



2020 SUSTAINABILITY
REPORT

Alupar



WELCOME TO FIRST ALUPAR SUSTAINABILITY REPORT



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arrow on the
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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

GRI 102-14, 102-15

For Alupar, the year of 2020 was challenging mainly in the social aspect, due to the Covid-19 pandemic. We need to adapt extremely quickly, adjusting our support structures with different protocols, in order to avoid impacts on the Company's business, especially when we were going through our biggest investment cycle with the construction of several projects simultaneously. The concern with the health of our employees has led us to take a series of preventive measures, among which we have instituted the home-office for all employees of the corporate offices and the hiring of an infectious disease physician to assist us in creating protocols.

Throughout 2020, despite all the challenges, we took an important step towards the Company's growth, successfully completing three important transmission projects: EDTE, ETB and TPE, which together added an Annual Permitted Revenue (RAP) of R\$ 457.6 million.

At the same time and trying to mitigate the impact on the lives of Brazilians in the face of the new reality, we carried out several actions in favor of combating the pandemic through initiatives jointly with the public authority and support for

various institutions, which are detailed throughout this report.

In this sense, despite all the difficulties faced in 2020, we remain committed to socio-environmental projects. Among approximately 40 social actions supported by the Company throughout 2020, I highlight two projects: first the Aqualuz project that we developed in partnership with Safe Drinking Water for All (SDW for All) in Bahia, for which 173 families were benefited for the improvement in the quality conditions of the water they consume. Another very important project was the Conservation of the Species Saíra Apunhalada in Espírito Santo State, which aims to preserve this species of bird threatened with extinction.

Moreover, we maintained our objective of promoting the development of our employees, with a series of training sessions being carried out through the EAD (Distance Learning) platform. With the pandemic, this action could not have been more assertive. Courses and lectures were given, such as home office care, training on mental health, compliance and technical courses with the issuance of certificates to employees.

In 2020 we won important awards. We were among the 100 best companies to work for in 2020, according to the FIA + UOL award and we were recognized with the FIA Quality Certification for the 2020/21 Work Environment (FIA Atmosphere Certificate). Another relevant recognition was the highlight in the ranking of the largest companies in Brazil by the Valor Econômico magazine, in which we occupy the 150th position. Other awards won in the year are detailed in this report.

In addition, always seeking to align the strategic positioning, the Audit Committee was created in 2019, affirming Alupar's commitment to achieving a better level of governance and the Sustainability Commission in 2020, reiterating its commitment and engagement with the best practices in the market.

This is Alupar's first Sustainability Report. We are proud to present it, as it represents a big step for the Company.

Enjoy your reading!



Freepik

POSITIONING BEFORE THE **COVID-19** PANDEMIC



The pandemic raised concerns about the possible impacts on the Company's business involving thousands of workers and contact with local communities. However, our posture was followed by rapid and assertive reactions to adapt to the new reality. We were one of the first companies in Brazil to hold a 100% virtual Annual Shareholders meeting, already in April 2020 - an experience that caught the market's attention, yielding invitations to participate in webinars to tell us about this adaptation.

Throughout the pandemic period, we were attentive to the needs posed by employees, especially in the areas of Compliance and Human Resources, who developed an integrated work to serve employees in the best possible way. The concerns raised by them were welcomed and worked on in various initiatives, such as the carrying out of a suicide prevention campaign and the elaboration of a program to combat violence against women, which will be implemented in 2021.

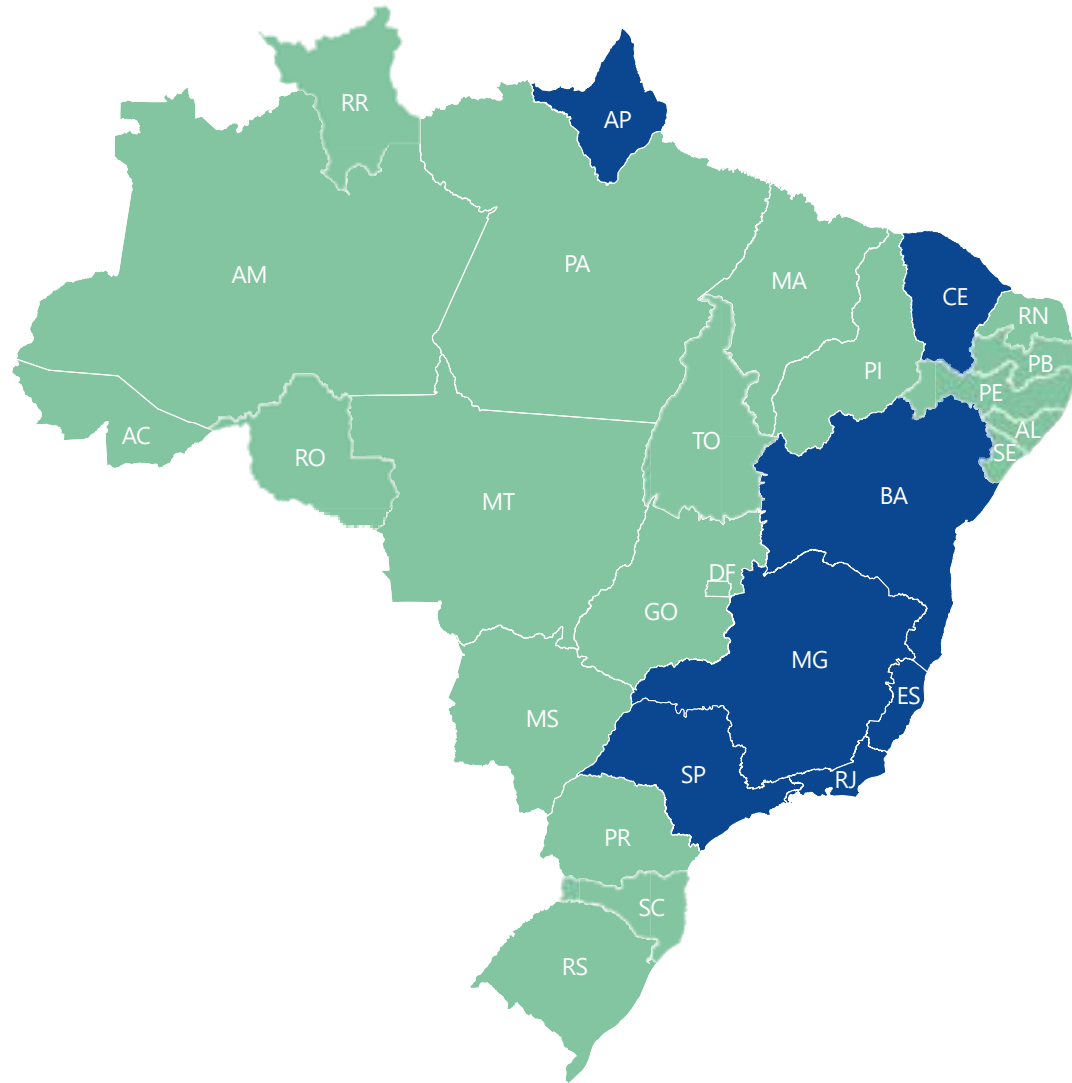
A major challenge posed by the past year has been the adequacy of our social projects, which are of great relevance mainly in places with less infrastructure and personnel. To guarantee its continuity, we have adapted all support structures to allow physical distance, reinforcement of hygiene care and the correct use of personal protective equipment. We provide safety materials and equipment, such as masks, aprons, alcohol gel and gloves, which were donated according to need, through partnerships with the government. And we reorganized our communication, so that everyone could have as much contact as possible using virtual means.

Among our partnerships, it is worth highlighting the performance together with the Oswaldo Cruz Foundation (Fiocruz) and the Hospital das Clínicas of São Paulo, which allowed us to provide support to various communities. Together with other companies, in support of Banco BTG Pactual, we were able to directly help strengthen the teams at Hospital das Clínicas, collaborating with the hiring of anesthesiologists.

In addition to actions to ensure physical distance and the safety of communities, we undertake initiatives to support communities that are more vulnerable and impacted by the lack of work and income, with the donation of basic food baskets and assistance to homeless people. Our volunteer program "Ubuntu - I am what I am for what we are" promoted donations of computers for the digital inclusion of students (more details about the program on [page 39](#)).

FROM SMALL GESTURES TO GREAT PARTNERSHIPS, IN 2020 WE WERE INTENSELY PRESENT TOGETHER WITH ALL OF OUR STAKEHOLDERS, PROVIDING SUPPORT, LEARNING AND HELPING TO CREATE SOLUTIONS TO FACE IN A PRODUCTIVE WAY THIS CHALLENGING YEAR BUT MANY ACHIEVEMENTS.

COVID SOCIAL ACTIONS



Amount invested

R\$ **6,3** milhões

Converted into:



402,299
donated products

Including alcohol gel bottles, PPE's (gloves, masks), food staples, among other items.



143
doctors hired

In partnership with BTG and Hospital das Clínicas.



7
donated vehicles

4 ambulances, 2 trucks and 1 car.



1
donated medical equipment

Digital X-Ray Detector.

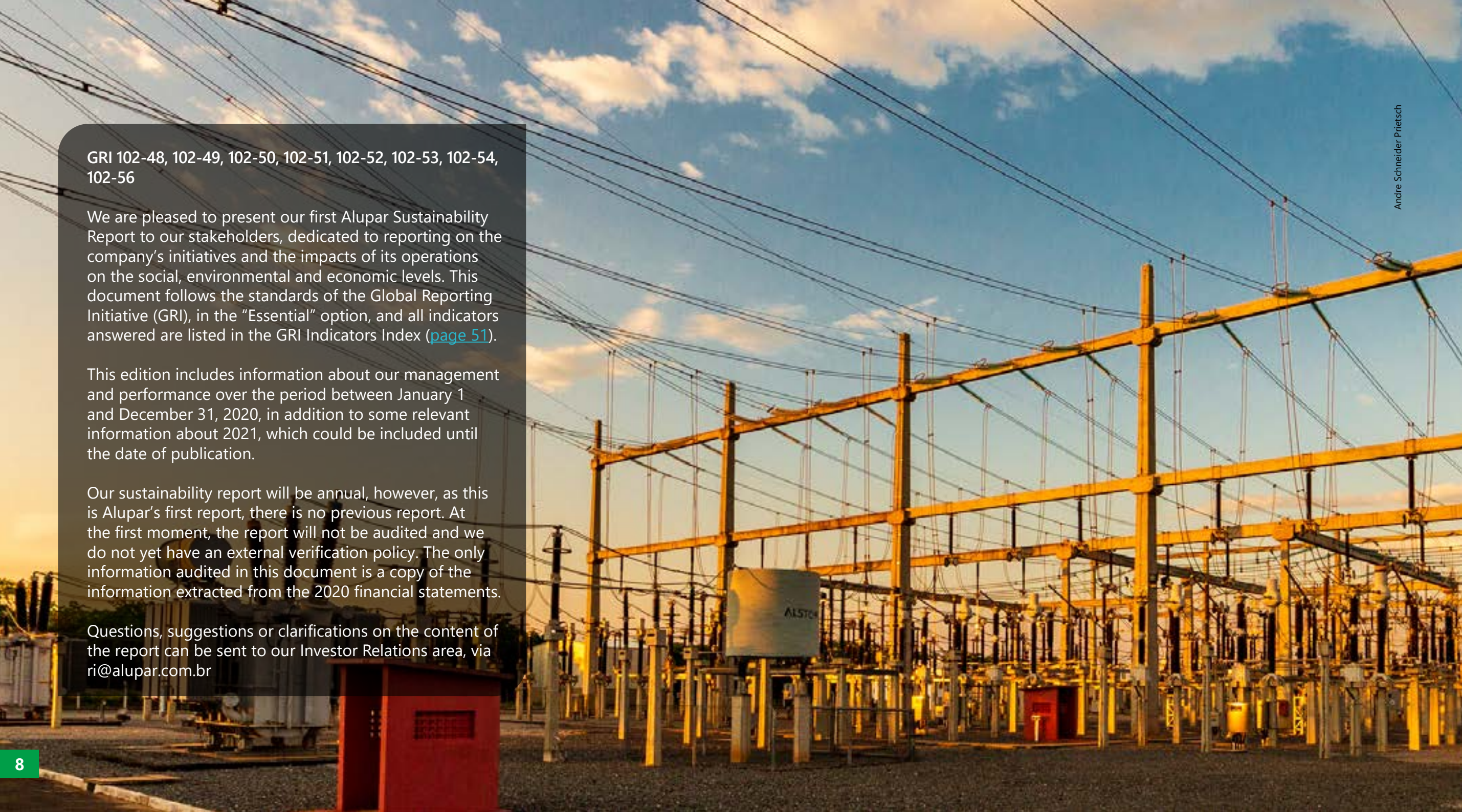
Resulting in:

551,532
benefited people

in **70 municipalities**
from **7 states**



ABOUT THE **REPORT**



GRI 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56

We are pleased to present our first Alupar Sustainability Report to our stakeholders, dedicated to reporting on the company's initiatives and the impacts of its operations on the social, environmental and economic levels. This document follows the standards of the Global Reporting Initiative (GRI), in the "Essential" option, and all indicators answered are listed in the GRI Indicators Index ([page 51](#)).

