of 5 full members and their respective alternates, elected annually at the Shareholders' Annual General Meeting, with reelection allowed.

CESP's Bylaws guarantee the participation, on the Fiscal Council, of a representative of the minority shareholders and preferred shareholders, if any, and their respective alternates, pursuant to article 161 of the Brazilian Corporation Law.

The Fiscal Council meets ordinarily once a month, and extraordinarily whenever summoned by any of its members or by the Executive Board.

It is incumbent upon the Fiscal Committee, among other responsibilities, to analyze the balance sheets and other financial statements for the fiscal year on a quarterly basis, as well as to issue an opinion on the annual management report, including, in its opinion, the complementary information deemed necessary for decision-making at the General Meeting.

The Fiscal Council also reports to shareholders on matters related to investment or budget plans, capitalization changes, dividend distribution, and corporate reorganizations.

| | |
|------------------------------|-------------|
| Guilherme Oscar Braunbeck | Full Member |
| Heraldo Gilberto de Oliveira | Full Member |
| Paulo Roberto Franceschi | Full Member |
| Carlos Atushi Nakamuta | Alternate |
| Bruno Shigueyoshi Oshiro | Alternate |
| Carla Alessandra Trematore | Alternate |

Statutory Fiscal Council

The Statutory Fiscal Council, an independent technical and advisory body that reports to the Board of Directors, aims to advise the aforementioned Board regarding the exercise of its audit and supervision functions: (i) the accounting and financial reporting processes; (ii) internal control and risk management processes; (iii) the activities of internal auditors and independent external auditors, and (iv) matters pertaining to the Code of Conduct and Ethics.

CESP adopts this committee in line with the best Corporate Governance practices. This body is responsible for monitoring and controlling the quality of financial statements, internal controls, risk management, and compliance, aiming at information reliability and integrity and at protecting CESP and its shareholders and related parties.

| | |
|-----------------------------------|-------------|
| Iara Pasian | Coordinator |
| Angela Aparecida Seixas | Full Member |
| José Ecio Pereira da Costa Junior | Full Member |

CESP Executive Board of Directors

This body consists of a minimum of 2 and a maximum of 6 members, all with a unified two-year term, being a Chief Executive Officer, a Chief Financial Officer, an Investor Relations Officer, a Generation Officer, and the others without specific designation, with cumulation of the position of Investor Relations Officer with the position of Chief Executive Officer or with the position of Financial Director.

The Officers are responsible for representing the Company and performing the acts necessary for its operation and for managing the business in compliance with the risk limits and guidelines approved by the Board of Directors.

| | |
|---------------------------|--|
| Mario Antonio Bertocini | Chief Executive Officer and Investor Relations Officer |
| Marcelo Antonio de Jesus | Chief Financial Officer |
| Carlos Alberto Dias Costa | Generation Officer |



CESP Committees

These groups are non-statutory and non-permanent committees the Board of Directors creates ad hoc to analyze, discuss, and manage specific topics.

- **Ethics Committee:** CESP has an Ethics Committee that has the duty to analyze and recommend corrective actions regarding complaints made through the Company's Ethics Line channels.

The Ethics Committee is fully independent and autonomous, and consists of 3 members, with complementary authority, experience, and skills who are chosen by the Chief Executive Officer, and the Company's Board of Directors is responsible for ratifying the decision.

- **Legal Committee:** CESP's Legal Committee aims to (i) monitor the main changes in the Company's legal contingencies, whether liabilities or assets, judicial or administrative; (ii) supervise short, medium, and long-term strategies aimed at reducing the Company's liabilities and maximizing its legal assets; (iii) promote the discussion and give visibility to relevant decisions and possible scenarios in specific processes; (iv) share understandings and opinions on the performance of the law firms, legal advisors, and other third parties hired by the Company; (v) discuss any relevant agreements and negotiations in progress, and (vi) provide visibility to the main legal area indicators.

It consists of 3 members appointed by the Board of Directors, who may or may not belong to the Board, who will have a unified one-year term, and may be removed by the Board of Directors at any time.

- **Power Trade Committee:** CESP's Power Trade Committee aims to (i) monitor the power purchase and sale positions assumed by the Company; (ii) promote discussions on scenarios and perspectives of the domestic power market; (iii) promote discussions on CESP's marketing strategy; (iv) supervise market risk and hydrological risk management within previously set parameters, and monitor the actions proposed by the Company to mitigate them when limits are exceeded, pursuant to

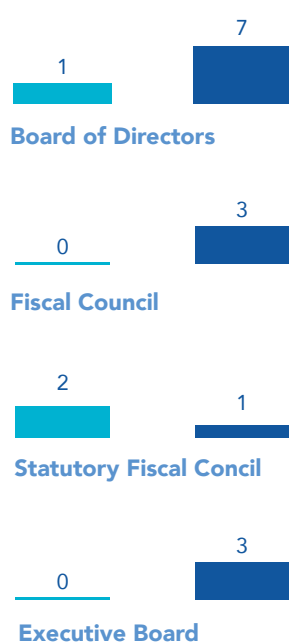
Diversity in governance



Mulheres



Homens



procedures set forth in the internal Market Risk and Hydrological Risk rules; (v) encourage and make sure that CESP acts in power marketing in accordance with the best market practices, and (vi) prepare recommendations and opinions on power trading topics to support the Board of Directors' decisions.

- **Sustainability Committee:** In February 2021, we laid down the foundations for the creation of the Sustainability committee aiming to support the Board of Directors in incorporating and addressing of ESG topics in the strategic business decision-making and direction process.

Ethics and compliance

In 2020, we evolved to have a more robust, consultative Compliance area, based on a program consisting of seven pillars:

- Laws and regulations
- Permits, authorizations, and certifications
- Antitrust matters
- Prevention of corruption
- Contracts and agreements
- External reports
- Loss and fraud prevention

All our employees were trained on this Compliance program and took part in an intense internal communication campaign, which culminated in the first CESP Compliance Day, an event dedicated solely to discussing the topic.

During 2020, four pillars were worked on more:

- **Corruption prevention:** With an anti-corruption policy at the discretion of the Board of Directors, e-learning training for this policy for 100% of the employees, an integrity due diligence process for all counterparties, control of related party transactions, etc.
- **Antitrust matters:** With a standard published featuring guidelines to guarantee our rules for antitrust matters and internal training.
- **Permits, authorizations, and certifications:** With the adoption of a tool to control and take stock of the requirements for CESP's operations.
- **Laws and regulations:** Diagnosing the General Law for the Protection of Personal Data.

In 2021, we will focus on these four pillars and start more robust work linked to the other three.

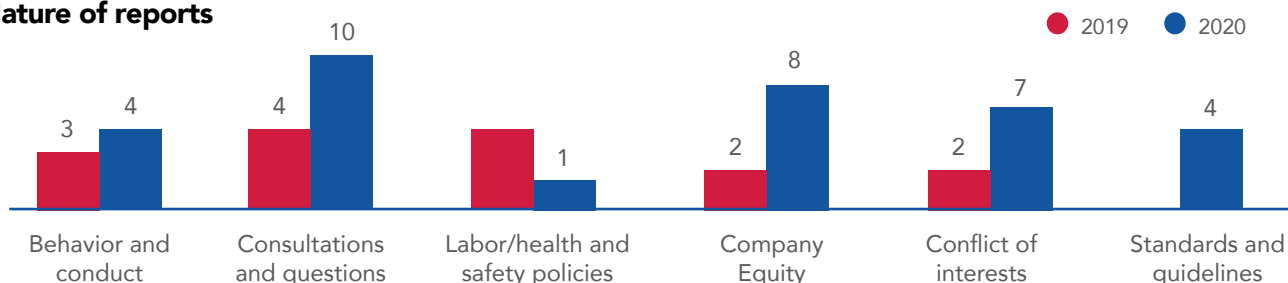
Ethics hotline

Our Code of Ethics was launched in 2019, parallel to the launch of the hotline, our independent, confidential, and classified reporting channel. People can access the Ethics Line either by identifying themselves or anonymously and report any deviations in behavior, irregular labor practices, undue favoritism, non-compliance with rules and guidelines, issues with communities, and health and safety matters, among other topics.

Employee confidence can be measured based on the evolution in the use of the channel:

| Cases received | | Cases solved | | Under analysis | |
|----------------|------|--------------|------|----------------|------|
| 49 | | 45 | | 4 | |
| 15 | 34 | 15 | 30 | 0 | 4 |
| 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |

Nature of reports



Risk management

The Internal Audit, Risk Management, Internal Controls, and Compliance (IARMICC) area became even stronger in 2020. The Board of Directors approved the Risk Management policy, with specific roles, responsibilities, and guidelines for each stage of the process. Our risk management process is aligned with ISO 31000, an international standard specific to this topic, and all risks are assessed in six spheres of impact:

- Health and safety
- Environmental
- Social
- Compliance
- Reputation and image
- Financial

Defining a response for all identified risks is mandatory and, for those applicable, an action plan is defined to support their respective response.

46

risks identified in the
Risk Matrix

242

mitigation actions
mapped to reduce risk
likelihood and impacts

240

people trained in
risk management
methodologies

A governance process and agenda were also put in place, in which risks, responses to such risks, and action plans are assessed monthly by the focal points of each area and quarterly by the owners of the risk. Additionally, there is monthly reporting in the Executive Board and Statutory Fiscal Council Meetings, and reports and management panels updated in real time are available to the managers and advisory committees involved in this process.

Crisis management

During the year, we created a crisis management process, with the definition of a Crisis Committee comprising permanent and optional members, in accordance with the nature of the event under evaluation.

- 23 users registered to use the crisis registration/management application
- Mapping of crisis events according to priority topics
- Crisis manual prepared, revised, and approved, with guidelines, steps, and processes in situations of crisis
- Definition of crisis management and communication process flows before, during, and after a crisis event

Internal controls

Progress was also made in internal controls in 2020, with continuous actions together with the Company's business areas. We implemented the GRC system for Internal Control Management, and created and executed a monitoring model for 100% of the controls, including control effectiveness assessments to mitigate risks and to reinforce our management and process efficiency.

- 92 controls validated, implemented, and reported to the Executive Board and Board of Directors
- 74 controls evaluated after several meetings and 19 reports issued
- Reports on indicators for the Company's Management and Executive Board

Operations

Good corporate governance practices ensure ethical and transparent management, but it is operations that are at the core of CESP. In 2020, we maintained an increase in our operating availability, generating more power than our physical guarantee, and our availability index reached 95.7%, above ANEEL's reference index, maintaining our growth trajectory.

We took part in an annual survey carried out by the Brazilian Association of Electricity Generating Companies (ABRAGE) and positioned ourselves with the second best failure rate among the more than 52 GW of hydroelectric power plants that participated in the survey, which includes Brazil's main power generation agents. In this regard, when evaluating how many times the electric power generating units fail per year, the result of the Association's survey attests to the reliability of our operations.

