CESP

4Q21 RESULTS

Conference Call

March 29, 2022
(in Portuguese with simultaneous translation into English)
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São Paulo, March 28, 2022: CESP - Companhia Energética de São Paulo ("CESP"), (B3: CESP3, CESP5 and CESP6) discloses its results for the fourth quarter of 2021 (4Q21) and fiscal year 2021. The information was prepared in accordance with International Financial Reporting Standards ("IFRS") and accounting practices adopted in Brazil, except where stated otherwise.

CONTENTS

4Q21 RESULTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

(R$ mil)	4Q21	4Q20	Δ	2021	2020	Δ
Gross operating revenue	724,952	581,775	25%	2,604,979	2,203,798	18%
Net operating revenue	638,702	500,649	28%	2,292,813	1,917,248	20%
Gross operating result	111,423	131,365	-15%	1,307,175	727,606	80%
Cost and expenses	(549,401)	(328,148)	67%	(973,207)	(1,104,522)	-12%
EBITDA	204,199	274,183	-26%	1,740,614	1,210,055	44%
Adjusted EBITDA[1]	194,133	154,705	25%	841,723	1,014,104	-17%
Adjusted EBITDA margin	30%	31%	-1 p.p.	37%	53%	-16 p.p.
Net income	(52,165)	1,595,676	-	440,827	1,728,762	-75%
Net debt	1,508,097	1,216,403	24%	1,508,097	1,216,403	24%
Net debt/EBITDA LTM	0.9x	1.0x	-0.1x	0.9x	1.0x	-0.1x
Net debt/ adjusted EBITDA LTM	1.8x	1.2x	0.5x	1.8x	1.2x	0.5x

- Net revenue reached R$639 million in 4Q21 (+28% vs. 2020), and totaled R$2.3 billion in 2021, up 20% from 2020, mainly driven by the growth in trading operations by CESP Comercializadora and higher average sales price in the free market.
- Adjusted EBITDA of R$842 million in 2021, down 17% from 2020, mainly caused by the impacts of the water crisis, which adversely affected the Company's operating margins during the year.
- Operating cash flow after debt service of R$181 million in 4Q21, representing a cash conversion ratio[2] of 93%.
- Reduction of R$3.1 billion in total contingent liabilities before monetary and interest adjustments in 2021 from 2020, excluding R$586 million in probable contingencies due to the settlement of lawsuits, revisions of estimates based on the progress of lawsuits and favorable court decisions. After monetary and interest adjustments, the reduction was R$1.8 billion and R$419 million, respectively.
- Net loss of R$52 million in the quarter, mainly due to higher energy sale during the period and the impact of the adjustment of provision for contingent liabilities and actuarial liability on financial expenses.

[1] Adjusted EBITDA excludes allowance for litigation, write-off of judicial deposits and GSF renegotiation net of impairment.
[2] Cash conversion ratio = OCF after debt service / Adjusted EBITDA

MESSAGE FROM MANAGEMENT

The year 2021 was highly challenging due to the water crisis yet was marked by many achievements by CESP. We advanced on a series of essential projects to ensure the sustainable future for the business that the Company start to contribute from now on, with the creation of the new company, Auren Energia S.A.

In 2021 we move forward on the management of our energy balance, on our long-term commercial strategy, we continued to show gains in efficiency for the business and we made significant progress in our ESG agenda.

The water crisis had a significant impact on our financial performance in 2021. Like all hydroelectric power generators of SIN, CESP was penalized by the decline in the national hydro production due to the worsening GSF. Nevertheless, we were successful in our commercial strategy, which, in addition to other fronts, involved the advance acquisition of energy on competitive terms to ensure our energy balance for 2021 and 2022.

Although the crisis brought a scenario of more challenging on the energy purchase side, CESP seized the opportunities on the sales side, especially energy sales starting from 2024. During the year, we proceeded with our go-to-market strategy of expanding and diversifying the client base to reduce costs and maximize results.

Another major highlight in 2021 was the management of contingent liabilities. We remain focused on resolving, through court decisions and negotiations, the portfolio of lawsuits in order to reduce risk. We ended 2021 with a reduction of R$1.8 billion, after inflation adjustment, in total contingent liabilities in relation to December 2020, underscoring our portfolio dismantling strategy. The reduction mentioned resulted in a decrease of 24% or R$419 million in 2021, of the contingent liabilities with probable chance of loss, which is the share of the contingent liability that is fully provisioned.

On the operating front, we continued our efforts to increasingly improve the management of our assets despite all the difficulties caused by the water crisis. Also, during the year, the Paraibuna and Porto Primavera HPPs joined the GSF renegotiation, resulting in the recognition of R$782 million as reimbursement and extension of concession period of the power plants by 15 months and 7 years, respectively.

An important fact in 2021 was the approval by PREVIC of the VIVEST pension plan migration process. The migration is in progress and should be concluded in the first half of this year, representing another important initiative in our plan to mitigate Company's actuarial risk.

Our efforts on ESG presented an enormous development. We continued the implementation of CESP's Sustainability Platform based on the Sustainable Development Goals (ODS) and the materiality matrix. Our focus is on proactive environmental and climate actions, human development specially in the communities that we operate and inclusive growth. As a result, MSCI Inc., the leading ESG risk rating agency, raised our socio-environmental rating from “BBB” to “A” (on a scale of CCC to AAA), the second upgrade of CESP’s rating in less than two years.

While all these fronts were progressing, the Company received from its controlling shareholders a proposal for corporate restructuring to create one of Brazil’s largest publicly held electricity companies, which is one more milestone in our transformation process. The proposal was analyzed by an Independent Committee and our Board of Directors defined and approved the exchange ratio in January 2022. The Shareholders Meeting held on February 15, 2022, approved the proposal.

As such, after meeting all applicable legal terms and conditions precedent for the operation, CESP shares were incorporated on March 25, 2022, and now the Company is a wholly owned subsidiary of Auren Energia S.A.

It is rewarding to look back and see what we achieved since the privatization of the Company in 2018. With this sense of accomplishment, we are entering a new phase, ready to continue working and pursuing opportunities that increasingly create more value for our shareholders. We thank all those who accompanied us in this journey and invite you to embark on a new chapter of this successful journey in Brazil’s electricity sector.

MARIO BERTONCINI
Chief Executive and Investor Relations Officer

MARCELO DE JESUS
Chief Financial Officer

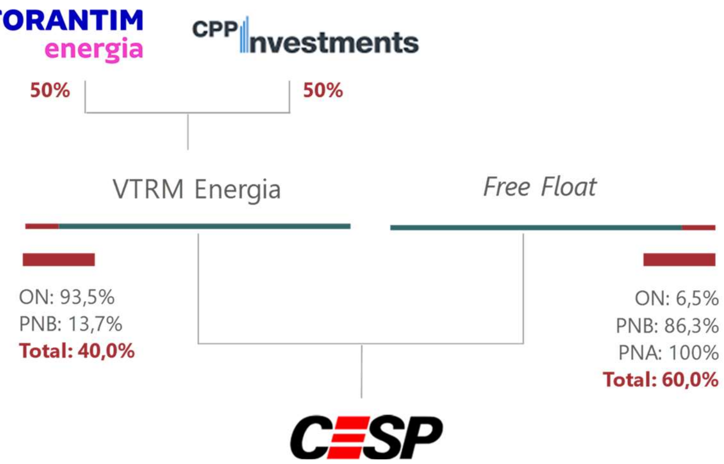
COMPANY PROFILE

CESP is a power generation company created in 1966 by the São Paulo State Government from the merger of 11 electricity companies based in the state.

On October 19, 2018, the auction of CESP shares was won by VTRM Energia Participações S.A., a partnership between Votorantim Energia with Canada Pension Plan Investment Board (CPP Investments). On November 11, 2018, after executing the Share Purchase and Sale Agreement with the São Paulo State Government, CESP became a company controlled by the private sector.

On March 25, the Company's shares were merged with Auren Energia (former VTRM Energia Participações S.A.), formalizing the conversion of CESP to B Category at CVM and the Company's delisting from B3's Level 1 segment due to the migration of the Company's shareholder base to Auren Energia S.A.

Corporate structure before the merger



Corporate structure after the merger

GENERATION COMPLEX

PORTO PRIMAVERA

Capacity	1,540 MW
Physical Guarantee	887 MWavg
Concession*	Apr/56
Location	Rosana (SP)
Reservoir area	2,040 km²
Dam extension	10.2 km
Generating units	14
Start of operation	1999

*contract signed in April 2019 and extension granted in Sept/21

PARAIBUNA

Capacity	87 MW
Physical Guarantee	48 MWavg
Concession*	Jun/22
Location	Paraibuna (SP)
Reservoir area	177 km²
Dam extension	2.4 km
Generating units	2
Start of operation	1978

*extension granted in Mar/21 and final extension granted in Aug/21

As resolved at a meeting of the Board of Directors of CESP held on June 28, 2019, the company decided against renewing its concession for the Jaguari HPP, which represented less than 2% of its total assured energy. After the concession period of the asset expired in May 2020, CESP operated the plant on a temporary basis until December 31, 2020, when it transferred the same to the new operator designated by the Ministry of Mines & Energy, pursuant to MME Ordinance 409/2020.

OPERATING PERFORMANCE

GENERATION

(MWavg)	4Q21	4Q20	Δ	2021	2020	Δ
Porto Primavera	766	965	-21%	760	985	-23%
Paraibuna	31	46	-33%	36	38	-5%
Jaguari	-	5	-	-	9	-
Total	**797**	**1,016**	**-22%**	**796**	**1,032**	**-23%**

Power generation at the plants operated by CESP in 4Q21 came to 797 MW average, down 22% from 4Q20 (1,016 MW average). The decline shows effects of the water crisis, which mainly affected the Paraná River Basin where the Porto Primavera HPP is located. In 2021, power generation reached 796 MW average, down 23% from 2020 (1,032 MW average).

In 4Q21, the impacts of water shortage, especially in Southeastern Brazil, continued but inflows improved at the start of the rainy season. Despite better inflows in the Paraná River basin, the determination to maintain flexible minimum flow rates at Porto Primavera HPP remained effective as a way to help recover the storage levels at the headwater reservoirs. For more details, see the “Regulatory Matters” section of this document.

Note that the Porto Primavera HPP is located at the end of the cascade of reservoirs on the Paraná River, downstream from the Jupiá HPP and upstream from the Itaipu HPP. The three plants operate under the run-of-the-river system, which means that they do not have significant capacity to regulate the flows in their reservoirs. Hence, their power generation depends on flows from the hydroelectric power plants located upstream. In the case of the Paraná River Basin, the main reservoirs are those associated with the Ilha Solteira and Três Irmãos HPPs. This reservoir cascade configuration means that the reduction in flows at run-of-the-river plants helps to preserve water levels in the reservoirs located upstream of such assets.

In case of the Paraibuna HPP, its generation schedule is based on the control of flows from the Paraiba do Sul River Basin, with the National Electricity System Operator (ONS) determining the flow of the cascade plants to meet the water restrictions in the basin. In 4Q21, the ONS reduced the generation of plants in the headwaters of the Paraíba do Sul River basin (including the Paraibuna HPP) due to the start of the rainy season, which increased the natural flow of the river, thereby requiring less additional inflow from the plants to meet the above needs. Accordingly, reservoirs started to recover their storage levels.

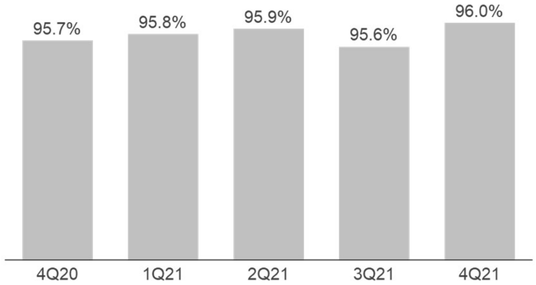
AVAILABILITY

In 4Q21, the plants operated by CESP registered an average availability factor of 96.0%, higher than the 95.6% in 3Q21 and 0.3 p.p. higher than in 4Q20 (95.7%), indicating a return to the Company's normal levels.

According to National Electric Energy Agency (ANEEL) Resolution 614/2014, if the availability factor of a hydroelectric plant in the Energy Reallocation Mechanism ("MRE") is lower than the reference availability factor used to calculate its respective physical guarantee, the plant will be subject to the application of a physical guarantee reduction mechanism. As such, the factor becomes the key indicator for evaluating the performance of hydroelectric plants and the main monitoring tool for mitigating the risks of operating impacts on commercial commitments.

The availability factors of CESP's plants remain significantly higher than the reference values defined by ANEEL and have remained relatively stable, demonstrating the quality of operations and maintenance of the operational assets and the effective management of operational risks.

AVAILABILITY FACTOR[3]
(60-month moving average - %)



[3] The availability factor is calculated using the Equivalent Forced Outage Rate ("TEIFa") and the Equivalent Scheduled Outage Rate ("TEIP"), regulated by ANEEL.

COMMERCIAL PERFORMANCE

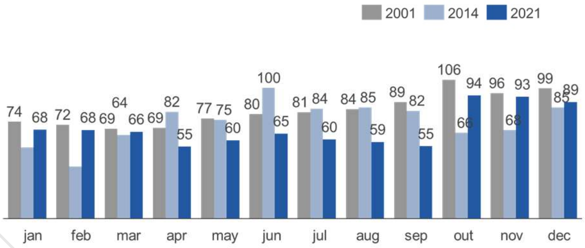
ENERGY MARKET

The fourth quarter of 2021 was marked by a reversal of the critical hydrological situation. The better inflows at the end of the year led to higher levels in the main SIN reservoirs, positively affecting the general scenario in the last quarter of 2021. However, this improvement was not enough to reverse the results of the year.

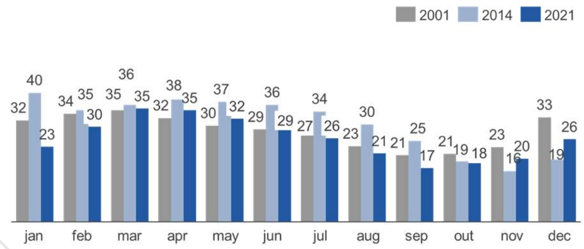
In December 2021, reservoirs in the Southeast/Midwest subsystem ("SE/MW") registered around 26% of maximum storage capacity. The improvement in inflows continued and in March 2022 the reservoirs in the SE/MW subsystem already exceeded 70%.

In light of the challenging water crisis scenario in 2021, the Natural Inflow Energy ("ENA") for the SE/MW submarket was one of the worst in 91 years for the January-December period and below the amounts registered in other years with adverse water conditions, such as 2001 and 2014. The situation is due to the atypical pattern of rainfall since the start of 2021.

MONTHLY ENA - SE/MW (2001 vs. 2014 vs. 2021) (% MLT)



STORED ENERGY – SE/MW **(2001 x 2014 x 2021)**[4] – (%)



To face this situation, a few important measures were taken at the start of the year by the Exceptional Water & Energy Management Rules Chamber ("CREG"), such as Dispatch from thermal power plants outside the merit order, increase in energy imports, voluntary reduction in demand, contracting of capacity reserve, determination of a specific tariff for water shortage, loosening of operating restrictions associated with multiple uses of water and campaigns to raise awareness on water consumption to mitigate the potential risks of deterioration in the hydrological conditions and guarantee the governability of the system. The Electricity Sector Monitoring Committee ("CMSE") continues to hold meetings on a monthly basis to discuss about increasing, maintaining or reducing the exceptional operating measures.

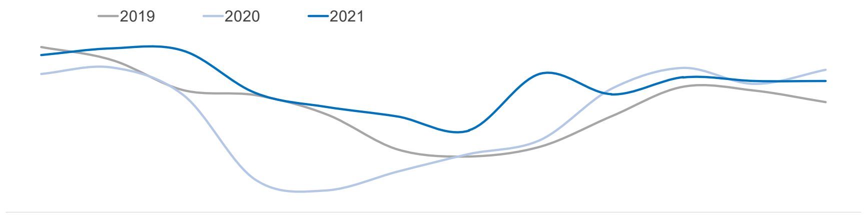
Another important factor for balancing the system is the increase in consumption. The Brazilian economy continues to recover, driven by the intensive vaccination campaign against COVID-19, albeit slower than in the 1st half of 2021 due to the uncertainties in the

[4] Source: National Electricity System Operator (ONS) and Energy Research Company (EPE) – Energy corresponding to storage in the Southeastern Subsystem (% of submarket capacity) for the last day of each quarter.

domestic macroeconomic scenario. Consumption increased 4.0% in 2021 compared to 2020. Compared to 2019, consumption growth was 2.5%.

LOAD - SIN[5]

(GWavg)



GWm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
2019	73	72	69	69	67	64	63	64	67	69	69	68	68
2020	71	71	69	61	60	62	63	65	69	71	70	71	67
2021	72	73	73	69	68	67	65	71	69	70	70	70	70

Given this scenario, the impacts on energy prices and Generation Scaling Factor (GSF) were evident. Average energy price (Spot Price – “PLD”) in the SE/MW submarket reached R$135/MWh in 4Q21, 38% lower than in the same period in 2020 (R$351/MWh).

