FitchRatings

Corporates
Electric-Corporate
Brazil

Energisa S.A.

Ratings

Energisa S.A.	
Long-Term IDR	BB+
Long-Term Local-Currency IDR	BB+
National Long-Term Rating	AAA(bra)

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 20

Energisa S.A.'s group credit profile benefits from its profitable and diversified portfolio of concessions in the Brazilian power sector. The group should continue to show robust operational cash generation and ample financial flexibility to support its expected negative free cash flow (FCF) and rollover its concentrated debt amortization schedule, while leverage metrics remain moderate.

Fitch Ratings considers manageable disbursement for the recent acquisition of Infra Gás e Energia S.A. (Infra Gas), with neutral impact to Energisa's financial profile. The equalization of the ratings of Energisa and its subsidiaries reflects the high legal incentives that the holding company would have to support them, if necessary.

Key Rating Drivers

Strong Business Profile: Energisa's credit profile benefits from a diversified portfolio of concessions, mainly in the energy distribution segment, which dilutes operational and regulatory risks. The group has concessions in four regions of Brazil, through nine distributors. Concessionaires can pass on unmanageable costs to consumer tariffs, though there is some exposure to demand volatility and periodic tariff review processes.

Energy distribution should remain the group's most important business, accounting for over 80% of EBITDA by 2026, even with its increased presence in the transmission segment. We do not anticipate a major problem with the expiration of three of Energisa's concessions in 2027 (Energisa Mato Grosso EMT), Energisa Mato Grosso do Sul (EMS) and Energisa Sergipe), which jointly represented 49% of its energy distributed in 2023, as we consider renewals for an additional 30 years as very likely.

Business Diversification Benefits Ratings: Energisa owns eight transmission lines in the operational phase, with Permitted Annual Revenue (RAP) of BRL663 million (2023/2024 cycle), adjusted annually for inflation, without exposure to demand risk. Assets in this segment reduce the group's business risk and increase revenue predictability.

There are also four transmission lines under construction, which will generate an additional RAP of BRL116 million by 2027, with more BRL113 million in 2030 coming from the new concession recently obtained through auction. This segment should represent 8% of consolidated EBITDA from 2024 to 2027.

Entry into the gas distribution segment with the acquisitions of Companhia de Gás do Estado do Espírito Santo (ES Gás), in July 2023, and Infra Gás, which is expected to be concluded during the 2H24, diversifies Energisa's business profile. The natural gas distribution sector has a moderate risk profile and strong growth prospects. However, this segment should continue to be a small business within the group and is less than 5% of consolidated EBITDA.

Positive Operating Performance: Energisa's ratings benefit from the efficient operational performance of its distributors, with a history of consumption growth above that recorded in the country. In the LTM ended in March 2024, the group's billed volume increased by 8.8%, compared with the national average of 5.6%. During the same period, the combined EBITDA of the nine distributors was BR6.7 billion, compared with regulatory EBITDA of BRL3.8 billion.

The planned investments should improve operational efficiency and reduce energy losses, mainly at EMT, Energisa Rondonia and Energisa Acre, boosting cash generation. The group's combined EBITDA in this segment should reach BRL6.8 billion in 2024 and 2025, compared with BRL6.1 billion in 2023.

Applicable Criteria

Corporate Rating Criteria (November 2023)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

National Scale Rating Criteria (December 2020)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Related Research

Global Corporates Macro and Sector Forecasts

Analysts

Wellington Senter
+55 21 4503 2606
wellington.senter@fitchratings.com

Lucas Rios
+55 11 4504 2205
lucas.rios@fitchratings.com

Manageable Negative FCF: Fitch forecasts Energisa's consolidated FCF to remain negative in the coming years, considering the group's significant investment plan of BRL14.1 billion from 2024 to 2026 and a distributions pay-out ratio corresponding to 50% of net income. For 2024, consolidated EBITDA and cash flow from operations (CFFO) should reach BRL8.3 billion and BRL4.3 billion, respectively, with negative FCF of BRL2.0 billion after investments of BRL4.9 billion and dividend distribution of BRL1.4 billion. Consolidated FCF should remain negative at about BRL1.9 billion in 2025 and BRL1.1 billion in 2026.