In the same period, in addition to our aforementioned operating availability, we generated an average 1,016.7 MW of power, 7% above our physical guarantee.

A few important modernization projects took place during the year:

- Completion of the auxiliary service panel revamp at the Paraibuna HPP
- Replacement and revamp of Porto Primavera HPP's bar differential protection system
- Migration of our systems to the SAP PM module, for plant maintenance



Operations and Covid-19

We are an essential activity, so we never stopped working, not for a single minute, even during the quarantine period imposed by the pandemic. However, to ensure our employees' health and safety, we reduced the operating team to the minimum necessary for full maintenance activities at the plants.

A few preventive actions have been taken in the face of the pandemic:

- Relocation of teams, with staff rotation schedules and removal of employees who are part of risk groups.
- Physical distancing between workspaces.
- In the event of a need for full employee confinement, provision of adapted and air-conditioned containers at the Paraibuna HPP and refurbishment of apartments at an old hotel belonging to CESP at the Porto Primavera HPP.
- Videoconferencing instead of face-to-face meetings, including for all meetings of the Governance bodies.
- Remote factory tests. Tests that needed to be done in loco at the plants were monitored remotely by Operation and Maintenance Engineering.
- More frequent use of drones to gather information at power plants.
- Postponement of major maintenance to 2021.
- At the slightest sign of Covid-19-related symptoms, the employee was isolated and submitted to testing to detect possible contamination. And those who had contact with family members with symptoms of the disease were also put on leave.

Dam safety

Insofar as dams are concerned, CESP's focus was and continues to be doing very careful work from the technical viewpoint to ensure enterprise integrity. To achieve this, in addition to maintaining a specialized workforce, structure inspection, monitoring, follow-up, and maintenance activities are the foundation of the work routine. Even in the face of the challenges brought about by Covid-19 in 2020, dam structures were monitored continuously, with team rotation to maintain inspection instrumentation reading frequency and the main maintenance works.

All our enterprises are rated Category B under the National Electric Energy Agency (ANEEL) dam risk classification matrix, after an inspection the agency carried out in 2019. This means that CESP is in the lowest risk category, but with the highest associated damage (high impact, but with low risk).



**Our goal
is to be a
dam safety
benchmark
in the
hydroelectric
sector**

The year 2020 in dams

- Implementation of planned structure civil maintenance interventions.
- Continuous analysis of venture auscultation instrumentation.
- Maintenance of the monthly routine inspections and of the annual Ordinary Safety Inspection.
- Strengthening of the direct relationship with city halls and civil defense teams in the municipalities under the direct influence of our plants, with at least three meetings held with each municipality in the year.
- Support for Civil Defense teams for the preparation and drafting of the Municipal Contingency Plans.
- Improvement of the hypothetical rupture studies and generation of updated flood maps for the Paraibuna HPP. This review generates relevant information to share and work with the Municipal Civil Defense teams in the preparation and implementation of the Municipal Contingency Plans. Porto Primavera maps are scheduled for review in 2021.
- Review of the Paraibuna Emergency Action Plan (EAP), including the revised flood maps.
- Increased participation in technical and sectoral committees.
- Online dam safety workshop attended by state Civil Defense staff, with lectures to disseminate the safety culture and civil protection and defense routines related to the ventures.
- Conducting of audit processes, proving the quality of the work done and reinforcing routine traceability and governance.

For 2021, the highlight is the start of the Periodic Dam Safety Review work. Based on this study, we will re-analyze the entire process from a technical point of view. In the field of digital transformation, we will modernize our structure monitoring platform. We will also implement a dam safety commission to pass on information. Our goal is to be a dam safety benchmark in the hydroelectric sector.

OUR PEOPLE AND THEIR KNOWLEDGE

HUMAN AND INTELLECTUAL CAPITAL



Our people and the knowledge we retain are fundamental values for exercising our purpose of “creating and offering the best power solutions, generating and sharing wealth in a sustainable way through the transformation of people and society.” We value the knowledge, diversity, and transformative capacity of each human being. And we are proud of the organizational atmosphere that we are establishing at CESP. Being on the Great Place to Work’s list of the best companies to work for in Brazil for the second consecutive year is a sign that we are on the right path.

CESP’S SUSTAINABILITY PLATFORM

THEMATIC LINE RELATED TO THIS CHAPTER

Local and human
development

MATERIAL TOPICS RELATED TO THIS CHAPTER:

Employment and human
development

Diversity and equality
promotion

Occupational health and
safety

SDGS RELATED TO THIS CHAPTER:



People management

With the privatization, CESP has been undergoing continuous change since late 2018, and our employees are an essential part of this process. While in 2019 the topic worked on with our employees was Being in tune, integrating the various members of the internal audience (employees of the state-owned CESP, new employees from the Votorantim Group, and new employees coming from the market), in 2020 our topic was *CESP in Transformation*, and these are our pillars:

- People
- Health and safety
- Digital transformation
- Results

In addition to working on these topics, we prepared a cultural diagnosis and revealed, based on what we discovered in this analysis, the new purpose and pillars of our Company's culture, which were disclosed to our internal audience in early 2021.

Pillars of CESP's way of doing things

- **Excellence:** Power that comes from the commitment to always do the best possible, bringing extraordinary results to the business without ever neglecting security.
 - **Innovation:** Power that comes from agile, simple, and collaborative processes, causing the organization to constantly reinvent itself.
 - **People:** Power that comes from the plurality of people and ideas, valuing and acknowledging those who want to continuously learn and change.
 - **Protagonism:** Power that comes from the courage to take a position and challenge the status quo, acting responsibly and being proactive when asking questions.
 - **Sustainability:** Power that comes from the commitment to the future, acting with ethics and integrity when generating results for the business, the environment, and for society.
-

Our purpose:

To create and offer the best power solutions, generating and sharing wealth in a sustainable way through the transformation of people and society.

Throughout 2021, training, lectures, and initiatives are planned to consolidate our culture, a fundamental process to position CESP where we want it.

Below, we detail the initiatives on the People, Health and Safety, and Digital Transformation fronts. The results are featured in the chapter "Our results and assets."

People

Development System

In 2019, we rolled out the CESP Development System (SDC), a tool that drives people's development and offers a moment for reflection on career and protagonism. We started with the leadership, and in 2020, the same model of assessment was applied to all employees. After training in Feedz platform methodology and use, we began the assessment process taking these steps:

- **Self-assessment:** The professional does his/her self-assessment, considering his/her skills, result delivery, and his/her career expectations at CESP.
- **Manager evaluation:** The manager evaluates his/her team considering the same skills, result delivery, and the professional's career potential at CESP.
- **People Committee:** Managers and the Human and Organizational Development (HOD) area discuss the performance, deliveries, agility, and career expectations of those under evaluation, allowing for a more comprehensive assessment of the professionals in the company's view, and not just in their area of expertise.

After all steps have been completed, employees get feedback on the assessment process to outline their Individual Development Plan, IDP.

Training

In 2020, we entered a partnership with the Votorantim Academy to intensify our employees' development. Several training sessions were carried out, especially behavioral ones, and a collaboration signed on with the Dom Cabral Foundation for leadership training. We also implemented the Talent School, a cutting-edge Learning Management (LMS/LRS) platform designed and developed to meet CESP's needs in learning and development actions. All professionals have access to the platform.

In addition, in 2020, we prepared our training matrix for the generation department, so that this team's professionals can improve their training, skills, day-to-day processes, and boost their knowledge. The matrix shows which training is required for each position, giving employees the opportunity to forge their own technical evolution at CESP. All positions were listed, and important training provided to those professionals, in addition to technical training and training in compliance and security. We also carried out several technical training sessions on agile methodologies and certifications for corporate areas.

In addition, we gave the professionals the opportunity to apply to take part in training abroad. With this program, we want to provide an international study experience, foster a view to cultural and idea diversity, provide opportunities for networking, and reinforce the professional's accountability for their careers. All employees can participate in the international experience program, provided they are proficient in the language of the country they wish to go to, and the training is related to their activity or their IDP. Two employees were awarded in 2020, but due to the restrictions imposed by the Covid-19 pandemic, training was postponed. In 2021, in addition to these professionals, another three will benefit from this initiative, totaling five people.

We provide scholarships for the improvement and language courses to promote professional development aimed at the employee's performance area. Everyone can apply for such scholarships, and the courses must be aligned with the person's current activity or be included in the PDI. The scholarship discount is for up to 50% of the amount to be paid.



Always in dialog

At CESP, we encourage open dialog, promoting a space of trust between the team's leaders and their members. From the onset of the new coronavirus pandemic, we have held fortnightly live broadcasts for the entire Company. Our CEO opened all broadcasts reporting the monitoring the Health and Safety area carried out of the evolution of Covid-19 cases in the locations where we have operations.

The moment was also used to address any topic that needed to be communicated. We invite experts to talk about subjects such as mental health, happiness, financial education, balance, and unconscious biases. And we had several moments of relaxation because we believe that it is necessary to have these experiences including family members, which is part of this new work routine.

In 2020:

75

young people
holding different
positions participated
in "Potenciar,"
representing
all Votorantim's
investments (Brazil
and Peru)

25 to 35

years was the
participants' average age

Potenciar (Enhance)

In 2020, CESP, in partnership with Academia Votorantim, carried out a selection process to nominate three people to participate in the **"Potenciar" (Enhance) Program**. "Potenciar" is a development program for professionals of Votorantim Group's investee companies that provides an exchange of experiences, motivation, talent retention, and succession pool formation and support to drive our business.

The program has a connection with the "I (journey of self-knowledge), us (connection) and everyone (generation of value)," and we talk about each of these during the training weeks.

In addition to the program's actions, CESP organized meetings involving the three people selected and CESP's executives so that the youth could learn more about the company and its leadership.

Onboarding new professionals

In 2020, we implemented the **"Energizando" (Energizing) Program** to onboard new employees. This program starts the week the professional is hired, when he or she is given his or her notebook computer and a CESP welcoming kit. To welcome new talents, leaders send e-mail or WhatsApp messages, with photos of the team, allowing for interaction between the newcomer and the team to begin. There is also an integration agenda, as shown below:

- **Integration with HOD:** The new professional gets his or her employment contract and HOD presents the benefit programs, remuneration package, schedule, and other information. Also presented is the training platform, featuring all courses that are already available for their development and the benefits platform, which includes several partners and discounts.

- **ADM Integration:** The administration department releases and presents systems for requesting taxi and hotel services, air tickets, and refunds.
- **Integration with the team:** Before admission, the manager prepares a schedule for introducing the new employee to the entire team, sharing each member's roles and responsibilities and the area's goals.
- **Onboarding with the Partner:** We have mapped a few CESP employees to be Partners and onboard new professionals with the aim of including the newcomer in the Company. After alignment with the manager, the Partner gets in touch with the new professional to schedule a chat and tell them about CESP's culture and his or her experience at the company.