This edition includes information about our management and performance over the period between January 1 and December 31, 2020, in addition to some relevant information about 2021, which could be included until the date of publication.

Our sustainability report will be annual, however, as this is Alupar's first report, there is no previous report. At the first moment, the report will not be audited and we do not yet have an external verification policy. The only information audited in this document is a copy of the information extracted from the 2020 financial statements.

Questions, suggestions or clarifications on the content of the report can be sent to our Investor Relations area, via ri@alupar.com.br

Stakeholders' engagement

GRI 102-40, 102-42, 102-43

At Alupar, the management of its stakeholders is extremely strategic and seeks to focus on the client, taking care of the interactions we have with the public, according to the characteristics of our projects and businesses. As an infrastructure project company

in the electric power segment, some relationship groups are highlighted in our engagement actions, such as public agencies, service providers and local communities. This work crosses all stages of our business, from the feasibility and implementation to the operation of the enterprise, generating value for society and being intensified in each group according to the need.

Stakeholder	Public Description	Engagement approach
Public bodies	National Electric Energy Agency (Aneel), Brazilian Institute of the Environment and Renewable Natural Resources (Ibama), Chico Mendes Institute for Biodiversity Conservation (ICMBio), National System Operator (ONS).	The contact with public bodies, which is constant, is the responsibility of managers in the areas of Sustainability, Regulatory and Board of Directors. Project execution and progress reports are frequently sent to these bodies, to ensure their follow-up.
Suppliers and service providers	Environmental consultants, designers, assemblers, contractors, manufacturers.	Contract managers and the Supply sector maintain an agenda of meetings with service providers, to monitor the delivery of materials and equipment and the performance of the services established in the contract.
Shareholders	Independent directors and Board of Executive Officers.	The shareholders' approach is carried out weekly, through presentations from each area, which highlight the advances, challenges and next steps for the success of the projects.
Employees	Employees headquartered both in the Headquarters and in the subsidiaries.	Our employees have access to publications available on the intranet, which bring news about relevant facts, research, training, communications, polls, raffles and corporate policies.
Local Communities	Families and groups of people living in areas of influence of the projects.	Local communities are involved in social communication and environmental education programs, receiving information directly from field teams.

Materiality

GRI 102-44, 102-46, 102-47, 103-1, 103-2, 103-3

In 2020, we carried out the process of defining Alupar's materiality for the first time, following the guidelines of the GRI Standards. This work allowed us to map, identify and evaluate the most relevant topics for us and our stakeholders.

Material themes to Alupar	GRI Standards Correlation	Measures adopted
Risk and crisis management	Governance (102-30, 102-31) Strategy (102-15)	The Compliance unit conducts training and offers a reporting channel for internal and external audiences.
Environmental awareness		We have adopted all the necessary measures for the control and management of the issues raised by the stakeholders. To ensure the preservation of the environment, our projects are articulated with a set of socio-environmental programs, which cover both the construction phase and the operation of the projects.
Well-being and quality of life	Employment (401-2) Training (404-2, 404-3)	We offer our employees a fair remuneration and benefits package, compatible with the market, capable of contributing to their health, safety and quality of life. In addition, we maintain recognition and reward programs, and we invest in training and in overcoming vulnerabilities related to technical development.
Biodiversity	Biodiversity (304-1, 304-2, 304-3, 304-4, EU 13)	We carry out environmental programs dedicated to the preservation of biodiversity during all stages of our projects.
Waste	Waste (306-1, 306-2, 306-3, 306-4, 306-5)	We maintain a management structure to monitor environmental aspects throughout the construction phase of our projects. This includes the proper disposal of waste and environmental awareness actions for the workers and the communities involved.



Andre Schneider Prietsch

COMPANY'S PROFILE



Andre Schneider Prietsch

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10, 102-12, 102-13, 102-16

We are Alupar Investimento S.A., a private nationally controlled holding company, which operates in the electricity transmission and generation segments. We are present in Brazil, where we maintain assets in several states, and we are also present in Colombia and Peru.

As a publicly-held corporation, with units traded on B3, Alupar is governed by the Bylaws and other applicable legal provisions, including Law No. 6,404, of December 15, 1976 (Brazilian Corporate

Law), and by the B3 Level 2 Listing Regulation – Brasil, Bolsa, Balcão.

Our goal is to implement and operate infrastructure projects in the energy sector, in Brazil and in selected countries in Latin America that have economic, institutional and regulatory stability.

We are committed to generating value for shareholders and society. To this end, we maintain great technical competence, strong financial discipline and social responsibility, pursuing our sustainable growth through the development of generation projects and transmission systems.



Markets served

We have been operating since 2000 in the power transmission segment and since 2005 in the power generation segment.

Markets served – Generation and Transmission

Region/ country	Places where products and services are offered – operating assets	Sectors served	Types of customers/ beneficiaries
North, Northeast, Southeast, South, Midwest	Pará, Maranhão, Piauí, Santa Catarina, Ceará, Minas Gerais, Espírito Santo, Mato Grosso, Rio Grande de Norte, Rio Grande do Sul, Goiás, Amapá, Bahia and São Paulo	Generators, distributors, consumers, importers, exporters (extracted from the ONS report)	National Interconnected System
Colombia	Risaralda and Caldas	Distribution	Colombian Energy System

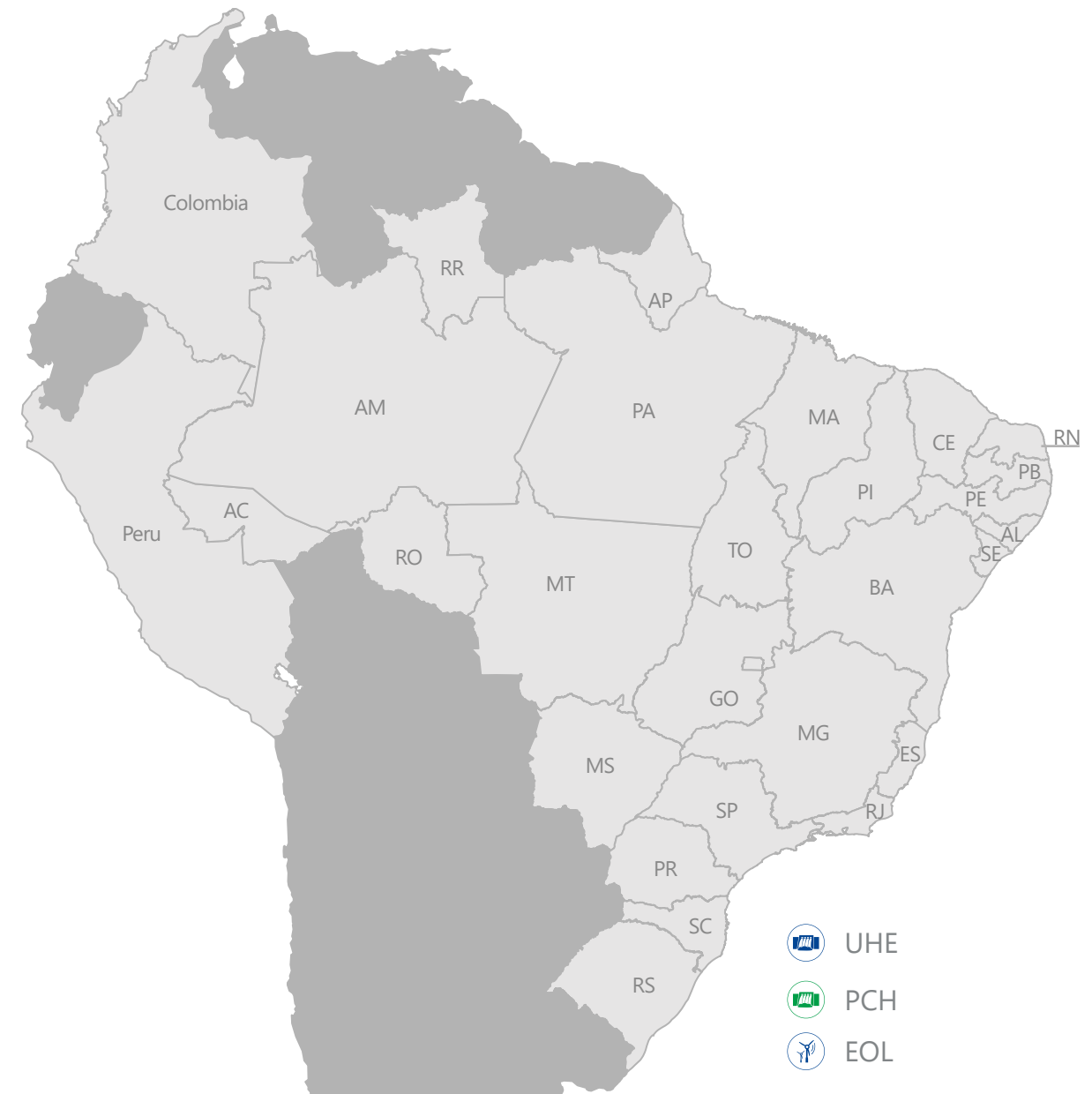
Transmission

We operate power transmission systems in Brazil and we have a transmission line being implemented in Colombia: we have 29 concession systems in Brazil, with a 30-year term, and 1 lifetime concession in Colombia. Our transmitters have a wide national transmission network in operation, composed of overhead lines and substations with varying voltage levels, which, on the closing date of this report, totaled 6,408 km of lines in operation and 1,521 km of lines being implemented, totaling 7,929 km.

Generation

In the power generation segment, we own hydro power plants, small hydro power plants and wind farms in Brazil, Colombia and Peru - through concessions/authorizations with a term of 30 to 35 years in Brazil, and for life in the other two countries. Our installed capacity totals 745.8 MW, distributed as follows: 580 MW from 3 hydro power plants, 4 small hydro power plants and 1 wind farm already in operation; 84.0 MW of hydropower under implementation; 58.8 MW of a wind energy project, with a grant, able to start the implementation; and 23 MW of a small hydro power plant in the environmental licensing phase.

Our plants and small hydro power plants in Brazil are part of the Energy Reallocation Mechanism (MRE), a financial device that seeks to share the hydrological risks that affect energy generation agents. This makes it possible to optimize the hydroelectric resources of the National Interconnected System (SIN) and ensure predictability in the cash generation of our assets already contracted, which means mutual and solidary support for the energy production of the accredited plants. It is an important mechanism to mitigate the effects of climatic and hydrological factors that are related to the production of hydroelectric energy.



MISSION, VISION AND VALUES

GRI 102-16



MISSION

Transmitting and generating energy with corporate, social and environmental responsibility, generating value for shareholders, economic development and well-being for people.



VISION

Being a respected, admired, modern and effective company, with the best performance indicators in the sector in which it operates.



