Eletrobras
Annual Report 2021

Eletrobras

EXECUTIVE SUMMARY

The Eletrobras Group at a Glance

On July 1, 2021,
we completed the
merger
of Amazonas GT into Eletronorte

We invested
R$ 508.5 million
in an extensive pipeline of technology and innovation projects across Eletrobras Group,
a year-on-year **increase of 8%**

21
employees received accolades in the first edition of the Eletrobras Group Innovation Awards, a program created to recognized innovative solutions developed in-house

Greenhouse gas emissions rose by
37%
as a result of increased dispatching of thermal power plants.

We launched our first Call for Social and Environmental Projects.
Ten projects were selected to receive total funding of
R$ 3 million

We also allocated
R$ 9 million to culture projects,
R$ 3.9 million to supporting initiatives, and
R$ 1.3 million to science and innovation projects

Launched
the Global Alliance for Sustainable Energy as a co-founder

Eletrobras was certified in 2021 to issue green bonds to fund transmission projects, and has issued its first green bonds for
R$ 185 million

For the sixth consecutive year
we linked senior management's variable compensation to a set of ESG targets, including targets on climate change, energy efficiency, health and safety, research and development, supplier due diligence, and gender equity

The Eletrobras Group at a Glance

44%
EBITDA growth on 2020, to R$ 15,132 million

Eletrobras Group companies generated
R$ 10.1 billion
in federal, state and municipal taxes, equivalent to 20% of total Group revenues

We launched an ambitious Corporate Education program, called "Sustainability Pathway", to develop our employees', leaders' and senior management's EESG skills

Net income of
R$ 5.7 billion
in 2021 and
R$ 37.7 billion
over the last four years.

We further enhanced transparency around sustainability: we implemented a dedicated channel to improve stakeholder engagement around EESG issues, and launched a tool on our website that reports on our sustainability performance against different frameworks: GRI Standards, SASB, TCFD, Integrated Reporting Framework, Global Compact, and 2030 Agenda

We received a Bronze Class distinction in S&P's Sustainability Yearbook, a publication listing companies with outstanding sustainability governance.

We submitted to the UN, along with the Brazilian Development Bank (BNDES), an energy compact titled "Decarbonizing islanded grids in the Amazon by replacing diesel generators with clean, renewable and affordable energy sources."

We received a *Pró-Ética* Mark 2020-2021 from the Federal Audit Court for our parent company, Eletronorte and Furnas. The certification recognizes top management's commitment to integrity and compliance policies and procedures

We were recognized for the first time with a Transparency Trophy 2021 presented by the Brazilian Association of Finance, Business Management and Accounting Executives (ANEFAC)

About Eletrobras

13,433 employees,
a workforce reduction of 3%

R$ 5.7 billion
in net income in 2021

50,515.2 MW
it installed capacity in 2021

178,812 GWh generated
8.4% < than in 2020

105 power plants in operation

Our generation output corresponds to **28%** of Brazil's capacity:

- **39%** North
- **21%** Northeast
- **20%** Southeast
- **16%** South
- **3%** Midwest

97%
clean generation sources:

- **91.6%** hydro
- **3.9 %** nuclear
- **1.4%** wind
- **< 1%** solar

We operate **40.2%** of transmission lines with a voltage higher than **230kV** in Brazil

Building our materiality matrix

- A survey of a total of 1,074 internal and external stakeholders
- Interviews with executives and experts
- An online survey of shareholders, investors, Board members, customers, workers, partners, suppliers and other stakeholders

This yielded **11 MATERIAL TOPICS** that we will report on, manage and monitor. **6 RELEVANT TOPICS** which we may or may not report on depending on their relevance to each Group company

- **RELEVANT TOPICS**
  - Suppliers
  - Waste
  - Customers
  - Regulatory environment
  - Radioactive waste
  - Nuclear safety

*The Eletrobras holding reports the topic Suppliers, given its importance for our business.

