



**CESP - COMPANHIA ENERGÉTICA DE SÃO PAULO**

*Publicly Listed Company*

Taxpayer Identification Number CNPJ 60.933.603/0001-78

NIRE 35300011996 | CVM (Brazilian Securities & Exchange Commission) 2577

**MATERIAL FACT**

**CESP - COMPANHIA ENERGÉTICA DE SÃO PAULO** (“**CESP**” or “**Company**”), pursuant to article 157, paragraph 4, of Law 6.404/76 (“**Corporation Law**”) and CVM Resolution 44/21, hereby announces to its shareholders and to the market in general that the Company received, on the date hereof, from its indirect controlling shareholders Votorantim S.A. (“**VSA**”) and Canada Pension Plan Investment Board (“**CPP Investments**” and, together with VSA, the “**Controlling Shareholders**”) a proposal to consummate a corporate reorganization (“**Proposal**”), pursuant to the terms described hereunder.

The Controlling Shareholders informed the Company that they have entered into a memorandum of understanding on October 18, 2021 (“**Memorandum**”), whereby they initiated a corporate reorganization to consolidate certain investments in the energy sector, including their investments in the Company, into a vehicle which shares shall be admitted to trading on the Novo Mercado special listing segment of B3 S.A. - Brasil, Bolsa, Balcão (“**Novo Mercado**” and “**B3**”) (the “**Reorganization**”).

Under the terms of the Memorandum, the Controlling Shareholders agreed that the Reorganization will comprise the following steps:

- (i) the contribution of assets and cash by the Controlling Shareholders to VTRM Energia Participações S.A. (“**VTRM**”), the Company’s direct controlling company (the “**VTRM Transaction**”), namely:
  - (a) the contribution of assets through the merger of Votorantim Geração de Energia S.A. (“**VGE**”), a subsidiary of VSA, by VTRM, so that VTRM shall then hold the Assets (as defined in item III.1), which were valued, for purposes of said merger, in the amount of BRL 2.5 billion; and
  - (b) the cash contribution by means of an increase in the capital stock of VTRM, to be subscribed and paid in Brazilian currency by CPP Investments, in the total amount of BRL 1.5 billion;

After the implementation of the VTRM Transaction, VSA and CPP Investments will hold interests of approximately 54.2% and 45.8% in the capital stock of VTRM, respectively.

- (ii) the Merger of Shares (as defined below), the redemption of VTRM’s preferred shares and the listing of VTRM (the “**CESP Transaction**”), as follows:

- (a) the merger of the shares issued by the Company into VTRM, so that the Company shall become a wholly-owned subsidiary of VTRM (the “**Merger of Shares**”), by delivering to the Company’s shareholders new common shares and redeemable preferred shares (see details about the preferred redeemable shares in item III.2.C below) issued by VTRM in replacement of the merged shares issued by the Company that they hold; and
- (b) the listing of VTRM in B3's Novo Mercado; and
- (iii) the incorporation of a private investment vehicle to be held by VSA and CPP Investments focused on energy transition in Brazil, with the objective of investing in energy projects in early stage of maturity, including new solutions and technologies aiming at the decarbonization of the energy matrix (the “**JV**” and the “**JV Transaction**”).

The implementation of the VTRM Transaction does not depend on the implementation of the steps described in items (ii) and (iii). However, the implementation of steps (ii) and (iii) above shall take place simultaneously and are subject to the prior implementation of the VTRM Transaction.