VALUES

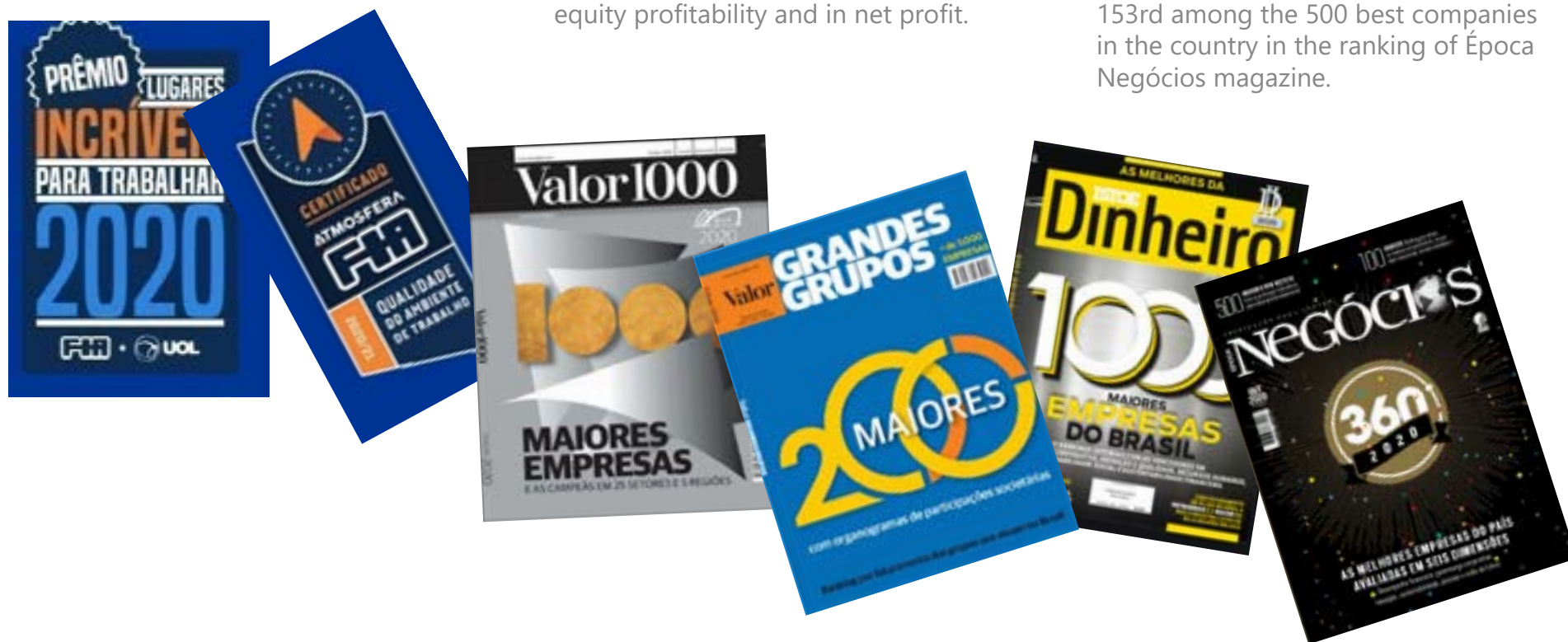
Commitment; Respect; Planning; Ethics and Transparency; Meritocracy; Result; Innovation.

Main certifications and awards

In 2020, we received a series of recognitions that reflect the respect won in the market, with emphasis on our place among the 100 best companies in the FIA Incredible Places to Work award and for receiving the FIA Certificate of Quality in the Work Environment.

For Valor Econômico magazine, in 2020, we ranked 150th in the ranking of the largest companies in Brazil, advancing 184 positions in relation to 2019, we were the 9th largest company in growth in net revenue, the 1st placed in revenue growth in the Large Groups ranking and the 145th in the general classification, being one of the largest companies in equity profitability and in net profit.

We also had the recognition of Isto É Dinheiro magazine, which in the last year highlighted Alupar in the ranking of the 1000 Largest Companies in Brazil as 2nd place in the electricity sector, considering the criteria Financial Sustainability, Human Resources, Innovation and Quality, Social Responsibility, Corporate Governance. We were also ranked 153rd among the 500 best companies in the country in the ranking of Época Negócios magazine.



Institutional Relationships GRI 102-12

At Alupar, we value partnership and relationships with institutions relevant to society and our industry. For this reason, we aim to adhere to the United Nations (UN) Global Compact, in addition to integrating important industry associations:

Brazilian Association of Independent Electric Energy Producers (Apine)

Brazilian Association of Infrastructure and Basic Industries (ABDIB)

Brazilian Clean Energy Generation Association (Abragel)

Brazilian Wind Energy Association (Abeeólica)

Brazilian Association of Publicly-Held Companies (Abrasca)



Andre Schneider Prietsch

CORPORATE GOVERNANCE



Andre Schneider Prietsch

GRI 102-11, 102-15, 102-18, 205-2, 205-3

At Alupar, we have a Governance Policy and a corporate governance structure based on transparency and equity, in line with B3 Governance Level II standards and in compliance with the Brazilian Corporate Law.

The Board of Directors - a collegiate decision-making body composed of seven members (two of whom are independent) - takes all decisions related to Alupar's strategic direction, and monitors the activities of the Executive Board. It is your task to establish the

general direction of our business, as well as our business policies and guidelines.

The Executive Board, in the figure of its directors, is the legal representative and responsible for the executive management of Alupar. It executes the policies, guidelines and activities related to the company's corporate purpose, ensuring, by appropriate means, compliance with the resolutions and guidelines of the Board of Directors.

By statutory definition, the Executive Board must be composed of up to six members, who are elected by the Board

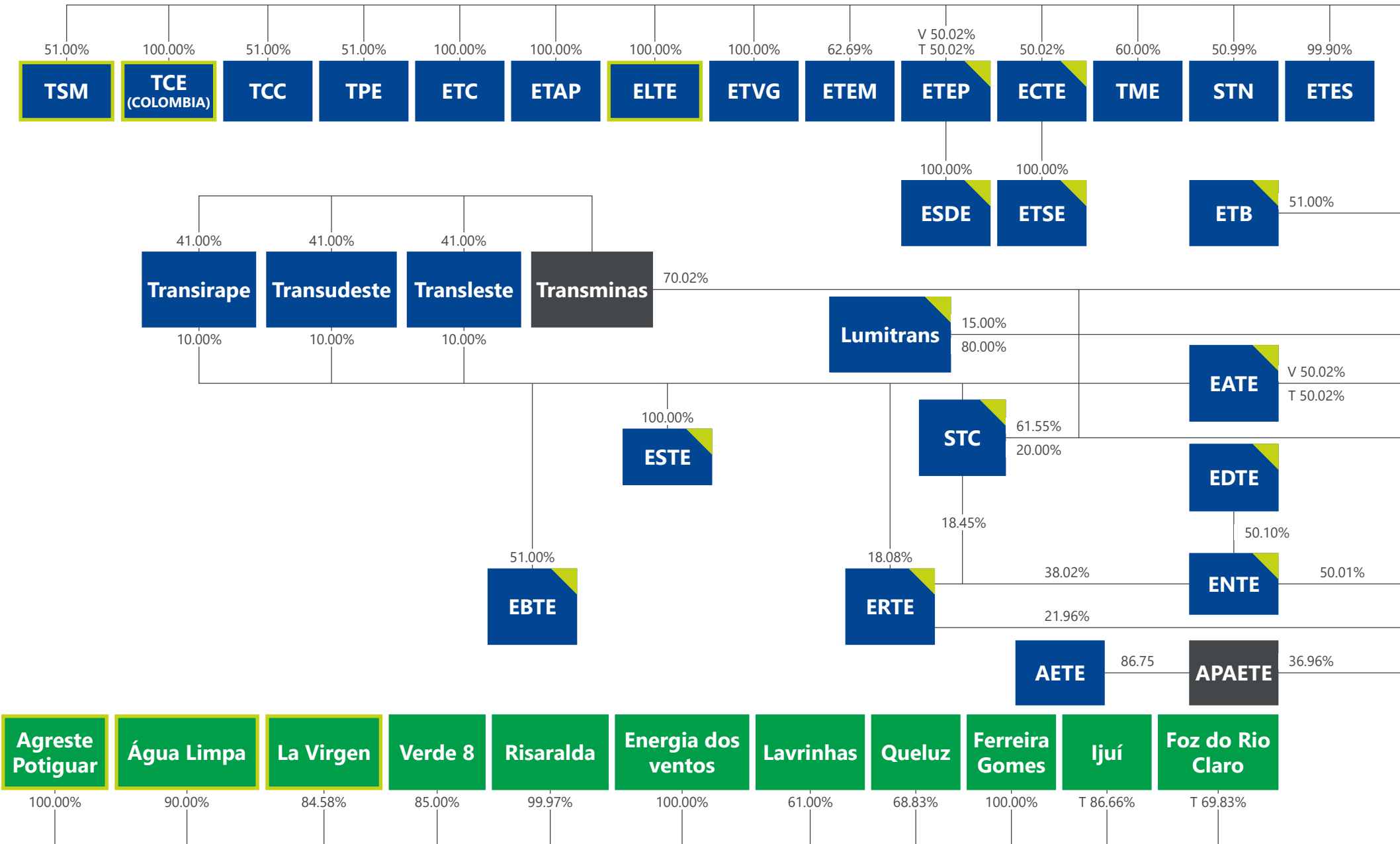
of Directors for a unified two-year term, with reelection permitted. She currently has the CEO, the Administrative and Financial Vice-President, the Commercial and Technical Director and the Investor Relations Officer.

Our governance structure also has a Fiscal Council, of a non-permanent nature, which can be installed in any fiscal year if required by shareholders. Currently, there is no Fiscal Council installed.

Finally, some committees complete our governance structure: the Governance, Succession and Compensation

Committee, the Finance and Contracting Committee for Related Parties, the Audit Committee and the Sustainability Commission. The latter was implemented in 2020 and has members of the Human Resources, Compliance, Sustainability, Social and Investor Relations teams. It is in charge of aligning integrity, combating corruption and environmental, social and governance actions, revisiting actions taken and identifying opportunities related to sustainability issues.

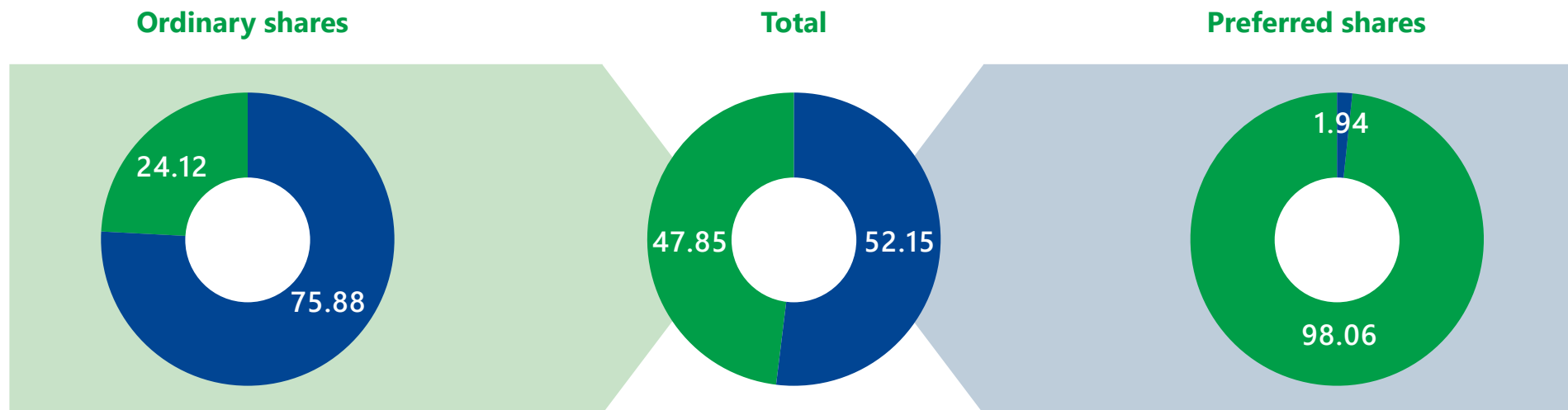
CORPORATE STRUCTURE



- Transmission
- Generation
- In deployment
- TBE assets

TBE: consists of 12 EATE, EBTE, ECTE, ENTE, ERTE, ESDE, ETEP, ETSE, LUITRANS, STC, ESTE and EDTE transmission companies

SHAREHOLDING COMPOSITION – (%)



Controller	452,995,367	Controller	458,466,495	Controller	5,471,128
Other shareholders	143,960,603	Other shareholders	420,644,774	Other shareholders	276,684,171
Total	596,955,970	Total	879,111,269	Total	282,155,299

At Alupar, we adopt good governance practices. Our bylaws guarantee 100% tag along for all shares and a minimum dividend of 50% of net income for common and preferred shares.

To address the issues that are most relevant to the company, we maintain a series of policies:

- Sustainability Policy
- Community Relationship Policy
- Integrity Policy
- Corporate Governance Policy
- Internal Audit Policy
- Human Resources Policy
- Occupational Health and Safety Policy
- Environmental Policy
- Policy on Preventing and Combating Money Laundering and Financing of Terrorism



Ethics and integrity

At Alupar, we have ethical principles that govern integrity and transparency. These principles are at the basis of the rules and procedures established in our Integrity Policy and in our Code of Ethics, Conduct & Compliance, which guides the behavior of all those who integrate or represent our company, both in internal relationships and in relation to the society.

The fulfillment of our mission must always be guided by corporate, social and environmental responsibility, the use of corporate governance mechanisms,

**IN 2020, ALUPAR
UP THE LEVEL OF
GOVERNANCE, WITH
THE CREATION OF
THE COMMITTEE OF
AUDIT AND AUDIT
AREA.**

the valorization of employees and the encouragement of the company's technical and managerial development. Justice, excellence, dignity, dedication, clarity, ethics and respect for the rules are the commitments we assume in front of all our audiences. Our relationship with employees and society is defined by the obligation to quality, the environment, corporate and social responsibility, efficiency, profitability, staff development and consideration for diversity.

