Sustainability Bond Framework

August 2023

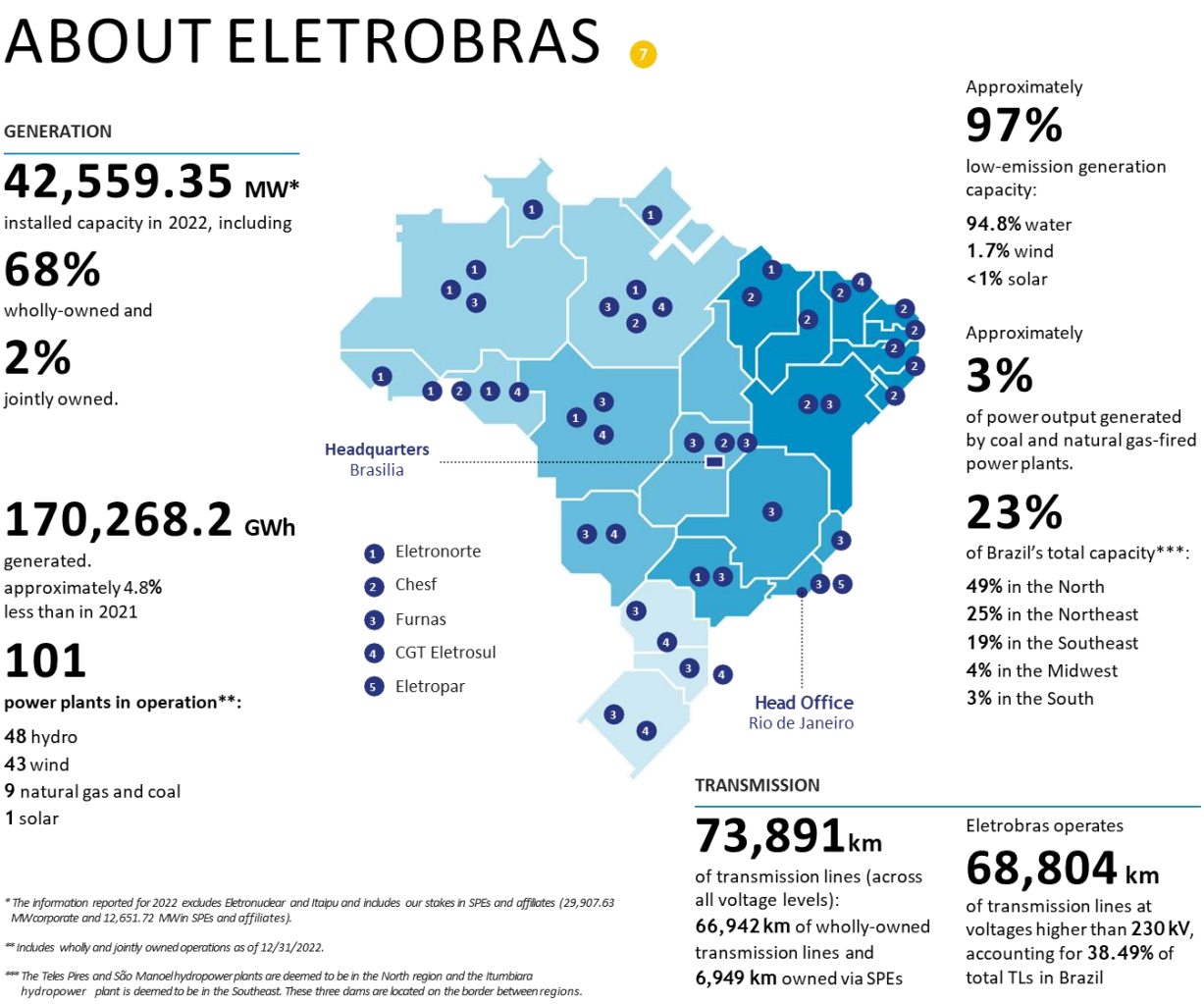
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1 About Eletrobras

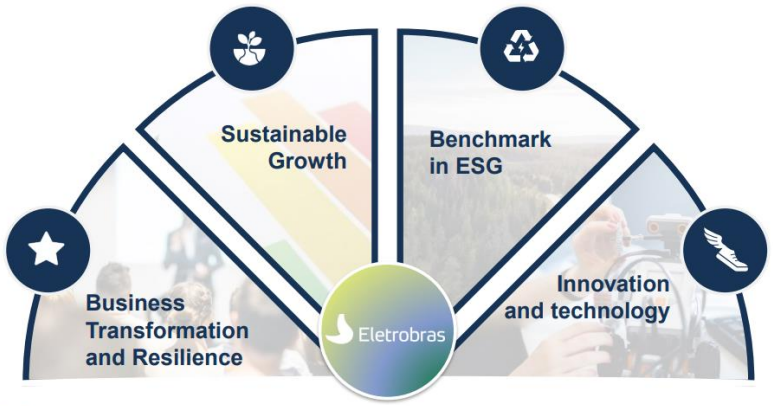
1.1 Eletrobras at a glance

With a history of more than six decades, Centrais Elétricas Brasileiras S/A ("Eletrobras" or "Company") is the leading electric power generation, transmission and commercialization company in Brazil and one of the largest in South America. Eletrobras accounts for 23% of Brazil's installed generation capacity—with 97% of that capacity coming from low-emission sources (hydropower, wind and solar)— helping to make Brazil's energy mix one of the cleanest in the world.



Strengthening the sustainable development of society is a key business driver for Eletrobras. The Company is guided by the 10 guiding principles of the UN Global Compact, to which it has been a signatory since 2006. The UN Global Compact[1] is the largest universal corporate sustainability initiative.

[1] https://www.pactoglobal.org.br/



Value Creation

Maximize the generation of value for all stakeholders, contributing assertively to the improvement of the country's business environment (regulation and sectoral policies)

Vision:

Green Major

Eletrobras as a global leader in value creation with **renewable and low emission infrastructure and solutions**

In February 2021, Provisory Measure MP No. 1,031/2021[2] allowed Eletrobras to be included in the National Privatization Program (PND), enabling BNDES to contract the technical studies necessary for structuring the operation. In July, the conversion of this provisional measure into Law nº 14,182/2021[3] guaranteed the essential legislative authorization for the continuation of privatization. Three months later, in October 2021, the resolution of the "Programa de Parcerias de Investimentos" (PPI) was published, which approved the model of privatization.

In order to enable the privatization, a corporate restructuring was performed that segregated Eletrobras' participation in Itaipu Binacional and transferred control of Eletronuclear to the state-owned Empresa Brasileira de Participações em Energia Nuclear e Binacional (ENBPar[4]), so that these two companies would remain under the control of the Federative Republic of Brazil ("Union"), as determined by law.