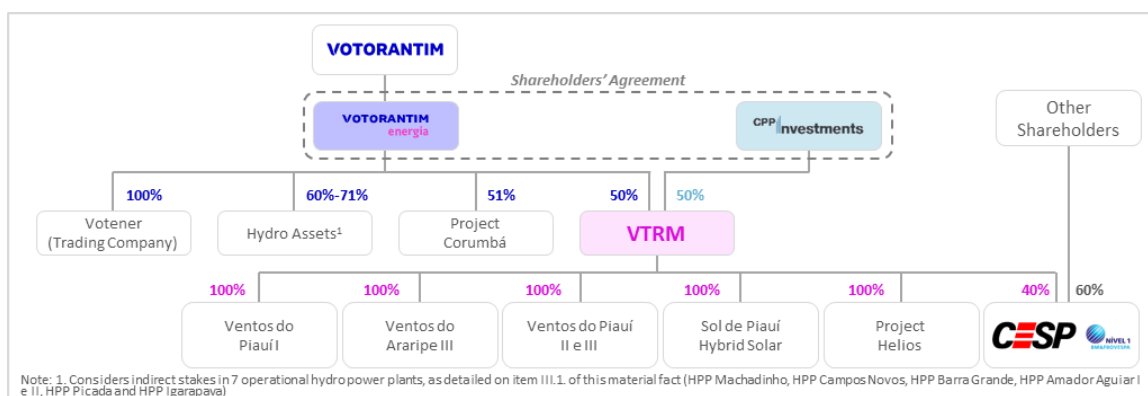
Attached to the Proposal, the Controlling Shareholders provided a presentation entitled “Creating a Leading Renewable Energy Platform in Brazil (*Criação de uma Plataforma Líder em Energia Renovável no Brasil*)” (“**Presentation**”), which includes details on the merits of the Reorganization, its main steps, the assets involved and their size and the intended scope of activity for VTRM. The Proposal and the Presentation are available on the Company’s investor relations website (<https://ri.cesp.com.br/>), the CVM ([www.gov.br/cvm/pr-br](http://www.gov.br/cvm/pr-br)) and B3 ([www.b3.com.br](http://www.b3.com.br)).

The Company further informs to its shareholders and the market in general that on October 19, 2021, at 09:00 hours (08:00 EST), a conference call will be held open to the market in general, that may be accessed through the following link <http://www.nossaenergiaparaofuturo.com.br/>, with the participation of representatives of the Controlling Shareholders.

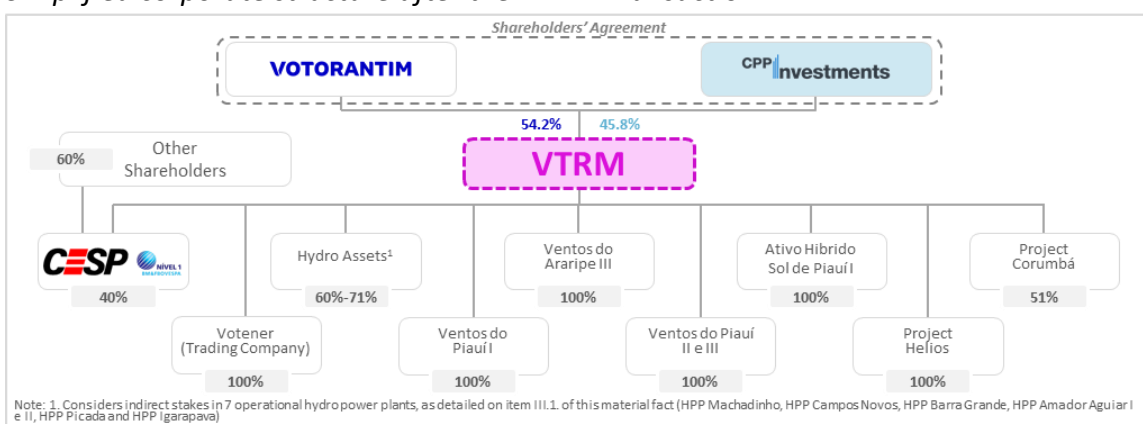
## I. SIMPLIFIED CORPORATE STRUCTURE

The following corporate organization charts illustrate, in a simplified way, the current corporate structure and the corporate structures intended in the context of the Reorganization, pursuant to the Memorandum.

