

# Chesf

## Annual Report 2020



Eletrobras  
Chesf



This is the Annual Report of Companhia Hidro Elétrica do São Francisco (Chesf), a mixed capital corporation and a subsidiary of Centrais Elétricas Brasileiras S.A. (Eletrobras).

Enjoy your reading!



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# Introduction

This 2020 Annual Report aims to provide Chesf stakeholders with relevant information on our performance, results, achievements and goals. The content was collected and organized based on the best global management practices and corporate sustainability reporting standards, and is fully aligned with our Holding company Eletrobras, as well as with the other companies in the group.

In 2020, undoubtedly one of the most challenging years in recent history, we wanted to make our report even more transparent, prioritizing what really matters to us and our audiences – with emphasis on EESG factors (economic, environment, social and corporate governance). You will find further details about methodology in the section About the Report. Enjoy your reading!

# MESSAGE FROM MANAGEMENT

## GRI 102-14, 102-15

Face challenges, reinvent yourself, overcome obstacles. The year 2020 gave a new and more intense meaning to such phrases. What first seemed to be a limited and distant problem hit Brazil hard by early March, impacting the whole economy and the lives of individuals in unprecedented ways.

Chesf proved its unwavering resolve to deliver the power that was more essential than ever during this atypical period. Our main focus was to ensure the integrity of our generation and transmission systems for reliable supply.

We had to act quickly. About two-thirds of our employees were soon working from home. In essentially operational activities, we redesigned structures and working methods for social distancing and reinforced hygiene rules to keep our employees safe.

Our efficient Information Technology teams pushed forward our digital transformation project, introducing new management tools and platforms with embedded AI and business intelligence. Corporate management also benefited from innovations in the form of enhanced tools and processes. The "Delay Zero" program improved supply efficiency; georeferencing technology was deployed for irregular occupations; PayCheck offered an effective tool for controlling personnel expenses with category monitoring and predictive analysis; and Program 5.0 focused on people development and management.

Our 2020 results show Chesf succeeded in overcoming the hurdles and limitations imposed by the pandemic: the company reinvented itself and created alternatives to achieve its operational, economic and financial goals. Notable achievements include the smallest Variable Portion indicator in the historical series and the outstanding transmission availability index of 99.96% by the end of the year. The Variable Portion (PV) for our consolidated base also closed the year at only 1.14% of revenue, another historic record. In generation, the availability of our hydroelectric plants also exceeded the established targets, adding new revenues and enabling the export of energy from the Northeast during the water crisis in the South and Southeast, a significant contribution to all consumers in the country.

Always observing the necessary safety protocols for our employees and third parties, we have fulfilled all of our original plans – not only for the operation and maintenance of facilities, but also for new projects and works. In 2020, Chesf implemented more than 530 km of transmission lines. In generation, the Pindaí Wind Farm added approximately 110 MW to the system (considering Chesf's participation only); and the Casa Nova A Wind Farm also started commercial operations. Our total investment was approximately 700 million reais.

Thanks to our efforts in cost savings and efficient resource management, Chesf actually reduced operating expenses during the year. At the end of the year, we also spun out Hospital Nair Alves de Souza (HNAS), transferring to the public sector this business that is not part of our scope.

# MESSAGE FROM MANAGEMENT

## GRI 102-14, 102-15

Projections indicate an increasingly competitive market. Aiming to ensure longevity and sustainability in this scenario, Chesf defined three main pillars for Strategic Planning: maximize the profitability of investments and assets in operation; improve financial liquidity and generate income from new clean energy businesses.

We want to be recognized for our innovative and profitable solutions in energy and for our growing contribution to society. Signatory to the United Nations (UN) Global Compact since 2009, Chesf currently monitors a total of nine Sustainable Development Goals (SDGs). Still within the EESG scope – environment, economic, social and governance – we celebrate the leap made in 2020 by Chesf and other Eletrobras companies as a whole. We have created or revised a series of policies regarding issues that range from court agreements and nominations for management positions to sponsorships, dam safety, communications and engagement with our stakeholders.

We recognize the courage and commitment demonstrated by our workforce in this adverse economic and social scenario: they never faltered in their resolve to face head-on the consider-

able challenges of 2020. Thanks to their dedication, Chesf was able to sail safely – and with a great performance – through this remarkably turbulent year.

Finally, our special thanks to former President Wilson Ferreira Junior, who led Eletrobras and the Chesf Board of Directors for almost five years, restructuring the Eletrobras group with an emphasis on governance, compliance and financial discipline, and always striving for operational excellence. The results presented in this Management Report reflect the tireless work carried out during his term of office, which ended on March 15, 2021. We would like to express our gratitude to our ex-president, and our appreciation for his determination and dedication to promoting Chesf's sustainable growth. His leadership shaped our organizational culture and consolidated a successful management model.