We know that the culture of compliance must be disseminated in a preventive way, and for that we conduct training, develop policies, produce campaigns and use all available communication resources to mobilize our audiences around this topic. Alupar's Integrity Policy and Code of Ethics, Conduct & Compliance are permanently available on the intranet and on our Investor Relations website (in Portuguese and English), and our Mission, Vision and Values statement can be read on our website institutional (in Portuguese, English and Spanish).

The Human Resources area embraces the task of disseminating and providing training to disseminate our norms, policies and standards of behavior. This is such an important topic that integration training for new employees includes an assessment of it, with a minimum requirement of 75%.

In addition to acting in a preventive manner, we also maintain a whistleblowing channel, accessible to our own and outsourced employees, as well as a channel for clarifying doubts related to corruption issues.

In 2020, we had good initiatives to raise our level of governance, with the creation of the Audit Committee and the Audit area, and the beginning of an in-depth work on the General Data Protection Law (LGPD).

Integrity communication and training

At Alupar, the integrity theme is covered by a specific program (as required by Decree No. 8,420) and worked on frequent training offered to all our

employees and the employees of Transmissoras Brasileiras de Energia (TBE) and the Sistema de Transmissão Nordeste (STN), of all hierarchies.

In 2020, anti-corruption training offered at Alupar was carried out by 100% of the members of governance and by 94.68% of our entire universe of employees. The Anti-Corruption Training for new employees and the webinar on Prevention and Combating Money Laundering were highlighted, which had all sessions conducted through the e-learning platform or Webex. In the last year, we also invested in training on sexual and moral harassment, through online channels, using support material from the Public Ministry of Labor.

In addition to our regular training related to integrity, we make our policies on the subject available on the intranet, with access to all employees.



Fighting against corruption

At Alupar, we maintain governance actions that are well aligned with the best market practices. Our Compliance area maintains a program to monitor corporate activities and frequently brings relevant issues to the Board of Directors. Seeking to constantly improve the fight against corruption at all levels, in 2020 we approved a new policy in the area, dedicated to preventing money laundering ([click to access, only Portuguese](#)).

We regularly offer anti-corruption training to employees and invest in various initiatives dedicated to the topic. In 2020, a highlight in this area was the holding of the Money Laundering Prevention and Terrorism Financing webinars, which addressed the issue with a focus on the energy sector.

Interested in ethics and fighting corruption throughout our chain, we have also invested in monitoring third parties in this area. In 2020, we structured a compliance questionnaire for suppliers, based on our compliance risk matrix, and in 2021 we approved a code of conduct for third parties, already published on our website ([click to access, only Portuguese](#)).

All of our contracts include an anti-corruption clause, which highlights Alupar's commitment to ethical conduct and the principles established by the legislation, especially the Anti-Corruption Law, in addition to providing the electronic address for accessing our Code of Ethics, Conduct & Compliance and our Reporting Channel.



Crisis and risks management

GRI 102-11, 102-15, 102-30, 102-31, 103-1, 103-2, 103-3

At Alupar, we consider it very important to have a rigorous and constantly improved risk management. Since the new business phase and the definition of the economic and environmental viability of each project, risk management is monitored by the Board and shareholders, through weekly meetings that deal with aspects such as actions, schedules, environmental licenses, social projects, land negotiations and regulatory aspects.

Although without a formal risk management policy, we maintain a

Project and Process Management Office, which supports the Board in risk management and works together with the Compliance unit to improve forms of risk mapping and analysis. We also have a matrix of corruption risks, based on the Anticorruption Law, under the management of the Compliance Officer, who reports to the Board of Directors.

All of our projects are guided by the precautionary principle, from the stage of defining the environmental feasibility, through the construction until reaching the operational phase. Preliminary studies seek the best socio-environmental alternatives, respecting the communities located in the areas

of influence of the projects. In planning the works, the multidisciplinary Sustainability team carefully analyzes each activity in the Basic Environmental Plan, avoiding possible impacts during the implementation and operation stage. All efforts and actions taken are evidenced in the monitoring reports and then forwarded to the responsible environmental agency.

The main socio-environmental impacts of our projects occur during the installation phase (with the removal of vegetation, soil movement and execution of civil works, among others), which for this reason is part of a set of impact mitigation programs. Environmental programs collaborate to protect local fauna and flora, while social initiatives provide support to communities in the areas of direct and indirect influence of the project, which are always involved with a view to harnessing local potential.

Each project has its particular challenges, depending on the characteristics of each region, which can house traditional communities, conservation units and historical and cultural heritage, tourist potential, among others. All of these elements are identified in the diagnosis stage, and compensation actions and measures to enhance natural beauty and existing projects in each location are proposed. During the pandemic, several actions were carried out with the municipal health and social assistance secretariats, contributing to the well-being of the populations.

We are interested in further expanding our risk management and monitoring instruments, which is why we set the goal of adhering to the Global Compact in 2021 and, in the medium term, defining our performance in relation to the UN Sustainable Development Goals.

ALUPAR ESTABLISHED TO 2021
THE GOAL OF JOINING THE UN
GLOBAL COMPACT.



Andre Schneider Prietsch

ECONOMIC-FINANCIAL **PERFORMANCE**

GRI 102-45

Gross Revenue

Our gross revenue went from R\$ 5,024.7 million in 2019 to R\$ 6,745.1 million in 2020, an increase of 34.2%.

Transmission

Our gross revenue from energy transmission went from R\$ 4,286.5 million in 2019 to R\$ 6,099.2 million in 2020, an increase of 42.3%. Basically, this is the result of the following factors: the recognition of the monetary correction of the contractual asset, mainly of the assets indexed to the General Market Price Index (IGP-M), which registered 23.14% in the accumulated for the year of 2020; changes in the calculation of construction, Operation and Maintenance (O&M) margins and remuneration rates, already considered in the initial adoption of the Accounting Pronouncements Committee (CPC) 47, to adapt to the determinations of CVM

Official Letter 04/2020¹; and the entry into operation of the EDTE, ETB and TPE transmission assets in 2020.

Generation

Our gross revenue from the power generation system went from R\$ 738.2 million in 2019 to R\$ 645.9 million in 2020, this reduction of 12.5% was due to the lower volume and the drop in the average price of energy sold in 2020 in the free contracting environment.

Profit before income tax, financial results, depreciation and amortization (EBITDA)

In 2020, our profit before income tax, financial results, depreciation and amortization (EBITDA) was R\$ 3,453.7 million, an increase of 35.0% compared to the record of R\$ 2,557.7 million in 2019.

1. Published on December 1, 2020, it provides guidance on the relevant aspects of the International Financial Reporting Standards (IFRS) 15 (CPC 47) and IFRS 9 (CPC 48) to be observed in the financial statements of December 31, 2020, available in our website.





IN 2020 ALUPAR
REPORTED A EBITDA
35% HIGHER THAN
THE YEAR 2019

Andre Schneider Prietsch

Financial result

In 2020, our financial result was R\$ 461.7 million, compared to R\$ 262.5 million in 2019, a variation explained by the variation in our financial expenses and revenues in that period.

From 2019 to 2020, our financial expenses went from R\$ 349.6 million to R\$ 513.1 million. This increase in expenses is mainly related to three factors: the entry into commercial operation, in 2019, of ETAP and ETC and, in 2020, of EDTE, ETB and TPE, the debt charges being recorded in financial expenses and not more in infrastructure costs; new loans and debenture issuance in 2020; and the recognition of monetary restatement from July 2015 to December 2020 of the open values of the Generation Scaling Factor (GSF) in the Queluz and Lavrinhas generators.

Our financial revenue, on the other hand, went from R\$ 87.1 million in 2019 to R\$ 51.3 million in 2020, as a result of two main factors: the reduction in the balances of cash and cash equivalents,

short-term investments and bonds and securities, which reduced financial income, impacting our result by 46.6%, compared to 2019; and the reduction in the average remuneration of financial investments (remuneration of 88.57% of the Interbank Deposit Certificate (CDI) in 2020 against 97.49% in 2019).

Indebtedness

Alupar Investimento S.A. ended the year with a net debt of R\$ 6,791.7 million, an increase of 50.3% over the R\$ 4,591.6 million recorded in 2019. This increase is related to our current investment flow. Our consolidated leverage (net debt/EBITDA), as of December 31, 2020, reached 2.0 x.

Net profit for the year

In 2020, our net income for the year (excluding non-controlling shareholders) was R\$ 942.1 million, compared to the R\$ 890.3 million achieved in 2019, which is explained by the various factors already exposed above.

Capital Market performance

Our units (B3: ALUP11) ended 2020 quoted at R\$ 27.09, an appreciation of 1.1%, compared to the end of 2019. In the same period, the Electricity Index (IEE) showed an appreciation of 8.1%. The market value of Alupar, on December 31, 2020, was R\$ 7.9 billion.

Throughout 2020, our units had an average daily trading volume of R\$ 20.0 million in B3, compared to an average daily trading volume of R\$ 18.0 million in 2019.

Investments

- Investments in Greenfield Projects (2020): R\$ 2.3 billion.

Since 2016, we have won eight lots in transmission auctions carried out by the National Electric Energy Agency (Aneel) and a transmission project in Colombia, which add up to an investment (auction basis) of R\$ 5.6 billion, with a total increase in Annual Permitted Revenue (RAP) (cycle 2020/2021) of R\$ 934.5 million for projects located in Brazil and R\$ 122.1 million for the project located

in Colombia. Of these nine projects, six have already entered into operation and had an average reduction in capital goods investment of 17%. In 2020, three assets, EDTE, ETB and TPE, went into operation, and in 2021 that of TCC.

In 2020, total investments were made in the order of R\$ 2,391.7 million in our companies, compared to R\$ 1,721.7 million registered in 2019. Of these investments, R\$ 2,310.4 million were invested in the transmission segment (R\$ 1,634.8 million in 2019), R\$ 79.6 million in the generation segment (R\$ 86.7 million in 2019) and R\$ 1.6 million in new business development (R\$ 0.2 million in 2019).

The volume of investments made in 2020 mainly reflects the implementation of transmission assets TPE, TCC, TCE, ETB, ESTE, EDTE and TSM, which together totaled R\$ 2,269.0 million, compared to the R\$ 1,449.1 million recorded in 2019.

GRI 201-1

Statement of added value (%)

Shareholders	0.56
Employees (compensation and benefits for employees)	3.76
Government	32.42
Retained earnings	44.59
Interest and rent (operating costs)	18.52
Investments in the community	0.15

Added value statement – summarized (R\$ thousand)

Revenues	6,851,546
Inputs purchased from third parties	2,241,166
Gross added value	4,610,380
Retentions	135,872
Net added value produced by the organization	4,474,508
Added value received on transfer	78,117
Total added value to be distributed	4,552,625

Statement of added value (R\$ thousand)

REVENUES	6,851,546
Sales of goods, products and services	6,745,065
Allowance for doubtful accounts - reversal/constitution	0
Non-operational	106,481
INPUTS ACQUIRED FROM THIRD PARTIES (includes ICMS and IPI)	2,241,166
Raw materials consumed	0
Costs of goods and services sold	2,083,859
Materials, energy, third party services and others	157,307
Loss/recovery of assets	0
GROSS ADDED AMOUNT	4,610,380
RETENTIONS	135,872
Depreciation, amortization and depletion	135,872
NET ADDED VALUE PRODUCED BY THE ORGANIZATION	4,474,508
ADDED VALUE RECEIVED UPON TRANSFER	78,117
Equity in earnings	-9,224
Financial revenues	87,341
TOTAL ADDED AMOUNT TO BE DISTRIBUTED	4,552,625
DISTRIBUTION OF VALUE ADDED	4,552,625
Personnel and charges	171,154
Taxes, fees and contributions	1,476,126
Interest and leases	843,030
Interest on own capital and dividends	25,462
Retained earnings/loss for the year	2,030,043
Investments in the community	6,810

Net revenue (R\$ thousand)

6,140,745

Total assets (R\$ thousand)

22,576,510

Total capitalization broken down in terms of debt and equity (R\$ thousand)

17,920,138

Beneficiary property (including identification and percentage of interest by major shareholders)

Controlling Shareholder 52%

Free-float 48%

Country/ region	Revenue by countries/ regions corresponding to 5% or more of total revenue (R\$ thousand)	Costs by countries/regions corresponding to 5% or more of total revenue (R\$ thousand)
Brazil	6,113,188	2,689,664
Colombia	27,557	9,891

