

Equatorial Energia S.A.

Green Bond Framework

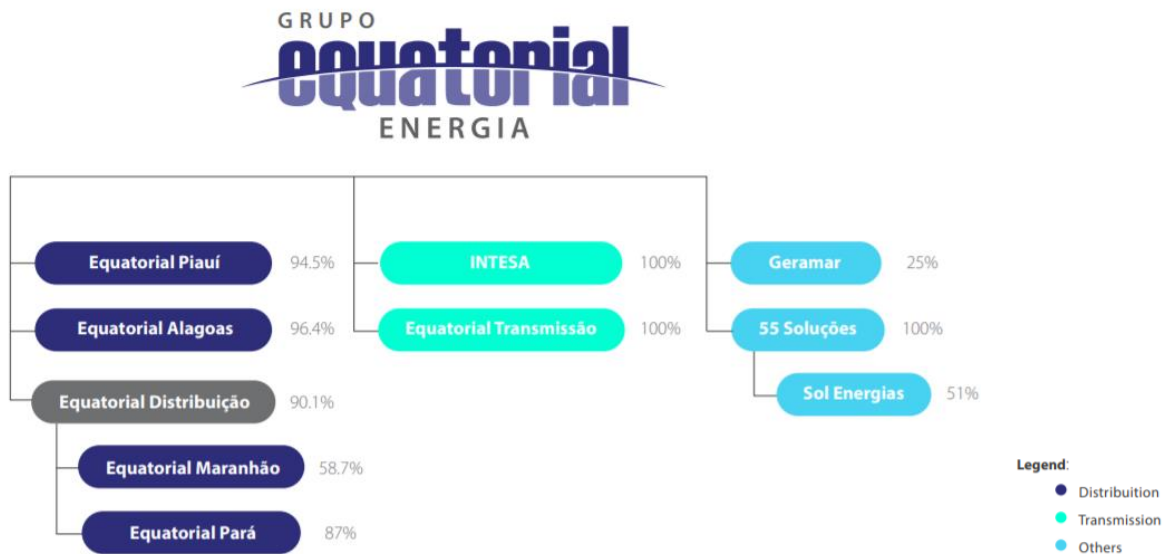
1. Introduction

Equatorial Energia S.A. is a holding company with operations in the electricity sector. The Group is headquartered in Brasilia (DF), and is focused on the areas of distribution, transmission, generation and services (sale of energy and telecommunications). Equatorial's shares are listed on the São Paulo B3 Stock Exchange. At the end of year 2020, the company's total assets made up R\$44.1 billion while revenue for the financial year 2020 was R\$17.9 Billion.

The Group's companies are all based in Brazil and active in 4 main areas:

- **Power Distribution:** Equatorial Maranhão, Equatorial Pará, Equatorial Piauí, Equatorial Alagoas;
- **Power Generation:** Geramar, Sol Energias;
- **Power Transmission:** Equatorial Transmissão, Intesa; and
- **Other Services:** Equatorial Telecom and Equatorial Serviços.

As of 31-Dec-2020, we served about 10% of the total Brazilian consumers and account for 6.5% of the distribution market in the national territory.



Equatorial Energia's Strategic Positioning in the Brazilian Power Sector

Equatorial Energia's long-term strategic planning includes entering the renewable energy generation segment and strengthening the commercialization business.

- Generation and commercialization repositioning: Equatorial has been structuring the generation/sales business, in line with its strategic planning.
 - June 2021: entry into the GD segment (E-NOVA acquisition)
 - November 2021: acquisition of 49% of SOL Energias (commercialization company)
- Renewable energy generation assessment
 - In recent years, the Company's management has been evaluating several strategic opportunities in the renewable energy segment
 - More than 6.0 GW of greenfield / brownfield renewable generation projects evaluated in the last 12 months
 - Acquisition of Echoenergia (renewable energy generation/wind farms) announced in October/2021
- Long-Term Positioning
 - Equatorial Energia's objective aims to become a relevant player in the energy generation and commercialization segments
 - The opening of the energy market creates a strong business opportunity for Equatorial, through its ~+10 million customers

Environmental Responsibility and Governance

As we operate in highly sensitive biomes such as the Amazon, Cerrado, Atlantic Rainforest, Caatinga and coastal areas with the four distributors, Equatorial Energia's environmental responsibility in processes management is a strategic point.