We also integrate the new employee with the Internal Audit, Risks, Internal Control and Compliance, Health & Safety, Sustainability, O&M, Civil Engineering, and Dam Safety areas. In 2021, the Trade, Financial Planning, Legal, Investor Relations, and Controllershship areas will also participate in the onboarding process.

Organizational climate management

In 2020, we were certified, for the second consecutive time, by Great Place to Work (GPTW) as one of the best companies to work for in Brazil, with an 8 percentage point increase compared to the 2019 ranking and an 87 percent participation of our professionals.

Over the year, we implemented several initiatives foreseen under the action plan designed based on the results of the 2019 GPTW survey:

- Birthdays of the month at the plants and the corporate area
- Monthly online meeting with the CEO
- More feedback throughout the year
- Onboarding for new professionals, with a kit sent to the employee's home containing different items to share with their families
- Integration of new employees with the different areas of the company

Compensation and benefits

The Company remunerates and benefits its employees in accordance with the best market practices and aiming at ensuring gender equity.

Average wages of women/average wages of men

| Managers | Coordinators | Consultants | Analysts | Technicians |
|----------|--------------|-------------|----------|-------------|
| 84% | 94% | 77% | 71% | ND |

CESP is a Citizen Company, and is listed on the Brazilian Internal Revenue Service's register of companies that offer differentiated benefits, such as a 180-day maternity leave and a 20-day paternity leave. Always seeking to offer our professionals the best benefits, in 2020 we reinforced New Value, our agreements platform that consists of several goods and services companies that grant our employees discounts and special conditions, including for language courses and major universities.

We now offer our employees who are members of the Bradesco Saúde Health Insurance the Criteria system - a program for monitoring pregnant women during their pregnancies and during the baby's first three months of life. This benefit also extends to pregnant women who are dependents on our professionals. In addition, we have a pension plan that is more modern and adapted to the market, managed by Vivest. The new plan has a defined contribution system, in which each employee contributes a percentage of their salary, while the Company makes an additional contribution, thus creating a fund. The amount invested can be used in the future as supplementary income or withdrawn in a lump sum, as best suits the employee.

Our people and Covid-19

With the Covid-19 pandemic, our biggest people management challenge in 2020 was to assign about 85% of our employees to home office work very quickly, from the second half of March. All administrative staff went on to work under this arrangement, and the number of employees remaining at the plants was decreased to the minimum necessary to ensure operation continuity with excellence and safety for all.

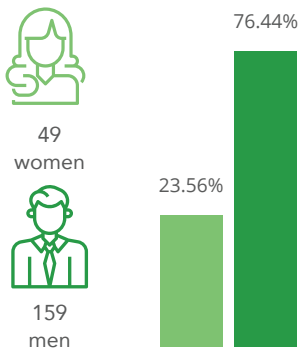
To reinforce employee engagement, our CEO held weekly meetings with the leadership and virtual breakfasts with many professionals on various subjects.

Underpinning our concern with health, we established the medical teleconsultation system with the Bradesco Saúde health insurance, keeping our professionals from having to schedule face-to-face medical appointments for certain specialties. We also held live broadcasts on several topics, including mental health, mindfulness, relaxation, and financial health.

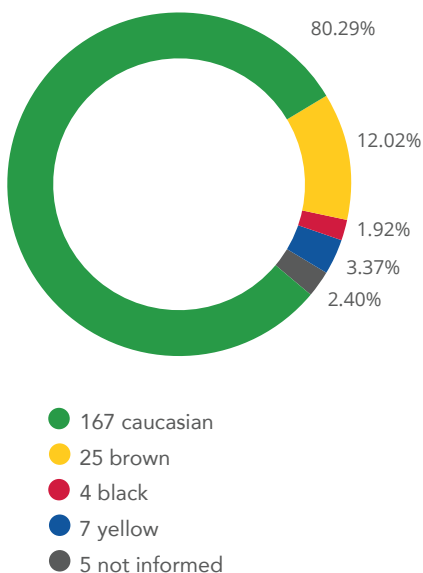


208 EMPLOYEES

Gender



Race

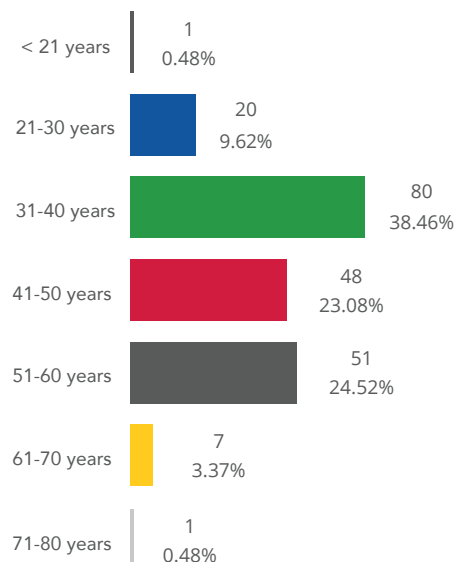


Diversity

There are still many challenges facing CESP in this area. That is why we are starting important work that will help us to get where we want to be. We chose the issue of gender equality as one of the priority Sustainable Development Goals (SDGs). Therefore, in 2020, we set up a diversity and inclusion group that, at first, will focus its efforts on two audiences: Women and persons with disabilities (PWDs). In addition, we are on Votorantim Group's investee companies' Diversity Committee, and have mapped our reality regarding these two audiences.

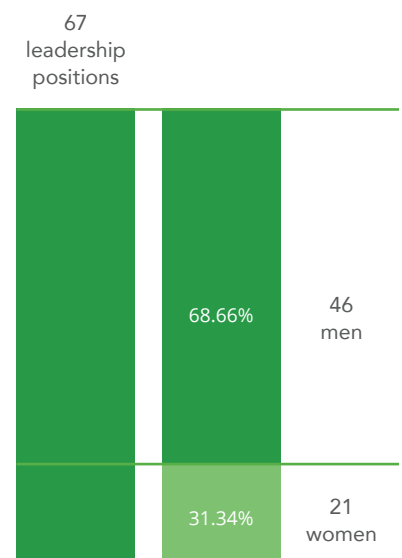
For 2021, we will have programs in place to encourage the hiring of professionals from these groups and to drive female empowerment, and we will work with initiatives to raise our professionals' awareness on the subject.

Age brackets



Leadership positions

(consultant, coordinator, manager, supervisor, officer)





Pillars of CESP's security actions

- Behavioral
- Physical
- Systemic

Occupational health and safety

In 2019, we started a safety culture diagnosis at the company and, based on it, we structured our actions for 2020 around three pillars: Behavioral, physical, and systemic (adequacy of procedures, policies, and internal rules and standards).

This was our focus for the year, with actions such as:

- We implemented the Reporting App, a tool to report any discomfort, condition, or unsafe attitude, accidents and near misses, immediately, in real time. This allows us to communicate, investigate, create an action plan, and generate lessons learned in a single platform.
- We have created the #CespPelaVida (#CespForLife) program, which brings our identity to all programs and initiatives linked to the Occupational Health and Safety area, further reinforcing the topic in our operations.
- We built a Program and a Progressive Motivation Manual, which brings together a set of rules, consequence management, and the practice of recognition, with criteria defined for those who practice safe attitudes and behaviors, named safety highlights.
- We revitalized uniforms and Personal Protective Equipment (PPE), allowing for more comfort, modernity, safety, and quality.
- We provided Leadership in Safety courses seeking to make continuous progress in our process of strengthening our culture of Occupational Health and Safety and turning our company into a Safety Culture benchmark.
- We conducted a workshop on the Safety Culture, presenting the results of the year, metrics, the next steps to be taken in 2021, and fostering debates on the security culture at CESP.
- We have strengthened operations, especially the most critical activities, with Operating Procedures (OP) for Work at Heights, in Confined Space, Work in Heat, and Lockouts/Tagouts, making work even safer.

- We created a Management Standard for Occupational Health and Safety (OHS), which defines technical guidelines on the safe way to act on different topics, and we drafted an OHS Manual for Contractors, which brings much more security to our third parties.
- We undertook an NR12 standard Diagnosis, which gave us references and technical subsidies to continue adjusting physical protections for machines, equipment, and layouts.
- We held the Internal Week for the Prevention of Work Accidents (SIPAT) focused entirely on caring for the safety of the professionals and their families, featuring lectures and interactions. Themed “Challenges and motivations in the pandemic – practice care for life, experience happiness!” this was the first virtual SIPAT and it had live broadcasts attended by more than 250 people.

In addition, the year had an atypical component that interfered directly with our management of health and safety issues, the Covid-19 pandemic. Our goal was to bring genuine care to everyone, including the operations where people continued working on-site. *Learn more about our care for plant professionals in the Operations section of the chapter “Our results and assets.”*




CESP Mais Valor in 2020:

 **100**
new ideas

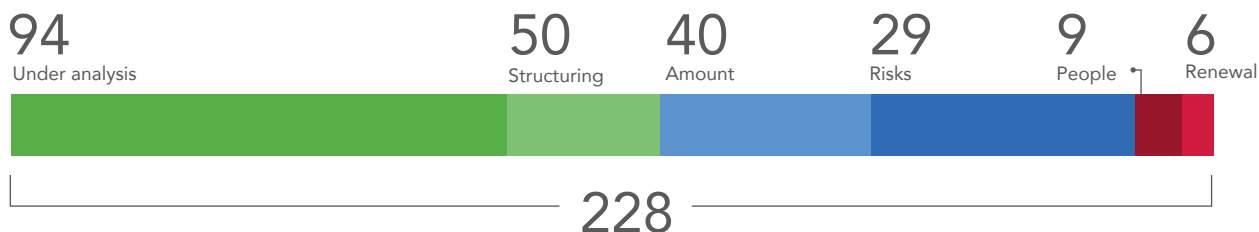
 **225**
initiatives registered in the system

 **73**
projects in the execution stages

 **34**
projects completed, with validated fundraising of BRL\$34 million (estimate for 2020-2025)

 **Launch of the CMV Library, for methodological learning**

Project portfolio by category



Digital transformation

Innovation is part of our business, and we have collaborations with institutes and corporations. In 2020 we started mapping our entire work in R&D and innovation, contacting start-ups and potential new partners. Our objective is to, as early as the first quarter of 2021, establish the best partnerships for CESP.

Also, in 2020, we brought new technological capabilities to the Company, such as a cloud environment to facilitate data-based decision-making. We implemented business tools based on agile methodology and ended the year as a company aligned with the best market practices.

We designed our Strategic Technology Plan to evolve in the topic and set a direction for action. The plan will operate on several fronts, such as:

- Preparation of a more robust, resilient environment, both in the corporate areas and in the plants.
- Automation through specialist systems and even robotics.
- Maturity of the culture of innovation, with people bringing ideas in a more collaborative and innovative environment.