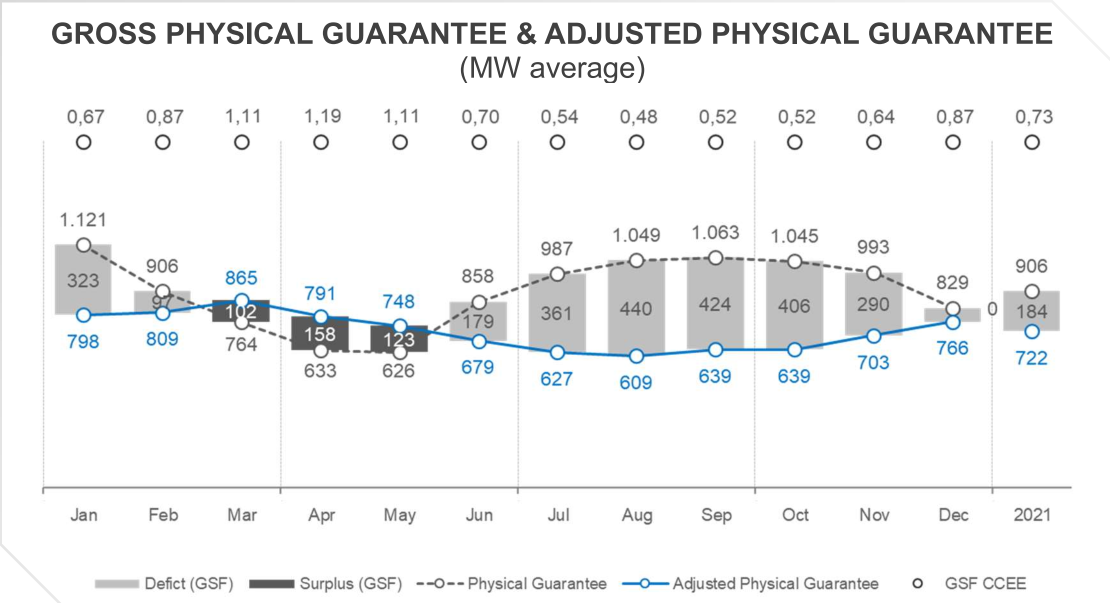
ENERGY BALANCE MANAGEMENT

The Company’s strategy for managing its energy balance is based on detailed planning and proactive management combined with strong discipline in energy trading in order to maximize value creation and mitigate the GSF impacts.

Due to the revision of the physical guarantee of the Porto Primavera HPP, which is part of the privatization process and the negative effect of GSF, the Company reported an energy balance with a structural deficit for 2021 and 2022, which is being systematically equalized.

The worsening hydrological scenario in 2021 led to an increase in the Company’s exposure, particularly in the second half of the year.

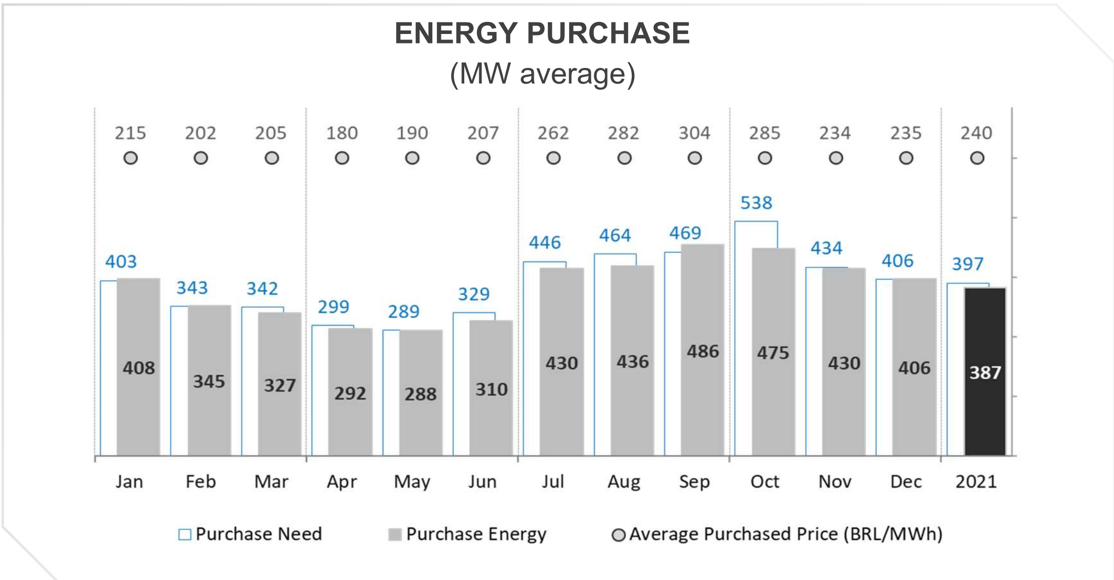
[5] Source: ONS, PMO report of January 2022.



As a result, the Company took advantage of market opportunities to acquire during 2020 and 2021 the energy needed to settle the energy balance for the year. It acquired 387 MW average of energy, 22% more than at the end of 2020 (317 MW average) and practically stable in relation to the balance reported in the 3Q21 results (377 MW average), which considered a GSF of 73.5%. GSF estimates for the end of 2021 were maintained by the Electricity Trading Chamber ("CCEE") at 73% and 86.5% for 2022 (estimate as of March 25, 2022).

Annual average energy purchase price stood at R$240/MWh, 18% higher than the purchase price in 2020 (R$204/MWh) and stable in relation to the purchase price reported in the 3Q21 results.

To equalize the energy balance in 4Q21, the Company purchased 437 MW average, 24% more than in 4Q20 (353 MW average). Average price of energy purchased to meet the 4Q21 requirements was R$253/MWh, 5% higher than the price paid in 4Q20 (R$241/MWh).



Since optimizing energy balance management takes into consideration aspects other than energy purchased, the following table presents the explanation and impact of each of these aspects on the energy purchase price:

(R$/MWh)	DRE	2021	2020
Energy price	Cost	240	204
(-) Spot[6]	Revenue	+4	-
(-) GFOM	Revenue	-14	-6
(+/-) Surplus energy sale	Revenue	-21	-37
(+) Renegotiation Premium	Revenue	+7	+7
Adjusted energy price	**-**	**216**	**168**

Generation outside of merit order ("GFOM"): authorized by the Electricity Sector Monitoring Committee ("CMSE"), GFOM permits the ONS to dispatch thermal power plants that under the original planning would not be used according to the cost merit criterion, since their costs are higher than the Marginal Operating Cost ("CMO"). Dispatch decisions are the responsibility of the ONS, which constantly evaluates the hydrological conditions, reservoir levels and expected inflows to ensure the system's security. Since October 2020, the CMSE has authorized GFOM, with significant increase in dispatch during the water crisis of 2021.

For hydroelectric agents: since GFOM is not envisaged in the pricing and operating models, ANEEL Resolution 784/2017 establishes financial compensation that corresponds to the volume of energy that the plant failed to generate due to the CMSE's decision to prioritize dispatch outside of merit order based on their participation in the Energy Reallocation Mechanism ("MRE"). This compensation, which is paid monthly to agents, corresponds to the difference between the PLD at the moment of displacement and a reference price ("PLDx"), which is currently R$158.68/MWh. PLDx is the price associated with the opportunity cost of generation arising from the incremental storage in reservoirs. Since it is a purely financial operation with the CCEE, no energy volume is linked to it.

For consumers (regulated and free markets): the financial compensation of agents is charged through the System Service Fee ("ESS"). For free consumers, the charge is collected monthly upon settlement of the Short-Term Market ("MCP") by the CCEE. For consumers in the regulated market, this cost is passed through in the tariff revision of their distributor, affecting the tariff in the next cycle.

Sale of Surplus Energy: depending on the updates of GSF internal estimates and the contractual flexibility of the client portfolio, the Company's energy balance may have energy surplus (long position) for sale in certain months of the year. Supported by its market intelligence, CESP identifies the best moments to zero these positions. The

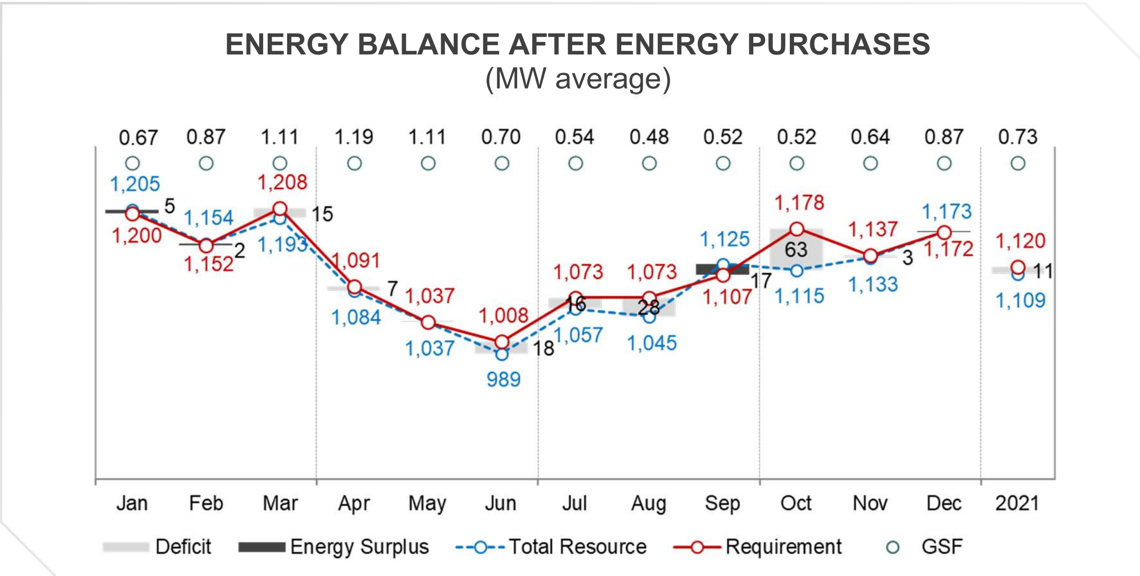
[6] 2020 energy price already consider spot adjustment, as presented in 4Q20 earning release.

financial result of these operations consists of the difference between the acquisition price of this energy, considering a hedge against market volatility, and the energy sale price.

Hydrological Risk Renegotiation Premium in ACR agreements: with the enactment of Federal Law 13,203/2015, a window was opened for generators to renegotiate the hydrological risk of their agreements negotiated in the Regulated Contracting Environment ("ACR"). In practice, this means that the physical guarantee allocated to supply these sale agreements is not exposed to GSF. CESP signed the agreement in 2016 for the 230 MW average of physical guarantee linked to its contracts in ACR and, as consideration, pays a monthly premium of R$13.01/MWh, which was established by ANEEL Resolution 684/2015 and valid until 2028.

Considering the effects of the above-mentioned items, adjusted average energy purchase price was R$216/MWh in 2021, an increase of 29% from 2020 (R$168/MWh).

Below is the result of the Company's energy balance for 2021:



For 2022, the Company has already purchased 100% of the energy needed to equalize the estimated energy deficit by taking advantage of the opportunities in recent years and continues to constantly monitor the GSF risk and future market opportunities for purchasing or selling energy to maintain a competitive average purchase price and avoid exposure to market volatility.

COMMERCIAL STRATEGY

The Company's commercial area is guided by an integrated energy management strategy based on market intelligence, sales to end customers and trading operations.

All operations are carefully analyzed, market and credit risks are monitored with pre-established exposure limits and are covered by guarantees based on the counterparty's profile. The Company's market and credit risk management team reports to the Chief Financial Officer, which ensures autonomy in support for taking business decisions.

SALES TO END CUSTOMERS

Free Market

The Company has been striving to diversify and expand its customer portfolio in order to seize opportunities, mitigate business risks and reduce the carbon footprint of its customers and partners by supplying renewable energy with I-REC certification. In December 2021, CESP reached 1.4 million I-REC sold and 95 end consumers in its portfolio, achieved within just one year after setting up its commercial area in 2021. In 4Q21 alone, more than 40 contracts were signed with new customers.

The contracting strategy for the free energy portfolio is based on two pillars: (i) GSF estimate: part of the physical guarantee is left uncontracted to address the effect of reduction caused by the GSF; and (ii) market intelligence: the remaining physical guarantee for negotiation is contracted strategically over the quarters so that the Company can seize the best commercial opportunities in the market and thereby maximize the average sales price and mitigate portfolio risks.

Contracts in the free market are adjusted for inflation or the U.S. dollar, with some contracts including flexibility clauses, i.e., minimum and maximum limits on seasonally adjusted monthly volumes and on consolidated volume for the year. The energy volume linked to each of these indexers is shown in the energy contracted chart in this section.

Regulated Market

Agreements in the regulated market began in 2009 and 2010 and are valid through 2038 and 2039, with volume of 230 MW average, and are adjusted for inflation.

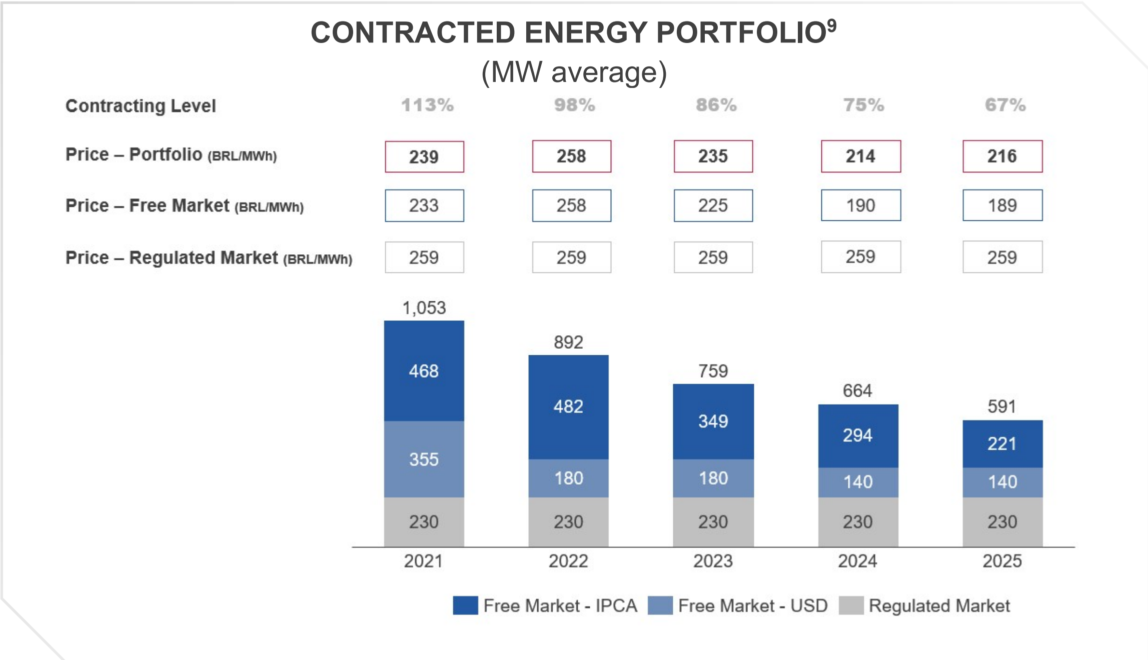
In 4Q21, the average price in the regulated market (distributors) was R$268/MWh, an increase of around 7% from 4Q20 (R$250/MWh), mainly due to contractual adjustment clauses, as detailed below. Note that these agreements incorporate energy seasonality and therefore present variations in quarterly volumes.

Start	End	Volume 4Q21 (MWavg)	Initial gross Price (BRL MWh)[7]	gross Price (BRL/MWh)[8]	2021 Initial gross Price (BRL MWh)
01/01/2009	31/12/2038	83	125	279	269
01/01/2010	31/12/2039	152	116	263	254
Total		**236**	**119**	**268**	**259**

As mentioned in the Energy Balance Management section of this Earnings Release, to mitigate its exposure to hydrological risk, CESP renegotiated, in 2016, a total of 230 MW average contracted through 2028 related to contracts in the regulated market pertaining to the Porto Primavera HPP. As such, this portion of its physical guarantee is hedged against fluctuations in the GSF.

Combined Portfolio

With better inflows at the end of 2021, long-term energy prices declined slightly in relation to the contracts signed in 3Q21. This quarter, our contracted portfolio improved with energy sales in the free market, mainly between 2024 and 2026. For this period, we sold about 90 MW average this quarter at an average price of R$168/MWh.



[7] For the first agreement: base date starting June 29, 2006; For the second agreement: base date starting December 12, 2005.
[8] Prices adjusted by the IPCA index.
[9] Price on base date of December 31, 2021, without inflation adjustment. The total amount of contracted energy differs from that presented in the energy balance, since the energy balance considers the most recent information on the portfolio, while this chart shows the portfolio at end of quarter. As of 4Q21, we started reporting the weighted ACR price of the full year instead of the quarter disclosed, as we did until 3Q21. For 4Q21, the price is R$268/MWh (in relation to R$263/MWh 4Q20).