To manage these environmental issues, Equatorial Energia is based on a Sustainability Policy, which includes conducting a balance between business opportunities, financial performance and socio-environmental responsibility in its operations. In the document, we are committed to social development and environmental conservation, pollution prevention, economic growth in the regions where we operate, efficiency in the use of natural resources and continuous improvement of processes.

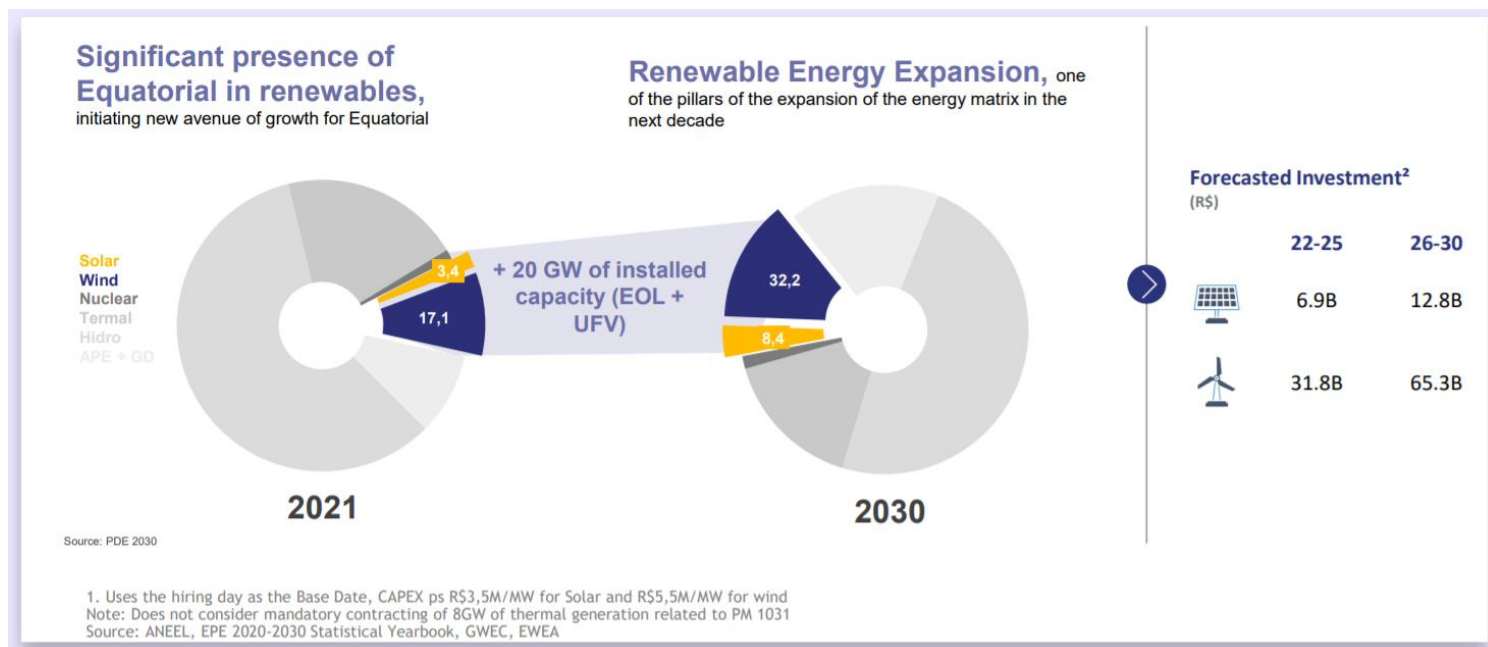
To this end, we also have a robust organizational structure, an area specialized in the environmental management of processes, the Corporate Environment Executive Area, linked to the Expansion and Environment Planning Corporate Management. The specialized area is responsible for the identification and definition of an internal regulations standard, based on the ISO 14000 international standard, aiming at making the prior identification and control of environmental impacts related to the business more efficient. Also, the area's processes are strengthened by the Environmental Management System. With our recent entry into the transmission sector, we are revisiting the guidelines to make them increasingly sensitive to the impact that our operations may have, adapting processes to meet all aspects that affect operations with transmission towers.

Besides observing the definitions established by the inspection bodies and the operation in accordance with environmental legislation, our companies operate in a conscious and efficient

manner, both in the use of natural resources and in establishing engagement processes for employees, partners and the community on the subject.

Expansion Into Renewable Sources of Power

The recently announced Echoenergia acquisition is aligned with the Brazilian Power Sector Goal of Expanding the Renewable Energy Supply in the Brazilian Energy Matrix over the Next Decade.