Moderate Leverage: Energisa Group should maintain the adjusted net debt/EBITDA ratio, according to Fitch's methodology, at 3.0x-3.5x from 2024 to 2026, despite the Infra Gas acquisition and expected negative FCF. Efficiency gains in the distribution concessions and greater contribution of new operating assets in other segments should support the maintenance of moderate credit metrics. Energisa group's adjusted net leverage should reach 3.0x in 2024 and 3.3x in 2025. Adjusted gross leverage and net leverage ratios were 4.0x and 2.8x, respectively, in the LTM ended in March 2024.

Subsidiaries' Ratings Equalized: Fitch equalizes the Issuer Default Ratings (IDRs) of Energisa Paraiba, Energisa Sergipe and Energisa Minas Rio and the National Scale ratings of the 11 rated subsidiaries with Energisa's ratings. This mainly reflects the high legal incentives that the holding company would have to support them in a stress scenario. Energisa consolidates the subsidiaries and guarantees a significant portion of their debts. In addition, there are cross-default clauses in some of the group's debt instruments. Fitch also views the subsidiaries as the core business of Energisa and they are centrally managed.

Financial Summary

(BRL Mil.)	2021	2022	2023	2024F	2025F	2026F
Net revenue	24,147	22,265	24,454	27,400	28,584	29,940
EBITDA margin (%)	21.2	26.3	30.0	30.2	28.7	30.5
EBITDA leverage (x)	4.6	4.7	4.4	3.9	4.0	3.7
EBITDA net leverage (x)	3.6	3.7	3.3	3.0	3.3	3.0
EBITDA interest coverage (x)	5.3	3.2	2.9	3.1	3.0	3.3

F — Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Energisa's financial profile is more aggressive than its peers in Latin America, such as Enel Americas S.A. (BBB+/Stable), Empresas Publicas de Medellin E.S.P. (EPM) (BB+/Rating Watch Negative), and Grupo Energia Bogota S.A. E.S.P. (GEB; BBB/Stable). Energisa's IDRs also reflect its geographic concentration in Brazil, compared with other countries in the region, such as Chile (A-/Stable) and Colombia (BB+/Stable).

Compared with other Brazilian power companies with operations predominantly in the distribution segment, Energisa operates in concession areas with economic growth above the national average and with a strong agribusiness activity. Energisa's business profile is worse than that of Companhia Energetica de Minas Gerais (CEMIG) (BB/Stable), which has a higher business diversification with more presence in the energy generation segment.

Still, CEMIG faces uncertainty related to the renewal of its two largest hydroelectric plants concessions, which expire in 2027 and account for about half of the group commercial capacity, or about 17% of consolidated EBITDA, justifying a rating one notch lower than Energisa. Concessions on the generation segment typically return to the federal government after their expiration, unlike the distribution segment.

Rating Sensitivities

- An upgrade of the Local-Currency (LC) IDRs will depend on the group's ability to bring net leverage to about 2.5x and lengthen its debt maturity profile
- An upgrade of the Foreign-Currency (FC) IDRs will depend on an upgrade of the LC IDRs combined with a positive rating action for the sovereign
- Total debt/EBITDA above 4.0x on a recurring basis
- Net debt/EBITDA above 3.5x on a recurring basis
- Deterioration in the liquidity profile at the holding or the consolidated level
- New projects or acquisitions involving significant amounts of debt
- A downgrade of the sovereign rating would trigger a downgrade of the FC IDRs

Liquidity and Debt Structure

High Financial Flexibility: Energisa has proven access to different funding sources, which is a key credit factor. The group still has a high concentration of debt maturing until end-2025 (BRL13.2 billion), as well as expected negative FCF and disbursement of BRL890 million for Infra Gas acquisition, despite a sizeable liquidity position of BRL9.2 billion at end-March 2024 — reinforced by BRL3.5 billion in debentures issuances and new credit facilities during April and May 2024.