And, to further encourage creativity and innovation, we have "CESP Mais Valor" (CMV, More Value at CESP), a program that encourages employees to suggest ideas on the most diverse topics with financial and process gains. It is a direct channel for all employees to feel comfortable making suggestions, unafraid of making mistakes. Ideas range from minor adjustments, such as changing the plant engine's maintenance brush, to issues that require more in-depth impact studies, such implementing daycare assistance for male employees. The I-REC marketing initiative, for the renewable energy certificate, for example, came from a suggestion made under the "CESP Mais Valor" program.

Pursuant to criteria set by ANEEL, all electric energy sector companies develop innovative projects for the sector.

Since 2016, 87,257,201 BRL have been allocated to Research & Development projects. In 2020, we allocated 6,565,062 BRL to R&D projects.

| Project title | Start date | Status in Dec/2020 | Realized (BRL\$) |
|---|------------|--------------------|----------------------------|
| Deployment of a Pilot Plant by means of the Integration of the Thermosolar Generation Source to the Porto Primavera HPP Renewable Alternative Energy Complex | 4/12/2016 | IN PROGRESS | 48,009,077.22 |
| Extension of the Stator Winding's Useful Life through Cooling Water Control and Optimization | 1/31/2017 | CLOSED | 5,013,888.99 |
| Analysis of Complementary Power Storage Efficiency at the Hydroelectric Plants using Electrochemical and Hydrogen Storage Technologies: Technological Routes for Large-scale Applications in Brazil - CESP Pilot Storage System | 7/1/2017 | CLOSED | 29,643,553.20 |
| Electricity Cogeneration in the Sugar and Alcohol Industry with the use of Regional Bioenergetics: Technology Routes for Optimizing the production process and Business model for Marketing Generated Energy | 4/1/2018 | IN PROGRESS | 3,121,051.02 |
| 2019/2021 Management Project - The project earmarks 100% of the amount of the RD&I team, in addition to meeting the needs for the Management of the ANEEL CESP R&D Program | 4/1/2019 | IN PROGRESS | 1,469,630.81 |
| | | Total | BRL\$ 87,257,201.24 |

OUR RELATIONS

SOCIAL AND RELATIONSHIP CAPITAL



We are always evolving and growing in our relations with our various stakeholders, since improving individual and collective well-being is part of our purpose of transforming people and society.

CESP'S SUSTAINABILITY PLATFORM

THEMATIC LINES RELATED TO THIS CHAPTER

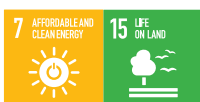
Inclusive growth

MATERIAL TOPICS RELATED TO THIS CHAPTER

Local communities
impacts management

Customer relations

SDGS RELATED TO THIS CHAPTER



Local community development

A lot has changed at CESP in the past couple of years insofar as community relations are concerned. In 2020, in the Porto Primavera HPP environmental licensing process context we carried out the Socialenvironmental Baseline Study to define possible weaknesses, conflicts, and social, cultural, and environmental opportunities in the municipalities located in its area of influence. The data derived from this study afford better subsidies for undertaking environmental education and social communication projects that are more connected to reality, local demands, and current technologies.

Altogether, 70 interviews were held with municipal managers and representatives of the civil society and institutions in the 12 municipalities in the Area of Influence of the Porto Primavera HPP. Between April and May, 35 remote interviews were carried out and, in August, another 35 in-person interviews were made.



Participative Socioenvironmental Diagnosis Workshops

September and October 2020

26

workshops,
18 face-to-face e 8 online

223

participants

14

workshops in MS

12

workshops in SP

Between September and October, 26 Participatory Workshops were held, of which 8 online and 18 in person. In these workshops, the audience was expanded to include, in addition to representatives of institutions and local leaders, a few residents, especially fishermen, resettled people, rural settlers, and potters.

In December, 12 feedback workshops were held, one in each municipality, which were attended by representatives of the local social groups.

In general, the work consists of three sequential steps:

1. Socioenvironmental Perception Study
2. Participatory workshops with social groups
3. Participatory workshops and workshops for diagnoses result presentation and discussion

In this process, we conducted, in a participatory manner, the socio-economic, territorial, and environmental typification of each neighboring municipality, covering primary and secondary data, as well as the results of the Socioenvironmental Perception studies and of the Participatory Workshops. Thus, more than to meet a legal requirement, this diagnosis is an important tool for the recognition of the specific values of municipalities and communities within the area of influence of the enterprise, offering subsidies for establishing long-term relationship strategies to increase the company's socioenvironmental resilience, generating shared value.

Other initiatives are also being carried out at the Porto Primavera HPP. We highlight the main ones below:

- **Programa de Comunicação Social (PCS, Social Communication Program):** Podcasts and videos were produced and newsletters distributed under the PCS in the 12 municipalities within the area of influence of the Porto Primavera HPP. Among other topics, the newsletters included how an HPP works, water quality, reforestation, the Basic Environmental



Usina opera de acordo com o licenciamento ambiental, que tem um plano de atividades

O que é o PBA da UHE Porto Primavera

Porto Primavera é uma usina hidrelétrica que fica no rio Paraná, entre os estados de Mato Grosso do Sul e de São Paulo, na região do Ponto do Paranapanema. A construção da usina começou na década de 70 e durou até 1999, quando a usina começou a operar e gerar energia, sendo a CESP sua concessionária desde o início da construção. Pelo fato de que a usina está localizada no rio Paraná, que fica na divisa entre dois estados, ela é licenciada pelo Ibama, que acompanha e fiscaliza todas as atividades socioambientais da CESP no que se refere ao empreendimento.

A UHE Porto Primavera possui uma licença de operação vigente, que prevê diversas obrigações, no Plano Básico Ambiental (PBA). O PBA contempla todos os programas e projetos socioambientais que vêm sendo executados no entorno

do empreendimento. O seu grande objetivo é executar ações para minimizar impactos e potencializar aspectos positivos e oportunidades identificadas.

Dentre os programas socioambientais em execução, podemos citar o acompanhamento da qualidade ambiental da água para os seus múltiplos usos pela população e o monitoramento dos peixes e seus locais de reprodução. São realizados também um Diagnóstico Socioambiental Participativo e o Programa de Educação Ambiental.

Para saber de tudo isso e muito mais, acompanhe os produtos de Comunicação Social da UHE Porto Primavera produzidos pela CESP: teremos vídeos, podcasts e mais um boletim até o final deste ano, para mostrar todas essas atividades. ■

Plan for the plant and the Conservation Units, with emphasis on the Cisalpina Natural Heritage Private Reserve - RPPN, located in the municipality of Brasilândia (MS), and warnings about vegetation fires. The communication campaign reached, directly, upwards of 8,000 people, covering the Institutional, Fishermen, Resettler, Settler, and Recyclable Material Collector Association focus groups.

- **Projeto Colhendo Frutos (Harvesting Fruit Project):** This project is part of our Environmental Education Program and consists of training activities, with participatory workshops and materials on Environmental Licensing, the Environment, and on Sustainability, sensitizing the target audience to environmental issues and training multiplying agents. In 2020, three workshops were held in the municipality of Rosana (SP), where the Porto Primavera HPP is located. The workshops were attended by representatives of the Municipal Department of the Environment, fishermen, of the "Guri" Project, of the "Semeando Futuro Project", and by women entrepreneurs from the Porto Maria Settlement, led by the settled Vera Lúcia Ferreira Leão. At the end of the workshops, each group presented a collective project, which can be used to improve the social and environmental aspects of their collective and social spaces and is evidence the participants' engagement and empowerment.

- **"Projeto Jovem Monitor Ambiental" (Young Environmental Monitor Project):** This initiative aimed to train young people and adolescents in the municipality of Brasilândia (MS) to be able to develop and foster actions and projects aimed at protecting the environment and sustainable solutions for the community where they live based on workshops that increase their repertoire on environmental education, SDGs, preservation and recovery of the environment, improvement of quality of life, and changes in behavior and attitudes toward the environment. After the workshops were completed, the youth decided to carry out a virtual campaign to raise awareness in the community about vegetation burning in the region aiming to engage and mobilize some 400 people on this topic.



A importância da Hidrelétrica como fonte hídrica

UHE Porto Primavera

A UHE Porto Primavera, localizada no Ponto do Paranapanema, corta com a barragem a maior extensão do Brasil. Seu reservatório tem aproximadamente 230 km de extensão; é um espelho d'água que equivale a mais ou menos 21 mil campos de futebol.



Como funciona?

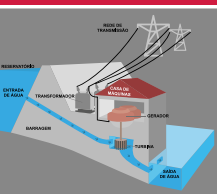
A UHE Porto Primavera gera energia elétrica através do aproveitamento da força da água do rio Paraná. Trata-se de uma energia gerada por fonte limpa, ou seja, não necessita da queima de combustíveis que poluem a atmosfera.

Como a energia elétrica gerada em hidrelétricas chega a nossa casa?

Ela percorre um longo caminho!

A água é represada nos reservatórios da usina através da construção de barragem e, então, conduzida por tubos para movimentar as turbinas e os geradores, produzindo assim a energia elétrica. Depois que sai da UHE Porto Primavera, a energia é conduzida por meio das linhas e torres de transmissão de alta tensão, até chegar às subestações, onde a tensão é reduzida e depois distribuída por postes e cabos até chegar nas residências, escolas, hospitais e empresas.

- ✓ Barragem: 10 km de comprimento
- ✓ Reservatório: 230 km de extensão
- ✓ 14 turbinas
- ✓ 1.540 MW de potência instalada



The communities and Covid-19

In 2020, with the Covid-19 pandemic, close relations with communities became even more necessary. A group was created at CESP to address emergency assistance to communities neighboring the plants, donating PPE, hospital equipment, and basic food baskets.

We took part in actions organized by the Votorantim Institute for donating PPE (masks, bottles of hand sanitizers, gloves), to Support Public Management in the municipalities surrounding the Primavera and Paraibuna plants, and to implement telemedicine in the communities. And, to donate basic food baskets, we relied on our employees' active participation. For each Real an employee donated, CESP donated another one, doubling the amount collected. The action got underway in March, on the onset of the quarantine period, and the last batch of basic baskets was delivered in November.



BRL\$769,000

allocated to combat the Covid-19 pandemic

Were donated:



28

medical devices



563,000

PPE



195

liters of hand
sanitizers



1,000

basic baskets donates
and families benefitted

Customer relations

CESP has a portfolio of long-standing customers that consists of solid companies from the -pre-privatization period, when the company's relations with its customers was more financial than commercial. Now, with a privatized and renewed CESP, we are strengthening the customer relations area, introducing ourselves into this new reality and offering new business and relationship opportunities.

For 2021, we plan to establish a new cell within CESP's commercial area that will work on meeting our purpose of being a market player based on values of governance and social and environmental responsibility, aiming to expand and diversify our client portfolio, maintaining the same diligence in the new contracts to be signed.

**More than 200
interactions with
investors and
analysts in 2020**

Investor relations

The strategy CESP has designed for its relationship with this audience involves a proactive, transparent, and agile communication plan with our base of investors, analysts, and the capital market in general. We have implemented an active agenda with investors, with even greater participation in conferences, gatherings, meetings, and a communication agenda in line with the best practices and needs of the investor market.