Objective of Green Bond Framework

Equatorial Energia is committed to playing a role in the development of the Green Bond market in the Brazilian Domestic Capital Market as a mean to channel more investments towards climate change mitigation.

This Green Bond Framework has been created to facilitate transparency, disclosure, and integrity of Equatorial’s Green Bond issuances as recommended in the Green Bond Principles. Published by the International Capital Markets Association (“ICMA”), the Green Bond Principles introduce voluntary process guidelines for best practices when issuing Green Bonds.

In alignment with the Green Bond Principles, Equatorial Energia Green Bond Framework is presented through four pillars: (i) use of proceeds, (ii) selection and evaluation of eligible green projects, (iii) management of proceeds and (iv) reporting and transparency. Information about the external assessment is also provided. This framework will apply to any Green Bond issued by Equatorial Energia after its publication

2. Use of Proceeds

The net proceeds from Green Bonds issued by Equatorial Energia will be used to finance the acquisition of the Eligible Projects as well as investments related to the increase in renewable energy generation (wind and solar power) capacity within the Eligible Projects. The split of Green Bond proceeds between new projects and refinancing will be included in the annual Green Bond Investor Letter - see section 5 below.

The legal documentation for each individual Green Bond issued by Equatorial Energia shall provide a reference to the Eligible Projects described in this Green Bond Framework.

“Eligible Projects” means the Echoenergia Acquisition.