TRADING

In January 2020, the Company launched through CESP Comercializadora its operations in the energy trading market to further optimize the management of its energy balance, better manage its hydrological and market risks and finetune its commercial strategy by winning new customers, markets and opportunities.

These operations are conducted in the free market and, for accounting measurement purposes, meet the definition of financial instruments at fair value ("MtM"), according to CPC 48. The fair value measurement is obtained using the discounted cash flow model, which considers the internal assumptions for contracted price, market price and discount rate. The result is presented net of recoverable taxes. The Company has future energy contracts with maturities through fiscal year 2027.

FINANCIAL PERFORMANCE

NET REVENUE

Net operating revenue in 4Q21 amounted to R$639 million, an increase of R$138 million (+28%) from R$501 million in 4Q20, mainly due to the following:

- **Trading Operations[10]:** increase of R$95 million due to higher volume (+32%) and the significant increase in average price (R$350/MWh in 4Q21 vs. R$150/MWh in 4Q20) of trading operations conducted by CESP Comercializadora during the period, with revenue of R$139 million in 4Q21, compared to R$43 million in 4Q20. This significant increase in prices reflects the adverse hydrological conditions during the period.
- **Free Market – Bilateral Agreements[10]:** increase of R$36 million, chiefly due to higher sales volume, with revenue of R$461 million in 4Q21 vs. R$425 million in 4Q20.
- **Regulated Market – Energy Auction:** increase of R$10 million due to contractual price adjustments, with revenue of R$140 million in 4Q21 vs. R$130 million in 4Q20.
- **Short-term energy[11]:** increase of R$6 million due to higher energy sales in this market in 4Q21 compared to 4Q20, with total revenue of R$23 million in 4Q21 vs. R$17 million in 4Q20.

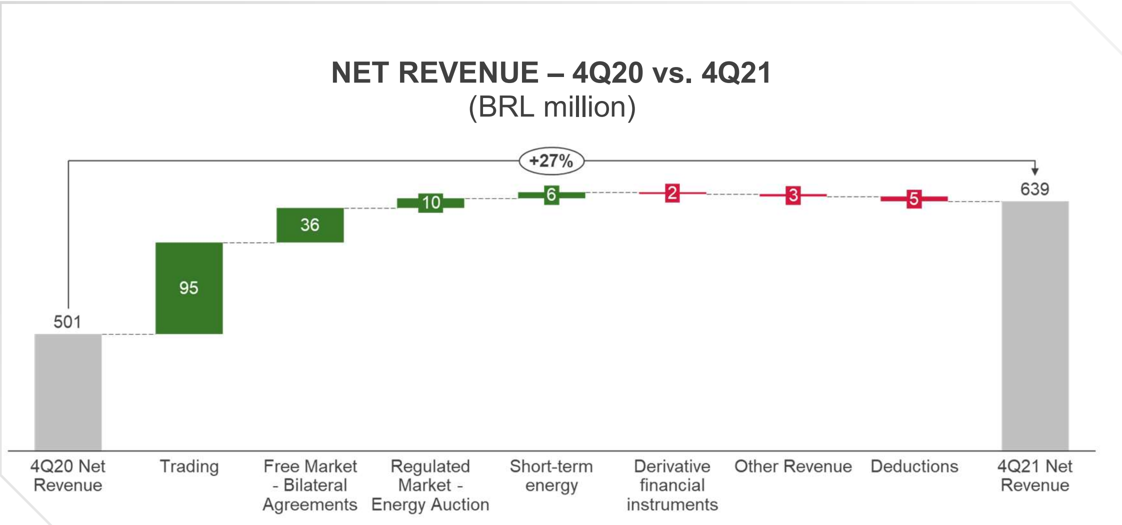
These effects were partially offset by:

[10] Balance restated in 4Q20 for comparison purposes. Revenue from special operation of Jaguari HEP in 2020 was previously reflected in "Bilateral Agreements" and in 4Q20 was reclassified to "Supply of quotas (Jaguari)" line. As such, we present the changes in amounts in said lines in all quarters of 2020.
[11] Includes settlements and financial adjustments in CCEE invoices.

- **Supply of quota system – Jaguari HPP[10]** (Other Revenues): Revenue of R$7 million from Jaguari HPP in 4Q20 for operating the plant from June to December 2020, via the quota system, which did not repeat in 4Q21.

- **Deductions:** increase in expenses of R$5 million, mainly due to higher PIS and COFINS taxes, in line with the growth in operating revenue, with total deductions of R$86 million in 4Q21 vs. R$81 million in 4Q20.

- **Derivative financial instruments[12]:** increase of R$1.7 million in expenses caused by the depreciation of the Brazilian real against the U.S. dollar between the periods, with total expense of R$38 million in 4Q21 vs. R$37 million in 4Q20.



Net operating revenue in 2021 totaled R$2.3 billion, increasing R$376 million (+20%) from R$1.9 billion in 2020, explained mainly by the following:

- **Trading Operations*[13]*:** increase of R$252 million resulting from the higher volume and significant increase in average price (R$249/MWh in 2021 vs. R$156/MWh in 2002) of trading operations conducted by CESP Comercializadora during the period, with revenue of R$364 million in 2021, compared to R$112 million in 2020.

- **Free Market – Bilateral Agreements*[13]*:** increase of R$114 million, caused by the higher average price of agreements (R$230/MWh in 2021 vs. R$215/MWh in 2020), with revenue amounting to R$1.8 billion in 2021 vs. R$1.6 billion in 2020.

- **Regulated Market – Energy Auction:** increase of R$24 million due to contractual price adjustments (R$259/MWh in 2021 vs. R$247/MWh in 2020), with total revenue of R$522 million in 2021 vs. R$498 million in 2020.

[12] Derivative financial instruments used by the Company to hedge against exchange exposure of agreements in the free market, indexed to the U.S. dollar (R$5.1667 on December 31, 2020, vs. R$5,5804 on December 31, 2021). Source: Central Bank of Brazil.

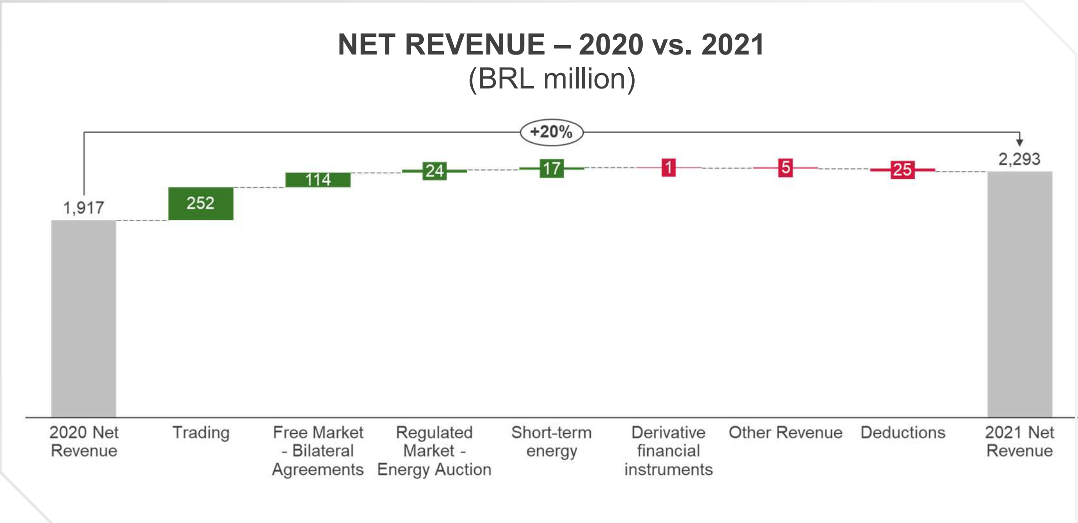
[13] Balance restated in 4Q20 for comparison purposes. Income from supply of quotas (Jaguari) of special operation of Jaguari HPP in 2020, which was previously reflected in "Trading operations" and "Bilateral Agreements" and in 4Q20 was reclassified to "Supply of quotas (Jaguari)" line. As such, we present the changes in amounts in said lines in all quarters of 2020.

- **Short-term energy[14]:** increase of R$17 million resulting from higher energy sales in this market in 2021 compared to 2020, with total revenue of R$72 million in 2021 vs. R$55 million in 2020.

- **Derivative financial instruments[15]**: Reduction of R$1.4 million in expenses due to the slight improvement in settlement results between the forward rate contracted and the market rate (Ptax) between the periods, with total expense of R$115 million in 2021 vs. R$116 million in 2020.

These effects were partially offset by:

- **Deductions:** increase of R$26 million in expenses, mainly due to higher PIS and COFINS taxes, in line with the growth in operating revenue, with total deductions of R$312 million in 2021 vs. R$287 million in 2020.



DERIVATIVE INSTRUMENTS

CESP has power purchase agreements pegged to the U.S. dollar by 2025. To mitigate the foreign exchange exposure arising from these agreements in 2019, the Company implemented a hedge strategy using Non-Deliverable Forwards (“NDFs”) that are booked under hedge accounting. The strategy was designed to protect around 95% of the exchange rate exposure in the period. The following table reflects the position of these derivative instruments on December 31, 2021:

NDFs	Notional (US$ million)	Average forward exchange rate (BRL)	Fair value (BRL million)
2021	11.0	4.36	(12.7)

[14] Includes settlements and financial adjustments in CCEE invoices.
[15] Derivative financial instruments used by the Company to hedge against exchange exposure of agreements in the free market, indexed to the U.S. dollar (R$5.1967 on December 31, 2020, vs. R$5.5805 on December 31, 2021). Source: Central Bank of Brazil.

The fair values of hedge instruments will be recognized under shareholders' equity until the expected transaction occurs or is settled. After effective settlement, gains or losses are recognized under revenue. For more details, see Note 27.5.3 to the financial statements for 2021.

OPERATING COSTS & EXPENSES

Operating costs and expenses totaled R$549 million in 4Q21, compared to R$328 million in 4Q20, increasing R$221 million between the periods, mainly due to:

- **Energy Futures Contracts:** positive effect of R$52 million (revenue of R$17 million in 4Q21 vs. expense of R$35 million in 4Q20), with no cash effect, mainly caused by the volatility of the assumptions used to calculate the mark-to-market adjustments of operations.
- **Provision for Impairment:** The annual update of impairment of fixed assets had a positive effect of R$43 million (reversal of R$51 million in 4Q21 vs. R$8 million in 2020). For more details, see Note 15.3 to the financial statements for 2021.
- **PMSO:**
    - Personnel, Materials and Third-party Services (**PMS**): increase in the expense of R$8 million between the periods (R$55 million in 4Q21 vs. R$46 million in 4Q20) mainly due to the increase of R$13 million in Third-Party Services expenses on account of the increase in consulting services to assist in strategic projects, which was partially offset by the reduction of R$4 million in Personnel expenses due to the additional expense with the Voluntary Separation Program (PDV) in 4Q20 (R$9 million), which did not repeat in 4Q21.
    - Other net expenses and revenues (**O**): reduction of R$13 million due to the return of extemporaneous PIS and COFINS tax credits in 4Q20 and properties amounting to R$3 million in 4Q21.

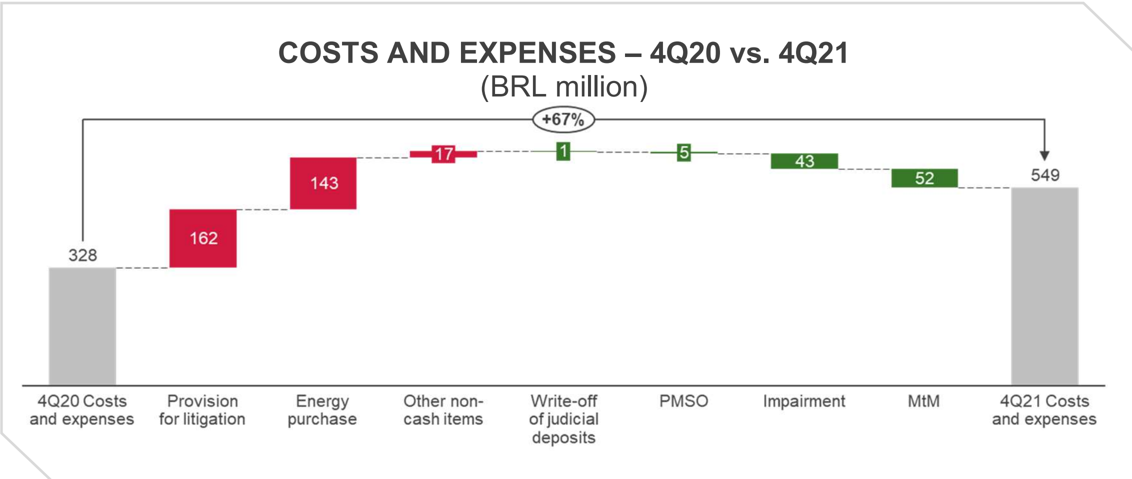
These effects were partially offset by:

- **Reversal of provision for litigation:** Negative impact of R$162 million, due to the recording of a provision amounting to R$25 million in 4Q21, as against the reversal of provision of R$137 million in 4Q20, with no cash effect. For more details on changes in the Company's contingent liabilities in the period, see the Contingencies section of this Earnings Release.
- **Energy purchase costs:** negative impact of R$134 million (R$349 million in 4Q21 vs. R$215 million in 4Q20) explained mainly by:
    - increase of R$102 million in purchases for trading operations in 4Q21 (R$143 million) vs. 4Q20 (R$40 million), due to higher volume and price between the periods; and

- increase of R$38 million in energy purchased to equalize the energy balance in light of the continuing adverse hydrological scenario in the year. The result was an increase in purchase needs (437 MW average in 4Q21 vs. 353 MW average in 4Q20), due to the slight deterioration in GSF (66% in 4Q21 vs. 69% in 4Q20) and in the average purchase price of this energy between the periods (R$253/MWh in 4Q21 vs. R$241/MWh in 4Q20).

- **Sector charges:** increase of R$9 million in electricity network charges (R$49 million in 4Q21 vs. R$40 million in 4Q20), due to the annual adjustment of TUST[16] at the Porto Primavera Plant.

- **Other non-cash effects[17]:** these effects totaled R$123 million in 4Q21 vs. R$106 million in 4Q20, an increase of R$17 million in the expense between the quarters due to the increase in depreciation and amortization, mainly impacted by the extension of concession arising from the renegotiation of hydrological risk at Paraibuna HPP.



Operating costs and expenses totaled an expense of R$973 million in 2021, compared to an expense R$1,105 million in 2020, decreasing R$132 million between the periods, mainly due to:

- **GSF renegotiation:** positive impact of R$782 million (R$533 million net of impairment) due to the approval of calculations for extending the concession periods of the Paraibuna (R$43 million) and Porto Primavera (R$739 million) HPPs.

- **Reversal of provision for litigation:** positive impact of R$159 million, due to the reversal of provisions amounting to R$426 million in 2021 vs. R$267 million in 2020, with no cash effect. In the year, CESP registered a reduction in total probable contingent liabilities after inflation adjustments of R$419 million, closing the period with R$1.3 billion in probable contingent liabilities (vs. R$1.7 billion in 2020).

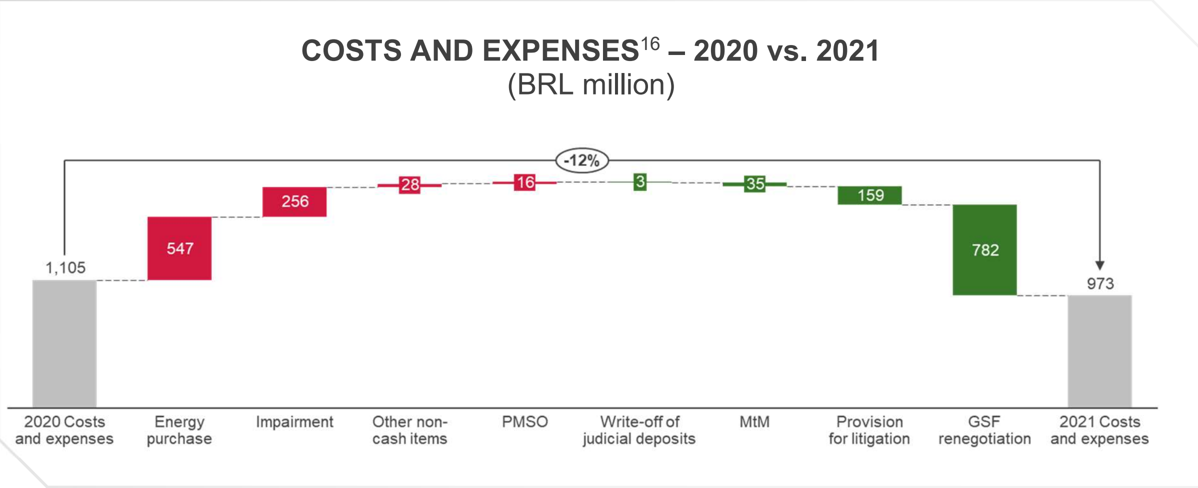
[16] Ratification Resolution 2,896 of July 13, 2021, establishes a fixed increase for 3 years after becoming an independent producer (after privatization). Starting 2022, adjustment will be made by the IPCA
[17] Other non-cash items include depreciation/amortization, provisions for PIS/COFINS for judicial deposits and reversal/provision for social and environmental obligations.