In 2020, we had more than 200 interactions with investors and analysts by attending conferences and NDRs with all CESP coverage banks, we reformulated all communication materials, and anticipated result announcement dates to ensure clear, prompt information to the market and investors.

For more information, go to the Company's IR website, at <https://ri.cesp.com.br/en/>.

Government Relations

We are concessionaires operating out of the electricity generation service, and our main relations are with the National Electric Energy Agency (ANEEL), the Chamber of Electric Energy Commercialization (CCEE), the National Water Agency (ANA), and the National Electric System Operator (ONS), with whom we have frequent, transparent communications based on technical and operational issues.

We have also developed a positive agenda for closer relations with the city halls of the municipalities where our units have an influence, as well as with civil defense teams. In 2020, we intensified this agenda with quarterly meetings. We work together with the civil defense teams in drafting contingency plans where we have operations. Our relationship with local governments also includes the partnerships we have with the municipalities of Rosana and Brasília within the scope of the "Parceria pela Valorização da Educação" (PVE, Partnership for Valuing Education) to improve the quality of education in these municipalities. PVE is an initiative that seeks to contribute to improving public education by qualifying educational and school management practices, as well as through the social mobilization of the communities.



In 2020

394

suppliers approved

1,131

suppliers mapped
with the potential to
provide services and/or
material to CESP

Supplier Relations

Our supplier selection process matured over 2020, keeping pace with all the changes made in 2019. We oxygenated our base, improved the approval process, and ended the year reaching the goal of 100% of the active suppliers approved.

All our suppliers are submitted to an economic-financial analysis and must present certificates of good standing. After hired by the Supply area and set into motion by the business and Occupational Health and Safety (OHS) areas, we check their documentation monthly, including collective bargaining agreements and labor and payroll charges. If an anomaly is found, the supplier is notified to act, always in an open and frank relationship. If the supplier does not make the necessary adjustments, we may then apply a payment hold and, if the anomaly persists, the contract may be terminated.

In 2020, our contract drafts were worked on and made more robust, reaching a standard that includes specific clauses on legal, environmental, and labor compliance issues, etc.

In 2021, we intend to further evolve our relations by including the suppliers' ESG (Environmental, Social, Governance) profile in our analysis of them. In partnership with the Sustainability area, we are developing a socioenvironmental survey for suppliers to evaluate them and, thus, ensure partnerships with companies that share the same values as CESP.

CARING FOR THE ENVIRONMENT

NATURAL CAPITAL



Porto Primavera HPP's
Forest Garden

Natural resources are the foundation of what we are. After all, our business comes from water, and we must always make sure it does not lack for our business or for society. We generate clean, renewable energy, and it is on this market that we will grow, respecting and helping to conserve the environment.

CESP'S SUSTAINABILITY PLATFORM

THEMATIC LINE RELATED TO THIS CHAPTER

Environmental and
climate proactivity

MATERIAL TOPICS RELATED TO THIS CHAPTER:

Environmental compliance

Environmental and biodiversity conservation

Climate change and renewable energies use

Energy security and water management

SDGS RELATED TO THIS CHAPTER:



Environmental Policy

Our Environmental Policy sets the guidelines for our environmental practices, aiming at continuous balance between the strategic focus on energy generation and the Company's standing commitment to the environment. This ensures that environmental aspects are present in the Company's culture, as well as in the management, operation, decision-making, communication, and reporting processes. This policy was last updated in 2019, and is available on our website at <https://www.cesp.com.br/wp-content/uploads/2019/10/Pol%C3%ADtica-de-Meio-Ambiente.pdf>.

Insofar as the environment is concerned, in 2020 our focus was on ensuring compliance with all conditions that govern our operations; however, in the continuous evolution of our transformation process, we work to further increase the quality of our deliveries to environmental agencies, with more transparency, more evidence, and more information.



We have several programs in place that are aimed to mitigate the risks our operations pose to the environment, including:

- Water quality monitoring
- Monitoring of the ichthyofauna (fish inside the reservoirs)
- Operation and monitoring of the fish ladder at the Porto Primavera HPP
- Riparian forest reforestation
- Maintenance of Active Germplasm Banks around the Porto Primavera HPP
- Solid waste management



Water quality analysis

- Collection of water samples four times a year
- Collections at different sites, both upstream and downstream of the dams (ten in Porto Primavera and four in Paraibuna)
- 66 parameters analyzed (physical, chemical, and biological) at the Porto Primavera reservoir, and 55 at the Paraibuna reservoir

Water Management

We systematically analyze the quality of the water of our reservoirs. We base this analysis on the parameters set by the National Environment Board (Conama), covering physical, chemical, and biological variables.

Our Limnological Monitoring Program monitors water quality to make sure that, in the plants' area of influence, it is suitable for the multiple uses of the reservoir, such as aquaculture, fishing, irrigation, navigation, leisure, and tourism. CESP conducts more than 5,000 water quality analyses per year.

Conservation and biodiversity

To conserve biodiversity, CESP has two conservation centers at the Paraibuna HPP: the "Centro de Conservação de Aves Silvestres" (CCAS, Wild Bird Conservation Center) and the "Estação de Hidrobiologia e Aquicultura (EHA, Hydrobiology and Aquaculture Station).

The CCAS aims to study, produce, and reintroduce birds threatened with extinction in the areas of influence of the Company's reservoirs. Wild birds from the Atlantic forest, such as



The CCAS has bred and released about

5,600

native bird species since its creation, in 1984, in addition to dozens of species that were intended for other breeders



The EHA released

117,100

native fish species in the areas of influence of the Paraíba HPP in 2020

curassows, guans, rusty-margined guans, solitary tinamous, and the small-billed tinamous, are produced there.

The Paraíba Hydrobiology and Aquaculture Station (EHA), meanwhile, was inaugurated in 1981, and is maintained and operated by CESP. A genetic bank is maintained there through a breeding stock with breeders of species native to the region and fries produced for restocking actions. Scientific research is also carried out with partner institutions.

Since 1998, CESP has released approximately 6.9 million fries of at least eight species of fish native to the Paraíba do Sul River in areas of influence of the Paraíba HPP, as follows: Piau-palhaço (*Leporinus copelandii*), Piapara (*Leporinus elongatus*), streaked prochilod, Curimatá-de-lagoa or Curimatã (*Prochilodus* spp.), *Astynax* tetra, Tiete tetra, Pirapitinga (*Piaractus brachypomus*) and Surubim-do-Paraíba catfish (*Steindachneridion parahybae*).

In addition, CESP also has the “Programa de Conservação da Ictiofauna e Pesca” (Ichthyofauna and Fisheries Conservation Program) among its enterprises to monitor the species of fish in the reservoirs, study their reproductive activity, and propose conservation measures. At the Porto Primavera HPP, the enterprise has two transposition structures in place for the “piracema” (spawning) periods, which are the ladder and the fish elevator.

In 2020, after intense studies by CESP and a workshop with IBAMA, which included the participation of area specialists and generated a rich technical discussion, it was a consensus that the fish ladder meets the migratory demand of fish in the region, making it unnecessary to operate the elevator. This result was achieved through quality technical work and dialog with the licensing agency.

Also seeking to help the Company meet its environmental obligations, in December 2020, the fish ladder monitoring system was revamped, affording greater accuracy in obtaining fish passage data.





Cisalpina RPPN dedicated to the preservation of the ecosystem

More than 25 species of wild mammals registered, such as the spotted jaguar, maned wolf, tapir, deer, and giant armadillo

In the surrounding area:

95

species of regional flora

171

species of birds

63

species of fish

Fauna Conservation Program

In 2020, CESP advanced with preparatory activities for the Porto Primavera HPP Fauna Conservation Program by hiring a specialized company to prepare the "Programa de Fomento Florestal" (Forest Foment Program), the Cisalpina RPPN Management Plan, the Bare-faced Curassow Release Plan, and the term of reference for fauna monitoring scheduled for 2021.

In this context, the Management Plan prepared in 2020 will provide guidelines for the conservation actions carried out under the Cisalpina Private Reserve of Natural Heritage (RPPN). It is one of the conservation units CESP has created and is related to the environmental licensing for the Porto Primavera HPP.

In all, 16 projects have already been carried out at the site in partnership with major institutions, such as the Júlio de Mesquita Filho São Paulo State University, the Federal University of Mato Grosso do Sul, and the Ipê Institute. In 2020, CESP also made progress in formalizing collaborations with these institutions.

Riparian Forest Reforestation

The riparian forest restoration CESP has carried out aims at, in addition to meeting the requirements for the environmental licensing condition of the Eng. Sergio Motta HPP, in Porto Primavera, soil and water resource protection, plant and animal species conservation, and the maintenance of genetic diversity in the reservoir's areas of influence.



200

reforested hectares in 2020



67,000

hectares of natural areas along the banks of the reservoirs



400,000

seedlings planted

In this program, we undertake several forest restoration actions, such as conservation, enrichment, and reforestation in the Permanent Preservation Area of Porto Primavera plant's

Seedling nurseries

PORTO PRIMAVERA:

- 200 species of trees from the Atlantic Forest and Cerrado cultivated
- Capacity to produce up to 1.5 million seedlings per year
- Among the species produced are the trumpet tree, the Brazilian copal, and the jequitibá (*Cariniana legalis*)

PARAIBUNA:

- 120 cultivated native forest species
- 12 seedbeds
- 108 seedbeds for seedling growth and storage
- Capacity to produce up to 1 million seedlings per year

reservoir. In addition, we encourage the planting of native species on nearby properties, with a forestry foment and seedling donation program. Thus, the preservation of the region's environment is an action that will be shared with the entire community.

Native Seedling Nurseries

CESP maintains two nurseries to produce native tree seedlings in the regions where its enterprises are located, one in Porto Primavera and the other in Paraibuna. Its activities include everything from collecting seeds to sending seedlings to places set aside for planting.