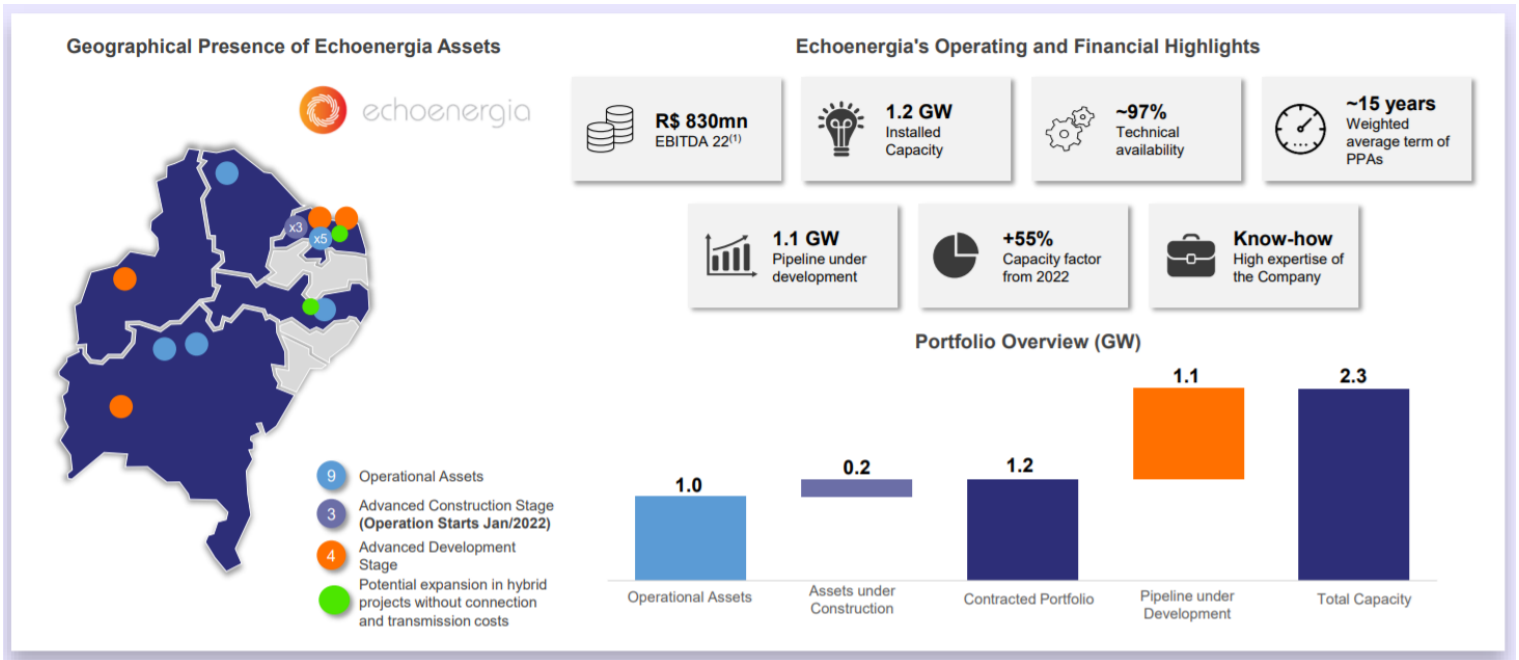
Echoenergia Acquisition

- Positioned in the Northeast region of the country, Echoenergia has 1.2GW of installed wind energy capacity (in operation and advanced construction) with the potential to become the largest renewable generator in Brazil.
- Echoenergia’s acquisition brings an attractive return, with conservative assumptions, on a solid renewable platform, with strong operating cash generation and strategic optionalities that enhance long-term returns.

Transaction Overview	
Firm Value	R\$ 9,584mm
Net Debt	R\$ 2,927mm
Equity Value	R\$ 6,657mm
EBITDA 2022E ⁽¹⁾	R\$ 830mm

Transaction Rationale	
<ul style="list-style-type: none"> ▪ Renewable Generation Expansion Platform ▪ Among the largest and best players in renewable energy in the country ▪ High-quality assets with robust historical performance ▪ Attractive return to EQTL, in a conservative scenario, with upsides to increase value generation and clear path to growth ▪ Diversification of the EQTL’s portfolio, strengthening the concept of multi-utility with an impact on ESG 	<p>Upsides</p> <ul style="list-style-type: none"> ▪ Low voltage market opening ▪ Direct access to the consumer with relevant guaranteed incentive energy supply (i50) and non-contracted ▪ Self-production and implementation of hybrid parks ▪ Multiple synergies between the group's businesses (Distribution, Transmission, Commercialization and Water and Sewage businesses) <hr/> <p>Growth</p> <ul style="list-style-type: none"> ▪ Renewable energy will have a fundamental role in the growth of the energy matrix in the coming years <hr/> <p>Diversification</p> <ul style="list-style-type: none"> ▪ Optimization of the commercial strategy with the predictability of the portfolio's cash flow ▪ 25% to 30% of short-term EBITDA expected to come from generation and transmission – greater predictability of cash generation <hr/> <p>ESG</p> <ul style="list-style-type: none"> ▪ Potential for access to increasingly larger sources of financing (greenbond) and at low cost ▪ Development of the carbon credit market

Note: (1) Price Base Date: dec/20 / (2) Considers the value provided by the supplier



- Echoenergia currently has 12 generation assets with operational activities in the states of Pernambuco, Ceará, Rio Grande do Norte and Bahia. Echoenergia's portfolio has a strong concentration of tier-one turbines and technical performance remarkably above the market.