- **Energy Futures Contracts:** positive effect of R$35 million (revenue of R$13 million in 2021 vs. expense of R$21 million in 2020), with no cash effect, mainly caused by the volatility of the assumptions used to calculate the mark-to-market adjustments of operations.

These effects were partially offset by:

- **Energy purchase costs:** negative impact of R$519 million (R$1,122 million in 2021 vs. R$603 million in 2020) explained mainly by:
    - the increase of R$299 million in purchases for trading operations in 2021 (R$383 million) vs. 2020 (R$83 million), due to the higher volume and price in the comparison between the periods; and
    - increase of R$223 million in energy purchased to equalize CESP's energy balance in light of the continuing adverse hydrological scenario in the year. The result was an increase in purchase needs (387 MW average in 2021 vs. 317 MW average in 2020), due to the deterioration in GSF between the periods (73% in 2021 vs. 81% in 2020) affecting the average purchase price of this energy (R$240/MWh in 2021 vs. R$204/MWh in 2020). Note that each 1 p.p. variation in GSF corresponds to energy volume of approximately 7 MW average, which is deducted from the Company's physical guarantee, affecting its capacity to honor energy sale agreements.
- **PMSO:** increase in the expense of R$16 million between the periods (R$157 million in 2021 vs. R$141 million in 2020), mainly due to the increase of R$24 million in Third-Party Services on account of the increase in consulting expenses to assist strategic projects.
- **Other non-cash effects[18]:** these effects totaled R$429 million in 2021 vs. R$401 million in 2020, an increase in the expense of R$28 million between the periods due to the increase in depreciation and amortization, mainly impacted by the extension of concession arising from the renegotiation of hydrological risk.
- **Sector charges:** increase of R$28 million in electricity network charges (R$176 million in 2021 vs. R$149 million in 2020), due to the annual adjustment of TUST.

[18] Other non-cash items include depreciation/amortization, provisions for PIS/COFINS for judicial deposits and reversal/provision for social and environmental obligations.



EBITDA

(R$ mil)	4Q21	4Q20	∆	2021	2020	∆
Net Income	**(52,165)**	**1,595,676**	**-**	**440,827**	**1,728,762**	**-75%**
Net IR/CSLL[19]	(24,828)	(1,593,894)	-98%	264,612	(1,471,964)	-
Financial Result	166,294	170,719	-3%	614,167	555,928	10%
= EBIT	**89,301**	**172,501**	**-48%**	**1,319,606**	**812,726**	**62%**
Depreciation / amortization	114,898	101,682	13%	421,008	397,329	6%
EBITDA	**204,199**	**274,183**	**-26%**	**1,740,614**	**1,210,055**	**44%**
PDV	-	9,037	-	-	14,998	-
Reversal of provision for litigation	24,938	(137,404)	-	(425,693)	(266,644)	60%
Write-off of judicial deposits	15,928	16,478	-3%	60,256	63,284	-5%
GSF renegotiation	-	-	-	(781,974)	-	-
Impairment[20]	(50,932)	(7,589)	-	248,520	(7,589)	-
Adjusted EBITDA	**194,133**	**154,705**	**25%**	**841,723**	**1,014,104**	**-17%**
Adjusted EBITDA margin	30.4%	30.9%	-1 p.p.	36.7%	52.9%	-16 p.p.

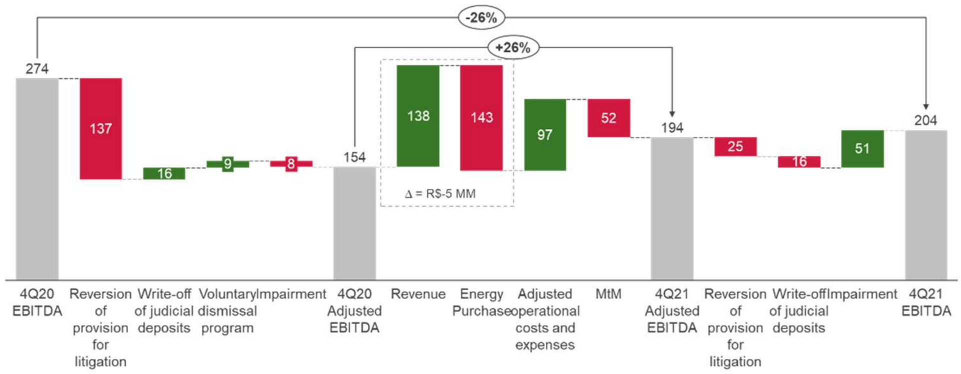
Adjusted EBITDA totaled R$194 million in 4Q21, with margin of 30%, up 25% from the same period in 2020 (R$155 million). The variation in adjusted EBITDA in the quarter is mainly due to the reversal of provisions for litigations, in the amount of R$112 million (recording of provision in the amount of R$25 million in 4Q21 vs. reversal of provision in

[19] 4Q21: Net IR and CSLL resulting from a reversion of R$27 million of current tax and R$260 million of deferred tax affected by GSF renegotiation, of which R$7 million is cash outflow. Change in PMSO considers Voluntary Termination Program (PDV) of R$9.0 million in 4Q20.
[20] In 3Q21, the test update results from the booking of the extension of concession through renegotiation of GSF of plants in August 2021. The accounting standard establishes that whenever there is an indication of impairment, the Company must conduct a new test for adjustment. In 4Q21, the annual update of the impairment test was made, resulting in the adjustment.

the amount of R$137 million in 4Q20), partially offset by the annual review of impairment testing (R$51 million in 4Q21 vs. R$8 million in 4Q20).

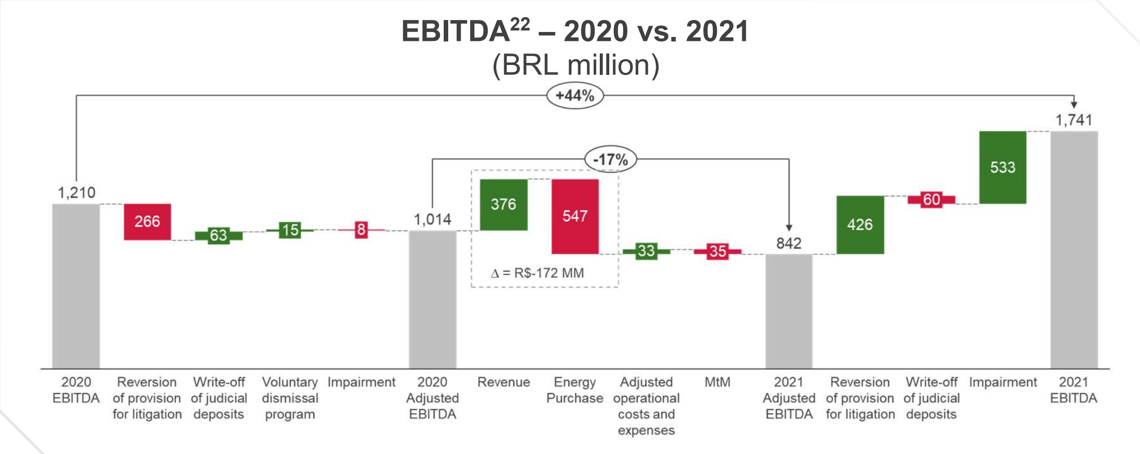
The adjustments made in the period were: (i) recognition of R$51 million related to the reversal of impairment and this effect was partially offset by (ii) the recording of provision for litigations in the amount of R$25 million; and (iii) the write-off of judicial deposits amounting to R$16 million.

EBITDA[21] – 4Q20 vs. 4Q21
(BRL million)



In 2021, adjusted EBITDA totaled R$842 million with margin of 37%, down 17% from 2020, mainly due to the water crisis, which had a negative impact on the Company's operating margin. The variation in adjusted EBITDA is mainly explained by the increase of R$547 million in energy purchase costs on account of the worsening hydrological situation and the increase in the volume of trading operations.

[21] Adjusted Operating Expenses considers total operating expenses less provision for litigation, write-offs of judicial deposits, depreciation, amortization, energy purchases, future energy agreements ("MtM adjustments") and reversal of provision for impairment; Energy purchase considers sector charges.



FINANCIAL INCOME (EXPENSE)

(R$ mil)	4Q21	4Q20	Δ	2021	2020	Δ
Financial revenues	**10,484**	**4,738**	**121%**	**32,528**	**29,742**	**9%**
Financial expenses	**(176,778)**	**(175,457)**	**1%**	**(646,695)**	**(585,670)**	**10%**
Debt charges	(25,376)	(19,288)	32%	(88,424)	(83,840)	5%
Monetary update of debentures	(56,936)	(41,475)	37%	(166,544)	(46,244)	-
Balance update of provision for litigation	(22,109)	(89,314)	-75%	(167,513)	(315,757)	-47%
Balance update of postemployment benefits s	(39,531)	(14,905)	165%	(158,122)	(59,622)	165%
Write-off of judicial deposit	(7,140)	(1,745)	-	(14,929)	(23,652)	-37%
Other finance costs	(25,686)	(8,730)	194%	(51,163)	(56,555)	-10%
Financial revenues	**(166,294)**	**(170,719)**	**-3%**	**(614,167)**	**(555,928)**	**10%**

In 4Q21, the Company registered a net financial expense of R$166 million, compared to a net financial expense of R$171 million in 4Q20. The decrease in the quarterly comparison is mainly due to:

- **Debt charges and inflation adjustment of debentures:** increase of R$22 million due to the rise in the indexers (CDI: 7.58% in 4Q21 vs. 1.90% in 4Q20; IPCA: 10.49% in 4Q21 vs. 4.25% in 4Q20) used to calculate the remuneration and inflation adjustment of the Company's debentures, which resulted in a total expense of R$82 million in 4Q21 vs. R$61 million in 4Q20.
- **Adjustment of post-employment benefit balance:** increase of R$25 million, mainly caused by the adjustment of the balance of actuarial liabilities on the pension plans sponsored by the Company. For more details, see the section "Pension Plan – Vivest"

[22] Adjusted Operating Expenses considers total operating expenses less provision for litigation, write-offs of judicial deposits, depreciation, amortization, energy purchases, renegotiation of GSF net and future energy agreements ("MtM adjustments"). Net GSF renegotiation includes impairment.

in this document, totaling an expense of R$40 million in 4Q21 vs. R$15 million in 4Q20, with these effects partially offset by:

- **Adjustment of the balance of provision for litigation:** decrease of R$67 million, due to the significant reduction in the provision for contingent liabilities between the periods and the drop in the IGP-M index during the period (1.53% in 4Q21 vs. 7.47% in 4Q20) amounting to R$22 million in 4Q21 vs. R$89 million in 4Q20.

INCOME TAX (IR) & SOCIAL CONTRIBUTION (CSLL)

Income tax and social contribution (IR and CSLL) ("taxes") in the year include current and deferred taxes. Taxes are calculated on an accrual basis, pursuant to current law. The Company adopts the annual taxable income system, with payments based on monthly estimates, which could result in a mismatch between the tax calculated and paid, and which is adjusted in the annual IR and CSLL calculations.

Deferred tax assets arising from deductible tax losses and temporary differences were 100% recognized in 4Q20, in accordance with the probability of realization of future income.

The recognition arises mainly from tax loss (negative base), provision for impairment, provision for litigation and provision for assets, made in accordance with the accounting standard. The change is due to the fact that CVM Instruction 371/2002, which limited recognition to 10 years, was revoked in 2020.

Note that all offsets will be made within the concession period of Porto Primavera HPP, according to the Company's expectation of future taxable income. On December 31, 2021, the Company registered R$3.9 billion related to deferred tax assets in its balance sheet.

Net IR and CSLL was R$25 million in 4Q21 and R$265 million in 2021, with the main impact in the quarter being the accrual of deferred IR and CSLL due to the recognition of intangible assets resulting from the GSF renegotiation and the consequent extension of concession periods of the Company's plants, which are calculated based on the total amount reimbursed (R$782 million).

Tax paid in 2021 was R$27 million (cash), but current tax due in 2021 was R$18 million. The R$9 million difference will be reverted into negative IR and CSLL balance, adjusted by the SELIC rate and offset with other federal dues, according to current laws.

Moreover, tax losses may be offset, observing in each reporting period the limit of 30% of taxable income (earnings before taxes - EBT) +/- temporary and permanent adjustments.

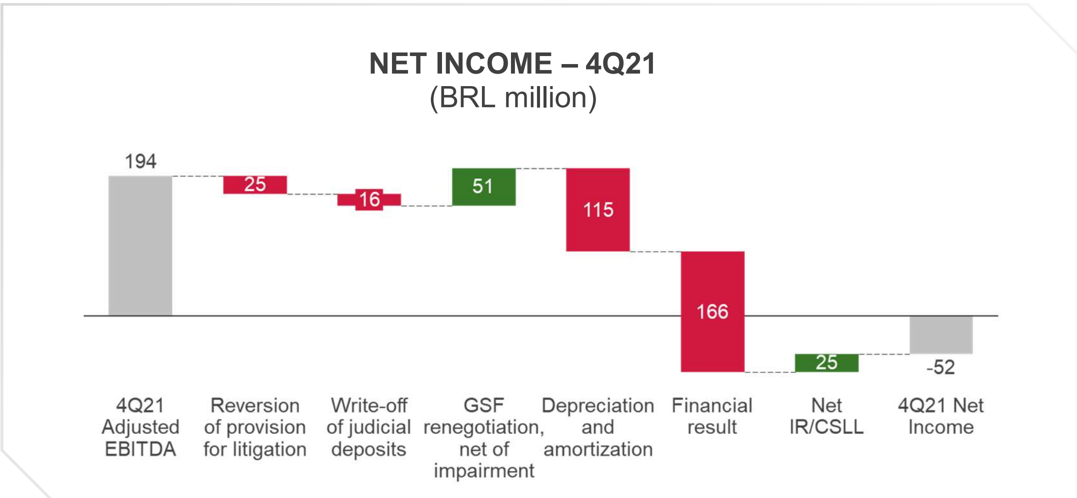
NET RESULT

In 4Q21, the Company posted net loss of R$52 million, as against net income of R$1.6 billion in 4Q20.

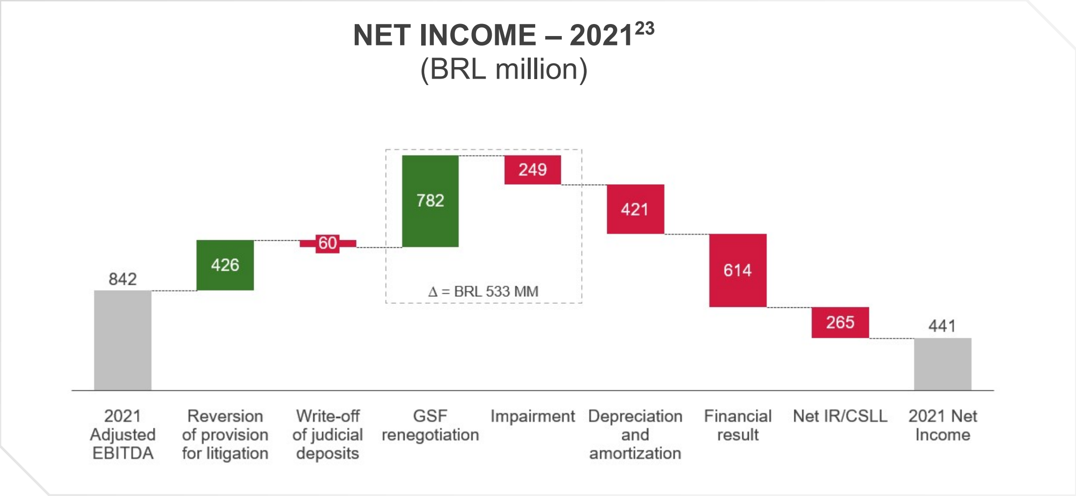
The significant balance in 2020 resulted from the constitution of deferred tax (IR/CSLL) of R$1.6 billion, which includes 100% of the tax loss carryforwards and negative base of previous years, guaranteed by the accounting standard that does not limit the period for realizing deferred taxes. Note that this was possible since the entire deferred IR/CSLL will be realized during the concession period of the Porto Primavera HPP. This recording was due to the cancellation of ICVM 371/2002, which limited the period for realizing deferred tax assets to 10 years based on expected generation of future taxable income.

Other important effects on the 4Q20 results were higher energy purchase during the period due to the hydrological situation, the negative impact of reversal of provision for litigation in 4Q20 and which did not repeat this quarter and higher financial expense mainly due to the adjustment of actuarial liability of pension plans sponsored by the Company.