The capitalization resulted in the privatization of Eletrobras, after the Union ceased to have majority control of the Company. Therefore, the Company has become a corporation, a corporate and organizational management structure in which there is no single controlling shareholder. As a result, on June 17, 2022, new electricity generation concession contracts were signed with the Federal government for 22 hydropower plants (HPPs), meeting all the conditions of the privatization process.

[2] https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/146740

[3] https://www.in.gov.br/en/web/dou/-/lei-n-14.182-de-12-de-julho-de-2021-331549377

[4] Eletrobras maintained no participation into Itaipu (neither direct or indirect). As of 2Q2023, Eletrobras overall stake in Eletronuclear – the company that manages Brazil civil nuclear activities – amounts to 67,64 %, comprising 35,30 % of the voting shares (ON) of Eletronuclear and 99.99 % of its non-voting shares (PN). https://www.eletronuclear.gov.br/Quem-Somos/Governanca/Documents/PainelEstrategico/FOLDER-EXECUTIVO-PNG-2023-2027.pdf)

HPP under new concession agreements

HPP from Eletrobras Furnas	HPP from Eletrobras Chesf
• Mascarenhas de Moraes	• HPPs Apolônio Sales (Moxotó)
• Furnas	• Sobradinho
• Luis Carlos Barreto (Estreito)	• Funil
• Porto Colômbia	• Pedra
• Marimbondo	• Paulo Afonso I
• Funil-RJ	• Paulo Afonso II
• Corumbá I	• Paulo Afonso III
• Itumbiara	• Paulo Afonso IV
HPP from Eletrobras Eletronorte	• Luiz Gonzaga (Itaparica)
• Tucurui	• Boa Esperança (Castelo Branco)
• Coaracy Nunes	• Xingó
• Curuá-Una	

As a corporation, ownership of the Company is shared by multiple shareholders, without a single majority shareholder. Eletrobras is a publicly traded company and has practices in place to ensure sound governance and compliance, operating excellence, financial discipline and socially and environmentally sustainable operations. The Company is registered with the Brazilian Securities Commission (CVM – Comissao de Valores Mobiliarios) and U.S. Securities and Exchange Commission (SEC), and its shares are traded on the Sao Paulo exchange (B3), Madrid LATIBEX and New York Stock Exchange.

The Eletrobras group has four operating subsidiaries— Eletrobras Eletronorte, Eletrobras Chesf, Eletrobras Furnas and Eletrobras CGT Eletrosul— and an equity investment company, Eletrobras Eletropar. The Company also sponsors Cepel, its research and development arm.
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1.2 Industry Overview

In recent years, Eletrobras has managed to constantly improve operations to keep the pace with best practices and consumer needs. The Company has an established framework for research efforts around sustainable development and new opportunities.

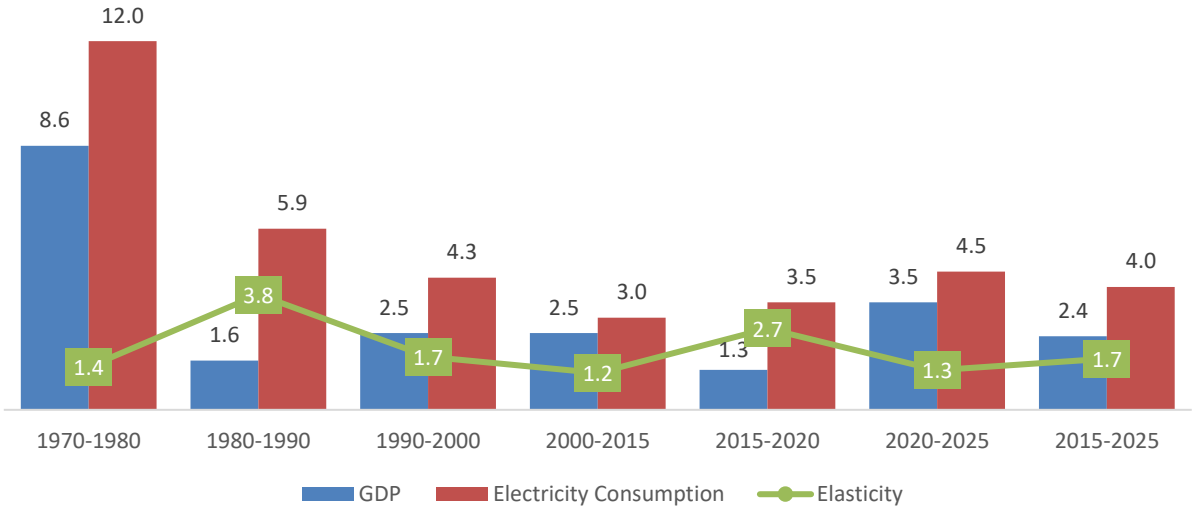
Key Global Trends mapped by Eletrobras:

- Economic and social digitalization
- Knowledge and innovation as key economic driver
- Changes in consumption patterns and consumer centricity
- Climate change
- Low carbon economic expansion
- Increasing demand for electricity

Key Local Trends mapped by Eletrobras:

- Geographic expansion and reorganization
- Demographic changes with increasing elderly population
- Review of Government role
- Increasing demand for electricity

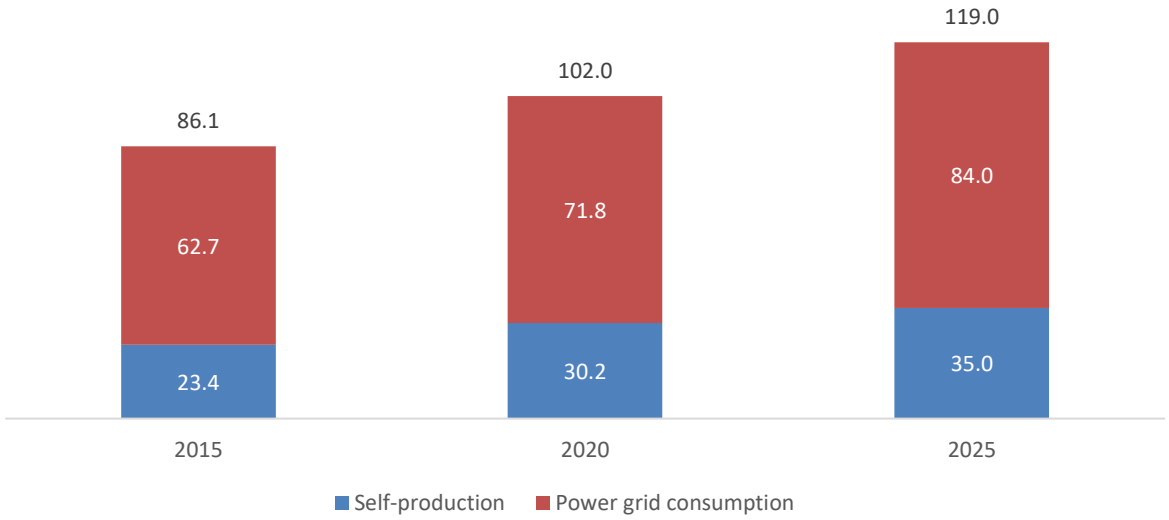
Average annual growth rate, by period (%)*



(*) including self-production

Source: : Metodologia de apuração dos resultados preliminares do BEN (epe.gov.br). GDP: Gross Domestic Product.