Entities and/or subsidiaries included in the financial statements*

- Empresa Paraense de Transmission de Energia S.A. (ETEP)
- Empresa Norte de Transmission de Energia S.A. (ENTE)
- Empresa Regional de Transmission de Energia S.A. (ERTE)
- Empresa Amazonense de Transmission de Energia S.A. (EATE)
- Empresa Catarinense de Transmission de Energia S.A. (ECTE)
- Sistema de Transmission Nordeste S.A. (STN)
- Companhia Transleste de Transmission (Transleste)
- Companhia Transudeste de Transmission (Transudeste)
- Companhia Transirapé de Transmission (Transirapé)
- Sistema de Transmission Catarinense S.A. (STC)
- Companhia Transmissora de Energia Elétrica (Lumitrans)
- Empresa de Transmission do Espírito Santo S.A. (ETES)
- Empresa Brasileira de Transmission de Energia S.A. (EBTE)
- Empresa Santos Dumont de Energia S.A. (ESDE)
- Empresa de Transmission de Energia do Mato Grosso S.A. (ETEM)
- Empresa de Transmission de Várzea Grande S.A. (ETVG)
- Empresa de Transmission Serrana S.A. (ETSE)
- Empresa Litorânea de Transmission de Energia S.A. (ELTE)
- Empresa Transmissora Agreste Potiguar S.A. (ETAP)
- Empresa Transmissora Capixaba S.A. (ETC)
- Transmissora Caminho do Café S.A. (TCC)
- Transmissora Paraíso de Energia S.A. (TPE)
- Empresa Sudeste de Transmission de Energia S.A. (ESTE)
- Transmissora Serra da Mantiqueira S.A. (TSM)
- Transmissora Colombiana de Energia S.A.S.E.S.P. (TCE)
- Empresa Diamantina de Transmission de Energia S.A. (EDTE)
- Amazônia - Eletronorte Transmissora de Energia S.A. (AETE)
- Transmissora Matogrossense de Energia S.A. (TME)
- Empresa de Transmission Baiana S.A. (ETB)
- Foz do Rio Claro Energia S.A. (Foz)
- Ijuí Energia S.A. (Ijuí)
- Usina Paulista Lavrinhas de Energia S.A. (Lavrinhas)
- Usina Paulista Queluz de Energia S.A. (Queluz)
- Ferreira Gomes Energia S.A. (Ferreira Gomes)
- Energia dos Ventos I S.A. (EDV I)
- Energia dos Ventos II S.A. (EDV II)
- Energia dos Ventos III S.A. (EDV III)
- Energia dos Ventos IV S.A. (EDV IV)
- Energia dos Ventos X S.A. (EDV X)
- Generation de Energia Termoelétrica e Participações S.A. (GET)
- Risaralda Energia S.A.S.E.S.P. (Risaralda)
- Verde 8 Energia S.A. (Verde 8)
- Água Limpa S.A. (Água Limpa)
- La Virgen S.A.C. (La Virgen)
- Wind do Agreste Potiguar I S.A. (EAP I)
- Wind do Agreste Potiguar II S.A. (EAP II)
- Wind do Agreste Potiguar III S.A. (EAP III)
- Wind do Agreste Potiguar IV S.A. (EAP IV)
- Wind do Agreste Potiguar V S.A. (EAP V)
- Wind do Agreste Potiguar VI S.A. (EAP VI)
- Wind do Agreste Potiguar VII S.A. (EAP VII)
- Alupar Chile Inversiones SpA (Alupar Chile)
- Alupar Colômbia S.A.S. (Alupar Colômbia)
- Alupar Inversiones Peru S.A.C. (Alupar Peru)
- Apaete Participações em Transmission S.A. (Apaete)
- Transminas Holding S.A. (Transminas)
- Transmissoras Reunidas S.A. (Transmissoras Reunidas)
- Windepar Holding S.A. (Windepar)
- AF Energia S.A. (AF)
- ACE Comercializadora Ltda. (ACE)

* All of these entities are covered by this report.



Andres Sossa

SOCIAL PERFORMANCE




Employees

In 2020, we closed the year with 728 employees in our staff, of which 669 are own and 11 are outsourced. Our own employees are divided into 78% men and 22% women, and most of them are concentrated in the Southeast region.




EMPLOYEES BY CONTRACT TYPE AND GENDER

GRI 102-8

Own employees

			
Permanent contract	523	146	669
Temporary contract	47	1	48
Total			717

Outsourced employees

			
Permanent contract	4	7	11
Temporary contract	0	0	0


Total (own + outsourced) **728**



EMPLOYEES BY WORKLOAD TYPE AND GENDER

Own employees



			
Full-time	561	156	717
Part-time	0	0	0

Third party employees



			
Full-time	4	7	11
Part-time	0	0	0

EMPLOYEES BY FUNCTIONAL CATEGORY AND GENDER

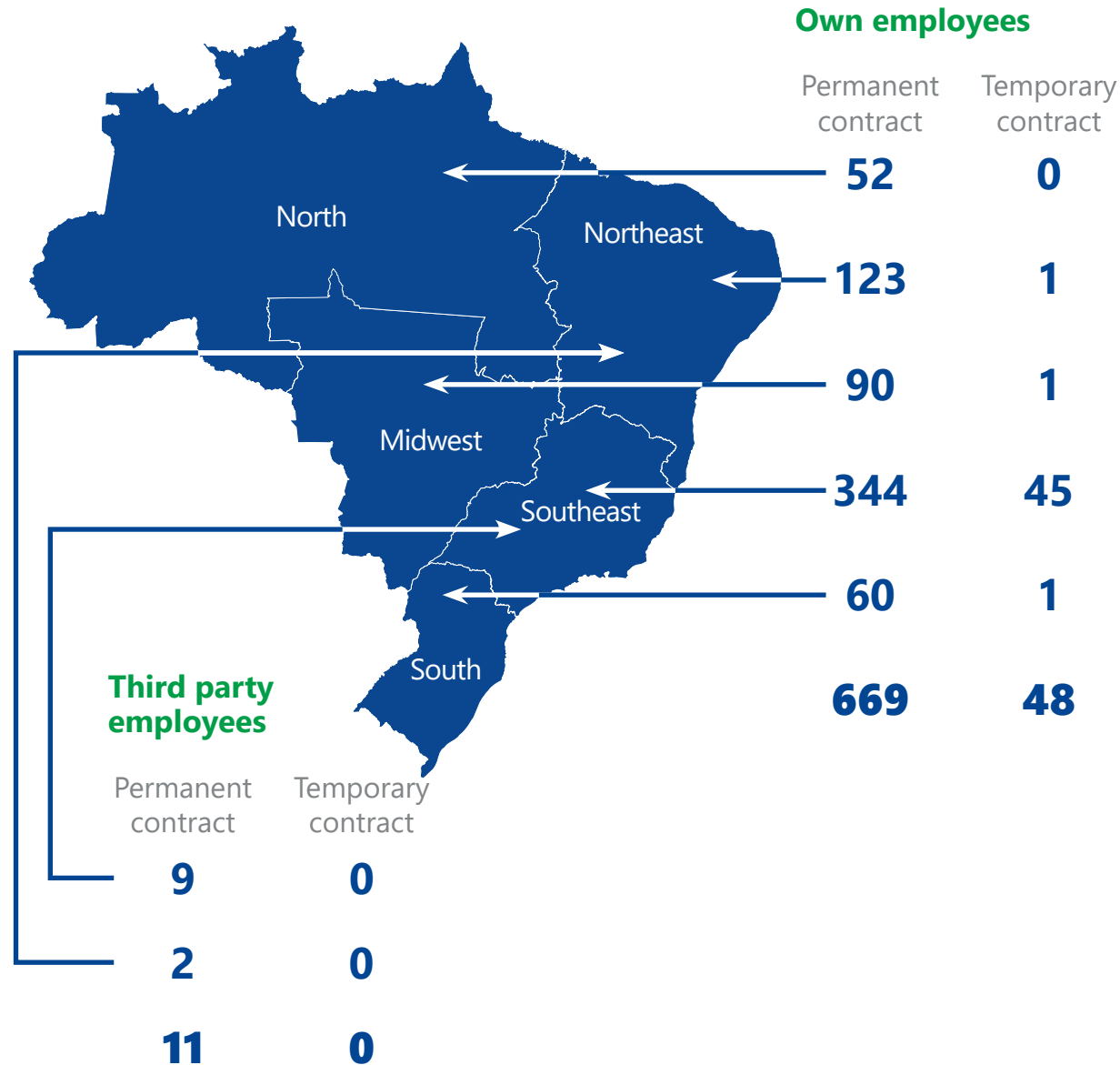
Own employees

Functional category		
Administrative/technical-operational	493	113
Coordinator/supervisor/specialist	35	16
Auxiliary services	14	18
Managers	18	9
Superintendent	1	0
Total	561	156

Third party employees

Functional category		
Auxiliary services	4	7
Total	4	7

EMPLOYEES BY TYPE OF CONTRACT AND REGION



Professional development GRI 103-1, 103-2, 103-3, 404-2, 404-3

At Alupar, we believe that the development of employees is a crucial element for the solidity and growth of our business. For this reason, we constantly invest in training and in overcoming vulnerabilities related to technical development. Even in the face of the pandemic scenario, we maintained support for professional development: through remote channels, we offer courses and lectures related to home office care, in addition to training on mental health and compliance, with the issuance of a certificate for participants.

We maintain our own online distance education platform, with technical and behavioral training in the areas of self-development, business and leadership. In addition, we award scholarships at the postgraduate level twice a year, costing 50% of tuition fees, and we offer English scholarships through the Voxy platform. All of our educational and

professional development programs are accessible to employees from all regions of the country.

Interested in finding candidates aligned to the Alupar way of being, we invest in recruiting and attracting talent and try to minimize turnover, clarifying the benefits offered and presenting testimonials from employees proud to belong to the company. Distance recruitment was already a reality before the pandemic, allowing it to reach a larger universe of candidates, and maintained this format throughout 2020. For executives, we maintain programs to support professional relocation.

For Alupar, diversity is a positive value: we are proud to have the Pro-Gender and Race Equality Seal, and gender or color discrimination is not part of our culture.

Performance evaluations

To appraise the performance of employees, we carry out an annual assessment, which includes self-assessment, 180° assessment and feedback sessions with each employee, including managers. Parallel to the

Performance Evaluation program, the Individual Development Plan (PDI) is carried out, so that people can analyze their moment in the career and the elements that need to be worked on in order to progress in their professional life.

Percentage of employees receiving performance appraisals * - GRI 404-3

	Number of own employees evaluated	Total own employees	Percentage of employees evaluated (%)
Functional category			
Administrative	604	604	100%
Coordinator	51	51	100%
Auxiliary services	32	32	100%
Managers	28	28	100%
Superintendent	2	2	100%
TOTAL	717	717	100%
Gender			
Male	570	570	100%
Female	147	147	100%
TOTAL	717	717	100%

* Employees admitted in the months of November and December do not participate in the performance evaluation, nor do they have their own employees with temporary contracts.








Benefits

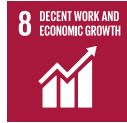
GRI 103-1, 103-2, 103-3, 401-2

At Alupar, we invest in our human capital, offering all employees a fair remuneration and benefits package, compatible with the market, capable of

contributing to their health, safety and quality of life. We are constantly updated on the remuneration and benefits offered, so that our model meets the needs of employees and is compatible with the best companies in the market.

Benefits

-  Meal voucher and/or Food voucher
-  Health plan for employees and dependents
-  Dental plan for employees and dependents
-  Private Social Security
-  Life insurance
-  Continuing Education
-  Parking Assistance
-  Day Care allowance for mothers



Health and safety

GRI 403-1, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, G4-EU16

For Alupar, health and safety are of high relevance. For this reason, we have a policy and management system exclusively dedicated to the topic, which includes internal and external employees. Our Workplace Safety and Occupational Health Policy establishes the essential elements of the Alupar way of taking care of the physical integrity of employees, while our Occupational Safety and Health Management System seeks to promote the continuous improvement of processes, through four actions: plan, do, check and act.

Always attentive to opportunities for improvement, we use occupational risk management tools to identify these opportunities and carry out the necessary improvement actions. Some of these tools are the standardization of individual or collective protective

equipment, the execution of programs for monitoring and controlling environmental risks, and the carrying out of training and safety inspections.

All of our service contracts contain clauses that guarantee compliance with internal guidelines for occupational safety and health, regulatory standards and current legislation..

Health and safety risk management

At Alupar, health and safety risk management actions are supported by the Occupational Health and Safety Policy and the Occupational Health and Safety Management System. One of these actions is the offer of training to all our own employees, in accordance with the current legislation and the activities carried out - such as Work at Height, Activities in Confined Space, Security in Installations and Services in Electricity, Fire Brigade, among others. In the case of employees under a service

provision contract, there is a contractual obligation to apply training according to occupational risks.