The following chart shows the main factors that influenced the net loss in the quarter, based on adjusted EBITDA in the period:

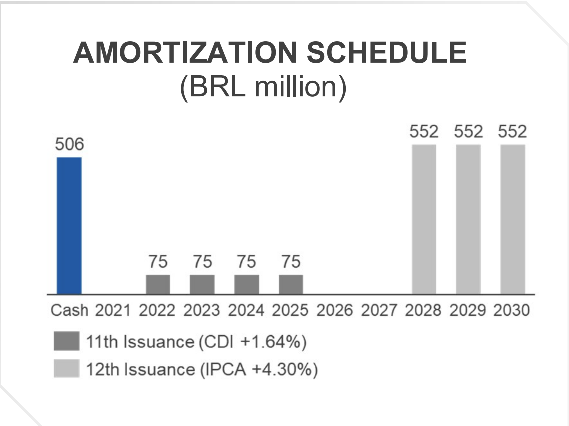


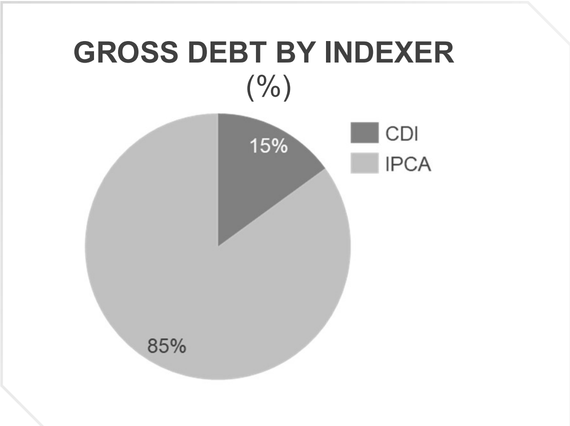
In the year, the company posted net income of R$441 million, compared to R$1.7 billion in 2020. The following chart shows the main factors that influenced the net income in the year, based on adjusted EBITDA in the period:



DEBT

Gross debt on December 31, 2021, stood at R$2 billion, while the average maturity of consolidated debt was 6.9 years.



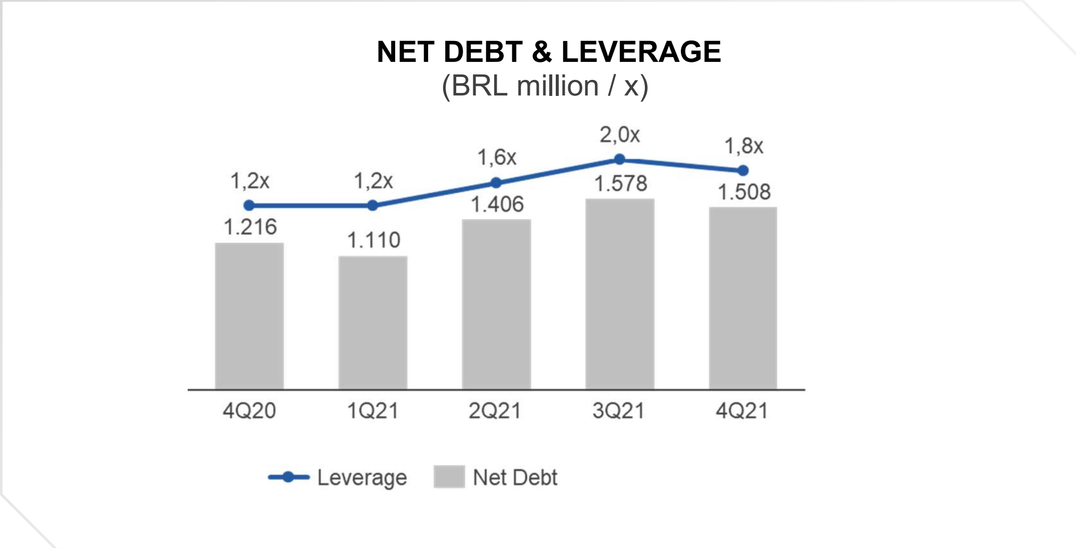


Cash and cash equivalents ended the quarter at R$506 million, as against R$713 million in the same period last year. Net debt on December 31, 2021, was R$1.5 billion.

LEVERAGE

Leverage, as measured by the ratio of net debt to adjusted EBITDA, ended 4Q21 at 1.8x, reflecting the effect of the adverse water scenario on adjusted EBITDA and the concentration of payment of partial dividends for 2020 to 2021 in the last 12 months.

[23] Net GSF renegotiation considers impairment (R$299.5 million recognized in 3Q21 and -R$51 million in 4Q21)



RATING

	Rating	Outlook	Revisão
Fitch Ratings	BB | AAA (br)	Negativo | Estável	Jul/21
STANDARD & POOR'S	BB- | br.AAA	Estável	Mai/21

CAPEX

Capex was R$3 million in 4Q21 and R$8 million in 2021, and mainly went to the modernization and maintenance of hydroelectric plants. The increase in Capex between the periods is due to the company's prioritization actions to mitigate the financial effects of the hydric crisis on its results.

FREE CASH FLOW

(R$ mil)	4Q21	4Q20	∆	2021	2020	∆
Adjusted EBITDA	194,133	154,705	25%	841,723	1,014,104	-17%
Cash IR/CSLL[24]	-	(17,035)	-	(43,033)	(72,546)	-41%
Working capital [25]	1,158	(26,654)	-	70,526	(114,213)	-162%
CAPEX	(3,377)	(5,535)	-39%	(7,742)	(15,628)	-50%
Operating cash flow	**191,914**	**105,481**	**82%**	**861,474**	**811,717**	**6%**
Debt service	(11,166)	(5,497)	103%	(83,627)	(63,092)	33%
Operating cash flow after debt service	**180,748**	**99,984**	**81%**	**777,847**	**748,625**	**4%**
Payment of litigation [26]	(72,228)	(62,736)	15%	(147,770)	(120,718)	22%
Funding	-	-	-	-	1,450,167	-100%
Amortization	-	-	-	-	(1,500,033)	(1)
Share Buyback – end of ADR program	-	-	-	(3,332)	-	-
Dividends	(3)	(196,457)	- ,	(834,147)	(606,101)	38%
Free cash flow	**108,517**	**(159,209)**	**-**	**(207,402)**	**(28,060)**	**639%**
Initial cash balance	397,465	872,593	-54%	713,384	741,444	-4%
Final cash balance	505,982	713,384	-29%	505,982	713,384	-29%

The Company ended 4Q21 with R$181 million of operational cash flow after debt service, which represents a cash conversion cycle[27] of 93%.

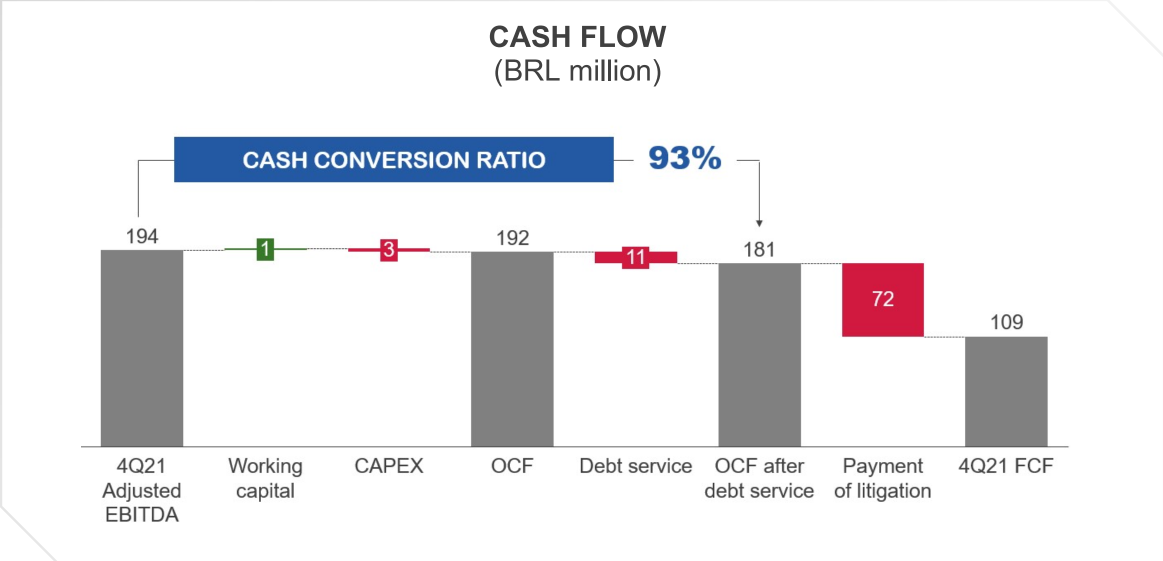
The change in operational cash flow between the quarters was mainly due to:

- **Working capital**: Increase of R$28 million (reversal of R$1 million in 4Q21 vs. - cash outflow of R$27 million in 4Q20) explained mainly by:
  i. Reduction of R$52 million in the MtM operation line (income of R$17 million in 4Q21 vs. expense of R$35 million in 4Q20);
  ii. Payment of PIS/COFINS concentrated in 4Q20 (R$20 million) due to the COVID-19 pandemic; and
  iii. Regularization of the balance of energy dues with CCEE[28].

[24] 1Q21 includes R$16 million in withholding income tax on the distribution of interest on equity.
[25] Balance disclosed in 4Q20 restated for comparison purposes resulting in the reclassification of balances between "Working capital" and "Litigation payments".
[26] Represents the sum of payments of litigation and court agreements, which was restated in 4Q20 for comparison purposes.
[27] Cash conversion Ratio = OCF after debt service/Adjusted EBITDA.
[28] Reflecting the judgment on the Mariana disaster (Risoleta Neves HPP), with the outcome being favorable to the reimbursement to the system, including CESP.

- **Cash IR/CSLL:** Reduction of R$17 million due to the advance payment of IR/CS in the first three quarters of 2021 and payment of the litigation agreement in 4Q21, with no need for payment in the last quarter of the year.

Free cash flow at the end of December 2021 was a positive R$109 million, resulting from the above-mentioned points and the increase in litigation payments.



RETIREMENT PLAN (VIVEST)

OVERVIEW OF PLANS

The Company sponsors retirement plans for its current and former employees and the respective beneficiaries in order to complement the benefits provided by the official social security system. VIVEST is the organization responsible for managing the retirement plans sponsored by CESP.

The benefit plans are of two types:

(i) Defined Contribution ("DC")

- Status: Active
- History: Created in February 2020
- Participants: 199
- Update of plan amount: None – the benefit amount is fixed (derives from the individual balance accrued by the participant). The Company and its active beneficiaries make fixed contributions to VIVEST, forming an Individual Mathematical Reserve (IMR) per participant. These contributions have a monthly yield that is also added to the respective IMR. Upon retiring, participants will receive a monthly benefit in the form of financial income, in accordance with their IMR and the payment method defined by them until this reserve is depleted.

- Responsibility for actuarial insufficiency (deficit): there is no actuarial deficit since the benefit is fixed
- Plan balance (12/31/2020): plan in equilibrium, with no actuarial surplus or deficit in the period
- Plan balance (12/31/2021): plan in equilibrium, with no actuarial surplus or deficit in the period

(ii) Supplementary Retirement and Pension Plan ("SRPP")

SRPP is a hybrid plan consisting of three subplans, described below. The main actuarial risks are: discount rate, longevity higher than established in mortality tables and return on equity (asset) below the actuarial target.

a. Supplementary Proportional Settled Benefit Plan ("SPSBP"):

- Status: Settled[29] on 12/31/1997
- History: The result of negotiations between the Sao Paulo State Government (former controlling shareholder) and trade unions to enable the privatization of energy companies in 1997. Only beneficiaries who joined the plan up to that date
- Participants:

Type of beneficiary	Number
Active beneficiaries	94
Retired beneficiaries	4,465
Pension beneficiaries	1,208
Affiliates	71
Self-Sponsored	57
Total	**5,895**

- Update of plan amount: A fixed income benefit amount was established for the lifetime of employees upon retirement, adjusted annually based on IGP-DI (the indexer established in the Plan's regulations) plus an annual actuarial target
- Responsibility for actuarial insufficiency (deficit): sponsor is fully responsible (CESP)
- Plan balance (12/31/2020): Deficit of R$888 million (PREVIC methodology) and R$2,151 million (CPC33 methodology)
- Plan balance (12/31/2021): Deficit of R$1,686 million (PREVIC methodology) and R$1,645 million (CPC33 methodology)

[29] Settlement of plan is the process of interrupting the accrual of benefits in the plan, guaranteeing to the participants a benefit proportional to their accrued rights under the plan until the last day of the month of the approval of the process by Previc.

b. Defined Benefit Plan (“DB”); and
c. Variable Contribution Plan (“VC”)

- Status: Settled[30] on 8/31/2021
- History: Settled in August after approval of the Migration Plan. To start the migration process from SRPP to DC, the Company also proposed the settlement of plans. Both the migration and settlement plans were approved by competent governance and regulatory bodies, namely the Investment and Pension Management Committee of CESP’s SRPP plan and DC plan, VIVEST’s PSAP and DC Plan of CESP, the Board of VIVEST and PREVIC
- Participants:

Type of beneficiary	DB (Number)	DC (Number)
Active beneficiaries	95	88
Retired beneficiaries	2,010	1,071
Pension beneficiaries	227	83
Affiliates	68	59
Self-Sponsored	57	57
Total	**2,457**	**1,358**

- Update of plan amount: A fixed income benefit amount was established for the lifetime of employees upon retirement, adjusted annually based on IGP-DI (the indexer established in the Plan’s regulations) plus an annual actuarial target
- Responsibility for actuarial insufficiency (deficit): responsibility shared between the sponsor (CESP) and the beneficiaries. The Company is responsible for 50% of the deficit of active beneficiaries, resulting in an average of 15% on the total plan deficit.
- Plan balance (12/31/2020):
  - DB – Surplus of R$34 million (PREVIC methodology) and R$184 million (CPC33 methodology)
  - VC – Deficit of R$34 million (PREVIC methodology) and R$78 million (CPC33 methodology)
- Plan balance (12/31/2021):
  - DB – Deficit of R$106 million (PREVIC methodology) and R$96 million (CPC33 methodology)
  - VC – Deficit of R$35 million (PREVIC methodology) and R$45 million (CPC33 methodology)

[30] Settlement of plan is the process of interrupting the accrual of benefits in the plan, guaranteeing to the participants a benefit proportional to their accrued rights under the plan until the last day of the month of the approval of the process by Previc.

CALCULATION OF ACTUARIAL COMMITMENTS (METHODOLOGIES)

The accounting policy of pension funds in Brazil is based on two methodologies, which will be detailed below. The table below presents a summary of methodologies:

	CPC33	PREVIC
Methodology to define the **Asset**	Fair value of assets that considers marked-to-market assets	Fair value of assets that considers marked-to-market assets
Methodology to define the **discount rate**	Long-term bond (NTN-B) on December 31	Corridor established by PREVIC ordinance[31]

CPC33 Methodology

The amounts of actuarial commitments related to the SRPP plans are calculated annually by an independent actuary with a baseline date that coincides with the end of the year and are recorded pursuant to CPC 33, which defines the methodology for booking employee benefits.

We present below the impact of deficit calculation on our results:

a) Actuarial surplus/(deficit) (impact: **Balance Sheet and Shareholders' Equity**)

a.1) Non-current Liabilities

Net assets/(liabilities) for subplans under PSAP, where:

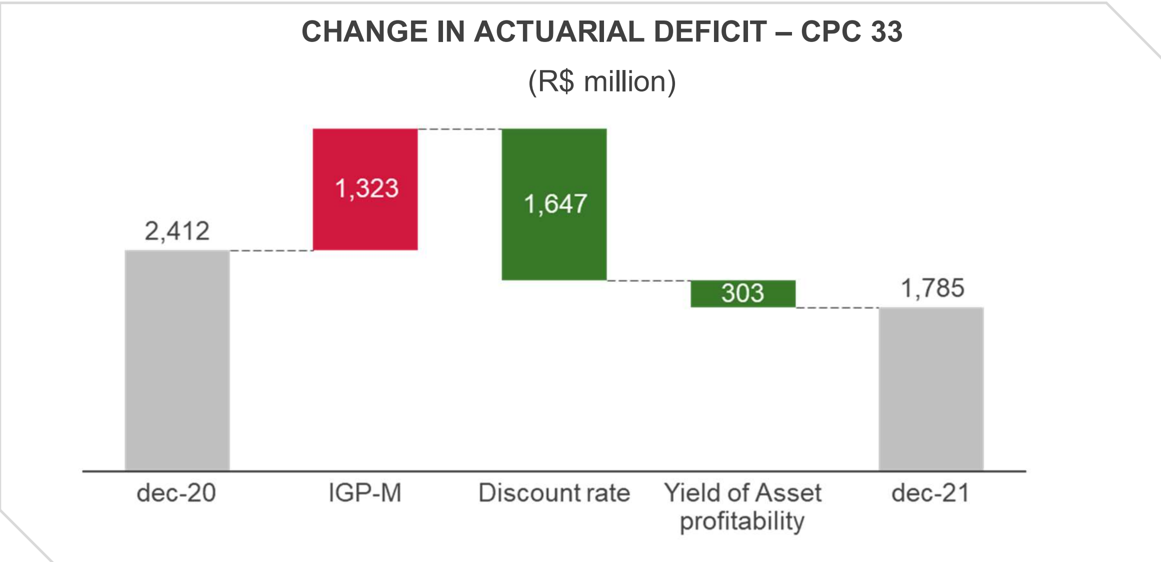
- The liability is the present value of future flow of benefit payments updated by the indexer established in the plan regulations on the date of the financial statements; and
- The asset reflects the fair value of assets of marked-to-market plans on the date of the financial statements.