Large industrial consumers: power consumption (%)



Source: : Metodologia de apuração dos resultados preliminares do BEN (epe.gov.br)

1.3 Eletrobras' Commitments Towards Climate Change

In order to reinforce its commitment to good corporate sustainability practices, Eletrobras has been publishing, since 2000, an Annual Sustainability Report[5] under the standards of the Global Report Initiative (GRI).

As a global leader in clean energy, commitments to environmental protection and sustainable development have guided Eletrobras' business actions. In recent years, there has been greater integration of those objectives into the Company's long-term strategy. In 2012 Eletrobras launched the Declaration of Commitment on Climate Change, later incorporated into its Environmental Policy[6], in which Eletrobras assumes, among other commitments, the following responsibilities in relation to climate change:

- Expand practices for mitigating greenhouse gas emissions and adapting to the effects of climate change
- Prioritize the use of renewable sources in the expansion of the supply of electricity, contributing to the transition to a low-carbon economy
- Adopt a unified strategy that reduces and/or offsets our greenhouse gas (GHG) emissions
- Identify the main risks and opportunities of climate change for its business
- Support and act in the standardization of issues related to climate change in the governmental and civil society spheres
- Identify and manage risks and vulnerabilities aimed at adapting to climate change
- Internalize, through economic instruments, the externalities associated with GHG emissions

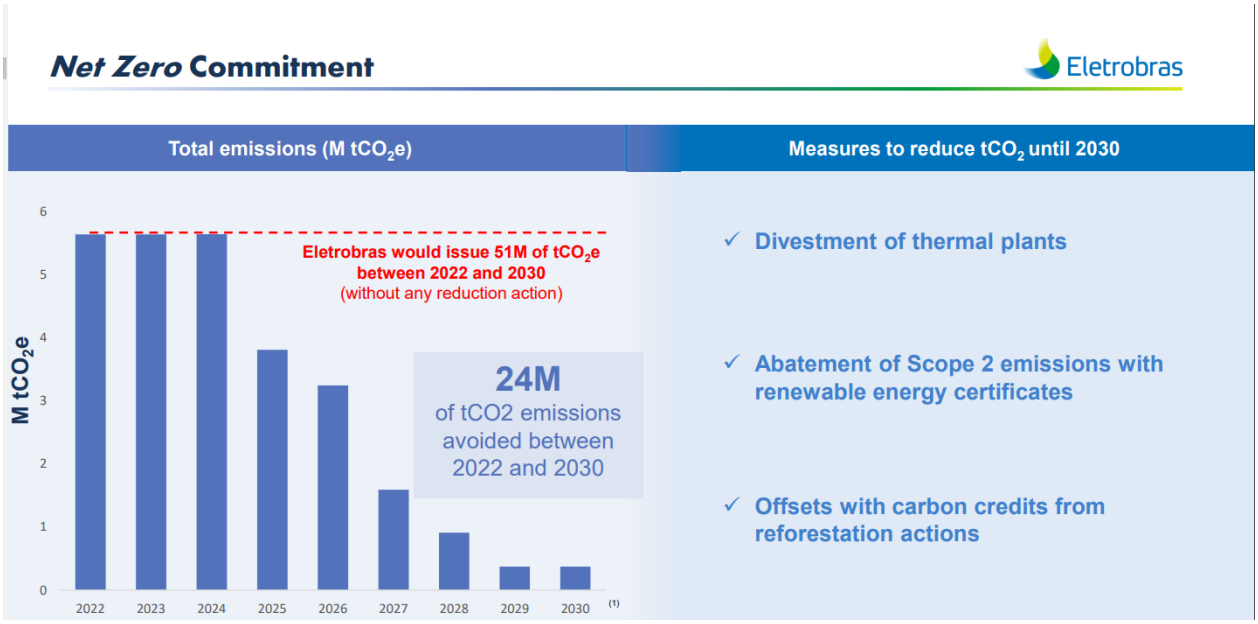
Eletrobras also participates in several external forums such as the Brazilian Forum on Climate Change (Fórum Brasileiro de Mudanças Climáticas) and the Technical Climate Chamber of the Brazilian Business Council for Sustainable Development (Câmara Técnica de Clima do Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável). Eletrobras is a signatory to the Position on Carbon Pricing Mechanisms of the Entrepreneurial Initiative for Climate - IEC, the Open Letter - Private Sector supporting the Carbon Pricing in Brazil prepared by the IEC with the support of the Carbon Pricing Leadership Coalition (CPLC), Positioning of the Brazilian business sector on the urgency of creating a regulated carbon market in Brazil and Letter from the Brazilian business sector on the Ecological Transition Plan – 'Green Package'.Eletrobras is also a member of IHA (International Hydropower Association).

Since 2009, Eletrobras issues the annual Greenhouse Gas Inventory of the Eletrobras companies, following the

[5] Relatório Anual (eletrobras.com)
[6] Política Ambiental (eletrobras.com)

methodology of the GHG Protocol. Since 2010, Eletrobras has voluntarily responded to the CDP – Disclosure insight action. Since 2018, we have supported the Task Force on Climate-Related Financial Disclosures (TCFD). In 2022 it joined the Brazilian GHG Protocol Program and won the Gold Seal, due to its completeness and external assurance.

In 2022, Eletrobras reached an intensity of greenhouse gas ("GHG") emissions of only 52 kg of CO2/MWh, well below its competitors, furthermore Eletrobras announced in 2023 its intention to disinvest, gradually, in thermal power plants[7] before 2030 and took on the ambitious challenge of zero net emissions of greenhouse gases in all scopes by 2030, submitting a NetZero[8] commitment letter to the Science Based Targets Initiative – SBTI.