All of our activities and the environments in which they are developed are mapped in relation to hazards and risks and harmful agents. Activities always undergo preliminary analysis of hazards and risks, identified based on the Environmental Risk Prevention Program (PPRA), and control measures are implemented, ranging from employee training and provision of safety equipment to meetings prior to

each activity, with everyone involved, among others. Employees are instructed to exercise their right to refuse if they identify a risk or do not feel safe to perform the service.

Although all internal and external employees are included in our management system, the health and safety statistical data refer only to internal employees. All occurrences related to this area are investigated and result in actions being taken to mitigate risks and block new occurrences.

**THE MANAGEMENT SYSTEM
SAFETY AND HEALTH OF ALUPAR
IS BASED ON FOUR ACTIONS:
PLAN, DO, CHECK AND ACT.**

The number of hours worked in 2020 was 1,468,383, and we have not identified occupational risks that could cause health problems for our employees. The rate of work-related

injuries was 0.68 that year, with only one occurrence recorded – the only one in the last four years –, which caused a temporary injury to an employee, due to the impact caused by a fall.

Work-related injuries* – GRI 403-9

	Own employees	Outsourced employees
Casualties resulting from work-related injuries		
Number	0	0
Rate	0	0,00
Work-related injuries with serious consequences		
Number	0	0
Rate	0	0,00
Recordable work-related injuries		
Number	1	0
Rate	0.68	0.00

* The indicators include all employees, therefore all positions in the company. The rates were calculated for each 1,000,000 hours of work (standard methodology Brazil).

Employee health

With the care of guaranteeing the best health procedures to our employees, at Alupar we provide health plans for employees and their dependents, we organize awareness campaigns about the importance of prevention and early diagnosis of breast and prostate cancer, and every year we carry out an influenza vaccination campaign in all of our units.

Our occupational health management is carried out by a specialized company, which carries out complementary and clinical examinations on an annually basis, giving employees guidance on their health status and healthier lifestyle habits.

In 2020, with the covid-19 pandemic, we reinforced our mental health actions, offering lectures to help employees better cope with this challenging moment.



Suppliers

GRI 102-9, 308-2, 408-1, 409-1, 414-2

In our supply chain, companies that supply substation equipment (such as transformers, reactors, circuit breakers, lightning rods and cables) and transmission line materials (such as aluminum cables, insulators, dampers and metal structures), in addition to contractors specialized in civil works, project design and certification and assembly of substations and transmission lines.

Our main hires are concentrated in a restricted universe of suppliers, as it is an activity with a high technical specificity, which are mainly located in the South and Southeast regions of Brazil. In the case of small services and support to the work, we try whenever possible to hire local companies, which optimizes costs and encourages the local economy.

In 2020, we contracted 56 suppliers, totaling 102 suppliers in our supply chain. Some suppliers that did not meet the contractual deadlines or presented a recovery plan compatible with the needs of the work were replaced.

Before hiring, all of our suppliers go through a process of registering and sending documentation, which is analyzed in the legal, tax, environmental, financial and compliance fields. The Compliance unit has its own supplier assessment procedures, especially those whose strategic hiring depends on approval by the Board of Directors. In the case of environmental issues, we analyze the certificates of regularity and references of projects carried out, and the contract includes an environmental annex with all the guidelines and recommendations for environmental control and preservation. If there are negative aspects during the registration phase or even during the performance of the services, suppliers are notified to present the necessary control and regularization measures.

We are not exposed to a significant risk of child labor or forced or compulsory labor. Even so, all of our contracts contain a specific clause that prohibits these practices.



Community

GRI 103-1, 103-2, 103-3, 413-1, 413-2

For Alupar, investment in the community is part of the business. Through various social responsibility actions, we support the development of the communities where we operate and society in general.

The enterprise must be sustainable and good for everyone. Based on this premise and in accordance with the needs of each region, we invest in programs capable of actively contributing to the improvement of the

local quality of life and in educational and informational actions. Topics such as education, health and the environment are the focus of our concerns.

The beginning of an undertaking's feasibility analysis is always accompanied by a participatory socio-environmental diagnosis with the communities in its areas of direct influence, which makes it possible to identify the difficulties and potential of the region. Based on this diagnosis, social communication, environmental education and training

programs are structured, which collaborate for local development during the construction phase.

During the entire construction phase, in which projects have a more direct impact on the daily lives of nearby communities, we provide qualified professionals to accompany these communities and provide all the necessary support. When it reaches its operational phase, the enterprise minimally affects the daily lives of these populations.

We have some assets, located in Bahia, which are located in areas close to traditional quilombola communities. In these areas, we have developed specific socio-environmental mitigation and compensation programs that take into account the particular needs of this public.

Respect for the history and opinion of local communities is essential during each stage of implementation and operation of an enterprise. For this reason, we keep an open channel of dialogue through Social Communication Programs (PCS). This is the main tool for exchanging information between the

company and the community, ensuring the transparency of information of collective interest.

Through projects fostered by tax incentive laws, communities are provided with programs to support reading, culture, education, health and sport, which constitute an important channel of relationship with the community. Every year, we carry out a selection of projects dedicated to these themes, always following the current legislation and following the application of the contributions offered. We seek to support projects that seek self-sustainability and autonomy, effecting the rescue of citizenship and the preservation of culture and history.

In 2020, we invested R\$ 3.9 million in community support actions, in projects sponsored through the Culture Incentive Law, the Sports Incentive Law, the Municipal and State Funds for the Rights of the Child and the Adolescents and the Municipal and State Funds for the Elderly, in addition to the non-incentive support for some institutions.



Andre Schneider Prietsch

Social programs and social responsibility

At Alupar, we want to improve the lives of communities and are committed to minimizing the interference that our projects may have in the lives of the people in the areas where they are located. To this end, we develop educational and informational actions annually, covering public health and environmental issues, and we support social projects that can significantly impact the communities where we operate.

Through the Municipal Fund for Children and Adolescents (Fumcad), in 2020 we made donations to various institutions

in the state of São Paulo, among them the Liga Solidária, Instituto André Franco Vive, the OBI Institute, the Verdescola Association, Colégio Mão Amiga and the Santa Fé Association.

Through the Culture Incentive Law, we also invested in the promotion of cultural activity, supporting various institutions, such as the São Paulo Biennial Foundation, the Museum of Modern Art of São Paulo (MAM), the Pinacoteca Association of Art and Culture, the São Paulo Assis Chateaubriand Museum of Art (MASP), the Bachiana Philharmonic Foundation, the Dorina Nowill



WE ACT FOR THE DEVELOPMENT FROM THE COUNTRY, WITH RESPONSIBILITY ENVIRONMENTAL AND SOCIAL, ACTING TOGETHER TO THE COMMUNITIES PLACES.

Foundation, the Vagalume Foundation, the Fernanda Bianchini Association - Cia Ballet de Cegos and ASM do Brasil - Social Action for Music.

With the support of the Sports Incentive Law, we were able to support some projects of the Brazilian Rugby Confederation, the Tennis Institute, the Sports Institute and the Barueri Volleyball Club.

In the health area, we made investments in important diagnostic and research centers, such as the Barretos Cancer Hospital, the Dr. Raul Carneiro Hospital Protection for Children (Pequeno Príncipe Hospital) and the Peter Pan Association of Fortaleza.

Through the Elderly Law, we support Casa Ondina Lobo.

In addition to the projects promoted by tax incentive laws, we also support some who do not have this incentive, such as the Support Group for Adolescents and Children with Cancer (GRAAC) and Lar Betânia.

Ubuntu – I am what I am for what we are

In 2020, with the deployment of the remote classroom regime as a result of the covid-19 pandemic, the Ubuntu volunteer program sought to support schoolchildren in the city of Planalto, Bahia, through the donation of tablets and notebooks. The program invited our employees to participate by donating and collecting equipment from their circles of friends and family, and managed to reach 27 students.

Social Projects Peru

Between 2017 and 2020, through the subsidiary La Virgen, was invested in Peru more than S/ 924 thousand in social actions aimed at supporting local communities, benefiting more than 9,550 people.

At the La Virgen subsidiary, we periodically carry out social campaigns with the population in the area of direct influence of the project, in various areas, such as school campaigns, the environment, Universal Children's Day, Christmas and social support to combat covid -19.

In social support to combat covid-19, the subsidiary carried out campaigns to donate products and materials to reinforce prevention and combat measures. 8,390 products were donated, including masks, gel alcohol, liquid alcohol and bleach, resulting in 6,710 people benefited.

Social projects in Colombia

Between 2020 and the beginning of 2021, our subsidiary TCE made social support investments to the communities affected by this project, investing around Col\$ 418 thousand, which benefited the population of 34 municipalities.

To guarantee support to the population most directly affected by the project, we have also invested an amount of more than Col\$ 1.3 million in the Resettlement Program of 26 families located close to the easement of the project.

Aqualuz Project

In a partnership with the consultancy Safe Drinking Water for All (SDW For All) - recognized by the United Nations (UN) for its socioenvironmental initiatives - we maintain a project of great importance for communities in situations of socioenvironmental vulnerability living in the Bahian semiarid area. The project brings families from these communities the Aqualuz equipment, which, by means of solar energy, improves the quality of the water consumed by them. The guarantee of good quality water contributes to the well-being and health of these families, helping to reduce waterborne diseases.

The Aqualuz project donates the equipment and trains families to use, operate and maintain it. Until the advent of the covid-19 pandemic, training was carried out collectively, with the group of beneficiaries from each community. With the pandemic and the need for physical distance, they started to be carried out remotely with each family.

Working with families allows us to collect information about their relationship with water consumption and treatment and about their perception of the Aqualuz project, in addition to being an opportunity to offer guidance on the importance of consuming treated water, care with the cistern and the use of water purification equipment.

Since the implementation of the Aqualuz project, we have invested approximately R\$ 320 thousand, benefiting 173 families, with a long-term perspective of Social Return on Investment (SROI) of millions of reais. The SROI makes a comparative projection between the costs of the project and the costs of substitute treatments for water, treatment of waterborne diseases and failure or dropping out of school in the pre-implantation scenario, indicating a prospect of return related to the costs avoided when implementing the project. Aqualuz project, considering the useful life of the equipment, expected in 20 years.

Sustainable Development Goals achieved by the Aqualuz program





ENVIRONMENTAL DEVELOPMENT

Economic growth and energy availability go together. For this reason, the construction of generating sources and transmission lines are essential for the country's development. The gains from these ventures are greater than their possible negative impacts, highlighting their low cost for energy generation, the benefit of being a sustainable renewable source and the

realization of important programs for the environmental quality of the region, the generation of new jobs and economic strengthening.

At Alupar, to fulfill our commitment to sustainable development in the regions where we operate, we have an Environmental Policy and follow all environmental legislation, according to the instruments and rites of the licensing process, following the resolutions of

the National Environment Council (Conama). Each of our projects has unique characteristics that are respected and considered in the Environmental Impact Studies (EIA), generating the most efficient action plan for each location.

Based on this analysis, we developed programs for the preservation and recovery of Environmental Protection Areas, maintenance of biodiversity of fauna and flora, replacement and recovery of native forest vegetation, maintenance of water quality in water bodies, in addition to other environmental compensations reverted to maintenance of Conservation Units.

In 2020, we formalized the creation of a Sustainability Commission, which held nine meetings throughout the year. The creation of this commission has always been a desire of the company, not only for institutional reasons, but because of our socio-environmental performance, which extends to several regions across the country. Thus, mechanisms were created for the elaboration of policies and guidelines, which allow Alupar to develop a pillar of its corporate culture.

In the second half of 2020, we published our Environment Policy and started to standardize control tools for the collection of socio-environmental indicators, which will be presented in 2021.



THE ENERGY THAT
CONNECTS US WITH NATURE IS
THE COMMITMENT TO BE PART
OF THE SOLUTION, INVESTING IN
SUSTAINABLE PROJECTS.

Environmental programs

To mitigate the impacts of our projects, we maintain a series of environmental programs, which are detailed in the Basic Environmental Plan (PBA) for each project.

Forest Replacement Program



Preservation and Recovery of Environmental Protection Areas



Monitoring and Management of Fauna and Flora



Environmental Compensation Plan



Biodiversity

GRI 103-1, 103-2, 103-3, 304-1, 304-2, 304-3, 304-4, G4-EU13

When deploying our facilities, we take all precautions regarding the protection of biodiversity, strictly following the current legislation. None of our operational or administrative units are located in protected areas, and our energy transmission projects primarily intercept areas that have already been modified by human action. When there is a need for interference in sensitive regions, we present the justification and make the enterprise viable with the environmental

agencies, fulfilling all the requirements placed on a public utility enterprise.

In the development of projects that necessarily include areas of preservation and environmental relevance, we adopt all measures to control and mitigate impacts, especially during the construction phase, which involves a greater number of socio-environmental impacts.