Eletrobras Group **Materiality Assessment**

1.Identification

Map out the **company's relationship channels**

Build a list of **18 topics** describing the primary impacts from the Eletrobras Group's activities, based on benchmarking against the leading players in the global power sector

4. Approval

Approval of the final list by the Strategy, Governance & Sustainability Committee and the Board of Directors

2. Analysis

Collect the views of different stakeholders through:

An online survey to **rate the material topics** on a scale of high impact to low impact

Deep-dive interviews with Eletrobras executives and independent experts

Surveys using Eletrobras' communication channels: Ombudsman's Office, Investor Relations, Social Media and Contact Us

3. Prioritization

Refine the topics and assign weights to responses based on the perspectives of experts vs. executives

An Eletrobras Group workshop attended by the Executive Sustainability Management Committee and

70 representatives to prioritize the material topics

List of material topics SDGs

People		Planet		Governance	
Communities	7, 10, 11, 16	Water	6, 12, 13	Risk management	12, 16
Human rights	4, 8, 9, 10, 16	Climate change	3, 7, 11, 12, 13, 15	Governance, integrity and ethics	12, 16
Health, safety and well-being	3, 7, 8	Energy transition	7, 9, 13	**Prosperity**	
People management and development	4, 7, 10, 11, 16	Biodiversity and ecosystem services	14, 15	Technology & Innovation	7, 8, 9

11 material topics

Sustainability 4.0 Program Highlights in 2021

GHG Emissions Offsets and Environmental Protection

Collaboratively organized the first **Eletrobras Group Call for Social and Environmental Projects**, including projects related to environmental education, conservation of biodiversity and ecosystem services, and water resources

Launched an Environmental Policy web series to effectively communicate the policy

Reputation & Engagement

Human Rights: engagement with Special Purpose Entities (SPEs) through human rights due diligence

Energy Transition

Revised the general guidance on action plans to **reduce GHG emissions, electricity consumption, and the use of fossil fuels for vehicle**s

Certified Renewable Source Electricity

I-RECs used to offset the parent company's scope 2 greenhouse gas emissions

Eletrobras Group Decarbonization Solutions Policies under development

Sustainable Sourcing

Developed **an integrated risk matrix for supplier management**

Rolled out a **development program for small businesses**

ESG due diligence introduced on the Supplier Space Portal

Sustainable Business/Agenda 2030

Revisited the prioritized SDGs, adding new disclosures and targets

Expanded our ESG Journey, by connecting it to six frameworks: GRI Standards, SASB, TCFD, Integrated Reporting, Global Compact, 2030 Agenda/SDGs

Provided a **Sustainability Channel** dedicated to addressing requests for ESG information

Leveraging Human Capital

Launched the **Sustainability Pathway** – a set of training and induction activities supporting the company's purpose

Sustainable Management of Financial Capital

Optimization of ownership interests: number of **SPEs reduced by 13** in 2021

Delivered benefits from zero-based budgeting (ZBB) initiatives: met **320.3%** of the target for our parent company and **145.4%** of the target for the broader Group

Optimized our debt structure: concluded fundraising in the capital market with an effective focus on managing liabilities for 2021

Synergies with Industry 4.0

Synergy with Industry 4.0: a spinoff from the SOMA project: Asset Monitoring System – Transmission (SOMA TR)

Governance

Since 2018, the Board of Directors has been advised by three committees:

- Strategy, Governance & Sustainability Committee
- People, Eligibility, Succession & Remuneration Committee
- Audit & Risk Committee, all currently covered by our Bylaws

Active Board member participation on these committees has supported sound decision-making.

Selecting Senior Leadership and Assessing Performance

All members of the Board of Directors, the Fiscal Board and all advisory committees are assessed individually and collectively on performance. Respondents receive feedback in meetings on actions to address identified opportunities for improvement.

Launched PDNG 2022-2026

PDNG 2022-2026 sets out guidelines, goals and initiatives related to the nine Sustainable Development Goals (SDGs) and the 2030 Agenda.