1.4 2030 Agenda: Aiming at Sustainable Development and Aligning with SDGs

Eletrobras is the leader in renewable energy in Latin America. Aware of the challenges and opportunities, Eletrobras is committed to sustainable development, strong ethics and respect for people and life. Eletrobras is an innovative, clean energy company, recognized for excellence and sustainability aiming to create value for investors and other stakeholders, aligned with the Sustainable Development Goals (SDGs).

Eletrobras is one of the founding members of the Global Alliance for Sustainable Energy[9], a global multi-stakeholder alliance for the energy sector that brings together the largest global players in sustainable energy, with the aim of promoting sustainability along the value chain, especially in ESG themes such as net zero targets and decarbonization, circular economy principles and models and solutions, and human rights and inclusion promotion initiatives aligned with the SDGs. The Alliance has created dedicated Working Groups to gather expertise from different levels of the energy supply chain and work on the definition of new metrics, KPIs and standards for a more sustainable and inclusive future. Eletrobras is co-chair in the WG dedicated to Human Rights and Inclusion Promotion. The group is fully committed to converge efforts in order to create common positions, understanding, methodologies and practices to integrate human rights management while creating value to business.

The Company has increased to 100% the adherence to the goals of the Brazilian Business Commitment for Biodiversity of the Brazilian Business Council for Sustainable Development ("CEBDS")[10] and further increased

[7] https://api.mziq.com/mzfilemanager/v2/d/abb77a17-3348-4bc7-849a-154998e06ca3/cb097239-47b6-b129-8154-af8a7549a593?origin=1

[8] https://api.mziq.com/mzfilemanager/v2/d/abb77a17-3348-4bc7-849a-154998e06ca3/fcf34df8-3683-4d60-ebea-86b85cac92e1?origin=1

[9] sustainable-energy.eco

[10] https://cebds.org/en/

transparency in Sustainability, through the implementation of the Sustainability Channel, aiming at improving the process of managing stakeholder demands on ESG topics.

The regular monitoring and analysis of the Company's performance against the priority indicators and targets agreed for each of the SDGs allow the elaboration of action plans. The Company can then identify positive and negative impacts and promote and sustain the creation of value for stakeholders. Moreover, some of these indicators are part of the variable remuneration of employees and managers. Among the indicators affecting the Annual Variable Remuneration of senior management is the SDG Alignment Index (IAO), which measures weighted average performance on a set of strategic indicators within the Agenda 2030.

In its commitment to the 2030 Agenda, Eletrobras prioritized nine SDGs, for which it has listed the following achievements by the end of 2022:

- **SDG 7 - Access to clean and affordable energy:**
  - Maintain at least 96% of clean energy sources within the electric matrix of Eletrobras
- **SDG 8 - Employment, sustainable and inclusive economic growth:**
  - Reduce the frequency of accidents involving own and outsourced employees
- **SDG 9 - Industry, innovation and infrastructure**
  - Increase investment in energy transition solutions: reach 35% participation in value within the portfolio of research, development and innovation projects
- **SDG 10 - Reduce inequality within and among countries:**
  - Ensure gender equity in managerial positions. In 2022, 24% of management positions were held by women, exceeding the overall ratio of women employees at Eletrobras Group companies (19%)[11]
- **SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable:**
  - Reduce 1.0% of Scope 1+2 Emissions (no transmission losses) from 2021 to 2022
- **SDG 12 - Ensure sustainable production and consumption patterns:**
  - Ensure 100% of Suppliers are submitted to Due Diligence in ESG aspects
- **SDG 13 - Combating climate change and its impacts:**
  - Reduce GHG emissions and compensate for emissions that cannot be avoided, aiming at net zero emissions by 2030
  - 31.8 % reduction in GHG emissions from 2021 (Emissions intensity, scope 1 and 2, ex-losses)
- **SDG 15 - Protect, recover and promote the sustainable use of terrestrial ecosystems:**
  - 1.6% increase in 2022 investments in projects that contribute to biodiversity management
  - Total protected forested areas: 270k ha
- **SDG 16 - Substantially reduce corruption and bribery in all its forms:**
  - 98% of Employees trained in policies and procedures of the Integrity Program
  - 100% of suppliers subject to ESG diligence

1.5 Governance Structure and ESG Management

To ensure the connection between planning, strategy, performance and sustainability, Eletrobras created the Executive Committee for the Sustainability Management of Eletrobras (Comissão Executiva da Gestão da Sustentabilidade das Empresas Eletrobras), reporting to the Strategy, Governance and Sustainability Committee (Comitê de Estratégia, Governança e Sustentabilidade), linked directly to the Board of Directors of Eletrobras.

The Executive Committee is responsible for, among other actions, implementing sustainable management processes, procedures and tools in Eletrobras, monitoring and evaluating the results and developing plans for goals and improvements related to the theme, promoting the integrated management of the economic, social and environmental dimensions in Eletrobras in order to internalize, disseminate and give transparency to the implementation process of the 2030 Agenda and manage the Value Creation Model of Eletrobras.

Communications received via internal and external stakeholder channels, including suggestions, critiques or whistleblowing reports, are now handled via the Whistleblowing Hotline[12] and "Contact Us" channels depending on

[11] https://eletrobras.com/pt/InovacaoeSustentabilidade/Eletrobras_CadernoODS_2022.pdf
[12] online at: https://relatoconfidencial.com.br/ eletrobras/; by calling : 0800 721 9885.

the nature of the case.

Eletrobras' centralized whistleblowing processes in an independent channel and has standardized report handling procedures, including response metrics and time frames. Through the hotline, any person may report violations or suspected violations of the Code of Conduct, Integrity (Compliance) Program, internal policies, or laws and regulations, or any unethical or unlawful conduct requiring an investigation by the company or any internal or external body. All reports are kept anonymous and confidential, and whistleblowers are protected from retaliation. In 2022, the Whistleblowing Channel received 290 substantiated reports, of which 244 have been resolved and 46 are currently under investigation.

In June 2022, Eletrobras launched a new platform on its website to centralize incoming "Contact Us" inquiries from external stakeholders. Since the channel's launch on June 28, 2022, there have been 260 interactions through the Contact Us channel. The new platform will allow the Company to monitor inquiries, measure performance and continuously improve service. Employees can also access the platform via the intranet. The initiative aims to improve themanagement of stakeholder relationship channels, improving transparency.

Whistleblowers receive feedback within four business days. The channel redesign included a new menu with new categories of concerns, and a software based system that forwards cases to the relevant departments along with alerts. The Contact Us Whistle-blowing channel and other corporate listening channels also receive community manifestations.

The Sustainability Management System is based on five main pillars:

i. Sustainability Policy of Eletrobras,
ii. Executive Committee for the Sustainability Management of Eletrobras,
iii. System of Corporate Sustainability Management Indicators (IGS System),
iv. Value Creation Model,
v. Integrated Reporting.