[31] 12/31/2020: PREVIC Ordinance 337/2020; 12/31/2021: PREVIC Ordinance 228/2021

(R$ '000, except where indicated)	Period ended December 31	
	2021	2020
Present value of obligations	(7,897,265)	(8,449,398)
Fair value of assets	6,111,767	6,037,019
Deficit	**(1,785,499)**	**(2,412,379)**
Actual discount rate[32]	5.21%	3.26%
Nominal discount rate[33]	8.68%	6.56%
Average yield of portfolio (VIVEST asset)	12.358%	11.765%
Amount is shown net in the Post-employment Benefits line under Non-Current Liabilities.		

a.2) Other non-comprehensive income (loss)

In 2021, the effects of inflation, interest on liabilities and actuarial target had an impact on the accounting fair value. Liability projections were impacted by inflation (IGP-DI decoupling) and partially offset by the positive effect from the increase in the discount rate of the liability (NTN-B rate).



Actuarial gains and losses are recorded directly under shareholders' equity in Other Comprehensive Income. These actuarial gains and losses are calculated at the end of

[32] The discount rate to be used to measure the retirement benefit obligations must be defined based on business practices in the financial markets for prime securities. Due to the lack of a bond with this profile, long-term public bonds pegged to inflation are established as the basis, specifically NTN-Bs that are linked to the IPCA inflation index. The rate used is that on the evaluation date (12/31), in line with the average term of the plans calculated. For the period of 12/31/2021, the average term calculated was 10.30 years and, hence, the NTN-B with the closest duration (9.47 years) was used.
[33] The nominal discount rate reflects the long-term inflation assumption estimated by the independent actuary, which was 3.25% on 12/31/2021 and 3.30% on 12/31/2020.

each year based on the independent actuary's report, namely: movements in plans, including routine anticipated settlements and changes in assumptions.

In short, it is the record of the difference between deficits in each period.

(R$ '000, except where indicated)	Period ended December 31	
	2021	2020
IGP-M	1,164,039	1,772,244
Discount rate	(1,651,435)	43,144
Yield of Asset profitability	(299,686)	(297,807)
Impact on Other Comprehensive Income – change in deficit	**(787,082)**	**1,517,581**
Other comprehensive income is consolidated in Equity Valuation Adjustment, under Shareholders' Equity		

b) Defined cost-benefit (impact: **Income Statement**)

Also, according to CPC33, the independent actuary annually calculates and presents an estimate of the cost-benefit defined for the following fiscal year based on assumptions established for the discount rate, rate of inflation, salary increase, increase in benefits granted and increase in deferred benefits.

(R$, except indicated)	Period ended December 31		Impact on Profit or Loss
	2021	2020	
Cost-benefit	158,121,732	59,622,214	Financial Result
Cost of Service	3,612,799	(488,622)	Operating Costs and Expenses
Result	**161,734,531**	**59,133,592**	
The amount is recognized in profit or loss (Income Statement), under financial expenses, in equal monthly installments starting from the first month of the subsequent year.			
In the financial statements, the name used for Cost-Benefit is in the note to the Financial result: Update of post-employment benefits and in the note to Post-employment benefits is Cost of interest on net obligation of expected yield on the plan's assets. Deficit on 12/31/2019 affected the annual results in 2020 and the deficit on 12/31/2020 affected the results in 2021. The deficit shown here for 2021 (R$162 million) will affect the results in 2022 in four linear installments.			

PREVIC Methodology

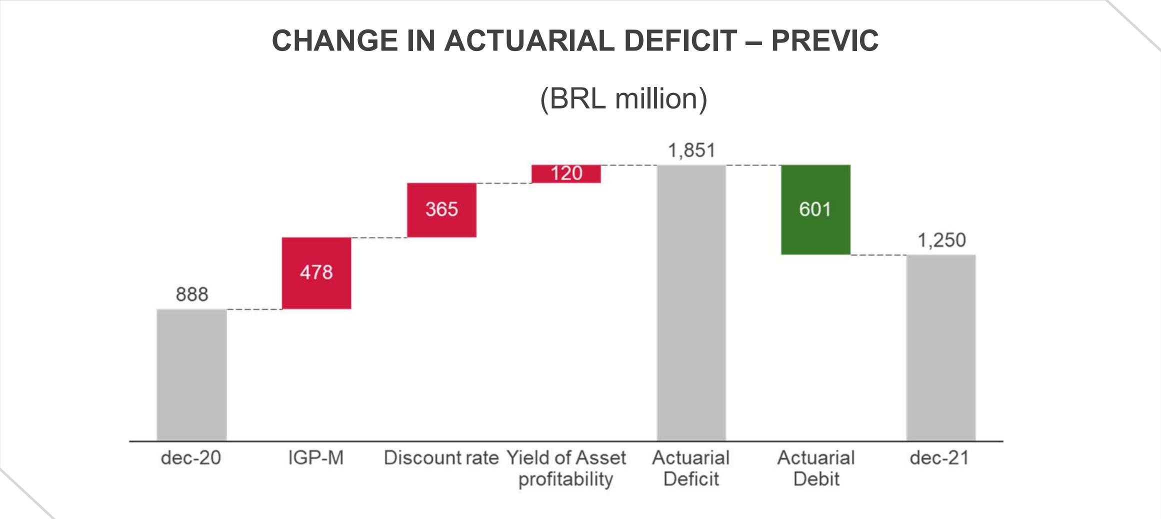
In parallel with the accounting valuation, the actuarial commitments related to the SRPP plan are calculated by VIVEST using the methodology defined by PREVIC. This methodology differs from CPC 33 mainly due to the discount rate.

a) Actuarial surplus/(deficit) calculation (impact: **there is no immediate impact on the result, only the equalization plan**)

The methodology used by PREVIC is used to calculate the actuarial position and, therefore, defines the need for contributions (cash outflows) by CESP over time if deficits are registered.

(R$ '000, except where indicated)	Period ended December 31	
	2021	2020
Present value of obligations	(8,045,154)	(7,181,395)
Fair value of assets	6,795,699	6,292,928
Surplus/(deficit) calculated	**1,851,822**	**888,467**
Actual discount rate[34]	4.88%	4.84%
Nominal discount rate[35]	8.13%	8.14%
Portfolio yield (VIVEST asset)	8.13%	14.73%
IGP-DI	17.74%	23.08%

If a technical deficit is calculated, in accordance with Resolution 30/2018 issued by the National Private Pension Council (CNPC), the Company needs to submit an equalization plan to be approved by the Board of VIVEST by December 31 of the subsequent year. More details are presented below.



b) Equalization Plan

Equalization of the deficit calculated in the actuarial valuation by PREVIC is made independently manner among the subplans, each of which applies the provisions of CNPC Resolution 30/2018.

[34] The discount rate to be used to measure the retirement benefit obligations must be defined based on PREVIC Ordinance 228/2021. The discount rate for the year will be the new actuarial target for the subsequent year, that is, 4.84% will be the actuarial target for 2021, affecting the update of benefits granted for the year, and 4.88% will be the actuarial target in effect for 2022.

[35] The nominal discount rate reflects the long-term inflation assumption estimated by the independent actuary, which was 3.25% on 12/31/2021 and 3.30% on 12/31/2020.

b.1) Schedule

	Year	Action
31/12	Y0	Annual deficit recalculation
Until Dec. 31	Y+1	Preparation and approval of equalization plan for deficit registered in A0
As of January,	Y+2	Start of schedule for disbursement of plan approved

b.2) Balance to be equalized (impact: **there is no immediate impact on the result, only the equalization plan**)

Note that not all deficits must be necessarily equalized.

The amount to be equalized refers to balance exceeding the technical corridor, as detailed below:

(R$ '000)	SPSBP		DB		DC		Total	
	Dec/21	Dec/20	Dec/21	Dec/20	Dec/21	Dec/20	Dec/21	Dec/20
Previc Surplus/(Deficit) (A)	**(1,686,303)**	**(888,040)**	**(106,409)**	**34,059**	**(35,200)**	**(34,485)**	**(1,851,822)**	**(888,466)**
Plan Surplus/(Deficit)	*(1,107,575)*	*(888,040)*	*(106,409)*	*34,059*	*(11,290)*	*(34,485)*	*(1,249,184)*	*(888,466)*
Operations Contracted	*(578,728)*	-	-	-	*(23,910)*	-	*(602,638)*	-
Actuarial Corridor (B)	**331,539**	**309,312**	**77,475**	**-**	**11,635**	**10,575**	**420,649**	**319,887**
Contingency Reserve (C)	**-**	**-**	**-**	**(34,059)**	**-**	**-**	**-**	**(34,059)**
Balance to Equalize (A-B-C)	**(1,354,764)**	**(578,728)**	**(28,934)**	**-**	**(23,565)**	**(23,910)**	**(1,431,173)**	**(602,638)**
Duration (years)	8.89	9.11	11.17	11.7	11.56	11.45	9.25	9.51
Adjustment Rate (%)	IGP-DI + 4.84%							

Where:

- Plan Surplus/(Deficit): annual update of actuarial commitments related to the SRPP plan, calculated by VIVEST using the Previc methodology
- Operations contracted: equalization balance contracted in prior years
- Actuarial corridor: defined in accordance with article 29 of CNPC Resolution 30/2018 calculated as follows: $1\% \times (duration - 4) \times Mathematical\ Provision$[36]
- Contingency reserve: surplus balance recognized in the period

[36] NPV of retirement benefits to be granted, brought at present value by the actuarial target.

Duration: period of each of the plans. To obtain the payment period of the equalization plan: $Duration \times 1.5$

- Adjustment Rate: Applied from the start of payment schedule of the plan approved

All assumptions of the equalization plan are reviewed annually and updated.

b.3) Equalization plan (impact: **Cash and Balance Sheet)**

The impact on cash flow (cash outflow) and balance sheet (reduction in "post-employment benefits" line under non-current liabilities) occurs 12 months after the deficit calculation (e.g.: deficit calculated on 12/31/2020 starts to affect the result on 1/1/2022), over the duration of the equalization plan. Payment is made monthly

MEASURES TO CONTAIN THE DEFICIT

As previously informed, the SRPP Plan is a defined benefit plan with income for the lifetime. The benefit paid to participants is updated annually by an index in order to guarantee their purchasing power at the moment the benefit is granted. According to SRPP regulations, the index used to update this benefit is IGP-DI.

There is a lack of assets pegged to the IGP in the market in an amount compatible with the plan's needs, which makes it difficult to manage investments in accordance with the policies established, in addition to risks of mismatch between the assets and liabilities of the plan.

Hence, to hedge against the increase in deficit, the Company is working on two fronts. These are:

(i) Voluntary Migration Plan

Creation and approval of plan

In June 2020, the Board of Directors of CESP approved a voluntary migration plan for the beneficiaries of the SRPP plan. With different benefits linked to the project, the migration aims to transfer beneficiaries adhering to a new defined contribution plan, whose practices are similar to current market practices, and guarantees greater isonomy between the parties.

In August 2021, PREVIC approved the migration plan, after which CESP started calculating the Individual Mathematical Reserves of beneficiaries and the period for joining the plan began, initially expected to be concluded in February 2022.

Current status

In December 2021, the Union of Electricity Sector Workers of Campinas, Adecon Institute, Union of Engineers of the São Paulo State and the Union of Employees in Electricity Generation, Transmission and Distribution in the City of Bauru/São Paulo State, filed a lawsuit (case No. 1139986-11.2021.8.26.0100) to suspend the voluntary migration process of beneficiaries.

In January 2022, a provisory decision (interlocutory relief) suspended the voluntary migration process but was partially revoked by the São Paulo State Court of Appeals based on an appeal filed by CESP.

With this, the beneficiaries who joined the voluntary migration did so until March 24, 2022, and these represent 1,211 migrations, corresponding to 17.6% of the total actuarial liabilities totaling R$ 1.4 billion of RMI, however the migration remains suspended until a decision by the full appellate court on the subject, which is expected in April 2022.

Impact on the Company's results

Once approved, the deficit (in proportion to the balance migrated) becomes a financial debt and ceases to be an actuarial deficit. Hence, the migration plan has the following impacts on the Company's results:

- Balance Sheet: reduction in the migrated portion of the Balance Sheet, in the "Post-employments benefit" line under Non-current liabilities;

- Cash: cash outflow, and the Company may choose to prepay the deficit transferred or repay the new debt in up to 1.5 times the duration of the migrated portion of the plan, in the migration amount, if the Company chooses this option; and

- Income Statement: for the migrated portion, the difference between the Previc methodology and the CPC 33 methodology is recognized in Operating Expenses.

(ii) Change of Plan Adjustment Indexer

On March 30, 2021, CNPC disclosed Resolution 40, establishing that the criterion to update the pension plans can be changed, including for benefits granted, after:

- Broad disclosure to participants and assisted persons at least 180 days in advance before the submission of the proposal to the competent body of the Closed Complementary Pension Entity (EFPC);
- Approval from competent body of the EFPC; and
- Authorization from the oversight body.

The resolution also brought an important advance in its technical framework by establishing that the price index must:

- Adequately reflect the variation in the prices of products and services consumed by the population;
- Be used nationwide and widely disseminated; and
- Be compatible with the purpose of maintaining the economic and financial balance between assets and liabilities of the benefit plans.

VIVEST has already expressed the need to change the adjustment index, based on an actuarial report, with broad disclosure to participants and beneficiaries, and the 180-day period determined by CNPC Resolution 40 ended in December .

To change the benefit adjustment index, the Management Committee of Investments and Pension of the SRPP and DC Plans of CESP and the Board of VIVEST must grant approval. However, these bodies are barred from voting on this decision due to the injunction currently in force on a lawsuit filed by the Campinas Electricity Workers Union against the Federal Government against the effects of paragraph 2, article 4 of CNPC Resolution 40/21, with an express request that the "criteria (indexes) established for benefits paid to retirees and for those who are already entitled to retirement but are still active, are not changed".

CESP became aware of the case, despite not being a party in the lawsuit, and is studying options and appropriate measures to challenge this precarious preliminary injunction, considering that the jurisprudence on the subject goes against the arguments used by the plaintiffs and duly accepted in the decision in force.

GOVERNANCE BODIES

CESP (Companhia Energética de São Paulo): Sponsor;

CNPC (National Private Pension Council): Responsible for regulating the supplementary pension scheme operated by closed supplementary pension entities (pension funds);

PREVIC (National Supplementary Pension Superintendent): Responsible for regulating pension plans in Brazil; and

VIVEST (former FUNCESP): Responsible for managing the benefit plans sponsored by the Company.

CONTINGENCIES

LAWSUITS AGAINST THE COMPANY

The Company is currently a party to lawsuits that represent a total contingent liability of approximately R$8.4 billion. In this context, the Company has an efficient team to manage this litigation liability and has hired external legal and financial advisors to assist its team.

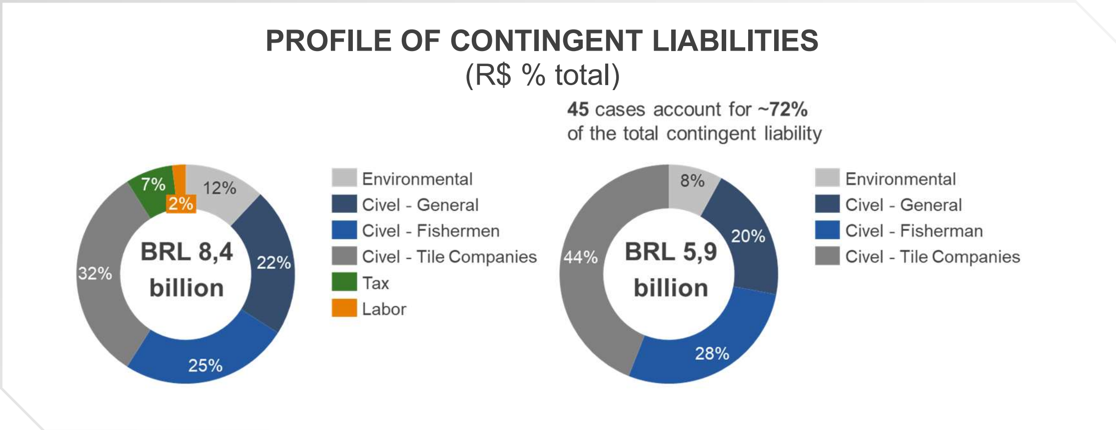
Given the significant volume of litigation liabilities currently booked by the Company, not only the amounts in litigation but also the projected losses applicable to existing lawsuits are constantly reviewed. In addition, as part of its constant efforts to optimize its management and reduce the amount of its legal liabilities, the Company also continues to meticulously prioritize certain lawsuits as "strategic", which are then directly monitored by it and handled by highly reputable and qualified law firms. The remaining litigation portfolio also is given high importance.