Our Integrity Program comprises 5 Dimensions:

- Integrity Program management environment
- Periodic risk assessment
- Developing and implementing Integrity Program policies and procedures
- Communication and training
- Program monitoring, remediation action and penalties

Material ESG risks:

- Climate change adaptation
- Climate change mitigation
- Human rights violations
- Information security

Board of Directors

Click on the name of each Board member for a short biography.

● Independent members

THE CHAIRMAN OF THE BOARD OF DIRECTORS
is appointed by Board members.

** As announced to the market on 1/13/2022, Director Armando Casado de Araújo resigned.*

Prosperity

We optimized the number of SPEs held by Eletrobras, generating proceeds of:

2020 - R$ 900 million
2021 - R$ 740 million

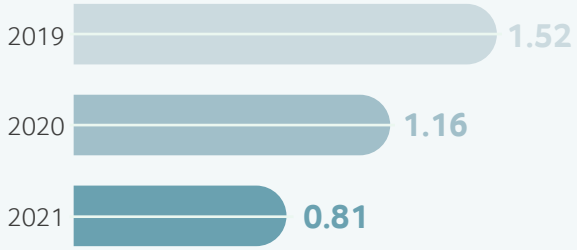
For a total of R$ 1,640 million in proceeds for Eletrobras.

Federal, state and municipal taxes

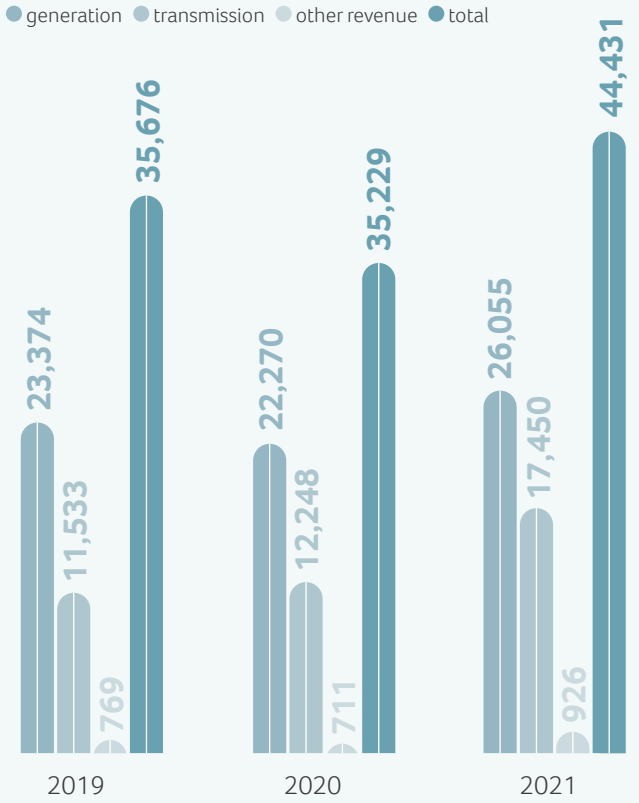
Investing in our planet

17% of total investment in Technology & Innovation is allocated to alternative sources, energy efficiency, the environment, and river basin and reservoir management.

Transmission technical losses (%)



Gross revenue, total and by business



PROCEL Indicators

INDICATOR / YEAR	2019	2020	2021
Electricity savings (thousands of MWh/year)	21,600	22,023	22,730
GHG emissions avoided (thousand tCO_2 equivalent)	1,600	1,359	2,870
Peak shaving (MW)	8,129	7,262	7,508

By 2030 we will add
1,568.55 MW
in capacity to Eletrobras assets

Proportion of spending on locally-based suppliers

Total supplier spend (including all types of purchases and contracts signed) (R$ million)	7,421
Total spending (including all types of purchases and contracts signed) on local suppliers (R$ million)	2,811
Percentage of spending on local suppliers (%)	37.87%

Planet

Financial Compensation and Royalties

In 2021 the Eletrobras Group paid R$ 452.2 million in financial compensation and R$ 1.1 billion in royalties for the use of water resources to generate electricity at our plants

Biodiversity Targets

Approximately 90,000 tCO_2e were removed from the atmosphere by seedlings planted in 2021, an increase of 19% on the previous year.