Eletrobras was recognized as the company with the best reputation in the Brazilian electricity sector, according to a study conducted by the Corporate Reputation Business Monitor (Merco). Moreover, Eletrobras was recognized among the top 14 Brazilian companies in terms of transparency around sustainability, in a study conducted by the advisory board in Brazil of the Global Reporting Initiative – GRI.[13]

Highlighted below are some of the awards and recognitions received by Eletrobras:

• Inclusion in the 2023 B3 Corporate Sustainability Index (ISE B3) portfolio, for the 15th consecutive year.

• Bronze Seal in The Sustainability Yearbook 2022, ranking by S&P Global, for the second consecutive year.

• Presence on B3's Carbon Efficient Index (ICO2 B3), which lists companies with the best efficiency in managing greenhouse gas emissions.

• CDP Climate Change 2022: grade B | CDP Water Security 2022: concept B.

• CDP Supplier Engagement Leader 2021: among CDP's supplier engagement leaders on climate change.

• Obtaining the Gold Seal of the Brazilian GHG Protocol Program.

• Presence in the Bloomberg Gender-Equality Index 2022, which brings together companies committed to transparency in disclosing data on gender equality.

• Leader in ESG Responsibility among Brazilian companies in the electricity sector, in a ranking by the Corporate Reputation Business Monitor (Merco) released in 2022.

[13] GRI - Home (globalreporting.org)

• Conquest in 2022, for the second consecutive year, of the Transparency Award, which aims to recognize companies with the best transparency practices in accounting information.

In 2020, VigeoEiris carried out the analysis of Eletrobras' ESG Rating for the year 2019. This analysis observed evidence related to ESG themes, Controversies, Climate and Sustainable Development Goals from 38 sustainability criteria distributed in the items: Human Rights, Human Resources, Business Behavior, Corporate Governance, Environment, Community Engagement. The result of the evaluation, which involved the mobilization of the Executive Committee for Sustainability Management at the Eletrobras companies, resulting in the Eletrobras ranked 1st in the total of 49 companies in the Electricity and Gas Sector and 34th in the total universe of Vigeo (out of 7,000 issuers).

These recognitions reflect the consistency and solidity of the commitment to results for Brazilian society and to the implementation of the best national and international practices of corporate sustainability.

1.6 Eletrobras' Sustainability Agenda and Approach to ESG Controversies

Intended benefits of the categories described in section 2.2. are aligned with the Sustainability Agenda of the company. Eletrobras´s ESG agenda impacts directly the compensation structure of senior leadership. The main topics are highlighted below:

- **Decarbonization strategy to reach Net Zero (until 2030)**
Eletrobras has been adopting sustainable and innovative practices since its foundation, more than 61 years ago. It contributes substantially to making the Brazilian electric matrix one of the cleanest in the world, with an installed capacity made up of 97% of low carbon emission sources.

-**Strengthening the relationship with communities**. Today, the Company deals with 109 traditional communities, totalling a population of more than 57,000 individuals, including riverside population and *quilombolas*. In addition, the Company maintains contact with 19 indigenous communities. Those communities live nearby the Company's assets, such as transmission lines, power plants and sub-stations.

- Conservation of forests and native biome areas. The Company controls an area of 1.1 million hectares of native forests, including areas that are part of concessions and areas owned by the Company.

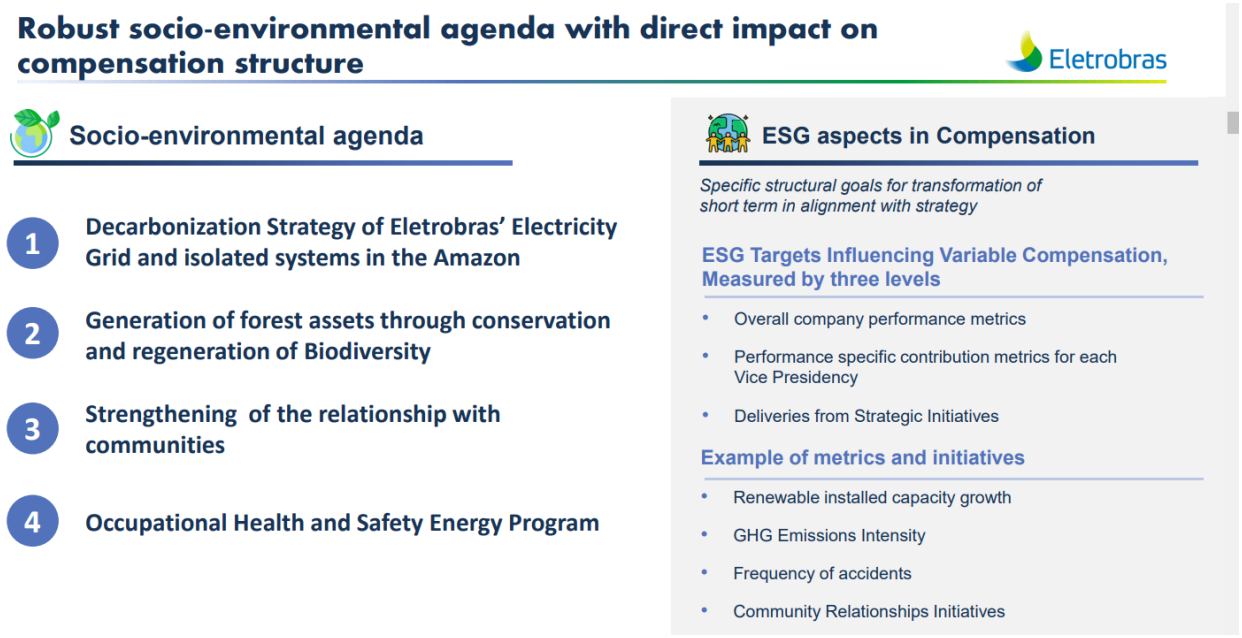
- **Biodiversity conservation and regeneration plan.** Eletrobras plans to include at least one additional threatened species according to IUCN per year into its conservation projects. In 2022, the Company included 51 additional species.

- **Decarbonization of isolated systems in the Amazon.** In 2021, Eletrobras and BNDES announced an Energy Pact to promote clean and accessible energy in the Isolated Systems of the Amazon[14], which rely on diesel-based electricity generation and mobility. There are still around 70,000 families in Brazil without electricity in remote regions of the Amazon.

- **Social Electricity Program – Distributed generation for low-income communities** (actions in the National Interconnected System and isolated systems, with a reduction in the energy tariff).