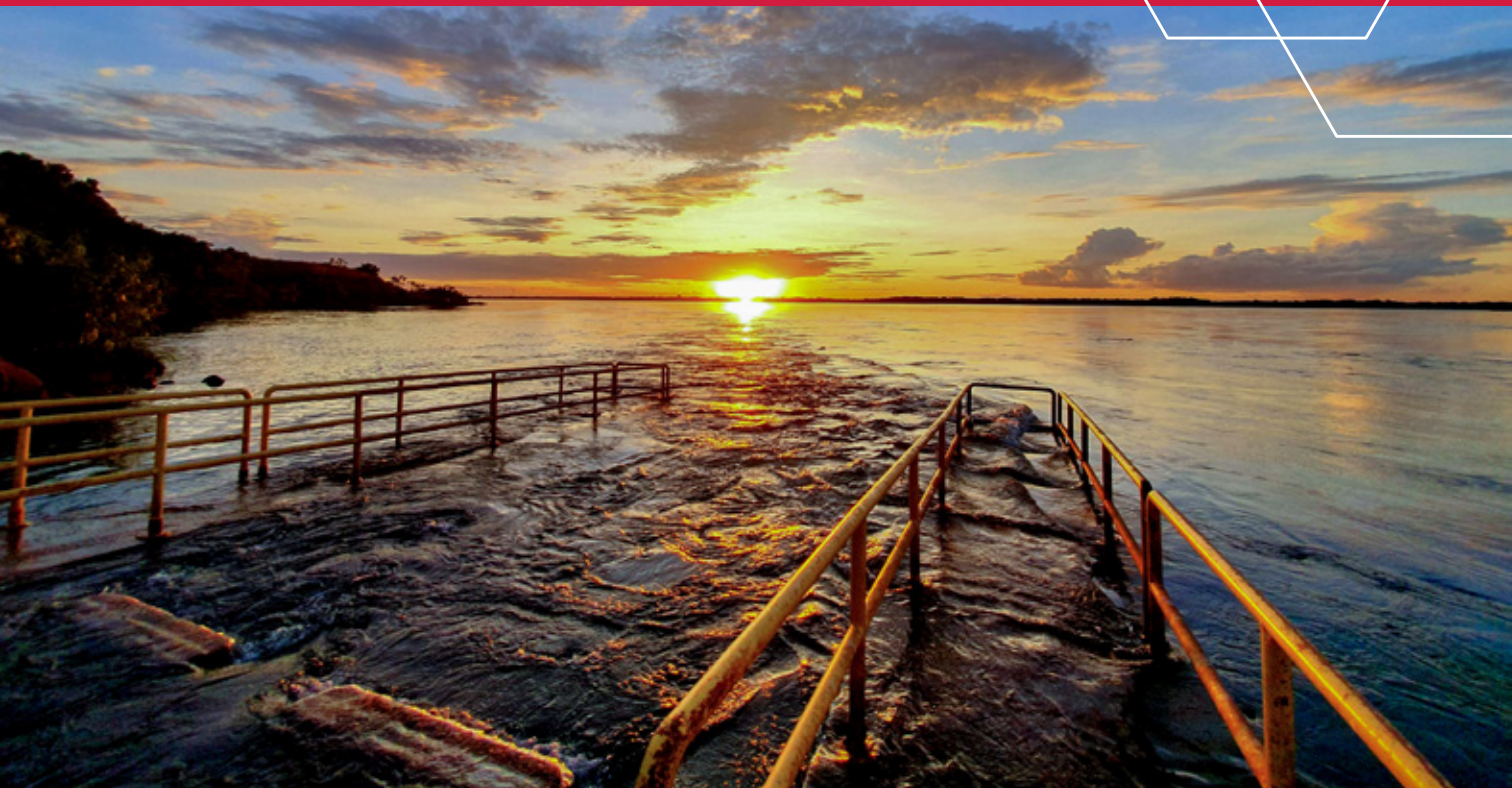
Active Germplasm Banks (AGBs)

AGBs are areas that contribute to the genetic conservation of more than 65 species of trees in the Atlantic Forest and Cerrado biomes. Over 20 years ago, when the Porto Primavera reservoir was filling, seeds from trees in the region were rescued and planted in these areas. The seeds that are produced are currently used to cultivate seedlings for restoration in the region.

Waste Management

At CESP, waste management is carried out carefully, giving all waste from its units the appropriate destination. One of the highlights of this work is the composting program at the Paraibuna plant. All organic residues coming from lawn pruning, fish and bird carcasses, bird manure, fruit peels and eggshells, and aquatic plants are transformed through composting and used as fertilizer in the seedling production nursery. Recyclable waste is destined for reuse, and hazardous waste is properly stored, with its transportation and final disposal carried out by specialized companies, in compliance with the National Solid Waste Policy.

ANEEL COMPLEMENTS



Balance sheet

| 1. Calculation Basis | 2020 | | | 2019 | | |
|---|---------------------|---------------|--------------|---------------------|---------------|--------------|
| Not earnings (NE) | 1,917,248 | | | 1,571,296 | | |
| Gross Operating Profit (GOP) | 727,606 | | | 479,281 | | |
| Gross payroll (GPR) | 92,042 | | | 224,307 | | |
| 2. Internal Social Indicators | Value (thousand) | % on GOP | % on NP | Value (thousand) | % on GOP | % on NP |
| Food | 3,065 | 3.33% | 0.16% | 3,073 | 1.37% | 0.20% |
| Mandatory social charges | 8,862 | 9.63% | 0.46% | 37,778 | 16.84% | 2.40% |
| Private pension | -489 | -0.53% | -0.03% | 13,488 | 6.01% | 0.86% |
| Health | 4,205 | 4.57% | 0.22% | 5,067 | 2.26% | 0.32% |
| Education | 195 | 0.21% | 0.01% | 6,057 | 2.70% | 0.39% |
| Professional training and development | 0 | 0.00% | 0.00% | 0 | 0.00% | 0.00% |
| Daycare centers or daycare assistance | 67 | 0.07% | 0.00% | 0 | 0.00% | 0.00% |
| Profit sharing or results | 12,068 | 13.11% | 0.63% | 9,177 | 4.09% | 0.58% |
| Others | 0 | 0.00% | 0.00% | 0 | 0.00% | 0.00% |
| Total - Internal Social Indicators | 27,973 | 30.39% | 1.46% | 74,640 | 33.28% | 4.75% |

| 3. External Social Indicators | Value (thousand) | % on GOP | % on NP | Value (thousand) | % on GOP | % on NP |
|---|---------------------|---------------|---------------|---------------------|---------------|---------------|
| Education | 1,248 | 0.17% | 0.07% | 1,354 | 0.28% | 0.09% |
| Culture | 2,689 | 0.37% | 0.14% | 2,576 | 0.54% | 0.16% |
| Sport | 0 | 0.00% | 0.00% | 0 | 0.00% | 0.00% |
| Others | 665 | 0.09% | 0.03% | 0 | 0.00% | 0.00% |
| Total contributions to society | 4,602 | 0.63% | 0.24% | 3,930 | 0.82% | 0.25% |
| Taxes (excluding social charges) | 237,193 | 32.60% | 12.37% | 164,468 | 34.32% | 10.47% |
| Total - External Social Indicators | 241,795 | 33.23% | 12.61% | 168,398 | 35.14% | 10.72% |
| 4. Environmental Indicators | Value (thousand) | % on GOP | % on NP | Value (thousand) | % on GOP | % on NP |
| Investments related to the company's production/operation | 7,208 | 0.99% | 0.38% | 10,088 | 2.10% | 0.64% |
| Investments in external programs and/or projects | 6,156 | 0.85% | 0.32% | 10,468 | 2.18% | 0.67% |
| Total Investments in the Environment | 13,364 | 1.84% | 0.70% | 20,556 | 4.29% | 1.31% |

Generation of Value Added

| | 2020 | Var % | 2019 | 2018 |
|--|------------------|---------------|------------------|------------------|
| Operating income | 2,203,798 | 20.39% | 1,830,499 | 1,927,319 |
| Provision for estimated loss of credit | 0 | -100.00% | 2,440 | -368 |
| | 2,203,798 | 20.23% | 1,832,939 | 1,926,951 |
| Subtracted of: Inputs | | | | |
| Purchased energy and sector charges | 751,687 | 12.58% | 667,717 | 866,112 |
| Third party services | 34,540 | -25.61% | 46,429 | 59,246 |
| Materials | 1,676 | -63.33% | 4,571 | 4,628 |
| Other operating costs | 8,775 | 19.19% | 7,362 | 13,259 |
| | 796,678 | 9.72% | 726,079 | 943,245 |
| GROSS VALUE ADDED | 1,407,120 | 27.13% | 1,106,860 | 983,706 |
| Withholding | | | | |
| Depreciation | 397,329 | 4.68% | 379,565 | 316,345 |
| Power future contracts | 21,444 | n/m | | |

| | 2020 | Var % | 2019 | 2018 |
|---|------------------|----------------|------------------|------------------|
| NET VALUE ADDED GENERATED TRANSFERS | 988,347 | 35.89% | 727,295 | 667,361 |
| Financial income | 29,742 | -60.04% | 74,438 | 75,704 |
| Exchange variations | 0 | -100.00% | -2,809 | -52,364 |
| Equity in earnings | 489 | -103.63% | -13,488 | -10,330 |
| Deferred income and social contribution taxes | 1,496,603 | 45.79% | 1,026,560 | 10,147 |
| | 1,526,834 | 40.76% | 1,084,701 | 23,157 |
| OTHERS | | | | |
| Provision for legal risks | 266,644 | -19.67% | 331,952 | 410,186 |
| Judicial deposit write-offs | -63,284 | n/m | | |
| Provision (reversal) for socioenvironmental obligations | -4,206 | -128.35% | 14,835 | |
| Reversal of provision for impairment | 7,589 | -93.70% | 120,405 | 62,652 |
| Provision for the reduction to the realizable value of warehouses | 66 | -99.18% | 8,053 | 3,370 |
| Reversal/(Provision) PIS/COFINS on judicial deposit update | 527 | -91.29% | 6,048 | 9,873 |
| Contingent asset adjustment - Ilha Solteira and Jupia | 0 | -100.00% | -230,040 | - |
| Other (expenses)/net earnings | -3,027 | -188.46% | 3,422 | -42,979 |
| | 204,309 | -19.78% | 254,675 | 443,102 |
| VALUE ADDED TO DISTRIBUTE DISTRIBUTION OF VALUE ADDED | 2,719,490 | 31.59% | 2,066,614 | 1,133,620 |
| People | 92,042 | -58.97% | 224,307 | 117,241 |
| Work remuneration (does not include INSS) | 83,277 | -61.70% | 217,407 | 115,003 |
| Remuneration of directors | 8,765 | 27.03% | 6,900 | 2,238 |
| Financiers and leases: | | | | |
| Interest and debt charges | 130,084 | -8.85% | 142,715 | 23,784 |
| Other financial expenses | 455,586 | 65.19% | 275,789 | 374,423 |
| Leases | 1,827 | 15.20% | 1,586 | 4,640 |
| | 587,497 | 39.85% | 420,090 | 402,847 |
| Intrasectoral - Regulatory charges | | | | |
| Financial compensation for the use of water resources | 51,389 | 5.30% | 48,801 | 48,063 |
| Global Reversion Reserve - GRR | 2,579 | -90.20% | 26,304 | 54,714 |
| Research and Development - R&D | 15,098 | -3.41% | 15,631 | 16,319 |
| Inspection Fee - ANEEL/other charges | 4,930 | 23.28% | 3,999 | 3,028 |
| | 73,996 | -21.89% | 94,735 | 122,124 |
| Taxes and social security contributions: | | | | |
| Federal | 237,109 | 44.27% | 164,348 | 196,843 |
| Municipal | 84 | -30.00% | 120 | 132 |
| | 237,193 | 44.22% | 164,468 | 196,975 |
| Shareholders: | | | | |
| Net earnings/(loss) for the year | 1,728,762 | 48.64% | 1,163,014 | 294,433 |
| TOTAL | 2,719,490 | 31.59% | 2,066,614 | 1,133,620 |