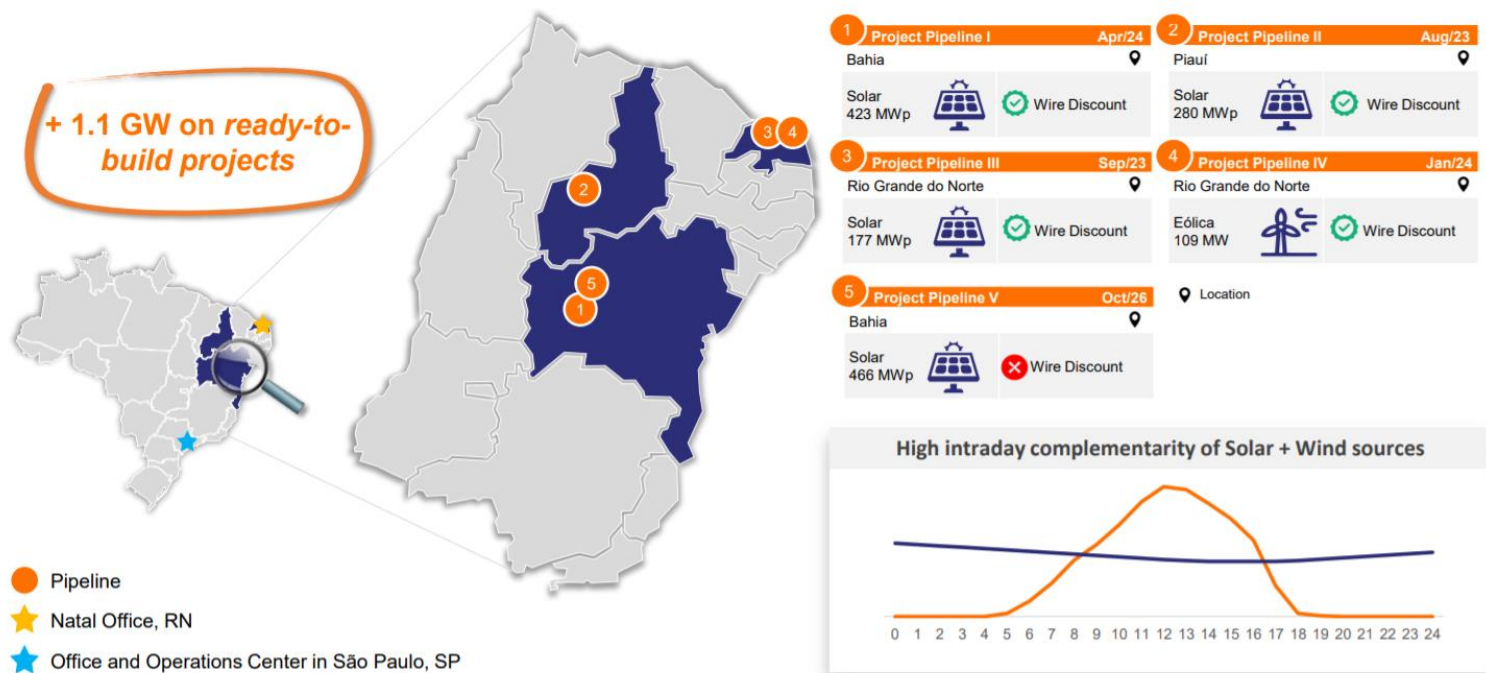
Asset ID	Location	Capacity	Commissioning Date	Turbine Manufacturer	Technology	Debentures	Notes
1. São Clemente	Pernambuco	233 MW	May/16	GE	LEN	BNDES	
2. Tianguá	Ceará	141 MW	Sep/16	GE	LFA	BNDES	
3. Echo 1	Rio Grande do Norte and Bahia	88 MW	Aug/12	Vestas	LER	BNDES, Sudene	
4. Echo 2	Rio Grande do Norte	132 MW	Jan/16	SIEMENS Gamesa	LER	BNDES	
5. Echo 3	Rio Grande do Norte	85 MW	Apr/20	Vestas	ACL	Banco do Nordeste	
6. Echo 4	Rio Grande do Norte	53 MW	Feb/18	Vestas	LER e LEN	Banco do Nordeste	
7. Echo 5	Rio Grande do Norte	101 MW	Nov/18	Vestas	LER e LEN	Banco do Nordeste	
8. Echo 6	Rio Grande do Norte	97 MW	Jul/20	Vestas	ACL	Banco do Nordeste	
9. Echo 7	Rio Grande do Norte	76 MW	Sep/20	Vestas	ACL	Sudene	
10. Echo 8	Rio Grande do Norte	92 MW	Jan/22	Vestas	ACL	Sudene	
11. Echo 9	Rio Grande do Norte	76 MW	Jan/22	Vestas	ACL	Debentures ⁽¹⁾ e securitização de PPA	
12. Echo 10	Rio Grande do Norte	38 MW	Jan/22	Vestas	ACL	Debentures ⁽¹⁾	
13. Ready-to-build	Rio Grande do Norte, Piauí and Bahia	1.088 MW			100% wind 90% solar		

Legend:

- Operational Assets
- Advanced Construction
- Pipeline under development
- Location
- Turbines
- Installed Capacity
- Auction/market
- Creditor
- COD

Note: (1) Considers 8 the Seller's Data.

- Echoenergia comes with a robust pipeline of ready-to-build projects, validating Equatorial's growth strategy and diversification plan:



- Scope: Investment activities related to the acquisition of, development, construction and installation of wind farms and solar power generation facilities. Investments can be related to wind turbines, blades, foundations, solar panels, cables, transmission assets and any other element relating to the completion of the wind and/or power projects. Both wind and solar power represents a scalable and efficient green technology and is a key element in the green transformation.

3. Selection and Evaluation of Eligible Green Projects

The projects to be financed and/or refinanced using the proceeds from the Green Bond Framework will be evaluated and selected based on the qualification of the project as a Eligible Green Project.

Equatorial Energia's Board of Directors are responsible for its management strategy, financial activities and sustainability goals. The Board of Directors evaluates the Eligible Green Projects based on criteria to assess the project as an "Eligible Green Project".