The group had total adjusted debt of BRL31.9 billion and short-term debt of BRL7.2 billion at end-March 2024. The total adjusted debt was mainly composed of debentures (BRL15.3 billion) and debt related to Resolution 4,131 (BRL6.2 billion). Fitch's methodology considers 50% of the balance of BRL2.2 billion in preferred shares issued by the subholding Energisa Participações Minoritárias (EPM) as debt.

The holding company benefits from receiving dividends from its operating subsidiaries, which totalled BRL1.7 billion in the LTM ended in March 2024. Fitch considers an annual average of BRL1.7 billion in dividends to be received from 2024 to 2026. As of March 31, 2024, the holding held BRL3.6 billion in cash and equivalents – BRL2.7 billion on a proforma view excluding the disbursement for Infra Gas acquisition – compared with short-term debt of BRL2.1 billion. Energisa issued BRL1.4 billion in debentures during 2Q24 and should also receive BRL3.8 billion from subsidiaries in the form of debt repayment in the coming years.

ESG Considerations

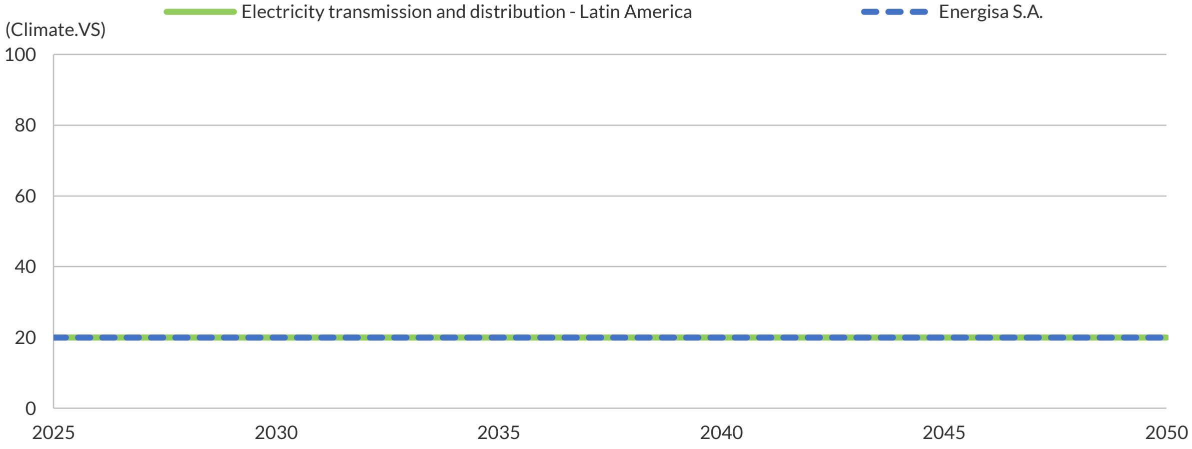
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's Corporate Rating Criteria.

The 2022 revenue-weighted Climate.VS for Energisa for 2035 is 20 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in utilities sector, see Utilities – Long-Term Climate Vulnerability Signals Update.

Climate.VS Evolution
As of Jan 09, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