Electricity sector indicators

| RESOURCES INVESTED IN TECHNOLOGICAL AND SCIENTIFIC RESEARCH AND DEVELOPMENT (BRL\$ THOUSAND) | | | |
|--|------------------------|-------------------------|-------------------------|
| Per research topic (Research and Development Manual - ANEEL) | 2020 | 2019 | 2018 |
| FA - Alternative sources of electricity generation | BRL\$ 4,341,563 | BRL\$ 9,677,346 | BRL\$ 15,494,515 |
| GB - Basin and Reservoir Management | BRL\$ - | BRL\$ 357,966 | BRL\$ 725,561 |
| MA - Environment | BRL\$ - | BRL\$ 646,101 | BRL\$ 1,341,636 |
| PL - Electric Power Systems Planning | BRL\$ - | BRL\$ 827,190 | BRL\$ 1,181,458 |
| SC - Supervision, Control, and Protection of Electric Power Systems | BRL\$ 485,926 | BRL\$ 1,421,373 | BRL\$ 1,759,135 |
| OU - Other | BRL\$ 1,737,573 | BRL\$ 2,566,623 | BRL\$ 19,472,113 |
| TOTAL | BRL\$ 6,565,062 | BRL\$ 15,496,599 | BRL\$ 39,974,418 |

Operating performance and productivity indicators

| OPERATING AND PRODUCTIVITY INDICATORS | | | |
|---|-------|-------|-------|
| Technical Data (inputs, production capacity, sales, losses) | 2020 | 2019 | 2018 |
| Number of Consumers Served - Captive | NA | NA | NA |
| Number of Consumers Served - Free | 4 | 4 | 5 |
| Number of Locations Served (municipalities) | NA | NA | NA |
| Number of Own Employees | 208 | 240 | 520 |
| Number of Outsourced Employees | NA | ND | ND |
| Number of Commercial Offices | NA | NA | NA |
| Energy Generated (GWh) | 9,066 | 9,010 | 9,275 |
| Purchased Energy (GWh) | | | |
| 1. Itaipu | NA | NA | NA |
| 2. Auction (including federal generator auctions - 2002) | 2,410 | 1,861 | 2,106 |
| 3. Concessionaire Supply | NA | NA | NA |
| Global Electric Losses (GW) | | | |
| Electric Losses - Total (%) on energy requirement | NA | NA | NA |
| Technical Losses - (%) on energy requirement | NA | NA | NA |
| Non-technical losses - (%) on energy requirement | NA | NA | NA |

| OPERATING AND PRODUCTIVITY INDICATORS | | | |
|---|-------|-------|-------|
| Technical Data (inputs, production capacity, sales, losses) | 2020 | 2019 | 2018 |
| Sold Energy (GWh) | 9,676 | 8,699 | 9,357 |
| Residential | NA | NA | NA |
| Industrial | NA | NA | NA |
| Commercial | NA | NA | NA |
| Rural | NA | NA | NA |
| Government | NA | NA | NA |
| Street Lighting | NA | NA | NA |
| Public Service | NA | NA | NA |
| Substations (in units) | NA | NA | NA |
| Installed Capacity (MW) | 1,655 | 1,655 | 1,655 |
| Transmission Lines (in km) | NA | NA | NA |
| Distribution Network (in km) | NA | NA | NA |
| Distribution Transformers (in units) | NA | NA | NA |
| Sale of energy by installed capacity (GWh/MVA * No. hours/year) | NA | NA | NA |
| Energy Sold per Employee (GWh) | 47 | 36 | 18 |
| Number of Consumers/Employee | 0.02 | 0.02 | 0.01 |
| Value Added/GWh Sold | 281.0 | 237.6 | 121.2 |
| Equivalent Duration of Interruption per Consumer Unit "DEC," general of the company - Calculated value | NA | NA | NA |
| Equivalent Duration of Interruption per Consumer Unit "DEC," general of the company - Limit | NA | NA | NA |
| Equivalent Frequency of Interruption per Consumer Unit "FEC," general of the company - Calculated value | NA | NA | NA |
| Equivalent Frequency of Interruption per Consumer Unit "FEC," general of the company - Limit | NA | NA | NA |
| "FEC", general of the company - Limit | NA | NA | NA |

Human and Organizational Development Indicators

| a) General Information | 2020 | 2019 | 2018 |
|---|--------|---------|---------|
| Total number of employees | 208 | 248 | 520 |
| Number of outsourced workers (outsourced, subcontracted, self-employed) by type of employment, employment contract, and region) | 260 | ND | ND |
| Employees aged up to 30 years (%) | 10.10% | 8.50% | 0.60% |
| Employees aged 31 to 40 years (%) | 38.46% | 29.80% | 9.60% |
| Employees aged 41 to 50 years (%) | 23.08% | 28.20% | 22.90% |
| Employees aged more than 50 years (%) | 28.37% | 33.50% | 66.90% |
| Number of women in relation to total employees (%) | 23.56% | 21.00% | 18.50% |
| Women in management positions - in relation to total managerial positions (%) | 24.00% | 12.50% | 6.50% |
| Female black employees (black and brown) - in relation to total employees (%) | 2.4% | ND | 2.90% |
| Black employees (black and brown) - in relation to the total number of employees (%) | 11.54% | ND | 21.20% |
| Black employees (blacks and browns) in managerial positions in relation to the total of managerial positions (%) | 4% | ND | 2.20% |
| Interns in relation to total employees (%) | 0.00% | 0.00% | |
| Apprentice hiring program employees (%) | 0.48% | 3.00% | 3.50% |
| Employees with disabilities | 2 | 1 | 5 |
| b) Remuneration, benefits, and career (BRL\$ thousand) | 2020 | 2019 | 2018 |
| Remuneration | | | |
| Gross payroll | 88,166 | 211,183 | 211,183 |
| Mandatory social charges | 8,894 | 19,830 | 19,830 |
| Education | 76 | 35 | 35 |
| Food | 3,065 | 3,456 | 3,456 |
| Transportation | 292 | 25 | 25 |
| Health | 12,527 | 8,748 | 8,748 |
| Foundation (PSAP) | 3,749 | 4,343 | 4,343 |
| Occupational safety and health | ND | ND | ND |
| Culture | 0 | 0 | 0 |
| Professional training and development | 652 | 410 | 410 |
| Daycare centers or daycare assistance | 46 | 59 | 59 |

| c) Profit sharing | 2020 | 2019 | 2018 |
|---|-------------|-------------|-------------|
| Total investment in the company's profit sharing program (BRL\$ thousand) | 9,802 | 9,627 | 5,386 |
| Amounts distributed in relation to the gross payroll (%) | 11.12% | 4.60% | 5.62% |
| Company shares held by employees (%) | 0.002% | ND | ND |
| Division of the highest remuneration by the lowest remuneration in kind paid by the company (includes profit sharing and bonuses) | 92.99% | 83.11 | 17.19 |
| Division of the company's lowest remuneration by the current minimum wage (includes profit sharing and bonus program) | 30.62 | 37.2 | 3.04 |
| d) Remuneration profile | 2020 | 2019 | 2018 |
| Categories (average salary in the current year) - BRL\$ | | | |
| Officers | 74,936 | 69,088 | 24,637 |
| Managers | 24,485 | 25,630 | 22,622 |
| Higher Education Level | 12,326 | 13,544 | 11,954 |
| Technical | 6,392 | 6,893 | 5,338 |
| Administrative | 6,195 | 7,756 | 5,707 |
| Operating | 4,386 | 4,814 | 3,590 |
| e) Occupational health and safety | 2020 | 2019 | 2018 |
| Average overtime per employee/year | 1.42 | 4.728 | ND |
| Total FR (frequency rate) index of the company in the period, for employees | 1.72 | 2 | 0 |
| SR (severity rate) index in the period, for employees | 12 | 81 | 0 |
| Total FR (frequency rate) index of the company in the period, for outsourced/contractors | ND | ND | ND |
| SR (severity rate) index in the period, for outsourced/contractors | ND | ND | ND |
| FR (frequency rate) index of the company in the period, for the workforce (own + outsourced) | ND | ND | ND |
| SR (severity rate) index in the period, for the workforce (own + outsourced) | ND | ND | ND |
| Deaths - own | 0 | 0 | 0 |
| Deaths - outsourced | 0 | 0 | 0 |
| f) Professional development | 2020 | 2019 | 2018 |
| Schooling profile-percentage in relation to total employees | | | |
| Elementary school | 0.5% | 3.23% | 8.85% |
| High school | 31.3% | 34.68% | 31.15% |
| Technical education | ND | ND | ND |
| Higher education | 64.4% | 58.47% | 55.77% |
| Graduate studies (specialization, master's, doctorate) | 3.9% | 3.62% | 4.23% |
| Amount invested in professional development and education | 729 | 410 | 251 |
| Average hours of training per year, per employee, broken down by functional category | 47.05 | 71.3 | 19.92 |

| g) Behavior relative to layoffs | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|
| Turnover rate | 27.6% | 94.39% | ND |
| Labor claims | 0 | | |
| Amount provisioned in the period (BRL\$ thousand) | 113,388 | 138,597 | 247,663 |
| Number of labor claims filed against the company in the period | 82 | 142 | 182 |
| Number of labor claims deemed valid in the period | 79 | 347 | 149 |
| Number of labor claims dismissed in the period | 41 | 279 | 222 |
| Total amount of compensations and fines paid by court order in the period (BRL\$ thousand) | 24,591 | 63,083 | 57,544 |
| h) Preparation for retirement | 2020 | 2019 | 2018 |
| Investments in private pension plans (BRL\$ thousand) | ND | ND | ND |
| Number of beneficiaries of the supplementary pension program | 192 | 239 | ND |

NA = Not applicable/ND = Not available

| Directors | 2020 | | | | 2019 | | | | 2018 | | | |
|---|-------------|--------------|-----------|--------------|-------------|-----------|-----------|--------------|-------------|-----------|-----------|--------------|
| | BD | EB | FC | TOTAL | BD | EB | FC | TOTAL | BD | EB | FC | TOTAL |
| Number of members | 8 | 3 | 3 | 14 | 7.5 | 2.67 | 4.75 | 14.92 | 9.42 | 3.5 | 4.92 | 17.83 |
| Annual fixed remuneration (BRL\$ thousand) | | | | | | | | | | | | |
| Salary or directors fees | 565,509 | 2,904,970 | 306,048 | 3,776,527 | 558,254 | 1,748,823 | 342,156 | 2,649,233 | 715,946 | 1,278,538 | 240,779 | 2,235,263 |
| Direct or indirect benefits | 0 | 274,578 | 0 | 274,578 | 0 | 62,652 | 0 | 62,652 | | 183,874 | | 183,874 |
| Participation in committees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others (employer's contribution to INSS) | 113,102 | 1,018,288 | 61,210 | 1,192,600 | 118,095 | 822,340 | 57,350 | 997,785 | 155,230 | 467,395 | 52,205 | 674,830 |
| Variable remuneration (BRL\$ thousand) | | | | | | | | | | | | |
| Bonus | 0 | 0 | 0 | 0 | 0 | 386,000 | 0 | 386,000 | - | 27,513 | - | 27,513 |
| Profit sharing | 0 | 3,600,833.72 | 0 | 3,600,833.72 | 0 | 2,804,101 | 0 | 2,804,101 | 0 | 27,733 | 0 | 27,733 |
| Participation in meetings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commissions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others (Annual Bonus) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 60,203 | 99,519 | 20,245 | 179,967 |