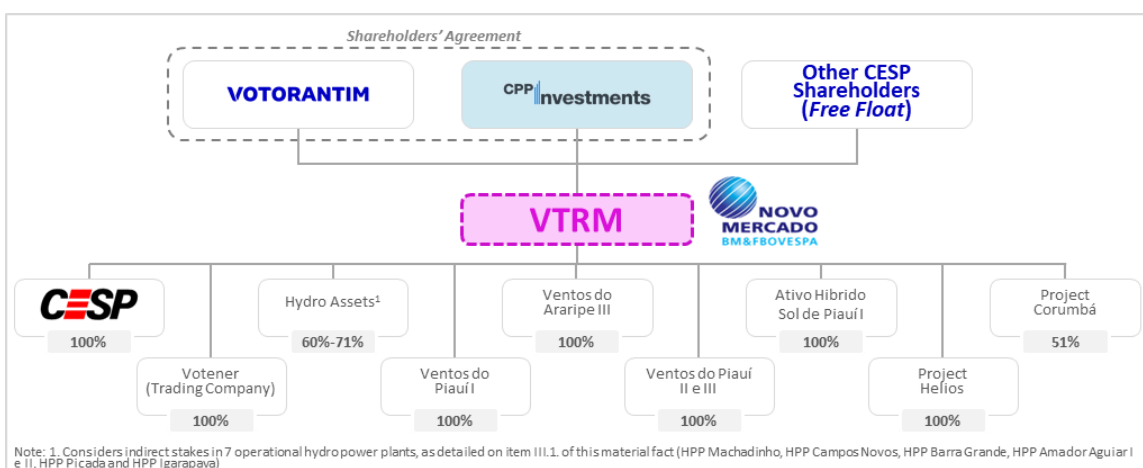
## Current simplified corporate structure:



## Simplified corporate structure after the VTRM Transaction:



## Simplified corporate structure intended after implementation of VTRM Transaction and CESP Transaction:



## II. RATIONALE FOR THE REORGANIZATION, AS PER THE CONTROLLING SHAREHOLDERS' PROPOSAL

Pursuant to the Proposal by the Controlling Shareholders, the Reorganization has the merits described below.

The Brazilian energy market has become increasingly dynamic. Current trends based on the energy transition, increased competitiveness and addition of renewable sources and the market opening process, with the consequent migration of customers from the captive market to the free energy market, provide important avenues for growth and new opportunities for the Company.

In this context, the consolidation of certain energy assets of the Controlling Shareholders into a listed vehicle - the “New VTRM” - which will follow the highest governance standards of the Novo Mercado, will give rise to a new company, with a robust structure and fundamental and necessary competencies to start a new cycle of growth and value creation for VSA, CPP Investments and CESP's minority shareholders.

Once the Reorganization is completed, the New VTRM will be one of the main publicly held companies in the Brazilian electricity sector, with a diversified portfolio of 100% renewable energy generation, totaling 3.3 GW of installed capacity under management, of which 2.3 GW in hydro source and approximately 1.0 GW in wind source (composed of 0.6 GW of assets in operation and 0.4 GW of projects in advanced stage of construction and operation estimated to start between May and November of 2022). New VTRM will also be one of the largest energy traders in the country, with more than 2.6 average GW sold in 2020.

The Company's shareholders will have access to new and clear growth opportunities, such as the development and acquisition of *ready-to-build* renewable generation projects and in the acquisition of already operational companies. New VTRM will be conceived with a robust pipeline of projects that include hydro and solar assets, as well as hybrid solutions, totaling 1.9 GW.

The energy trading business will also play an essential role in the platform's growth. With a portfolio of over 400 customers, Votener (as defined below) will act as the market intelligence center and will be responsible for supporting and maximizing the value of existing assets and new generation projects through energy management and PPA origination, in addition to developing a diversified product portfolio to serve its broad customer base.