Energisa S.A.
Liquidity Analysis

(BRL 000)	2024F	2025F	2026F	2027F
Available liquidity				
Beginning cash balance	7,388,591	-2,563,876	-13,598,271	-18,442,530
Rating case FCF after acquisitions and divestitures	-2,872,770	-1,887,549	-1,076,894	-1,292,968
<Other cash inflows post-FCF or not modeled into base case FCF>	—	—	—	—
<e.g. debt issued since last balance sheet>	—	—	—	—
<e.g. cash inflow from reduction in capex>	—	—	—	—
<e.g. cash inflow from reduction in dividend>	—	—	—	—
Total available liquidity (A)	**4,515,821**	**-4,451,425**	**-14,675,165**	**-19,735,498**
Liquidity uses				
Debt maturities	-7,079,697	-9,146,846	-3,767,365	-2,067,324
<Other uses of liquidity>				
Total liquidity uses (B)	**-7,079,697**	**-9,146,846**	**-3,767,365**	**-2,067,324**
Liquidity calculation				
Ending cash balance (A+B)	-2,563,876	-13,598,271	-18,442,530	-21,802,822
Revolver availability	—	—	—	—
Ending liquidity	**-2,563,876**	**-13,598,271**	**-18,442,530**	**-21,802,822**
Liquidity score (x)	0.6	-0.5	-3.9	-9.5

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, Energisa S.A.

Scheduled debt maturities

(BRL 000)	December 31, 2023
2024	7,079,697
2025	9,146,846
2026	3,767,365
2027	2,067,324
2028	3,317,844
Thereafter	7,639,983
Total	**33,019,059**

Source: Fitch Ratings, Fitch Solutions, Energisa S.A.

Key Assumptions

- Average growth in energy consumption in Energisa's concession areas of 1.0% from 2024 to 2027
- Dividend distributions equivalent to 50% of net income
- Average annual investments of BRL4.8 billion from 2024 to 2027
- Transmission lines concluded according to the company's schedule
- Closing of Infra Gas acquisition in July 2024 with a BRL890 million payment
- No asset sales or new acquisitions

Financial Data

(BRL Mil.)	2021	2022	2023	2024F	2025F	2026F
Summary income statement						
Net revenue	24,147	22,265	24,454	27,400	28,584	29,940
Revenue growth (%)	32.6	-7.8	9.8	12.0	4.3	4.7
EBITDA before income from associates	5,123	5,855	7,339	8,283	8,212	9,142
EBITDA margin (%)	21.2	26.3	30.0	30.2	28.7	30.5
EBITDA after associates and minorities	5,123	5,855	7,339	8,283	8,212	9,142
EBITDAR	5,123	5,855	7,339	8,283	8,212	9,142
EBITDAR margin (%)	21.2	26.3	30.0	30.2	28.7	30.5
EBIT	4,949	5,722	6,302	6,465	6,514	7,384
EBIT margin (%)	20.5	25.7	25.8	23.6	22.8	24.7
Gross interest expense	-1,416	-2,274	-2,704	-2,672	-2,725	-2,812
Pretax income including associate income/loss	3,852	3,139	3,570	4,618	4,476	5,117
Summary balance sheet						
Readily available cash and equivalents	4,831	5,752	7,389	7,198	5,860	5,692
Debt	23,370	27,641	31,934	32,071	32,630	33,499
Lease-adjusted debt	23,370	27,641	31,934	32,071	32,630	33,499
Net debt	18,539	21,890	24,545	24,874	26,770	27,807
Summary cash flow statement						
EBITDA	5,123	5,855	7,339	8,283	8,212	9,142
Cash interest paid	-963	-1,807	-2,514	-2,672	-2,725	-2,812
Cash tax	-601	-631	-576	-912	-884	-1,011
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-2,215	870	106	-827	-677	-261
FFO	1,600	4,973	5,079	4,697	4,613	5,604
FFO margin (%)	6.6	22.3	20.8	17.1	16.1	18.7
Change in working capital	-861	-546	-483	-440	-321	-563
CFO (Fitch-defined)	739	4,427	4,596	4,257	4,292	5,041
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-3,440	-5,441	-4,930	—	—	—
Capital intensity (capex/revenue) (%)	14.2	24.4	20.2	—	—	—
Common dividends	-894	-1,582	-1,257	—	—	—
FCF	-3,594	-2,596	-1,591	—	—	—
FCF margin (%)	-14.9	-11.7	-6.5	—	—	—
Net acquisitions and divestitures	-116	-821	-1,311	—	—	—
Other investing and financing cash flow items	-315	-1,295	-1,487	89	-18	80
Net debt proceeds	3,028	2,940	3,412	93	567	829
Net equity proceeds	158	814	1,823	2,500	—	—
Total change in cash	-839	-959	847	-191	-1,338	-168
Leverage ratios (x)						
EBITDA leverage	4.6	4.7	4.4	3.9	4.0	3.7
EBITDA net leverage	3.6	3.7	3.3	3.0	3.3	3.0
EBITDAR leverage	4.6	4.7	4.4	3.9	4.0	3.7
EBITDAR net leverage	3.6	3.7	3.3	3.0	3.3	3.0
FFO adjusted leverage	10.1	4.5	4.6	4.7	4.8	4.1
FFO adjusted net leverage	8.0	3.6	3.6	3.6	3.9	3.4
FFO leverage	10.1	4.5	4.6	4.7	4.8	4.1
FFO net leverage	8.0	3.6	3.6	3.6	3.9	3.4
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,450	-7,844	-7,498	-7,130	-6,179	-6,118
FCF after acquisitions and divestitures	-3,710	-3,417	-2,902	-2,873	-1,888	-1,077
FCF margin after net acquisitions (%)	-15.4	-15.3	-11.9	-10.5	-6.6	-3.6