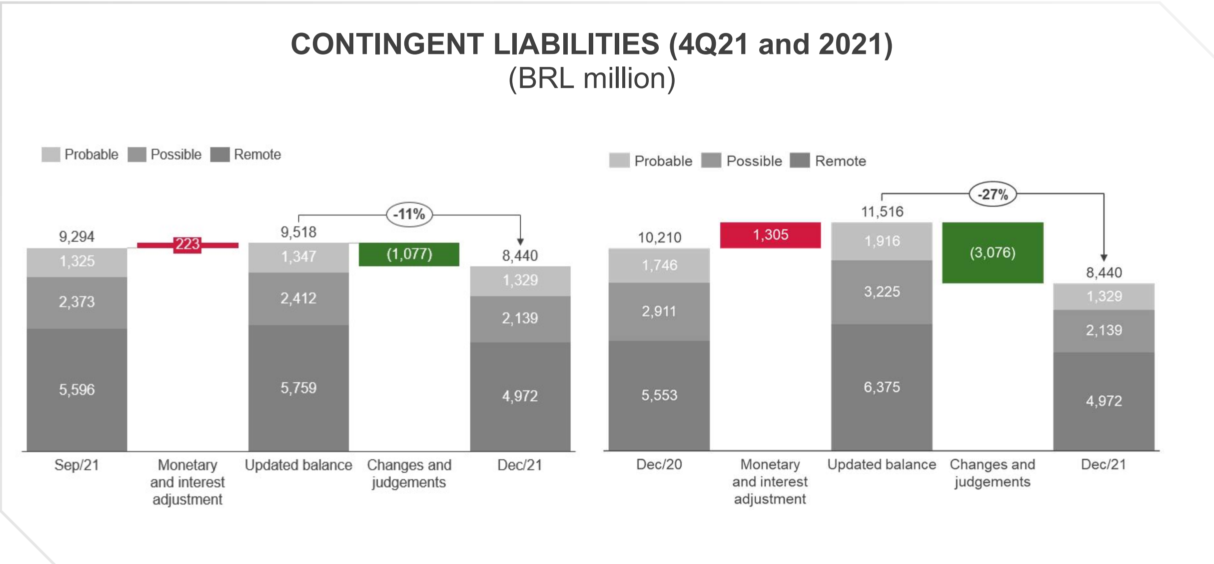
The Company reiterates that the litigation liability amount is subject to constant changes precisely because its measurement is linked to actual progress on the lawsuits. Accordingly, as corporate policy, the Company seeks to reflect in its balance sheet, with the minimum mismatch possible, the current status of its liabilities portfolio (which explains the quarterly variations in the amounts reported in this item).

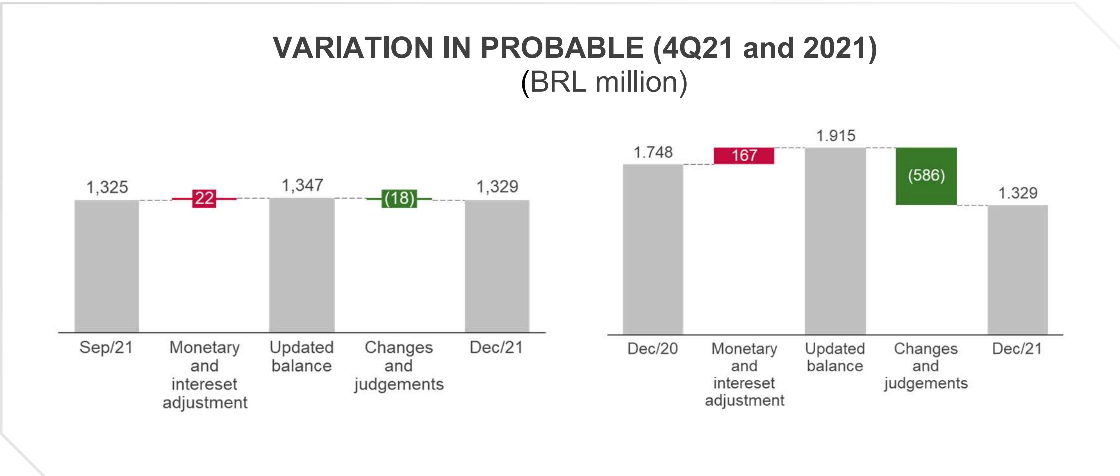
For contingencies arising from lawsuits whose likelihood of loss is considered remote, as already reported in prior quarters, the Company still opts to maintain the historically adopted practice in the preparation of its Financial Statements, disclosing the total amount corresponding to this type of contingency. However, although the Company believes that the reporting of such amounts is appropriate at this time, it also reiterates that the various lawsuits assessed as posing remote risk include obviously groundless claims, whose amount in dispute does not, under any circumstances, represent the financial amount effectively in dispute and that would come due in the event of an adverse court decision.

Lastly, without prejudice to the constant efforts to reduce its litigation liabilities, the Company transparently states that the performance of this process could be adversely affected by any new claims that come to be made or by adjustments to the value of the lawsuits already in its portfolio. In this scenario, the strategy to reduce judicial liabilities continues to include technical and procedural actions as well as preventive actions to reduce the number of lawsuits filed against the Company.

Currently, the strategic lawsuits group contains about 45 lawsuits, which correspond to approximately 70% of the Company's litigation liabilities, as detailed below:







The variation, before inflation adjustment and interest, from the end of the previous quarter, in total litigation was over R$1 billion and in probable litigation was R$18 million. The quarterly highlight was the settlements made on civil lawsuits for indemnification.

When comparing the contingent liability portfolio with amounts at the end of 2020, the Company registered a decline, before inflation adjustment and interest, of R$3.1 billion in total contingent liability and R$586 million in probable contingent liability, corroborating our strategy for dismantling the Company's total contingent liability. The reduction in the year is due to court settlements and favorable decisions in the period and the revised estimates based on the progress of the cases.

CESP remains alert to opportunities for attractive and reasonable negotiations and settlements to reduce its contingent liabilities, always guided by technical criteria and financial discipline.

TRÊS IRMÃOS LAWSUIT

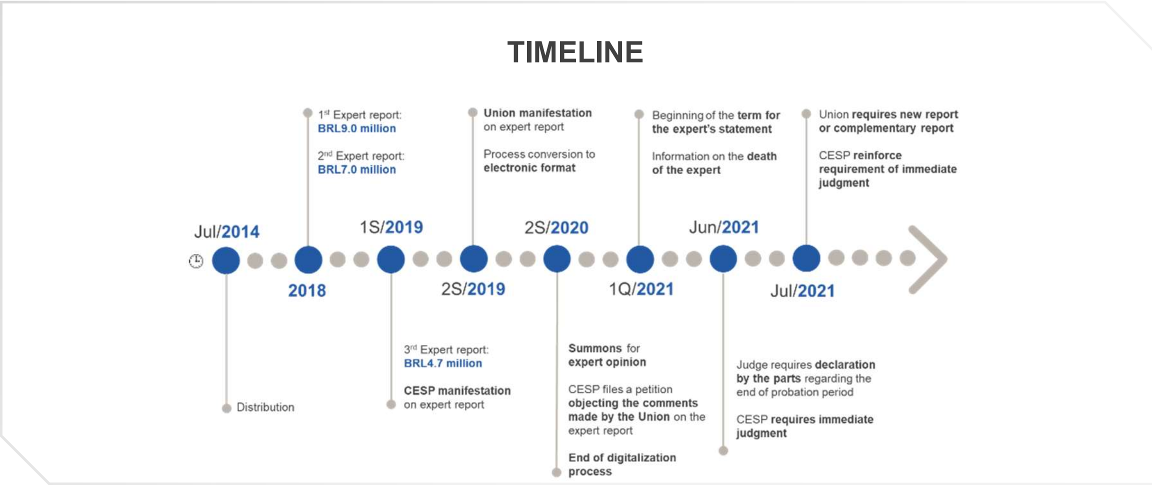
Lower Court Trial

The action disputing the indemnification for the reversibility of the Três Irmãos HPP (case no. 45939-32.2014.4.01.3400) is in the lower court in the evidentiary phase, with discussions on the latest report from the legal expert, who valued the reversible assets at R$4.7 billion (June 2012 values). The valuation consists of: Plant: R$1.9 billion; Floodgates and Canal: R$1.0 billion; Land: R$1.8 billion.

After statements by the Federal Government and CESP regarding the expert report, on July 10, 2020, an order was issued requesting the expert's opinion on the questions raised by the Government in relation to the report.

In December 2020, the completion of the digitalization of the Três Irmãos lawsuit was certified and the expert was summoned to provide clarifications on the expert report. The deadline for said statement was 15 business days as from January 28, 2021, therefore on February 19, 2021. However, on February 10, 2021, the death of the expert in question was informed in the records.

For such reason, on June 7, 2021, the judge determined that the parties make statements about continuing the lawsuit. CESP provided a statement requiring the closure of the evidentiary stage and the conclusion of the case for decision. The Federal Government requested in its statement the preparation of a new expert report by specialized professionals in Civil Engineering and Electric Engineering or, alternatively, the preparation of a report to complement the existing one, with the clarifications required by it. Currently, the parties are awaiting the judge's decision.



REGULATORY MATTERS

WATER RESTRICTIONS – PORTO PRIMAVERA HPP

In view of the persisting hydrological crisis in Brazil during 2021 (especially in the Paraná River Basin, where the Porto Primavera HPP is located) caused by significantly below average rainfall in the main watersheds with hydroelectric plants that are part of the National Interconnected System (SIN), which have suffered the worst hydrological sequences, with inflows among the lowest in the last 91 years, authorities have determined, since late 2020, measures to ensure the hydraulic governability of the basin, which include y reducing the minimum release flows.

In this context, with the Hydrological Emergency Alert issued by the National Meteorological System (SNM) and the resolution by the National Water and Basic Sanitation System (ANA) declaring the critical water scarcity situation in the Paraná River Basin, which was effective until November 30, 2021, as well as technical studies by the ONS, urgent measures were established to ease the water restrictions to be adopted, on an exceptional basis, as an alternative to facing water scarcity and its diverse impacts, given the risk of compromising power generation to supply the SIN.

These measures include flexing inflows of Porto Primavera HPP, as approved by IBAMA, the Brazilian environmental agency, in the Work Plan to Reduce the Release Flow at the Porto Primavera HPP At the end of August 2021, volumes considered environmentally safe were resumed, according to the increases determined by ONS.

At its last two meetings held in 2021, GREG deliberated on the measures related to flexibilization of release flows at Porto Primavera HPP in 2022.

The Company will keep the market informed of fresh developments.

GSF AGREEMENT– EXTENSION OF CONCESSION

Considering the conditions for renegotiating the hydrological risk for the plants in the MRE, in the form of compensation through extension of the concession period, envisaged in Federal Law 14,052/2020 of October 8, 2020 (“Federal Law 14,052/2020”), an issue regulated by ANEEL under Normative Resolution 895/2020 of December 3, 2021, later amended by Normative Resolution 945/2021, in accordance with Federal Law 14,182/2021, a methodology for calculating compensation for damages caused to hydroelectric generators due to factors related to GSF and conditions of adhesion to agreements for concession extensions to be signed with the eligible generation agents were defined.

The two hydroelectric plants operated by the Company met the eligibility criteria, such that, for the Paraibuna HPP, on December 16, 2021, the Company entered into with ANEEL, representing the concession authority, the 5th amendment to concession agreement 3/2004, formalizing the end of concession on June 3, 2022, and an extension of 15 months.

For Porto Primavera HPP, the extension period already authorized by ANEEL was 2,555 days, equivalent to 7 years, which is the limit established in Federal Law 14,052/2020. The Company submitted to ANEEL the respective statement of adherence and ANEEL provided its opinion through Authorizing Resolution 10,928/2021, of December 7, 2021, approving the change in the end of the concession period to April 13, 2056. The Company awaits the emission of the first amendment to concession agreement 1/2019 by ANEEL for signing and formalizing the new date approved.

Accordingly, with the effective approval and ratification by ANEEL of the concession extensions for the Paraibuna and Porto Primavera HPPs, the concession periods end on June 3, 2022, and April 13, 2056, respectively.

Note that the Company is not a party to any lawsuit on the subject and does not owe any amounts related to hydrological risk, with enforceability suspended as part of the financial settlement of CCEE, and that the option for renegotiation did not depend on any payment of cash or premium.

SUBSEQUENT EVENTS

On **October 18, 2021**, the Company received from its indirect controlling shareholders Votorantim S.A. (“VSA”) and Canada Pension Plan Investment Board (“CPP Investments” and, jointly with VSA, the “Controlling Shareholders”) a proposal for corporate reorganization (“Proposal”). Below are the main features of the process, which was concluded on March 25, 2022, with the Merger of CESP shares with [Nova VTRM].

On **October 21, 2021**, a meeting of the Board of Directors of the Company approved the creation of a Special Independent Committee (“Independent Committee”) which, in compliance with CVM Guidance Update 35, will analyze and negotiate the Proposal.

On **January 10, 2022**, the Independent Committee submitted to the Board of Directors its unanimous conclusion about the exchange ratio of the shares issued by CESP for shares issued by VTRM under the CESP Share Merger (“Exchange Ratio”). The same day, the Board of Directors of CESP approved the exchange ratio and called a Shareholders Meeting to discuss and vote on the topic.

An Extraordinary Shareholders Meeting was held on **February 15, 2022,** to discuss and approve the merger of all shares issued by CESP with its parent company VTRM Energia Participações S.A.

On **March 18, 2022,** the withdrawal period was concluded, with no adhesions.

A Board of Directors Meeting was held on **March 23, 2022**, to formalize the final approval of the Corporate Reorganization and on **March 25, 2022**, was the last trading day of CESP's shares. Also, on the 23rd was presented the new name of the combined company: Auren Energia S.A. ("Auren Energia").

The table below shows the calendar of main events related to the Share Merger:

DATE	EVENT
03.28.2022	Beginning of negotiation of Auren Energia' shares
03.30.2022	Credit of common shares of VTRM to shareholders of CESP who do not exercise their withdrawal rights
As from 04.04.2022	Payment of Redemption Amount

All the documents related to the Proposal are available on the IR website of CESP (https://ri.cesp.com.br/en/reorganization/).

ESG AGENDA[37]

SUSTAINABILITY PLATFORM

In 2021, the Company continued to roll out the ESG agenda it defined in 2020, with progress including the creation of a Sustainability Platform, which, based on an integrated analysis of the UN Sustainability Development Goals (SDGs) and a materiality assessment, established three action fronts:

Proactive approach to environmental and climate issues – Aligning power generation with guaranteeing the multiple uses of water through actions to conserve ecosystems, minimize the impacts of operations, adapt to climate change, support environmental education and foster healthy relations with local communities.

Local and human development – Continually seek to create value and uphold the commitment to transparent management, while strengthening commitments to stakeholders: employees, communities, customers, suppliers and investors. And this is achieved by ensuring optimum conditions of work, health, safety, well-being, diversity and transparent operations, and by guaranteeing rights and opportunities for human development and business generation.

Inclusive growth – Sustainability and profitability must go together. As such, the focus should be on launching social and environmental programs that foster a new mentality among employees and the community, while promoting financial and social inclusion and the development of local competencies.

[37] Environmental, Social and Governance

During 2021, our efforts were guided by the three thematic lines of our Sustainability Platform. In this context, we took several actions to mature our sustainability management processes while engaging employees in our Environmental, Social and Governance commitments.

Currently, CESP has a corporate ESG goal that encompasses 14 strategic actions to ensure advances on the subject. The target covers all senior executives and managers and will be considered in determining the variable compensation for 2021 of all leaders.