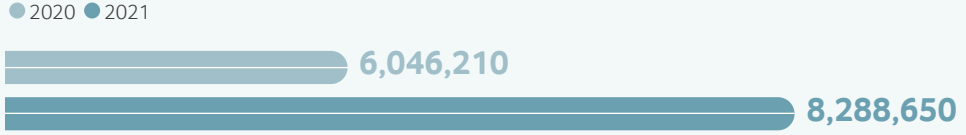
Biodiversity Guidelines

The Eletrobras Group Environmental Policy outlines eight guidelines on biodiversity for Group companies.

Leading with transparency

Eletrobras has been named to the CDP Water Quality *A List* as a globally leading company for transparency and climate action.

Total scope 1, 2 and 3 emissions ($tCO2_e$)



Long-standing stewardship of **biodiversity**

Our track record with biodiversity conservation begins in 1988 with our leadership of the Power Sector Environment Committee (COMASE)

2003
COMASE is renamed as the Eletrobras Group Environment Committee, its present designation

2006
A working group is created to address issues related to aquatic resources and biodiversity

2012
Biodiversity indicators and variables are incorporated in the Environmental Dimension of the IGS System[1]

2012
Biodiversity guidelines are included in the Eletrobras Group Environmental Policy

2019
We join the Brazilian Business Council for Sustainable Development (CEBDS)[2]

2020
We prioritize the Sustainable Development Goal 15 – Life on Land

SDG 15

2020
We sign up to Business for Nature's Call to Action to reverse nature loss by 2030

2021
Targets to expand biodiversity conservation initiatives

Our targets

Our goals focus on 4 pillars

- Zero loss of vegetated and/or forested area caused by business activities
- Inclusion of new threatened species in conservation programs
- Expansion of biomass carbon stocks (t)
- Increased investment in projects supporting biodiversity management

Our protection network

We support protected areas, Indian reservations and archaeological sites across Brazil's main biomes.

Protected areas managed by Eletrobras Group companies, created to contribute to regional biodiversity conservation, scientific research and environmental education.

Examples include: the Lago de Tucuruí Protected Area Mosaic, the Santa Maria Wildlife Corridor, the Maracaju and Santa Helena Biological Refuges, the Porã Trail, and the Restinga de Mambucaba Park and Cecremef Park.

[1] *Corporate Sustainability Disclosures System*

[2] *Brazilian Business Council for Sustainable Development*

People

Eletrobras Group Private Social Investment
Including donations as part of the COVID-19 response and social projects

2020 - R$ 886.1 million
2021 - R$ 768 million

In 2021 we launched a Cultural, Sports Sponsorship and Power-Sector Events Program, with funding of **R$ 14.2 million**

Our target of exceeding 21% women in management positions has been met:

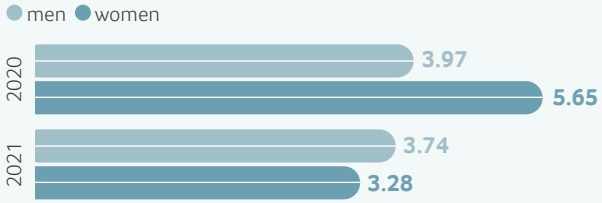
2020 - 19%
2021 - 22.04%

Average hours of training per employee by gender

	2020	2021
Men	44.60	51.05
Women	41.85	49.06

In 2021 we further boosted our capacity building initiatives, training **1,698 employees** on health and safety.