Impacts

Opening of accesses and removal of vegetation

Earthmoving and ground excavation

Noise emission and mobilization of heavy equipment

Management methods

Mobilization of a team of biologists to drive away and rescue the fauna.

Reallocation of flora species.

Installation of water disciplinarians and implementation of a program to recover degraded areas to control erosion processes.



To mitigate the impacts of the areas affected by the projects, we hire specialized consultants in planting seedlings and ecological restoration of degraded environments, and the work is accompanied by the elaboration of a Term of Reference that establishes the methodology and the main guidelines, always in compliance with the local conditions and characteristics. Below are some ecological restoration projects involving Permanent Spring Protection Areas.

During the entire construction phase of the projects, a multidisciplinary environment team carries out the activities of driving away, rescuing and monitoring the fauna and flora in the areas of influence of the projects, guaranteeing the preservation of the species.

Our main projects under implementation in 2020 included regions in the Jequitinhonha Valley, Serra da Mantiqueira, the Capixabas Mountains and the Sertão in Bahia, with the main species threatened with extinction in all affected areas, through environmental studies.

Area name	Size (hectares)	Location
Aruanda Farm	13,1900	Coordinates 41° 44 '56, 394" W and 18° 16 '6, 871" S.
Maravilha Farm	10,0900	Coordinates 41° 45 '41, 177" W and 18° 16 '20, 550" S.
Redenção Farm	9,6400	Coordinates 41° 48 '18, 336" W and 18° 17 '20, 312" S.
Nossa Senhora Farm	67,0200	Coordinates 41° 40 '59, 055" W and 18° 31 '25, 220" S.

Critically endangered species	9	<i>Metrodorea maracasana, Dalbergia nigra, Attalea oleifera,</i>
Endangered species	41	<i>Amazona vinacea, Touit melanonotus, Myrmoderus ruficauda</i>
Vulnerable species	20	<i>Teiu Salvator, Crotalus durissus, Jacamaralcyon tridactyla</i>
Almost threatened species	28	<i>Crypturellus noctivagus, Malacoptila striata, Primolius maracanã</i>

Saíra-Apunhalada (PCSA) Preservation Program

Implemented in Espírito Santo in partnership with the Marcos Daniel Environmental Research and Preservation Education Institute (IMD), the Saíra-Apunhalada Conservation Program is an initiative that meets the public policies provided for in the national action plan for birds of the Atlantic Forest from the Chico Mendes Institute for Biodiversity Conservation (ICMBio), being an opportunity to promote the conservation of endangered species and the characteristic ecosystem of the Pedra Azul-Forno Grande Ecological Corridor.

The program is part of the environmental actions related to the implementation

of the TCC, an undertaking that covers the states of Minas Gerais and Espírito Santo and is close to the Pedra Azul-Forno Grande Ecological Corridor, which houses areas of environmental protection. The species Saíra-Apunhalada (*Nemosia rourei*) is considered critically endangered in the international, Brazilian and state lists. Endemic to the Atlantic Forest, more specifically to Espírito Santo, it has gone undetected for a long time. The repercussion of the program has been very positive. Recently, a nest with three eggs was located, which is being monitored, and strategies are being drawn up for the effective conservation of the species.

Specific goals:



A - Define the areas of historical occurrence.



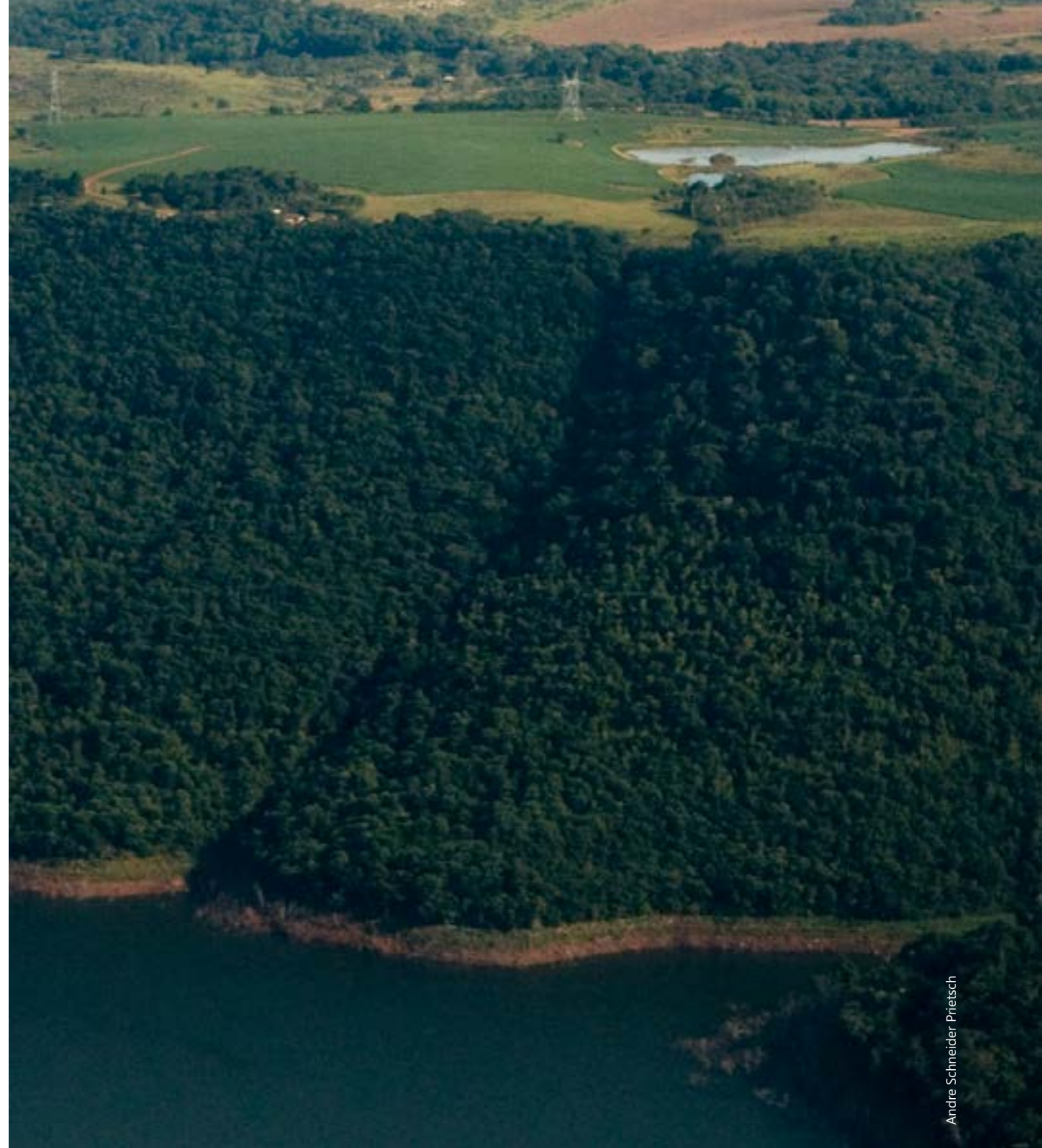
C - Identify the main threats to the species.



B - Carry out the population study of species in its areas of potential occurrence.



D - Run a program of environmental education and community engagement.





Tourism support program

Another socio-environmental project related to the installation of the TCC is the Tourism Support Program, aimed mainly at the region of Forno Grande and Braço do Sul, in the municipality of Castelo, in Espírito Santo, an area of dense vegetation and great natural beauty.

The program was developed based on a diagnosis of the reality of the region, involving the local community, and includes the Incentive Plan for the Development of Local Tourism for the Forno Grande Region.

Green Bond of Transmissora Serra da Mantiqueira (TSM)

At the end of 2019, we carried out the first Green bond issue of TSM's, a title certified by Sitawi, a Brazilian organization that works to incorporate socio-environmental issues in the financial sector. The issuance of the title is linked to the environmental benefit generated by the project, which is associated with the increase in the volume of transmission of non-conventional renewable energies (wind, solar, biomass thermoelectric and small hydroelectric plants).

The net proceeds obtained were used for payments and reimbursement of project expenses for the implementation of electricity transmission infrastructure, linked to the SIN. The debenture was issued in the amount of R\$ 530 million, equivalent to 85.2% of the total estimated cost for the project (R\$ 622 million). By September 2020, 50.1% of the issue's value had been allocated with infrastructure costs, and the forecast for the total allocation of the issue's resources is August 2022.

The project is under construction, with an implementation deadline of August, 11 2022.

In the table below, one may observe the evolution of energy from non-conventional renewable sources in our transmission activity, showing the relevance of the environmental benefit of our new transmission lines.

The Second Opinion - Post-issue released on 12/23/2020, can be accessed, by [clicking here](#).

Environmental benefit	2018	2019*	Green users** on 2019-2018 variation (%)	2019-2018 variation (%)
Number of green users**	662	694	75.80	4.80
Billing with green users (R\$ million)	140.5	153.9	13.70	9.60
Revenue increase with new green users (R\$ million)	-	12.6	-	-

* There was a reduction in the billing of total users due to the 50% drop in the allowed annual revenue of the Northern Energy Transmission Company (ENTE) and the Regional Energy Transmission Company (ERTE) (2019-2020 cycle), due to the 15 years anniversary as of the start of operations, according to the respective concession agreements, and tariff review at the Brazilian Energy Transmission Company (EBTE).

** Green users generate energy through wind, solar, biomass and small hydro power plants.

Energy consumption

GRI 302-1, 302-4, G4-EU1, G4-EU2

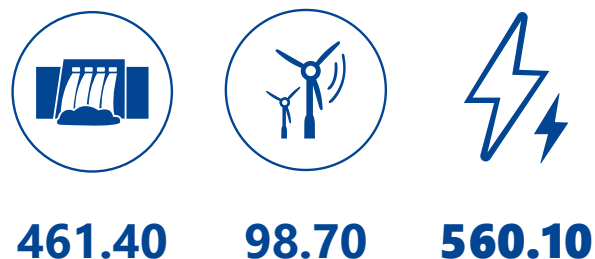
At Alupar, we maintain corporate policies concerned with environmental preservation and social well-being. Our sustainability guidelines guide employees on the conscious consumption of fuel and energy in their activities.

In 2020, we consumed 2,936,190 kWh in our activities, considering transmission and generation operations. To quantify the energy consumed by fuels, we have supply control tools that issue reports on our consumption of diesel, gasoline and ethanol. For the quantification of electricity consumption, we use the monthly reports issued by local distributors.

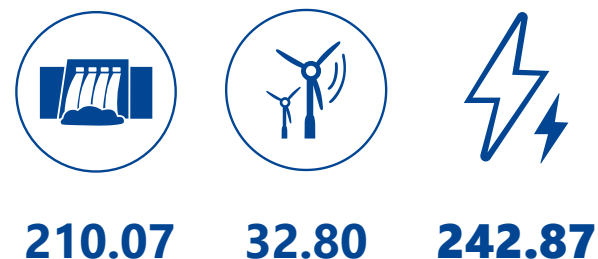
In 2020, our installed capacity was 560.10 MW, with a net production of 242.87 MW. Among the assets located in Brazil, we have the Generation Operation Center, located in the city of Cruzeiro, São Paulo, which performs the operation of the generators, through Maintenance Engineering, Dam Safety, Operation Coordination, Remote Operation in Real

Time, Pre-Operation, Post-Operation, Information Technology and Supplies. We also have a dedicated Energy Marketing team that manages contracts for the purchase and sale of energy from plants located in Brazil.

Installed capacity by energy source* (MW)



Net energy production (MW)



* Only assets located in Brazil are represented. We also have a small hydro power plant in Colombia with a capacity of 19.9 MW.

Energy consumption (kWh)

Consumption of fuels from non-renewable sources

	Transmission	Generation
Gasoline	83,922.00	53,342.00
Diesel	270,659.00	36,840.00
Total	354,581.00	90,182.00

Consumption of fuels from renewable sources

	Transmission	Generation
Ethanol	9,835.00	2,110.00
Total	9,835.00	2,110.00

Total energy consumption from fuels

456,708.00

Total energy consumption from fuels

Electricity	2,479,482.00	0,00
Total energy consumption	2,936,190.00	



Water consumption

GRI 303-1, 303-2, 303-3, 303-4

Although our activities do not involve a significant impact related to water, we have policies and guidelines that guide the rational and conscious use of water during the construction and operational phase of our assets, and we carry out environmental awareness campaigns with our employees and suppliers.

In addition to encouraging sustainable water consumption through the dissemination of good environmental practices in the internal communication network, we support social projects involving low-income families in regions

of water scarcity, such as the Aqualuz project.