- **Educational Program** focused on Productive inclusion and improvements in the quality of teaching

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https://eletrobras.com/pt/Paginas/Noticias.aspx?Paged=TRUE&p_DataPublicacao=20211208+02:00:00&p_Created=20211208+15:21:44&p_ID=1231&PageFirstRow=31&&View=%7B08FFC67A-7CA3-4C47-87A3-FC7351DB36F2%7D



Eletrobras group activities require building and operating facilities, which may impact communities and the environment to an extent that will depend on the type and size of the project, and the characteristics of the location where it is built. This requires that the Company not only complies with the environmental laws and regulations governing electrical industry facilities, but that it also takes into consideration the surrounding communities as an essential element of real value creation for all stakeholders.

The relationships with the communities are guided by Eletrobras' Environmental, Social Responsibility, Communication and Engagement, Sustainability, and Dam Safety policies.

Since 1986, when the National Counsel for the Environment (CONAMA) published its resolutions, there has been a hierarchy for mitigating social and environmental impact applied to all Eletrobras studies and projects. The measures proposed in environmental permitting include a commitment to preventively search for engineering solutions that avoid or lessen the impact on people and the environment along all steps of the project.

Eletrobras interacts with local communities during inventory, feasibility, and environmental impact studies. In these cases, the Company develops project-specific Communication and Social Interaction Plans (CSP), which are guided by the Company's internal policies, environmental agencies' regulations, guidelines issued by Brazilian and international organizations, and industry best practices.

In the case or large hydro plants (HPP), the diagnosis developed during the environmental impact assessment and the socioeconomic survey of those impacted allows the Company to identify socially vulnerable groups and assess the risk and impact of the project on these populations and the local physical and institutional infrastructure. Impact studies for each project abide by the reference terms issued by the environmental agencies, and use qualitative surveys, socioeconomic, and real estate records to identify the impacted population, and engages in interaction and communicates social actions. These measures are applied especially during the impact identification and socioenvironmental measure proposal phases. Relationship channels to listen to stakeholders are provided for broader-ranging projects.

These studies follow the provisions of Brazilian law and industry best practices, such as The International Hydropower Association (IHA), Free, Prior, and Informed Consent (FPIC), International Finance Corporation (IFC) Performance Standards and are analysed and monitored by relevant government agencies such as Fundação Nacional dos Povos Indígenas (FUNAI) and Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis (IBAMA).

Eletrobras engages in comprehensive processes based on the principles of dialog, transparency, and the involvement of different levels of formal and informal representation appointed by the communities. All Eletrobras electric power ventures have CSPs that include activities that enable dialog with the communities in the areas of

influence. In interacting with this audience, the Company seeks to provide
information on prior studies, the Company's goals for the location, its development activities, and their outcome. It also gathers data on community expectations and lifestyles, creating effective means for their involvement through meetings held during the socioenvironmental studies for socioenvironmental diagnosis, impact assessment, mitigation, compensation, and reparation measures.

The "Contact Us" whistle-blowing channel and other corporate listening channels also receive community manifestations. CSPs include the possibility of local offices that will serve as the touch-point with local inhabitants, and help develop communication campaigns, disclosures for the institutional website, and production of other content that includes how to contact the Company directly. The CSPs include performance indicators that are monitored for improvement.

Initiatives that involve communication, relationships, and engagement in dam safety are part of the Emergency Action Plan (ESP), and is supported by local government agencies such as the Civil Defense and City Governments.

1.7 Eletrobras subsidiaries included in the Framework

On January 5, 2023, shareholders at the 185th Extraordinary General Meeting (EGM) approved a merger of 100% of the shares issued by subsidiaries Eletrobras CGT Eletrosul, Eletrobras Chesf, Eletrobras Eletronorte, and Eletrobras Furnas into Eletrobras. As a result, these companies have become wholly-owned subsidiaries of Eletrobras.

This framework is intended to be used in the contact of transactions issued by Eletrobras or its main subsidiaries, as listed below.

1.7.1. Companhia de Geração e Transmissão de Energia Elétrica do Sul do Brasil (Eletrobras CGT Eletrosul)

CGT Eletrosul is a company controlled by Eletrobras, resulting from the corporate restructuring process of the subsidiaries Eletrosul and CGTEE. It operates in the areas of generation, transmission, energy trading, and also in telecommunications. It invests heavily in research and development to foster the use of alternative energy sources and diversify the Brazilian energy matrix. Throughout its history, this has been the socio-environmental commitment of CGT Eletrosul, which seeks to promote citizenship in balance with sustainability. CGT Eletrosul's energy matrix is diversified, coming from hydro, thermal, wind and solar sources, totaling 2 GW of installed capacity – enough energy to meet the consumption of 12 million people.

1.7.2. Companhia Hidrelétrica do São Francisco (Eletrobras CHESF):

CHESF is a subsidiary of Eletrobras, with more than 99% of its shares controlled by it. The company operates in the segments of generation, transmission and commercialization of electric energy. Chesf is committed to foster the socioeconomic development of the country it uses natural resources, not altering the harmony of the environment. In this sense, the inauguration of the floating solar plant in the reservoir of the Sobradinho hydroelectric plant, in Bahia, stands out. The project takes advantage of the dammed area of the São Francisco River and has the capacity to generate 1 megawatt-peak (MWp) of energy.

1.7.3. FURNAS Centrais Elétricas (Eletrobras Furnas)

FURNAS is a subsidiary of Eletrobras. The company operates in the generation, transmission and commercialization of electric energy. It is present in 15 states and the Federal District. Its system includes 22 hydroelectric plants, 2 thermoelectric plants and 1 wind complex (5 parks), owned or in partnership with the private sector, more than 26 thousand km of transmission lines and 62 substations. FURNAS generates and transmits energy on a sustainable basis. The company's management seeks economic viability, respect for the environment and social inclusion, to become increasingly competitive and sustainable. Thus, FURNAS renews its commitment to the development of the country.

1.7.4. Centrais Elétricas do Norte do Brasil (Eletrobras Eletronorte)

Eletronorte is a subsidiary of Eletrobras, with more than 99% of its shares controlled by it. The company operates in the segment of hydroelectric generation and power transmission and incorporated Eletrobras Amazonas GT, in 2021. Committed to strengthening a clean and renewable energy matrix, the Company is also a pioneer with alternative sources. In addition, it participates in wind farms and invests in research projects such as reversible power plants and hydrokinetic generation.

2 Eletrobras Sustainability Bond Framework

2.1. Alignment with GBPs and SBPs administered by ICMA

The Framework has been developed in alignment with the Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), the Social Bond Principles (SBP) 2023, and the Sustainability Bond Guidelines (SBG) 2021 administered by the International Capital Market Association ('ICMA'). This Framework is aligned with internationally accepted voluntary process guidelines that recommend transparency, disclosure and promote integrity for best practices.