The performance of New VTRM's strategy will be carried out by a team with vast experience in the sector. This team will constantly seek to build a unique portfolio of renewable assets, aiming at optimizing returns and minimizing risks for the company.

According to the Controlling Shareholders, the Reorganization will create a unique platform in the sector, which will have the following strategic advantages:

- Large platform with long duration assets: New VTRM will have an aggregate capacity of 3.3 GW (approximately double the size of CESP) and assets which permits and concessions will expire, on average, only in 2050;
- Diversified base of generation assets with 100% renewable sources: portfolio composed by 70% hydraulic (10 UHEs), 30% wind (31 wind farms);

- Important growth avenues: both organic, represented by the 1.9GW pipeline under development by the New VTRM, and inorganic, becoming a natural consolidator of the sector;
- Leadership position in the energy trading segment: one of the largest trading companies in Brazil, with over 400 clients in its portfolio and an average 2.6GW of energy commercialized in 2020;
- Solid financial capacity: BRL 5.8 billion in annual revenues in 2020, with Adjusted EBITDA of BRL 1.4 billion in 2020 and a net debt to Adjusted EBITDA ratio of 0.7 times, considering the cash contribution of BRL 1.5 billion by CPP Investments; and
- ESG Best Practices: 100% renewable portfolio, according to trends in decarbonization and mitigation of climate change impacts, development and execution of recognized social programs and initiatives, in addition to the highest level of corporate governance (Novo Mercado).

### III. PROPOSED REORGANIZATION MAIN STEPS

#### III.1. VTRM Transaction

##### *a) VGE Merger*

The VTRM Transaction will comprise the merger of VGE into VTRM ("**VGE Merger**"). VGE will consist, at the time of the VGE Merger, of the following assets ("**Assets**"):

- (i) Equity stake of 50% in Pinheiro Machado Participações S.A. ("**Pinheiro Machado**"), which generation assets include the UHE Machadinho (Consórcio Machadinho), corresponding to 100% of its issued and outstanding preferred shares;
- (ii) Equity stake of 66,6667% in CBA Energia Participações S.A. ("**CBA Energia**"), which generation assets include UHE Campos Novos and UHE Barra Grande, corresponding to 100% of its issued and outstanding preferred shares;
- (iii) Equity stake of 66,6667% in Pollarix S.A. ("**Pollarix**"), which generation assets include UHE Amador Aguiar I and II (Consórcio Capim Branco), UHE Picada, UHE Igarapava (Consórcio Igarapava) and UHE Campos Novos, corresponding to 100% of its issued and outstanding preferred shares;
- (iv) Equity stake of 100% in Votener – Votorantim Comercializadora de Energia Ltda. ("**Votener**"), corresponding to 16,438,442 issued and outstanding quotas; and

- (v) Equity stake of 50% in VTRM, which generation assets include CGE Ventos do Piauí I, CGE Ventos do Piauí II, CGE Ventos do Piauí III, CGE Ventos do Araripe III and CESP, corresponding to 992,547,439 issued and outstanding common, registered shares without par value.

As a result of the VGE Merger, the 992,547,439 shares issued by VTRM and held by VGE will be cancelled and replaced by an equal number of shares issued by VTRM to be allocated to VSA, as the sole shareholder of VGE. In addition, due to the Assets merged by VTRM, 612,874,904 new VTRM ordinary shares will be issued and allocated to VSA ("**New VTRM Shares**").

As informed by the Controlling Shareholders, for purposes of establishing the exchange ratio of shares issued by VGE by New VTRM Shares, the following assumptions were considered, which were freely negotiated between the Controlling Shareholders, independently, representing the values that each consider adequate for the Assets, the Company, VGE and VTRM:

- (i) the economic value (equity value) attributed to the VGE Assets (excluding the value of the equity participation held by VGE in VTRM) was BRL 2.5 billion;
- (ii) the economic value (equity value) attributed to VTRM — including the value of the equity held by VTRM in the Company — was BRL 8.1 billion;
- (iii) the economic value (equity value) attributed to the Company, for purposes of determining the value of the equity held by VTRM in the Company, was BRL 8.6 billion, corresponding to approximately BRL 26.37 per share (regardless of class or type of shares); and
- (iv) to determine the economic values (equity value) indicated above, the base date of June 30, 2021 was considered and the discounted cash flow methodology was used.