Turnover rate by gender



Overall turnover rate

2020 - 4.32%
2021 - 3.66%

	Ratio of remuneration of women to men 2020	Ratio of remuneration of women to men 2021
Middle management	0.95	0.91
University level	0.87	0.84
Non-university level	0.90	0.89

Human rights at the Eletrobras Group

Stakeholder engagement and communication

37% of employees (7,049* people) trained on human rights as part of our corporate Sustainability Pathway training program

Created an **introductory course** on human rights in partnership with FGV and the Global Compact

Human rights initiatives regularly shared with **Suppliers and SPEs**

Joined the *Na Mão Certa* program to combat sexual exploitation of children and adolescents

Amplified **diversity in management positions** and succession processes

People management and organizational culture

We met our target of having a higher ratio of **women in management positions** than the ratio of women in the broader workforce at companies

The Gender, Race & Diversity Committee fosters **equity and diversity in people management**

Present in the **Bloomberg Gender-Equality Index** and recognized in the 6th edition of the Federal Government's Gender & Racial Equity Program

Human rights due diligence

Special Purpose Entities (SPEs)
1. Map out the Group's SPEs
2. Send human rights questionnaires
3. Identify any issues
4. Review information and engage with each SPE
5. Implement and monitor mitigation plans

Suppliers
1. Suppliers answer the questionnaire about their human rights commitments and practices
2. Review responses and engage with suppliers rated as critical
3. Implement and monitor mitigation plans for critical suppliers

= Bloomberg Gender-Equality Index

* Includes employees, interns, young apprentices and contractors

Our voluntary commitments:

Social

• Sustainable Development Goals (SDGs): nine SDGs are prioritized in our Business & Management Master Plan (PDNG)

• The Stakeholder Capitalism Metrics initiative, led by the World Economic Forum

• Business for Human Rights, an open letter published by the Brazilian Ministry of Human Rights

• The UN Global Compact

• Gender and Racial Equity Program, launched by the Brazilian Office for Women's Policies

• Women's Empowerment Principles (WEPs)

• Bloomberg Gender-Equality Index

• *Na Mão Certa*, a program launched by the World Childhood Foundation to combat roadside sexual violence against children and adolescents

Environmental

• Brazilian Business Commitment to Biodiversity, launched by the Brazilian Business Council for Sustainable Development (CEBDS)

Brazilian Business Commitment to Water Security, launched by CEBDS

• Carbon Disclosure Program (CDP)

• Task Force on Climate-related Financial Disclosures (TCFD)

• Business Dialog with Indigenous Peoples Initiative

• Open Letter – Private Sector Support for Carbon Pricing in Brazil

• Position Paper on Carbon Pricing Mechanisms

• "Early Supporter" of Business for Nature's Call to Action to reverse nature loss by 2030

PRIORITY SDGs

2021 Annual Report Features

- **Independently assured** by PwC
- **GRI** – Materiality Disclosure Service icon
- Developed in accordance with the **IIRC** Framework and **GRI Standards**, and in alignment with the **SASB, TCFD** and other frameworks
- Provides information supplementing the **Management Report**, within the integrated reporting concept
- Communicates the Eletrobras Group's contribution to the **2030 Agenda**
- Reports on impacts from Group operations on stakeholders across **Water, Communities and Biodiversity**
- Supervised by the Strategy, Governance & Sustainability Committee and approved by the Board of Directors
- Published in digital format in two languages

** The information in the Executive Summary is presented in complete form in our Annual Report 2021, including footnotes and supplementary information, where necessary.*

Credits

This Annual Report has been prepared as a collaborative effort by teams across the Eletrobras Group. We wish to thank all collaborators for their participation and dedication.

General Coordination
Eletrobras Chief Corporate Management & Sustainability Officer
Sustainability Management Department

Editorial Group
Eletrobras Communications & Investor Relations

Sustainability Disclosures & Report Assurance Group
Eletrobras Group Sustainability Management Committee

Sustainability Disclosures Management
IGS System

Writing & Editing
grupo report - rpt.sustentabilidade

GRI Consulting
grupo report - rpt.sustentabilidade

Design
grupo report - rpt.sustentabilidade

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MINAS E ENERGIA