NUMBER OF WORKERS BY LEVEL OF EDUCATION, LOCATION, AND GENDER

| Level of Education | Capital | | | Interior | | | Total | | |
|---------------------------------|-----------|-----------|------------|-----------|----------|-----------|------------|-----------|------------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Graduate studies | 5 | 1 | 6 | 2 | 0 | 2 | 7 | 1 | 8 |
| Higher education | 62 | 42 | 104 | 26 | 4 | 30 | 88 | 46 | 134 |
| Technical education/high school | 7 | 1 | 8 | 56 | 1 | 57 | 63 | 2 | 65 |
| Elementary Education | 0 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 1 |
| Illiterate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 74 | 44 | 118 | 85 | 5 | 90 | 159 | 49 | 208 |

Injury rates, occupational diseases, lost days, absenteeism, and work-related deaths, broken down by region and gender

| Topic | 2020 | | | | | | | | | | 2019 | 2018 |
|--|---------|--------|-------|----------|--------|-------|-------|--------|-------|-------|------|------|
| | Capital | | | Interior | | | Total | | | | | |
| | Male | Female | Total | Male | Female | Total | Male | Female | Total | Total | | |
| Accidents that resulted in the death of employees and/or service providers | amount | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Injury rate - IR (include deaths)* | index | 0 | 0 | 0 | 1.72 | 0 | 1.72 | 1.72 | 0 | 1.72 | 2 | 0 |
| Occupational disease rate - TOD | index | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Absenteeism rate - TA | index | 0.2 | 0.2 | 0.4 | 0.25 | 0.25 | 0.5 | 0.45 | 0.45 | 0.92 | 0 | 2.06 |
| Number of days on leave | amount | 0 | 0 | 0 | 14 | 0 | 14 | 14 | 0 | 14 | 40 | 12 |
| Days on leave rates - TDD** | index | 0 | 0 | 0 | 12 | 0 | 12 | 12 | 0 | 12 | 0 | 0.01 |

*The FR was considered in this case.

**The SR was considered in this case.

Stakeholder Relations

| Stakeholders | Breakdown | Communication Channels |
|--|--|--|
| Public bodies and programs | ANEEL; Civil Defense Teams of the municipalities; Environmental Agencies, such as Cetesb, IBAMA, IMASUL; Municipal Departments of the Environment and Education; Environmental Police; Fire Departments, and the Forestry Foundation, among others | Technical work meetings, exchange of correspondence (official letters, letters), holding of workshops, website, contact us, corporate e-mail |
| Social, environmental, and community organizations | NGOs, universities, local entities, communities | Website, contact us, corporate e-mail, conducting Environmental Education campaigns, conducting workshops, technical meetings |
| Shareholders and investors | Shareholders, Investors, B3 SA - Brazil, Stock Exchange, Over-the-Counter, CVM - Brazilian Securities and Exchange Commission | Investor Relations Website, webmail, Shareholder Services |
| Customers | 4 free consumers 4 traders 32 distributors | Relationship centers, call center, ombudsmen, surveys carried out, chat |
| Suppliers | The Company has 844 active material and service suppliers | Face-to-face and virtual meetings, e-procurement platform, e-mail, and telephone |
| Employees, collaborators, interns, partners | The Company has 208 active own employees | Face-to-face meetings, corporate e-mail, Intranet, website, contact us, technical work meetings |

External social indicators

| Community | |
|---|--------------|
| | 2020 |
| d) Involvement of the company with social action | |
| Resources invested in education (BRL\$ Thousand) | 1,241,431.00 |
| Resources invested in health and sanitation (BRL\$ Thousand) | 657,486.31 |
| Resources invested in culture (BRL\$ Thousand) | - |
| Resources invested in sport (BRL\$ Thousand) | - |
| Employees doing voluntary work in the community external to the company/total employees (%) | 5% |
| e) Involvement of the company in cultural, sports projects, etc. (Rouanet Law) | |
| Amount of resources earmarked for the projects (BRL\$ Thousand) | 0 |
| Amount of resources earmarked to the largest project (BRL\$ Thousand) * | 0 |

Environmental performance indicators for electricity generation companies

[ANEEL 3.6.1]

| Performance indicators | U.M | 2020 | 2019 | 2018 |
|---|----------------|----------------|---------|---------|
| Electricity consumption of generating and auxiliary units | U.M. | 21,520 | 18,597 | 16,801 |
| Water consumption per KWh generated | - | ND | ND | ND |
| Restoration of riparian forest | ha | 150 | 83.32 | 89 |
| Rescue of fish in turbines (*) | kg | - | 283.5 | 3 |
| Fish restocking | amount | 117,100 | 392,043 | 345,650 |
| Leakage of lubricating and hydraulic oils in the turbines | kg | 939 | 960 | 810 |
| Replacement water consumption during power generation | m ³ | NA | NA | NA |

Source of Hydraulic Generation

Environmental indicators

[ANEEL 3.6.1]

| Recovery of degraded areas | Unit | 2020 | 2019 | 2018 |
|---|----------------|---------|---------|---------|
| Implementation of reforestation in own area | ha | 200 | - | 10 |
| Implementation of forestry foment in third party areas | ha | 10.0 | 83.3 | 78.7 |
| Number of seedlings of forest species produced | No. | 700,000 | 430,000 | 453,494 |
| Emission | | | | |
| Annual volume of greenhouse gases (CO2 and SF6) released into the atmosphere (in tons of CO2 equivalent) | ton | ND | ND | ND |
| Annual volume of greenhouse gases (CO2, CH4, and N2O) released into the atmosphere (in tons CO2 equivalent) | ton | ND | ND | ND |
| Annual volume of ozone-depleting gas emissions (in tons of CFC equivalent) | ton | ND | ND | ND |
| Wastewater | | | | |
| Total water discharge, by quality and destination | m ³ | ND | ND | ND |
| Solids | | | | |
| Annual amount (in tons) of solid waste generated (garbage, waste, rubble, etc.). | ton | ND | ND | ND |
| Amount of waste contaminated by PCB (Ascarel) destined | ton | ND | ND | ND |

| Use of resources in the organization's production and management processes | Unit | 2020 | 2019 | 2018 |
|---|----------------|-------|-------|-------|
| Total energy consumption by source | | | | |
| Energy consumption per kWh produced (sold) | KWh | ND | ND | ND |
| Direct energy consumption broken down by primary energy source (in GJ) | | | | |
| Diesel | liters | ND | ND | ND |
| Gasoline | liters | ND | ND | ND |
| Ethanol | liters | ND | ND | ND |
| Others (breakdown) | | ND | ND | ND |
| Total water consumption by source (in m3) | | | | |
| Supply (public network) | m ³ | ND | ND | ND |
| Underground source (well) | m ³ | ND | ND | ND |
| Surface catchment (water courses) | m ³ | ND | ND | ND |
| Total water consumption | m ³ | ND | ND | ND |
| Water consumption per employee | m ³ | ND | ND | ND |
| Environmental education and awareness | | | | |
| Environmental education - Community - in the organization | number | | ND | ND |
| Number of employees trained in environmental education programs | number | 21 | ND | 260 |
| Percentage of employees trained in environmental education programs | % | 10.0% | ND | ND |
| Number of hours of environmental training/total hours of training | % | 2.0% | ND | ND |
| Environmental education - Community* | | | | |
| Number of elementary and high school units served | number | 8 | 26 | 26 |
| Number of students served | number | ND | 1,658 | 1,658 |
| Number of teachers trained | number | 365 | 167 | 167 |
| Number of technical education and higher education units served | number | 1 | 1 | 1 |
| Number of students served | | 421 | 150 | 150 |

List of species on the International Union for Conservation of Nature and Natural Resources (IUCN) red list

[ANEEL 3.6.1]

| Common name | Scientific name | IUCN ¹ | Brazil ² | São Paulo ³ | 2020 | 2019 | 2018 |
|----------------------|------------------------------------|-------------------|---------------------|------------------------|-----------------------|------------|------------|
| Birds | | | | | Breeding stock | | |
| Curassow | <i>Crax fasciolata</i> | VU | --- | CR | 74 | 83 | 94 |
| Guan | <i>Aburria jacutinga</i> | EN | EN | CR | 48 | 63 | 65 |
| Small-Billed Tinamou | <i>Tinamus solitarius</i> | NT | --- | VU | 50 | 55 | 165 |
| Undulated Tinamou | <i>Crypturellus undulatus</i> | LC | --- | | 0 | 0 | 1 |
| TOTAL | | | | | 172 | 201 | 325 |
| Fish | | | | | Breeding stock | | |
| Tiete Tetra | <i>Brycon insignis</i> | --- | EN | CR | 487* | 120 | 122 |
| Pirapitinga-do-sul | <i>Brycon opalinus</i> | --- | VU | EN | 396 | 341 | 350 |
| Corimbata-de-lagoa | <i>Prochilodus vimboides</i> | --- | VU | VU | 193 | 250 | 256 |
| Surubim-do-Paraíba | <i>Steindachneridion parahybae</i> | --- | EN | CR | 974* | 58 | 58 |
| Cascudo leiteiro | <i>Pogonopoma parahybae</i> | --- | EN | CR | 17 | 20 | 20 |
| TOTAL | | | | | 2,067 | 789 | 806 |

*CESP increased the number of individuals to allow for greater security in the management of these species.

Environmental Education

Benefited participants

| Activity | 2020 | 2019 | 2018 |
|--|------------|------------|--------------|
| Environmental Education Program | 661 | 462 | 2,205 |
| Colhendo Frutos | 380 | 321 | 1,115 |
| Ecotime | 21 | 24 | 350 |
| Monitor Ambiental | 243 | 92 | 43 |
| Visits to the Rosana Museum of Regional Memory | 17 | 25 | 697 |

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Quintal 22 – Intelligence in Communications Hub

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Quintal 22 – Intelligence in Communications Hub

CESP

GRAPHIC DESIGN AND LAYOUT

Prata Design

<https://pratadesign.com.br/>

TRANSLATION

Darrell Champlin

PHOTOS

CESP Collection

An aerial photograph of a large reservoir with a dam in the foreground. The water is a deep blue, and the surrounding landscape is green with some industrial buildings and parking lots. A large white hexagonal graphic is in the top left corner.

CESP

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