At the inception of every Eligible Green Project, Equatorial ensures that the project is fully in compliance with the relevant environmental and social regulations and standards.

Proceeds from the Green Bond Instruments will be used for Eligible Projects which are evaluated to deliver long-term positive net environmental effects.

Socio-Environmental Licensing

The socio-environmental licensing process authorizes and monitors the implementation and operation of activities with significant environmental impact. It is the legal obligation of the entrepreneur to obtain the necessary socio-environmental licenses.

Among the different segments of the electricity sector, the energy distribution activity has minor local impacts, such as in relation to generation. However, the distribution network works may cross territories considered environmentally sensitive as well as protected areas of socio-cultural interest such as indigenous communities or *quilombolas*. Moreover, one of the main environmental impacts of the activity that happens during the implementation of these projects is the vegetation suppression in the distribution line layout.

Thus, for the installation and operation of these projects in a safe manner, legally supported from an social and environmental point of view, it is needed to obtain environmental authorizations from the responsible agencies.

Socio-environmental licensing at Equatorial Energia is carried out for all new ventures, for which specific environmental studies are prepared. The management and monitoring of the environmental licensing processes in 2020 took place jointly with 65 environmental agencies, in the four states of the distributors, at the federal, state and municipal levels. Approximately 92 meetings were held with these environmental agencies in the period, to issue the required environmental licenses.

In 2020, 481 license application processes were filed, covering around 103 municipalities in the states of Maranhão, Pará, Piauí and Alagoas. In the same year, a total of 458 environmental licenses were issued, for new construction and renewals of licenses for enterprises in operation, for the four distributors.

It is important to point out that in addition to this data, the licensing in 2020 had a very positive progress in Special Project processes, where 2,189 environmental licenses were issued, which will make it possible to bring quality energy to about seven thousand consumers.

Use of Proceeds Alignment with the ICMA Green Bond Principles Taxonomy

- **Renewable Energy:** Electricity Generation: Wind and Solar

Use of Proceeds Alignment with the UN Sustainable Development Goals (SDGs)

- **SDG 4** aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all and has seven targets and three means of implementation.
- **SDG 7** aims to ensure access to clean and affordable energy for all. 100% of Echoenergia's energy output is green.
- **SDG 13** calls for urgent action to fight climate change and its impacts. Since fossil fuel-based energy use accounts for approx. 75% of global carbon emissions, creating a world on green energy will be necessary to limit climate change. Echoenergia's green energy output from wind helps avoid CO2 emissions.



4. Management of Proceeds

The net proceeds from any Green Bond issuance will be managed by the Treasury department in Equatorial. An amount equal to the net proceeds will be credited to a separate account (“Green Account”) that will support and document Equatorial’s funding of Eligible Projects.

As long as Equatorial has any Green Bonds outstanding and the Green Account has a positive balance, funds will, on a quarterly basis, be allocated from the Green Account to Equatorial’s Green Project portfolio in respect of financing and/or refinancing Eligible Projects as approved by Equatorial’s Management.

Until all net Green Bond proceeds have been allocated to Eligible Projects, the balance of the Green Account will be managed in accordance with our cash management policies and investment mandates.

If, for any reason, a financed Eligible Project no longer meets the eligibility criteria, it will be removed from the Green Project Portfolio.

5. Reporting and Transparency

To enable investors to get insight into the prioritization of Eligible Projects and follow the allocation of Green Bond proceeds, until full allocation of the net proceeds, Equatorial Energia will provide an annual Green Bond Investor Letter which will include:

- a) a list of the Eligible Projects financed including a description of the projects, allocated amounts and their main environmental impacts;
- b) information about the allocation of Green Bond proceeds between new projects and refinancing and any unallocated balance standing to the credit of the Green Account;
- c) any developments in Equatorial Energia’s Green Bond reporting

We recognize the importance of transparency and investors’ interest in impact reporting on Eligible Projects financed with Green Bonds. It is our ambition to report on for example renewable energy capacity installed and negative environmental impacts avoided and/or reduced.

The internal tracking method, the allocation of funds from the Green Bond proceeds as expressed in the Investor Letter will be verified by an external auditor appointed by Equatorial Energia with the relevant expertise and experience.

At Equatorial Energia, our Green Bonds Framework has been reviewed by Standard & Poor’s who have issued a Second Party Opinion (“SPO”). The SPO as well as this Green Bonds Framework is publicly available on our website.

The annual Investor Letter and the opinion of the external auditor will also be publicly available on our website.