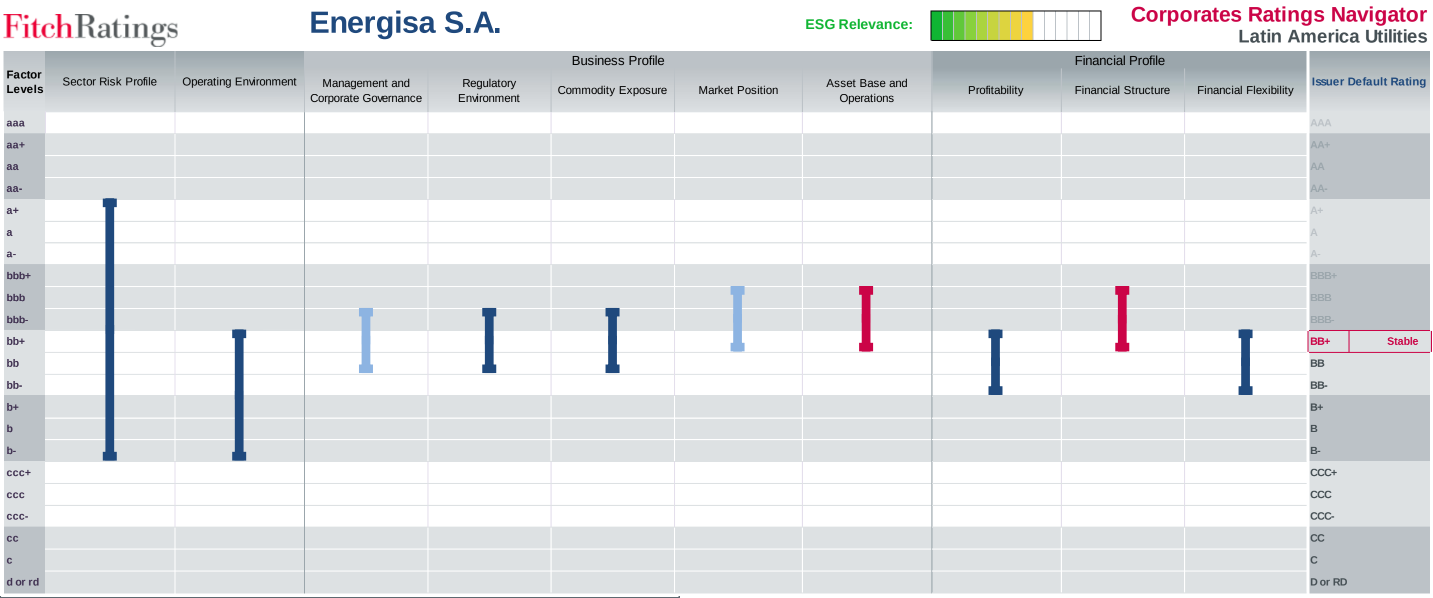
(BRL Mil.)	2021	2022	2023	2024F	2025F	2026F
Coverage ratios (x)						
FFO interest coverage	2.4	3.4	2.7	2.3	2.4	2.6
FFO fixed-charge coverage	2.4	3.4	2.7	2.3	2.4	2.6
EBITDAR fixed-charge coverage	5.3	3.2	2.9	3.1	3.0	3.3
EBITDAR net fixed-charge coverage	7.3	5.2	4.1	4.5	4.0	4.0
EBITDA interest coverage	5.3	3.2	2.9	3.1	3.0	3.3
Additional metrics (%)						
CFO-capex/debt	-11.6	-3.7	-1.0	-1.9	-0.9	1.2
CFO-capex/net debt	-14.6	-4.6	-1.4	-2.5	-1.1	1.5
CFO/capex	21.5	81.4	93.2	87.2	93.5	108.9