These principles provide a framework for issuers and investors to guide the issuance and the assessment of green, social and sustainability bonds, and ensure that these instruments are used to finance projects and programs that contribute to environmental and/or social sustainability. The principles have four key pillars:

1. Use of Proceeds
2. Process for Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting

Eletrobras has developed the Framework under which Eletrobras or its subsidiaries may issue Sustainability, Green or Social Bonds to support the sustainability commitment.

In January 2020, Eletrobras published the first version of its Framework ("Green Framework"), with external review by the Climate Bonds Initiative ("CBI") and VigeoEiris as of April 2021[15]. The first green framework included three project categories: solar power generation, wind and transmission.

In support of the Company's commitments, Eletrobras revised its framework to include a wider range of eligible projects categories. Through the issuance of Sustainability Bond Instruments, Eletrobras aims to further its journey towards sustainability goals, including investment in renewable energy to support a cleaner energy future that is safe, reliable and more equitable.

This framework is also aligned with the best practices published by the Brazilian Financial and Capital Markets Association (ANBIMA, Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais) in its Guide for the Offering of ESG Instruments.[16]

[15] https://ri.eletrobras.com

[16] https://www.anbima.com.br/data/files/52/25/36/43/9AA158103F642158882BA2A8/GUIA_PARA_OFERTAS_DE_TITULOS_ESG.pdf

2.2. Use of Proceeds

Eletrobras intends to allocate an amount at least equal to the net proceeds from the issuance of Sustainability Bond Instruments to finance and/or re-finance, in whole or in part, new and/or existing Green Projects and/or Social Projects ("Eligible Projects") that meet the eligibility criteria as outlined below. Regarding the nature of expenses, capital and operational expenses will be eligible, including payment of grants ("outorga") related to the Eligible Projects listed below. This section lists the categories (and subcategories, when applicable) of projects and expenses related to environmental and/or social benefits and their respective Eligibility Criteria. These also includes expenses related to research and/or development of those projects. Each category under the Framework is intended to support the achievement of the corresponding United Nations Sustainable Development Goals ("SDGs").

Green Eligible Projects

Category	Eligible Projects	Description	Alignment to UN SDGs
Renewable Energy	Solar Energy	Expenditures related to the construction, development, acquisition, maintenance and operation of onshore and offshore solar energy generation (photovoltaic generation facilities).	
	Wind Energy	Expenditures related to the construction, development, acquisition, maintenance and operation of onshore and offshore wind energy generation.	
	Hydropower	Expenditures in existing assets including modernization, repowering and hybridization of hydroelectric projects, payment of grants ("outorga"), which follow the eligibility criteria defined by the Climate Bonds Initiative. Eligibility criteria: Test 1) power intensity higher than 5w/m2 or flooded area or Test 2) carbon emission intensity lower than 100gCO2e/Kwh[17] Expenditures in new assets (greenfield) should be assessed against the IHA's Hydropower Sustainability Assessment Protocol and follow the eligibility criteria of power intensity higher than 10w/m2 or flooded area or carbon emission intensity lower than 50gCO2s/Kwh, according to the HPP post-2020 threshold. Eletrobras ensures that an environmental and social impact assessment by a credible independent body has been carried out for each new hydropower project, to identify and address any significant risk, expected negative impact and controversies related to the hydropower projects financed under the Framework.	 
	Transmission Systems	Design, construction, installation, operation and maintenance (improvement and reinforcement works) of electricity transmission projects: Eligibility criteria 1) Transmission lines dedicated to the creation of a direct connection, or expansion of an existing connection with renewable energy generation units, as defined in (2) 2) Transmission lines connected to the grid, where the grid emission factor is less than 100gCO2e/kWh generated, considering a rolling average of the five years prior to the issuance[18].	  

[17] Tests will be performed up to 24 months before the date of a Sustainability transaction.
[18] This will not include transmissions lines directly connected to a thermal power plant.

Category	Eligible Projects	Description	Alignment to UN SDGs
Pollution prevention and control	Green Hydrogen	Expenditures related to the construction, development, acquisition, maintenance, storage, distribution of green hydrogen (produced using renewable sources with a carbon intensity lower than 100gCO2e/kWh)	 
Environmentally Sustainable Management of Living Natural Resources and Land Use	Restoration of Native Forests and Conservation of Biodiversity	Projects, equipment, programs and measures supporting the protection and restoration of biodiversity and ecosystems. Restoration considers areas that were not previously degraded by the Company's activities. Projects include: • Protection of native forests under the responsibility of the Company as defined by concessions, or areas that Eletrobras and its companies have decided at their own initiative to protect or restore, including permanent preservation areas and legal reserves; • Natural habitat protection initiatives for biodiversity enhancement, especially targeting threatened species as listed by IUCN.	 
Climate Change Adaptation	Adaptation to Physical Climate Risk	Projects, works, equipment, programs and measures required for mitigating the consequences of climate change on the Company's activities and its stakeholders, through adaptive measures, in line with the Company's Group Strategic Plan on climate issue, outlined in its TCFD[19] report. Climate adaptation projects will be supported by a vulnerability assessment and adaptation plan. Projects include • Efforts to make infrastructure more resilient to impacts of physical climate risk, such as strengthening transmission lines and towers, adapting dams for spillage of excess water.	

[19] https://eletrobras.com/en/InovacaoeSustentabilidade/eletrobras_TCFD21_EN.pdf

Social Eligible Projects

Category	Eligible Projects	Description	Alignment to UN SDGs
Affordable basic infrastructure	Micro-grids	Provide renewable energy to communities, who often rely on diesel-based electricity for their basic energy needs. Give access to affordable electricity, especially solar, including transmission and distribution programs. Target population consists of remote communities that are not connected to the Brazilian Interconnected System (SIN), especially in the Amazon region.	
Access to essential services	Education	Expenditures to finance facilities and programs in education in underserved municipalities, including environmental education programs, which will be widely accessible and affordable. Targeted populations will consist of communities living near the company's assets (transmission lines, power plants and sub-stations). Municipalities with a Human Development Index (HDI) below the Brazilian average will be considered underserved.	

2.3 Process for Project Evaluation and Selection

Eletrobras has established a **Sustainable Finance Working Group** (SFWG) which will be responsible for the review and recommendation for approval regarding investments that will qualify as Eligible Projects. The Sustainable Finance Working Group will comprise selected members from: Generation, Transmission, Treasury, Environment, Social Responsibility, Sustainability, Risk and Business Strategy departments, and will identify, review and select Eligible Projects that align with the Framework. SFWG reports to CISE (Eletrobras System Investment Committee) and holds meeting every month or subject to CISE or Financial department demand.