Enjoy your reading!

**Fabio Lopes Alves**  
President, Chesf

**Elvira Baracuhy Cavalcanti Presta**  
Chair of the Board of Directors



# HIGHLIGHTS



Increased  
**R\$ 463 million**  
in generation revenue



**Completed commissioning and started commercial operation**

of the Pindaí wind complex formed by the Pindaí I, II and III wind farms – with 110 MW generation capacity



Increased  
**R\$ 1.529 billion**  
in transmission revenues



**Final favorable ruling**  
in the Mendes Júnior lawsuit



**Best Variable Portion (PV)**  
– historic record of 1.14% over revenue

lowest percentage of Annual Permitted Revenue (RAP) discount charged for unavailability of basic network equipment



**Significantly improved score**  
in Corporate Sustainability Index (ISE B3)  
– from 65 to 74.7



**Completed construction of the 112 km-long 230 kV transmission line**

between the Russas II and Banabuiú (CE) substations



**Full transfer**  
of the Hospital Nair Alves de Souza (HNAS), located in the city of Paulo Afonso (BA) to the public administration.

# OVERVIEW 2020

## We did not fail to supply electricity to any location during the pandemic



The Covid-19 pandemic marked world events in 2020 and had both positive and negative impacts on all Eletrobras businesses, processes and operations.

The holding company reacted quickly as soon as the virus was detected in the country. The first step was to set up several crisis committees - some brought together the presidents of all Eletrobras companies, others gathered executives from certain sectors within each company. This enabled Eletrobras companies – including Chesf – to streamline important integration processes, developing operating protocols, creating strategies to protect employee health and structuring social responsibility actions. Chesf donated R\$ 3.125 million to campaigns to combat Covid-19, and employees donated R\$ 20 thousand in food baskets.

About 70% of Chesf employees were placed on remote work and a series of measures were implemented to keep field personnel safe. In addition, more than half of our substations ended the year operating remotely. Most importantly, we did not fail to supply electricity to any location during the pandemic. The positive outcome was only possible because Chesf was technically and operationally prepared to deal with a contingency of such magnitude.



*UHE Apolonio Sales,  
Paulo Afonso (BA)*

## OVERVIEW 2020

### Macroeconomic environment

On the macroeconomic level, the year was marked by historic lows in the basic interest rate Selic and by a strong devaluation of the Brazilian real. With most debts in local currency, Eletrobras companies were not strongly impacted by this movement. Still on the subject of indebtedness, a renegotiation process in January 2020 reduced interest rates and extended terms on current debt. In addition, the Special Purpose Entities (SPEs) in which we participate benefited from the 6-month suspension of all interest charges by the National Social Development Bank (BNDES), bringing a positive cash impact of R\$ 2.5 billion.

As expected, inflation in 2020 remained within the 4% target (plus or minus 1.5%) stipulated by the Central Bank of Brazil, despite the price increase in many product groups and services at the end of the year. The 2020 index was 4.52% according to the Broad National Consumer Price Index (IPCA) released by the Brazilian Institute of Geography and Statistics (IBGE).

Another positive factor in 2020 for Eletrobras companies was Conta-Covid. Created by the Ministry of Mines and Energy (MME) in July 2020, this measure consisted of a loan of R\$ 15.3 billion by a group of public and private banks to provide liquidity to distributors, so that they could honor their payments to generating companies. Conta-Covid also aimed to reduce the impact of the pandemic on consumers by diluting readjustments to energy prices.

### Sectorial environment

The PIB Monitor of the Brazilian Institute of Economics of the Getulio Vargas Foundation (FGV IBRE) indicates that the Brazilian Gross Domestic Product had a likely 4% retraction between 2019 and 2020 – which is hardly a surprise given the vast impact the pandemic had on different sectors.

As a result, electricity consumption is expected to fall by 2.3% according to the Electric Energy Trading Chamber (CCEE). While domestic consumption increased with people spending more time at home, industrial consumption fell significantly. Due to the stricter isolation measures in place during the first three months of the pandemic, Brazil's energy consumption dropped 20% – this required us to rethink a series of operational procedures originally designed to meeting growing rather than shrinking demand.