The following table shows the main actions and details of the advances in the year:

	1Q21	2Q21	3Q21	4Q21
Environmental (E)	• Preparation of emissions inventory in accordance with GHG Protocol and IPCC methodology	• Completion of CDP questionnaires on Climate Change and Water Safety	• Receipt of Silver Seal from the Brazilian GHG Protocol Program • 1.4 million I-RECs sold between 2019 and 2027	• Receipt of score for CDP Water Safety and Climate Change questionnaire. Score improved from “F” to “C” in Climate Change and “B” obtained in Water Safety • Inclusion in B3’s ICO2 Portfolio
Social (S)	• Creation of Diversity & Inclusion group • Conclusion of Participatory Socioenvironmental Diagnosis in towns around the Porto Primavera HPP • Launch of projects to support public administration in combatting COVID-19	• Delivery of Participatory Socioenvironmental Diagnosis Results to municipal governments around the Porto Primavera HPP (learn more) • Creation of Internal Community Relations Committee • Launch of projects led by the Diversity & Inclusion group		• Inclusion in B3’s IGPTW Portfolio in partnership with GPTW • Conclusion of the “Empowering Women” project in a community near the Porto Primavera HPP.
Governance (G)	• Creation of the Sustainability Commission, formed by two directors and one independent member • Increase in the number of women in senior leadership, with the election of two women to the Board of Directors and one to the Fiscal Council	• Improved score in the Corporate Governance Report with the adoption of new practices and/or principles by the Company	• First Sustainability Commission Meeting, with the participation of Silvana Alcantara as independent member	• Formation of a Special Independent Committee of the Company, pursuant to CVM Guidance Update 35
ESG Platform		• Signatories to UN Global Compact • Upgrade of MSCI ESG rating	• Start of R&D program for compiling ESG indicators for the electricity sector with Acende Brasil Institute • Submission of questionnaire of B3’s Corporate Sustainability Index	

CDP Questionnaires: CDP is one of the leading international ESG institutions, which, every year, sends out voluntary questionnaires to Companies to measure their performance in managing aspects related to Climate Change, Water Safety and Forest Management. CDP has a proprietary methodology to assess how the companies manage these topics, assigning them scores from 'F' to 'A.' These scores are used by diverse sustainability indices around the world, including B3's Sustainability Index (ISE B3), which started adopting in 2022 a pre-requisite of at least 'C' in the CDP score to be eligible for the index portfolio. The last time CESP answered the questionnaire on Climate Change (2017), it obtained 'D' and it had never answered the questionnaires on Water Safety. In this 2020/2021 cycle, CESP obtained 'C' in Climate Change and 'B' in Water Safety, which places us among Brazil's top energy companies in ESG management.

ICO2 Portfolio: In December 2021, B3 disclosed its Carbon Efficient Index (ICO2) portfolio, which will include CESP. The index is composed of stocks of companies included in the IBrX100 index and which adopt transparent practices relating to their greenhouse gas emissions.

IGPTW Portfolio: Similar to ICO2, B3 has also disclosed IGPTW B3, a theoretical portfolio of companies certified as the best places to work, based on a national ranking prepared by the Great Place to Work Institute.

***Impulsionando Mulheres* Project:** The *Impulsionando Mulheres* project was launched to encourage women entrepreneurship in the communities surrounding the Porto Primavera HPP. 20 women from the Porto Maria settlement participated in the project, which stimulated business management and associativism. CESP assisted in the process of formalizing the Women Entrepreneurs Association in drafting the charter, holding the constitution meeting and getting registered as a legal entity (CNPJ).

Special Independent Committee of the Company: Formation of an Independent Committee to negotiate the proposed corporate reorganization in a non-binding manner by the indirect controlling shareholders of the Company for merging all the shares issued by the Company with VTRM Energia Participações S.A., as per the Material Fact notice published on October 18, 2021, and submit its recommendations to the Board of Directors.

For more details on CESP's ESG agenda and its social and environmental actions and projects, read the Annual Report available on its website.

CAPITAL MARKETS

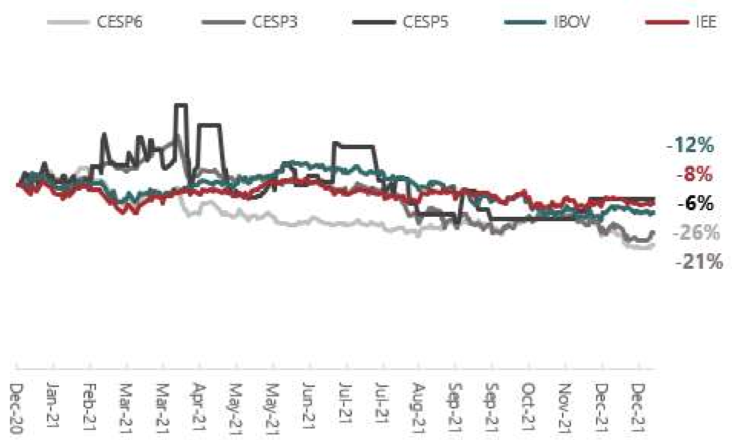
On December 31, 2021, CESP had common shares (CESP3) and class A and B preferred shares (CESP5 and CESP6, respectively) listed and traded on the Sao Paulo Stock Exchange (B3) in the Corporate Governance Level 1 segment, which values ethics and transparency in relations with shareholders and other stakeholders. The Company's stock is a component of various indices, including the Corporate Governance Index, which consists of companies with differentiated corporate governance standards, and the Brazil 100 Index of the most heavily traded shares on the B3.

At end of 4Q21, the class B preferred shares (CESP6), which represent 64.4% of the total capital stock, were quoted at R$21.51, declining 8.9% in the quarter. Average daily financial trading volume was R$60 million (vs. R$52 million in 4Q20), equivalent to average daily trading volume of 2.5 million shares.

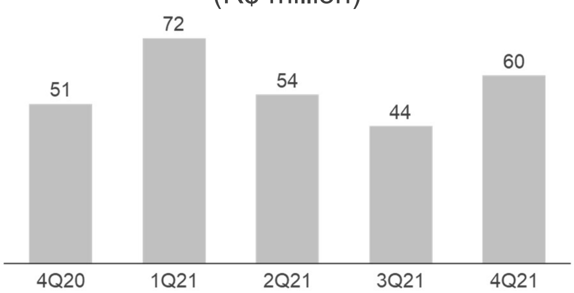
In the same period, the common shares (CESP3), which correspond to 33.3% of the capital stock, were quoted at R$22.00, remaining unchanged, while class A preferred shares (CESP5), which correspond to 2.3% of the capital stock, were quoted at R$33.50, down 9.8% in the quarter.

CESP's market capitalization on December 31, 2021, was R$7.2 billion, compared to R$9.4 billion on December 31, 2020.

STOCK PERFORMANCE – LAST 12 MONTHS
(R$ million – base 100 on Dec/31/2020)



EVOLUTION OF LIQUIDITY
(R$ million)



APPENDICES

An Interactive Spreadsheet with the Consolidated data presented here can be found on the Investor Relations website by clicking here.

BALANCE SHEET

	Consolidated	
Asset	**12/31/2021**	**12/31/2020**
Current	**1.094.337**	**1.221.996**
Cash and cash equivalents	428.231	713.384
Short-term investments	77.751	-
Receivables	268.439	272.817
Taxes to recover	28.847	61.190
Dividends	-	-
Future energy contracts	270.815	103.139
Prepaid expenses	6.015	1.957
Other credits	5.811	69.509
Assets held for sale	8.428	-
Non-current	**13.332.845**	**13.458.304**
Future energy contracts	341.292	25.297
Pledges and restricted deposits	195.968	260.496
Deferred IR/CSLL	3.408.893	3.954.680
Warehouse	6.042	6.023
Assets available for reversal	1.739.161	1.739.161
Investments	-	-
Immobilized	5.722.424	5.956.429
Intangible	1.913.809	1.509.895
Right of use over lease agreements	5.256	6.323
Total assets	**14.427.182**	**14.680.300**

Liabilities and Shareholders 'Equity	Consolidated 12/31/2021	12/31/2020
Current	**1.166.589**	**1.153.732**
Suppliers	141.264	103.080
Loans, financing and debentures	98.018	18.220
Lease	1.793	1.700
Derivative financial instruments	12.699	95.084
Future energy contracts	282.619	120.475
Estimated liabilities and payroll	22.380	23.387
Taxes and social contributions	20.528	40.721
Regulatory charges	20.170	76.507
Dividends and interest on capital	389.668	581.919
UBP - Use of public asset tax	42.462	41.307
Social and environmental obligations	38.013	28.426
Other liabilities	96.975	22.906
Non-current	**5.677.031**	**6.320.355**
Loans, financing and debentures	1.897.895	1.800.854
Lease	3.674	4.788
Derivative financial instruments	-	9.141
Future energy contracts	337.697	29.405
Regulatory charges	-	1.240
UBP - Use of public asset tax	87.531	114.057
Provisions for litigation	1.329.360	1.748.257
Social and environmental obligations	187.825	152.749
Post-employment benefit	1.785.499	2.412.379
Other liabilities	47.550	47.485
Shareholders' Equity	**7.583.562**	**7.206.213**
Capital stock	5.975.433	5.975.433
Capital reserves	1.929.098	1.929.098
Profit reserves	1.956.664	2.187.137
Equity valuation adjustments	(2.274.301)	(2.885.455)
Shares in treasury	(3.332)	-
Total Liabilities and Shareholders 'Equity	**14.427.182**	**14.680.300**

INCOME STATEMENT

Income Statement (Detailed) BRL thousand	4Q21	4Q20	Chg. (%)	2.021	2.020	Chg. (%)
Gross operational revenues	**724.952**	**581.775**	**25%**	**2.604.979**	**2.203.798**	**18%**
Bilateral contracts	460.953	422.606	9%	1.758.273	1.644.257	7%
Trading operations	138.652	44.440	n.m.	363.742	112.152	n.m.
Energy Auctions - distributors	139.742	129.510	8%	522.038	498.445	5%
Short-term energy	23.117	17.151	35%	72.489	55.296	31%
Derivative financial instruments	(38.478)	(36.737)	5%	(114.905)	(116.295)	-1%
Other revenue	966	4.805	-80%	3.342	9.943	-66%
Deduction from the operating revenues	**(86.250)**	**(81.126)**	**6%**	**(312.166)**	**(286.550)**	**9%**
Quota for global reversal reserve - RGR	(440)	(669)	-34%	(1.773)	(2.579)	-31%
Research and development - R&D	(4.143)	(4.805)	-14%	(15.706)	(15.098)	4%
Taxes on services - ISS	(48)	(19)	153%	(153)	(84)	82%
COFINS on operating revenues	(58.021)	(46.974)	24%	(206.712)	(174.570)	18%
PIS on operating revenues	(12.596)	(10.198)	24%	(44.878)	(37.900)	18%
Financial compensation for the use of water resources	(9.669)	(16.874)	-43%	(37.618)	(51.389)	-27%
Energy sector inspection fee - TFSE	(1.333)	(1.587)	-16%	(5.326)	(4.930)	8%
Net Operational Revenues	**638.702**	**500.649**	**28%**	**2.292.813**	**1.917.248**	**20%**
	-	-	0%	-	-	0%
Costs of the electric energy service	**(527.279)**	**(369.284)**	**43%**	**(985.638)**	**(1.189.642)**	**-17%**
Gross operating profit	**111.423**	**131.365**	**-15%**	**1.307.175**	**727.606**	**80%**
	-	-	0%	-	-	0%
Operating expenses	**(22.122)**	**41.136**	**n.m.**	**12.431**	**85.120**	**-85%**
General and administrative	(44.674)	(37.268)	20%	(125.429)	(111.552)	12%
Other operating revenues, net	22.552	78.404	-71%	137.860	196.672	-30%
Operating profit (loss) before financial income	**89.301**	**172.501**	**-48%**	**1.319.606**	**812.726**	**62%**
Financial result	10.484	4.738	121%	32.528	29.742	9%
Financial Expenses	(176.778)	(175.457)	1%	(646.695)	(585.670)	10%
Financial result	**(166.294)**	**(170.719)**	**-3%**	**(614.167)**	**(555.928)**	**10%**
Financial result	**(76.993)**	**1.782**	**n.m.**	**705.439**	**256.798**	**175%**
Income before tax and social contribution	(18.515)	63.566	n.m.	(18.515)	(24.639)	-25%
Tax and social contribution - current	43.343	1.530.328	-97%	(246.097)	1.496.603	n.m.
Tax and social contribution - deferred	**24.828**	**1.593.894**	**-98%**	**(264.612)**	**1.471.964**	**n.m.**
Net Income (loss)	**(52.165)**	**1.595.676**	**n.m.**	**440.827**	**1.728.762**	**-75%**
Net income (loss) for the period per share	(0,16)	4,87	n.m.	1,35	5,28	-75%

NATURE OF COSTS AND EXPENSES

	4Q21			4Q20			Var.	
NATURE OF COSTS AND EXPENSES	Costs	Expenses	Total	Costs	Expenses	Total	Var. (%)	Var. (R$)
Purchased energy	(348.954)	-	(348.954)	(214.942)	-	(214.942)	62%	(134.012)
Regulatory charges	(49.005)	-	(49.005)	(40.039)	-	(40.039)	22%	(8.966)
Provision for social and environmental	-	(7.607)	(7.607)	-	(4.206)	(4.206)	81%	(3.401)
Personnel	(5.965)	(13.094)	(19.059)	(5.789)	(8.670)	(14.459)	32%	(4.600)
VDP - voluntary dismissal program	-	-	-	(2.863)	(6.174)	(9.037)	-100%	9.037
Administrators	-	(2.868)	(2.868)	-	(5.044)	(5.044)	-43%	2.176
Post-employment benefits	-	(2.299)	(2.299)	-	123	123	-1969%	(2.422)
Material	(148)	(171)	(319)	(195)	(242)	(437)	-27%	118
Third-party services	(6.162)	(21.033)	(27.195)	(5.179)	(9.460)	(14.639)	86%	(12.556)
Insurance	-	(1.078)	(1.078)	-	(1.074)	(1.074)	0%	(4)
Depreciation/amortization	(113.527)	(1.371)	(114.898)	(99.689)	(1.993)	(101.682)	13%	(13.216)
Rents	(137)	10	(127)	(218)	(245)	(463)	-73%	336
Provision for litigation	-	(24.938)	(24.938)	-	137.404	137.404	-118%	(162.342)
Expenses with judicial deposits	-	(15.928)	(15.928)	-	(16.478)	(16.478)	-3%	550
Future energy contracts	-	16.834	16.834	-	(35.280)	(35.280)	-148%	52.114
Reversal for PIS/COFINS judicial deposits	-	(24)	(24)	-	63	63	-138%	(87)
impairment	-	50.932	50.932	-	7.589	7.589	571%	43.343
Maintenance and conservation	(1.355)	(259)	(1.614)	(967)	(233)	(1.200)	35%	(414)
Taxes, fees and contributions	(359)	(579)	(938)	3.055	(1.150)	1.905	-149%	(2.843)
Other operating income (expenses), net	(1.667)	1.351	(316)	(2.458)	(13.794)	(16.252)	-98%	15.936
	(527.279)	**(22.122)**	**(549.401)**	**(369.284)**	**41.136**	**(328.148)**	**67%**	**(221.253)**

	2021			2020			Var.	
NATURE OF COSTS AND EXPENSES	Costs	Expenses	Total	Costs	Expenses	Total		Var. (%)
Purchased energy	(1.122.434)	-	(1.122.434)	(602.829)	-	(602.829)	86%	(519.605)
Regulatory charges	(176.414)	-	(176.414)	(148.858)	-	(148.858)	19%	(27.556)
Provision for social and environmental	-	(7.607)	(7.607)	-	(4.206)	(4.206)	81%	(3.401)
Personnel	(22.181)	(51.895)	(74.076)	(24.738)	(43.541)	(68.279)	8%	(5.797)
VDP - voluntary dismissal program	-	-	-	(3.578)	(11.420)	(14.998)	-100%	14.998
Administrators	-	(8.792)	(8.792)	-	(8.765)	(8.765)	0%	(27)
Post-employment benefits	-	(3.613)	(3.613)	-	489	489	-839%	(4.102)
Material	(1.192)	(277)	(1.469)	(808)	(868)	(1.676)	-12%	207
Third-party services	(16.183)	(41.845)	(58.028)	(10.151)	(24.389)	(34.540)	68%	(23.488)
Insurance	-	(4.246)	(4.246)	-	(5.966)	(5.966)	-29%	1.720
Depreciation/amortization	(418.510)	(2.498)	(421.008)	(389.287)	(8.042)	(397.329)	6%	(23.679)
Rents	(703)	(40)	(743)	(618)	(1.209)	(1.827)	-59%	1.084
Provision for litigation	-	425.693	425.693	-	266.644	266.644	60%	159.049
Expenses with judicial deposits	-	(60.256)	(60.256)	-	(63.284)	(63.284)	-5%	3.028
Future energy contracts	-	13.235	13.235	-	(21.444)	(21.444)	-162%	34.679
Reversal for PIS/COFINS judicial deposits	-	(429)	(429)	-	527	527	-181%	(956)
impairment	-	(248.520)	(248.520)	-	7.589	7.589	-3375%	(256.109)
Maintenance and conservation	(6.001)	(911)	(6.912)	(3.249)	12	(3.237)	114%	(3.675)
Taxes, fees and contributions	(524)	(2.870)	(3.394)	2.919	(3.297)	(378)	798%	(3.016)
Hydrological risk renegotiation	781.974	-	781.974	-	-	-	-	781.974
Other operating income (expenses), net	(3.470)	7.302	3.832	(8.445)	6.290	(2.155)	-278%	5.987
	(985.638)	**12.431**	**(973.207)**	**(1.189.642)**	**85.120**	**(1.104.522)**	**-12%**	**131.315**