#### *b) CPP Investments Contribution*

As a subsequent act, the capital stock of VTRM will be increased with the issuance of new shares that will be fully subscribed by CPP Investments ("**CPP Investments Contribution**") by the total amount of BRL 1.5 billion. CPP Investments will subscribe 365,803,013 new VTRM shares at the issue price of BRL 4.10 per share, paid in Brazilian reais. The issuing price of the new shares corresponds to the economic value (equity value) attributed to VTRM in connection with the VGE Merger, as independently and freely negotiated between VSA and CPP Investments.

### **III.2. CESP Transaction**

In case the Proposal by the Controlling Shareholders is approved, the following steps will also be implemented.

#### *a) VTRM Going Public and Listing on the Novo Mercado*

In due course, VTRM, the Company's direct controlling company, will submit an application for registration as a publicly-held company in the "A" category to CVM ("**CVM Listing**") and for listing on B3's Novo Mercado ("**Listing on Novo Mercado**"), noting that the effective listing and trading of VTRM shares in the Novo Mercado will depend on the completion of the CESP Transaction.

*b) Merger of Shares*

Subsequently to the VTRM Transaction and the CVM Listing, and in order to allow the Company's minority shareholders to participate in the New VTRM, the entity consolidating the energy assets to be listed on the Novo Mercado, a Merger of Shares will be carried out, with the incorporation of all shares issued by the Company by VTRM and consequent attribution to the Company's other shareholders, regardless of the class or type of shares, of a combination of: (a) new common shares, registered, book-entry and with no par value, issued by VTRM; and (b) of new preferred shares, registered, book-entry and with no par value, compulsorily redeemable, issued by VTRM (the "**Redeemable Preferred Shares**").

The exchange ratio of the merged shares issued by the Company by new shares issued by VTRM (the "**Exchange Ratio**"), shall be freely negotiated between VTRM and the special independent committee (the "**Independent Committee**") to be formed pursuant to and for the purposes of CVM Guidance Opinion nº 35, of September 1<sup>st</sup>, 2008 ("**Opinion 35**").

The Controlling Shareholders propose that the following assumptions shall be observed when studying the Exchange Ratio:

- (i) the Company and VTRM shall be valued at their economic value (equity value);
- (ii) no attribution of any particular benefit to a particular type or class of shares issued by the Company or of VTRM;
- (iii) the valuations of Assets and VTRM performed by VSA and CPP Investments for the execution of the Memorandum shall be made on the basis of economic value (equity value) and considered within the scope of a negotiation between two private and independent entities; and
- (iv) in fixing the number of redeemable preferred shares, the highest amount of non-resident investors' income tax to be withheld by VTRM by virtue of the Merger of Shares shall be taken into account.

As the Company is controlled by VTRM, in addition to the other information provided for in applicable law, a valuation of the net equity of VTRM and the Company will be carried out, at market prices, for the purpose of calculating the comparative exchange ratio as provided in article 264 of the Brazilian Corporation Law.

*c) Redemption of Preferred Shares*

VTRM will perform the automatic and compulsory redemption of all Redeemable Preferred Shares, with payment in cash immediately after their issuance (“**Redemption of Preferred Shares**”). Once redeemed, the Redeemable Preferred Shares shall be cancelled against the capital reserve account of VTRM.

The amount to be paid as Redemption of Preferred Shares shall take into account the total amount to be withheld by VTRM as a result of income tax for capital gains of non-resident shareholders of the Company.