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	▭ Stable

FitchRatings

Energisa S.A.

Corporates Ratings Navigator
Latin America Utilities

Operating Environment

bbb-	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
bb+	Financial Access	bb	Below average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	b	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'b'.
b-			
ccc+			

Management and Corporate Governance

bbb	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb-	Governance Structure	bb	Board effectiveness questionable with few independent directors. "Key person" risk from dominant CEO or shareholder.
bb+	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bb	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb-			

Regulatory Environment

bbb	Independence	bb	Moderate government interference in utility regulations.
bbb-	Balance	bbb	Regulatory framework is moderately biased toward the needs of end users at the expense of sector participants.
bb+	Transparency	bbb	The tariff-setting procedure is transparent and includes the participation of industry players.
bb	Recourse of Law	bbb	Procedures to appeal regulatory rulings are clear but long processing periods. Companies can oppose or comment on regulations.
bb-	Timeliness of Cost Recovery	bb	Significant lag to recover capital and operating costs.

Commodity Exposure

bbb	Price and Volume Risk	bbb	Moderate exposure to price risk. Long-term contracts provide high revenue visibility and most costs variations are passed through.
bbb-	Counterparty Risk	bb	Weighted average credit quality of actual and potential offtakers is in line with 'BB' rating.
bb+			
bb			
bb-			

Market Position

bbb+	Consumption Growth Trend	bbb	Customer and usage growth in line with industry averages.
bbb	Customer Mix	a	Well diversified customer mix.
bbb-	Geographic Location	bb	High sensitivity to extreme weather or disaster disruptions.
bb+	Supply Demand Dynamics	bb	Uncertain outlook for prices and rates.
bb			

Asset Base and Operations

bbb+	Asset Diversity	bbb	Good quality and/or reasonable scale diversified assets.
bbb	Reliability of Operations and Cost Position	bbb	Reliability and cost of operations at par with industry averages with moderate operating losses.
bbb-	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations.
bb+	Capital and Technological Intensity of Capex	bb	Reinvestment concentrated in capital-intensive or unproven technologies.
bb			

Profitability

bbb-	Volatility of Profitability	bb	Less stability and predictability of profits relative to utility peers.
bb+	Free Cash Flow	bb	Structurally negative FCF across the investment cycle.
bb			
bb-			
b+			

Financial Structure

bbb+	EBITDA Leverage	bbb	4.0x
bbb	EBITDA Net Leverage	bbb	3.5x
bbb-			
bb+			
bb			

Financial Flexibility

bbb-	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines
bb+	Liquidity (Cash+CFO)/S-T Debt	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	EBITDA Interest Coverage	bb	4.5x
bb-	FX Exposure	aa	No material FX mismatch.
b+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Energisa S.A. has 9 ESG potential rating drivers

- Networks' exposure to extreme weather events- negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)
- Regulatory-driven access and affordability targets of utility services
- Quality and safety of products and services; data security
- Impact of labor negotiations and employee (dis)satisfaction
- Social resistance to major projects that leads to delays and cost increases
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	9	issues	3
not a rating driver	3	issues	2
	2	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Energisa S.A.