During this process, projects will be reviewed for environmental and social risks in line with Company-level environmental and social policies and procedures. Eletrobras regularly analyses the environmental and social impacts of its businesses and assess how to mitigate impacts on communities in which it operates. Additionally, it conducts extensive due diligence when evaluating potential new opportunities and monitoring of its investment plan.

The Company will ensure that eligible projects are not double counted for the purpose of allocation of proceeds.

The process of evaluating projects eligibility for portfolio composition under the responsibility of the Sustainable Finance Working Group consists of 3 steps:

I. Initial Analysis: first selection filter
II. Evaluation of environmental, social and governance (ESG) criteria
III. Prioritization: Final list of selected projects

2.3.1. Initial Analysis

The initial analysis aims to perform the first level of selection and exclusion of projects from the criteria described below. The WG will evaluate the following criteria:

- The framing of the project according to the description of Eligible Projects;
- Projects with disbursement made in the 24 months prior to the date of issuance of the financing instrument or 24 months after the date of issuance.

2.3.2. Evaluation of ESG Criteria

The second stage comprises the analysis of the ESG characteristics of the projects, which is necessary to the selection of the project.

2.3.3. Prioritization

Projects that present better ESG evaluation will be prioritized. Final allocation and determination of Eligible Projects will be reviewed and approved by the Executive Management team or Board of Directors.

2.3.4. Exclusion criteria

Eletrobras will monitor controversies involving the Eligible Projects (if any) throughout the life of the issuance.

Resources from any labelled Instrument issued by Eletrobras will not be used to finance or refinance assets and/or projects that have recurring controversies, simultaneously, in the ESG Risk Rating assessments of the main appraisers (Sustainalytics, MSCI and ISS ESG). Projects related to the financing of fossil fuels and controversial sectors such as tobacco, nuclear, weapons, will be excluded from financing.

The Company will also provide investors with information on the main issues and the actions implemented and, if necessary, the exclusion of the project from the pool of projects financed by the sustainable instrument. The Company is engaged in increasing transparency and engagement to ESG rating agencies to address concerns and allow stakeholders to follow its actions.

2.4. Management of Proceeds

The flow of net proceeds will be monitored continuously while instruments are outstanding. Projects are managed per bond according to an internal process (bond-by-bond approach). The Treasury team will be responsible to allocate and track the net proceeds, and the Sustainable Finance Working Group will be responsible for controlling the allocation of resources to ensure compliance with the ESG criteria defined in the Framework.

Net proceeds will be allocated to refinance project at most 24 months prior to the date of issuance or to finance projects 24 months after the date of issuance.

Until the application of all resources is obtained, temporarily unallocated resources will be kept in the form of cash, cash equivalents, liquid deposits, or other instruments that do not have a negative impact on the climate, in accordance with the Company's investment guidelines.

In the event that any of the Eligible Projects fails to meet the eligibility criteria described in section 2.3., the funds will be allocated to other eligible green projects as soon as proactively practically possible.

2.5. Reporting & Disclosure

2.5.1. External Review

Eletrobras will request an independent second party opinion (the "SPO") from ISS on its Sustainability Bond Framework, confirming that the Framework aligns with the ICMA principles outlined in the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines. The SPO will be made publicly available on Eletrobras' website.

2.5.2. Allocation Reporting

The Company will publish a report on an annual basis with the allocation of net proceeds from any Green, Social, Sustainability Bond Instrument. The report will include:

i. The amount of net proceeds allocated to each Eligible Project, either individually or by category
ii. The remaining balance of unallocated proceeds that remain outstanding, if any
iii. The share of proceeds used for financing vs refinancing
iv. Brief descriptions on selected projects

An external verification of the allocation of the net proceeds will be carried out by an external reviewer on an annual basis, while the sustainable instrument is outstanding. The verified allocation report will be made available on the Company's website.

Eletrobras reserves the right to make any changes to this Framework in accordance with the best international market practices. If this occurs, the updates will be duly published for wide access, maintaining or expanding the levels of transparency and reporting.

2.5.3. Impact Reporting

Eletrobras will provide information on qualitative and/or quantitative impact metrics relating to all financed Eligible Projects. The performance indicators may change from year to year if market practices recommend a better metric. Methodologies and baselines used in this impact report will also be made publicly available. Methodologies will be aligned with best market practices, and baseline will be independently verified. The impact report may be published as a standalone document or as part of another document published by the Company. The impact report will be published annually and independently verified.

The indicators in the table below will be disclosed by type and region:

Topic	Metrics
Power generation and avoided emissions	- Annual renewable energy production in MWh - Installed renewable energy capacity in MW - Annual GHG emissions avoided (tCO2eq) - Annual production of green hydrogen (ton) - For micro-grids, annual renewable energy production (MWh/year)
Communities	- Number, volume of expenditure and description of social actions implemented - Number of beneficiaries of the social actions implemented
Biodiversity	- Number, volume of expenditure and description of actions to protect and restore the biodiversity - Protected forested area (ha) - Restored forested area (ha)

2.6. Disclaimer

The information contained in this Framework is based on information made available by the Company and is not guaranteed as to its merchantability, completeness, accuracy, currency or suitability for a particular purpose. The information and data provided reflect the current situation of the Company on the date of its elaboration and publication. This material should not be interpreted as an offer for sale and/or recommendation and/or solicitation for the subscription or purchase of any securities issued by the Company or by any company belonging to the Company's economic group. Reproduction, publication and/or distribution of this Framework and any other material related to it in any jurisdiction where it is illegal to do so is prohibited, except under circumstances that comply with applicable laws and regulations. It is recommended that persons who have access to this Framework and/or any other material related to it, together with their financial and legal advice, to the extent they deem necessary, assess the restrictions applicable to the reproduction, distribution and publication of this material. This Framework may contain information about future events, such information would not only be historical facts, but would reflect the wishes and expectations of the Company's management. The words "believes", "expects", "plans", "anticipates", "estimates", "projects", "aims" and similar are intended to identify statements that necessarily involve known and unknown risks, so that they may or may not be realized. Known risks include uncertainties, which are not limited to the impact of price and service competitiveness, market acceptance of services, the Company's and its competitors' service transactions, regulatory approval, currency fluctuation and other risks described in the Company's reports. The information and opinions contained in this Framework consider the Green Bond Principles and Social Bond Principles issued by the International Capital Market Association and are provided as of the date of this document, so are subject to change without notice. The Company is not obliged to update this Framework through new information and/or new guidelines and/or future events. This Framework is not intended and cannot be invoked to create legal relationships, rights or obligations.