In the case of transmitters, water is not an element related to their activity. In substations where there is no supply from the local concessionaire, artesian wells are built to meet the needs of local employees, with little consumption during the work shift. Disposal is done through septic tanks and / or effluent treatment plants. In the case of hydroelectric generators, water is used in a non-consultative manner for the generation of energy, that is, it is used and returned in the same quantity and with the same quality. Drinking water

is obtained through the public network or through drilled artesian wells, and is used in the cleaning of employees.

The artesian wells present their respective current licenses, complying with the environmental conditions required by the licensing agency. In the event of any non-compliance, we take immediate mitigation action to recover the area.

In 2020, we recorded a consumption of 154 megaliters of water at Alupar, which covers about 70% of our operating assets – in the rest, consumption quantification devices are in the process of being regularized, and we expect to bring the indicator for 100% of our assets in the next reports.

ALUPAR RUNS CAMPAIGNS ENVIRONMENTAL AWARENESS AND ENCOURAGES CONSUMPTION SUSTAINABLE WATER.

Water withdrawal* (megaliters)

	Transmission		Generation	
	Total catchment	Catchment in areas with water stress	Total catchment	Catchment in areas with water stress
Surface water	0	0	0.13	0.13
Underground water	44.12	0	109.89	0
Total		154.14		

* Collection of consumption data indicated on water meters installed in artesian wells. All abstraction performed was fresh water (≤1,000 mg/L of total dissolved solids).

Waste

GRI 103-1, 103-2, 103-3, 306-1, 306-3, 306-5

In the operational phase of our transmission and energy generation assets, the production of waste that can cause a significant environmental impact is considered to be minimal, limited to the waste produced by employees located

in the work units. Even so, we encourage conscious consumption and the reduction of waste generation through our Sustainability Policy and communication actions on our internal channels.

The waste generated during the operational phase of our projects

is finally disposed of by municipal collection or by specialized companies. Maintenance activities involving hazardous waste are dimensioned considering reverse logistics with suppliers, who are responsible for handling, treatment and final disposal, when applicable. We monitor the correct destination through the waste manifests.

In all of our units, we are standardizing waste collectors and weighing equipment, collaborating to segregate waste and raise the awareness of facility users.

In 2020, we generated a total of 372 tons of waste classified as Class II, and recycled 141 tons of this waste.



Wilton O. Lemos

Waste generation

	Waste	Composition	Quantity (t)
Generation	Class II	Plastic, paper, cardboard, waste, etc.	112
Transmission	Class II	Plastic, paper, cardboard, waste, etc.	260
Total			372

Waste diverted from disposal*

	Waste	Composition	Recovery type	Quantity (t)
Generation	Class II	Plastic, paper, cardboard	Recycling	0
Transmission	Class II	Plastic, paper, cardboard	Recycling	141
Total				141

Climate changes
GRI 305-1

At Alupar, we do not monitor greenhouse gas emissions, but we practice certification for the generation of carbon credits negotiated in the international market, contributing to the sustainability of energy generation projects. Created by the UN, the practice is part of the Clean Development Mechanism and highlights the contribution of enterprises to the reduction of greenhouse gas emissions and the control of global warming.

The small hydroelectric power plant Morro Azul, located in Colombia, is registered in the United Nations Convention on Climate Change as a project with a Clean Development Mechanism. With the operation of the plant, it is estimated that 45,489 tCO₂ will be removed per year.

Estimated annual credit in Alupar projects in Brazil (R\$ thousand)

Assets	Expected Emission Reduction Certificates (CER) (tCO ₂ / year)	Credits period		Estimated total
Foz do Rio Claro Hydroelectric Power Plant	38,726	10/09/2014	8/9/2021	271,082
Ferreira Gomes Hydroelectric Power Plant	402,722	1/1/2015	31/12/2021	2,819,054
Energia dos Ventos I, II, III, IV and X Wind Farms	233,752	29/07/2016	28/07/2023	1,636,264
Small Hydroelectric Plants Queluz and Lavrinhas	115,817	22/10/2010	21/12/2017	810,719
				5,537,119



Luiz Botelho



(GRI) CONTENT **SUMMARY**

GRI 102-55

GRI standard	Content	Remarks	Report Page	Omission	
GRI 101: FUNDAMENTALS 2016					
GENERAL CONTENT					
ORGANIZATIONAL PROFILE 2016					
GRI 102: GENERAL CONTENT 2016	GRI 102-1	Name of the organization	12		
	GRI 102-2	Activities, brands, products and services.	12		
	GRI 102-3	Location of headquarters.	12		
	GRI 102-4	Location of operations.	12		
	GRI 102-5	Nature of ownership and legal form.	12		
	GRI 102-6	Ownership and legal form	12		
	GRI 102-7	Scale of the organization's.	12		
	GRI 102-8	Information on employees and other workers.	31		
	GRI 102-9	Supply chain.	37		
	GRI 102-10	Significant changes to the organization and its supply chain.	There was no change in location in the period.	12	
	GRI 102-11	Precautionary principle or approach.		18, 23	
	GRI 102-12	External initiatives.		12, 17	
	GRI 102-13	Membership of associations.		12	

GRI standard	Content	Remarks	Report Page	Omission	
GRI 102: GENERAL CONTENT 2016	STRATEGY				
	GRI 102-14	Statement from decision -maker		3	
	GRI 102-15	Key impacts, risks and opportunities.		3, 18, 23	
	ETHICS AND INTEGRITY				
	GRI 102-16	Values, principles, standards and norms of behavior.		12, 15	
	GOVERNANCE				
	GRI 102-18	Governance structure.		18	
	<i>STAKEHOLDERS' ENGAGEMENT</i>				
	GRI 102-40	List of stakeholder groups.		9	
	GRI 102-41	Collective bargaining agreements.	100% of employees are covered by collective bargaining agreements.		
	GRI 102-42	Identifying and selection of stakeholders.		9	
	GRI 102-43	Approach to stakeholder engagement.		9	
	GRI 102-44	Key topics and concerns raised.		9	
	REPORT PRACTICE				
	GRI 102-45	Entities included in the consolidated financial statements.		25	
	GRI 102-46	Defining report content and topic boundaries.		9	
GRI 102-47	List of material topics.		9		
GRI 102-48	Restatements of information.		8		

GRI standard	Content	Remarks	Report Page	Omission
GRI 102: GENERAL CONTENT 2016	GRI 102-49	Changes in reporting.	8	
	GRI 102-50	Report period	8	
	GRI 102-51	Date of the most recent report.	8	
	GRI 102-52	Reporting cycle.	8	
	GRI 102-53	Contact point for questions regarding the report.	8	
	GRI 102-54	Claims of reporting in accordance with GRI standards.	8	
	GRI 102-55	GRI content index.	51	
	GRI 102-56	External assurance.	8	
MATERIAL TOPICS				
RISK MANAGEMENT AND CRISIS				
GRI 103: MANAGEMENT METHOD 2016	GRI 103-1	Explanation of the material topic and its Boundary.	10, 23	
	GRI 103-2	The management approach and its components.	10, 23	
	GRI 103-3	Evaluation of the management approach.	10, 23	
	GRI 102-15	Key impacts, risks and opportunities.	3,18, 23	
	GRI 102-30	Effectiveness of risk management processes.	23	
	GRI 102-31	Review of economic, environmental and social topics.	23	

GRI standard	Content	Remarks	Report Page	Omission
WELLNESS AND QUALITY OF LIFE				
GRI 103: MANAGEMENT METHOD 2016	GRI 103-1	Explanation of the material topic and its Boundary.	10, 34, 35	
	GRI 103-2	The management approach and its components.	10, 34, 35	
	GRI 103-3	Evaluation of the management approach.	10, 34, 35	
GRI 401: JOBS 2016	GRI 401-2	Benefits provides to full-time employees that are not provided to temporary or part-time employees.	35	
GRI 404: TRAINING AND EDUCATION 2016	GRI 404-2	Programs for upgrading employee skills and transition assistance programs.	34	
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews.	34	
BIODIVERSITY				
GRI 103: MANAGEMENT METHOD 2016	GRI 103-1	Explanation of the material topic and its Boundary.	10, 44	
	GRI 103-2	The management approach and its components.	10, 44	
	GRI 103-3	Evaluation of the management approach.	10, 44	

GRI standard	Content	Remarks	Report Page	Omission
GRI 304: BIODIVERSITY 2016	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	44	
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity.	44	
	GRI 304-3	Habitats protected or restored	44	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	44	
RESÍDUOS				
GRI 103: MANAGEMENT METHOD 2016	GRI 103-1	Explanation of the material topic and its Boundary.	10, 49	
	GRI 103-2	The management approach and its components.	10, 49	
	GRI 103-3	Evaluation of the management approach.	10, 49	

GRI standard	Content	Remarks	Report Page	Omission
GRI 306: WASTE 2020	GRI 306-1	Generation of waste and significant impacts related to waste.	49	
	GRI 306-2	Management of significant impacts related to waste.	49	
	GRI 306-3	Waste generated.	49	
	GRI 306-4	Waste diverted from disposal.	49	
	GRI 306-5	Waste destined for disposal.	49	
ENVIRONMENTAL AWARENESS				
GRI 103: MANAGEMENT METHOD 2016	GRI 103-1	Explanation of the material topic and its Boundary.	10	
	GRI 103-2	The management approach and its components.	10	
	GRI 103-3	Evaluation of the management approach.	10	
SPECIFIC INDICATORS				
ECONOMIC SERIES				
GRI 201: ECONOMIC PERFORMANCE 2016	GRI 201-1	Direct economic value generated and distributed.	28	
GRI 205: FIGHT AGAINST CORRUPTION 2016	GRI 205-2	Communication and training about anti-corruption policies and procedures.	18	
	GRI 205-3	Confirmed incidents of corruption and actions taken.	18	

GRI standard	Content	Remarks	Report Page	Omission
ENVIRONMENTAL SERIES				
GRI 302: ENERGY 2016	GRI 302-1	Energy consumption within the organization.	47	
	GRI 302-4	Reduction of energy consumption.		Alupar does not have any energy reduction targets and does not control this indicator.
GRI 304: BIODIVERSITY 2016	GRI 304-2	Significant impacts of activities, products and services on biodiversity.	44	
GRI 303: WATER AND EFFLUENTS 2018	GRI 303-1	Interactions with water as a shared resource.	48	
	GRI 303-2	Management of water discharge-related impacts		Information unavailable. In any case, the company's effluent disposal is minimal due to the business (transmission and generation of electricity), limited to the minimum number of employees in each work unit.
	GRI 303-3	Water withdrawal	48	
	GRI 303-4	Water discharge		Alupar does not have tools for measuring water disposal, however the activity performed does not use water as a natural resource and the generation of contaminated effluents is not significant.
	GRI 303-5	Water consumption.	48	
GRI 305: EMISSIONS 2016	GRI 305-1	Direct (Scope 1) GHG emissions	50	

GRI standard	Content	Remarks	Report Page	Omission
GRI 306: WASTE 2020	GRI 306-1	Generation of waste and significant impacts related to waste.	49	
	GRI 306-2	Management of significant impacts related to waste.	49	
	GRI 306-3	Waste generated.	49	
	GRI 306-4	Waste diverted from disposal.	49	
	GRI 306-5	Waste destined for disposal.	49	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	GRI 307-1	Non-compliance with environmental laws and/or regulations		In the case of energy transmission assets, there are few infraction notices with minimum values and in the process of analyzing the defenses presented by the company. The most relevant administrative processes are energy generation.
GRI 308: ENVIRONMENTAL EVALUATION OF SUPPLIERS 2016	GRI 308-2	Negative environmental impacts in the supply chain and measures taken	37	
SOCIAL SERIES				
GRI 401: EMPLOYMENT 2016	GRI 401-2	Benefits provides to full-time employees that are not provided to temporary or part-time employees.	35	

GRI standard	Content	Remarks	Report Page	Omission
GRI 403: WORK HEALTH AND SAFETY 2018	GRI 403-1	Occupational health and safety management system.	35	
	GRI 403-2	Hazard identification, risk assessment, and incident investigation	35	
	GRI 403-5	Worker training on occupational health and safety	35	
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	35	
	GRI 403-8	Workers covered by an occupational health and safety management system.	35	
	GRI 403-9	Work-related injuries.	35	
	GRI 403-10	Work-related ill health.	35	
GRI 408: CHILD LABOR 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor.	37	
GRI 409: FORCED WORK OR ANALOGUE TO SLAVE 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor.	37	

GRI standard	Content	Remarks	Report Page	Omission
GRI 413: LOCAL COMMUNITIES 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs.	38	
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities.	38	
GRI 414: SOCIAL EVALUATION OF SUPPLIERS 2016	GRI 414-2	Negative social impacts in the supply chain and actions taken.	37	



Andre Schneider Prietsch

CREDITS

GRI 102-3, GRI 102-53

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