Corporates Ratings Navigator
Latin America Utilities

Credit-Relevant ESG Derivation

Energisa S.A. has 9 ESG potential rating drivers				ESG Relevance to Credit Rating
Energisa S.A. has exposure to extreme weather events but this has very low impact on the rating.	key driver	0	issues	5
Energisa S.A. has exposure to access/affordability risk but this has very low impact on the rating.	driver	0	issues	4
Energisa S.A. has exposure to customer accountability risk but this has very low impact on the rating.	potential driver	9	issues	3
Energisa S.A. has exposure to labor relations & practices risk but this has very low impact on the rating.	not a rating driver	3	issues	2
Energisa S.A. has exposure to social resistance but this has very low impact on the rating.		2	issues	1
Governance is minimally relevant to the rating and is not currently a driver.				

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations; Regulatory Risk; Profitability; Financial Structure	5
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Asset Base and Operations; Commodity Price and Market Risk; Profitability; Financial Structure	4
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Asset Base and Operations; Regulatory Risk; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge, coal ash	Asset Base and Operations; Regulatory Risk; Profitability	2
Exposure to Environmental Impacts	3	Networks' exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on resilience capex)	Asset Base and Operations; Commodity Price and Market Risk; Profitability	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	3	Regulatory-driven access and affordability targets of utility services	Asset Base and Operations; Regulatory Risk; Profitability	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulatory Risk; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Profitability; Financial Structure	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

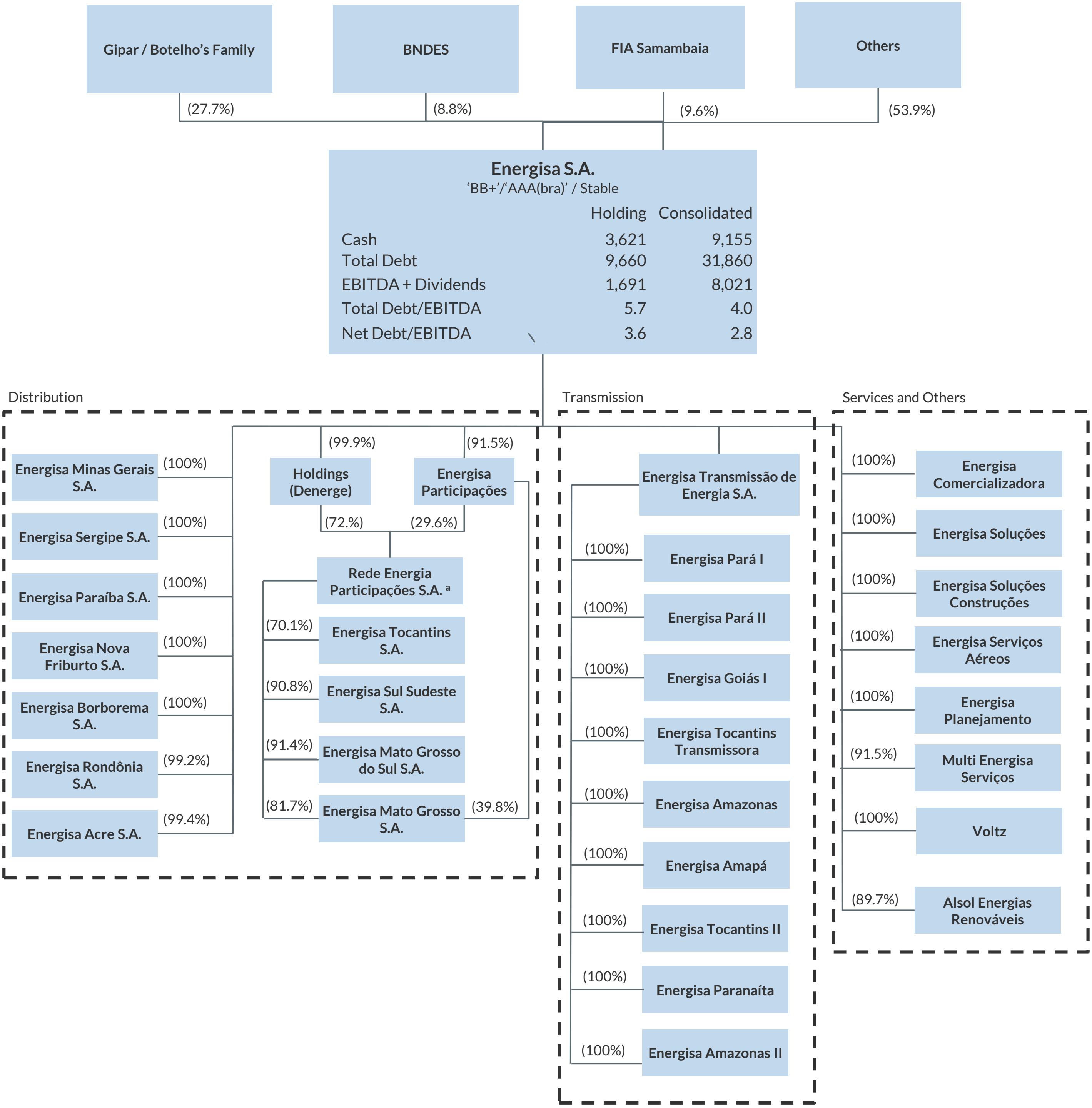
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Energisa S.A.
(BRL Mil., March 31, 2024)