*d) New VTRM’s Shareholders Agreement*

Upon conclusion of the CESP Transaction, the Controlling Shareholders will enter into a Shareholders Agreement of the New VTRM to regulate the exercise of the joint control in the New VTRM.

### **III.3 JV Transaction**

In continuation of their successful partnership, the Controlling Shareholders will create a private investment vehicle focused on the energy transition. The Controlling Shareholders shall incorporate the JV to be held in the proportion of 50% by each of the Controlling Shareholders, with the objective of investing in energy projects in early stages of maturity, including new solutions and technologies aiming at the decarbonization of the energy matrix (“**JV**”). The mandates of the JV and New VTRM will not overlap. The JV will invest in early-stage projects in various technologies, while New VTRM will focus on acquiring large-scale assets already in operation and *ready-to-build* solar, wind and hydropower projects.

As a condition to the Merger of Shares, the Controlling Shareholders will approve a corporate reorganization of the New VTRM to segregate the wind project Serra de Ibiapaba, in early stage of development, located in the state of Ceará and with a capacity of 250 MW, which project will be transferred to the JV on the closing date of the Merger of Shares and of the JV Transaction. JV and New VTRM will enter into a Right of First Offer Agreement, through which they will regulate the terms and conditions regarding New VTRM's right to evaluate, negotiate and acquire projects developed by the JV that reach an advanced stage of development and meet certain technical, financial and operational requirements.

The VTRM Transaction (i.e., the VGE Reorganization, the VGE Merger and the CPP Investments Contribution) are preliminary to the other steps contemplated herein and will be implemented regardless of whether the Merger of Shares and subsequent acts are approved (or not).

The acts related to the CESP Transaction (i.e., CVM Listing, the Merger of Shares and the Redemption of Preferred Shares) will be carried out jointly after the steps indicated above.



#### **IV. INDEPENDENT COMMITTEE AND EXCHANGE RATIO**

Considering that the Merger of Shares involves the merger of all the Company's shares by its controlling shareholder, the Company's Board of Directors will constitute, in due course, an Independent Committee, pursuant to and for the purposes of Guidance Opinion 35, with the purpose of negotiating the conditions of the Merger of Shares, especially the Exchange Ratio.

The Independent Committee shall be free to evaluate and negotiate the Merger of Shares with VTRM and to submit its recommendations on the approval or rejection of the Merger of Shares to the Company's Board of Directors.

#### **V. APPROVALS**

The Company's Board of Directors will analyze and monitor the course of negotiations involving the Merger of Shares, including the Exchange Ratio, between the Controlling Shareholders and the Independent Committee to be created. If approved by the Company's management, the Merger of Shares will be submitted in due course to the CESP's general meeting for resolution, pursuant to the applicable legislation.

The Reorganization is not subject to the approval of any other governmental authority, either in Brazil or abroad, with the exception of the prior approval of the Administrative Council for Economic Defense ("**CADE**") and the antitrust authorities of the European Union and Turkey, considering the stages described.

The implementation of the Reorganization is subject to the negotiation and execution, within 60 days as of the date of the Memorandum, of binding documents between the Controlling Shareholders, setting forth the definitive terms and conditions of the Reorganization.

#### **VI. FINAL CONSIDERATIONS**

If approved, the Merger of Shares will grant withdrawal rights to the Company's shareholders who dissent from the resolution of the general meeting, who will be entitled to reimbursement for all or part of the shares that are demonstrably held by them uninterruptedly between this date and the effective date of exercise of recess rights, subject to paragraph 3<sup>rd</sup> of art. 137 of Brazilian Corporation Law.

The Reorganization information required by CVM Instruction No. 565/2015 will be disclosed in due course.

The Company informs that will keep its shareholders and the market in general updated about the relevant developments regarding the Reorganization.

São Paulo, October, 18, 2021.

**Mario Antonio Bertoncini**  
Chief Executive Officer and Investor Relations Officer