Note: Energisa directly holds 91.5% of Rede Energia through holdings.
IDR = Issuer Default Rating.
Source: Fitch Ratings, Energisa as of 31 March 2024

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Net revenue (USD Mil.)	EBITDA margin (%)	EBITDA leverage (x)	EBITDA net leverage (x)	EBITDA interest coverage (x)
Energisa S.A.	BB+						
	BB+	2023	4,972	30.0	4.4	3.3	2.9
	BB	2022	4,328	26.3	4.7	3.7	3.2
	BB	2021	4,243	21.2	4.6	3.6	5.3
Enel Americas S.A.	BBB+						
	BBB+	2023	12,888	34.0	1.5	1.2	8.4
	BBB+	2022	15,729	30.2	1.5	1.2	5.8
	A-	2021	16,192	22.3	1.7	1.2	10.7
Grupo Energia Bogota S.A. E.S.P.	BBB						
	BBB	2023	2,087	44.2	3.6	3.2	3.2
	BBB	2022	1,429	42.3	4.3	4.0	5.4
	BBB	2021	1,390	44.1	3.2	2.9	7.6
Empresas Publicas de Medellin E.S.P. (EPM)	BB+						
	BB+	2023	9,821	25.3	3.0	2.7	3.2
	BB+	2022	6,699	29.4	3.2	2.8	5.0
	BB+	2021	6,317	28.1	3.7	3.0	4.8
Companhia Energetica de Minas Gerais (CEMIG)	BB						
	BB	2023	6,664	23.6	1.5	1.3	8.1
	BB	2022	5,990	20.4	2.1	1.7	6.9
	BB	2021	5,555	18.5	2.5	2.1	4.0
Engie Brasil Energia S.A.	BB+						
	BB+	2023	2,137	59.2	3.0	2.3	6.5
	BB	2022	2,097	54.7	2.9	2.5	6.0
	BB	2021	1,825	43.3	4.0	3.0	6.4
Transmissora Alianca de Energia Eletrica S.A.	BB+						
	BB+	2023	494	84.1	4.3	3.8	3.9
	BB	2022	433	84.5	4.3	3.8	4.5
	BB	2021	323	82.5	4.1	3.9	8.1

Source: Fitch Ratings, Fitch Solutions

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.