The Northeast region had its maximum generation record: 18,002 MW. After facing its biggest water crisis in 90 years between 2013 and 2019, the São Francisco River basin saw reservoir levels rise substantially. The Sobradinho reservoir, for example, reached 94% of its capacity. In contrast, the hydrographic basins in the Southeast and South are currently under severe stress. As a consequence, energy exports from the Northeast grew significantly, reaching 5,000 MW at Chesf.



**The Brazilian Northeast had higher reservoir levels and record energy generation volumes in 2020**



# ABOUT THIS REPORT

## GRI 102-46, 102-47, 102-50, 102-51, 102-52, 102-53

The Chesf Annual Report systematizes and incorporates a series of global and sectoral good practices. The best practices featured in this edition are:

- Global Reporting Initiative (GRI)
- Integrated Reporting Framework (IR)
- International Integrated Reporting Council (IIRC) Integrated Reporting Guidelines
- Sectorial material topics from the Sustainability Accounting Standards Board (SASB)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), new in 2020
- Principles of the United Nations (UN) Global Compact
- Sustainable Development Goals (SDGs)

Other references used in the preparation of this publication are the Manual for the Preparation of the Annual Socio-Environmental and Economic-Financial Responsibility Report of the Electric Energy Sector Grantees, of the National Electric Energy Agency (Aneel) and the Management Report: Guide for Preparation in the Form of Integrated Report of the Federal Court of Accounts (TCU). Our aim is to provide a clear and transparent report on our activities to the competent institutions and to society.

The information contained in this report refers to the period January 1 to December 31, 2020 and focuses on EESG aspects. Following GRI Standards, Chesf once again adhered to the Essential reporting option.

SDGs



For easy reading and comprehension, the following contents will be identified along the pages:

- material topics
- GRI contents
- capitals (from integrated reporting) \*
- Sustainable Development Goals (SDGs)

\* IIRC capitals are defined as the set of resources and skills used by an organization to generate value. They are:



**Natural capital** natural resources used



**Financial capital** financial resources



**Manufactured capital** buildings, equipment and infrastructure used by the business



**Human capital** skills and competencies of the people in the organization



**Social and relationship capital** relationships inside and outside the company



**Intellectual capital** knowledge generated



To access the **Chesf Management Report**, [click here](#)

The Chesf website features links to the **2020 Management Report** and **Financial Statements**, with detailed information on the company's operational and economic performance during the year.

# Stakeholder groups and topics of interest

## GRI 102-40, 102-42

Chesf communicates with its stakeholders continuously throughout the year through channels that include meetings, visits, telephone contacts, e-mails and announcements; contacts through our supplier service center and customer satisfaction surveys. This ongoing dialogue is guided by the [Eletrobras Policy of Communication and Engagement with Stakeholders](#), which provides for agility, accuracy, commitment and transparency, among other principles.

The identification and selection of stakeholders for engagement (*see list below*) by the Eletrobras companies is part of the company's Strategic Plan, aligned with the Value Creation Model, the Eletrobras Code of Ethics and Conduct and others documents applied to all Eletrobras companies.

The Eletrobras Stakeholder Communication and Engagement Policy defines stakeholders based on its strategic plan and the group companies' commitment to sustainable development, and aims to foster dialogue and engagement with the different groups of stakeholders. The fourth version of the policy introducing accessibility was approved by the Board of Directors in October 2020, and later complemented by the Eletrobras Companies Spokesman Policy instituted in November 2018 and updated in November 2020.

# Definition of materiality

## GRI 102-21, 102-32, 102-46, 103-1

The content in the Annual Report was defined by the material topics selected and coordinated by the holding company, with the participation of all Eletrobras companies. The process followed the following steps: surveys and interviews with stakeholders; materiality workshop; calibration of non-prioritized topics and analysis of the most relevant topics indicated by stakeholders for subsidiary strategy and compliance. In this stage, 12 topics were selected and submitted to the Board of Directors of the holding company. The board members decided to include an additional topic, namely corporate governance. This process took place in 2019.

In 2020, in light of the Covid-19 pandemic, the Eletrobras Board of Directors decided to add another three topics to the 13 selected material themes: health and safety and well-being; relationship with Suppliers and relationship with communities are now featured in the reports of all Eletrobras subsidiaries **GRI 102-49**. Following the methodology defined by the Global Reporting Initiative (GRI) and the International Integrated Report Council (IIRC), the new materiality matrix was again presented to all members of the advisory board for final validation.

### Stakeholder groups

- workforce/family
- investors/shareholders/market analysts
- communities
- society
- journalists/opinion leaders
- partners/sponsored parties/suppliers
- governments/legislators/regulatory bodies
- clients



**For more details,**  
[click here](#)

# Materiality matrix for Eletrobras companies

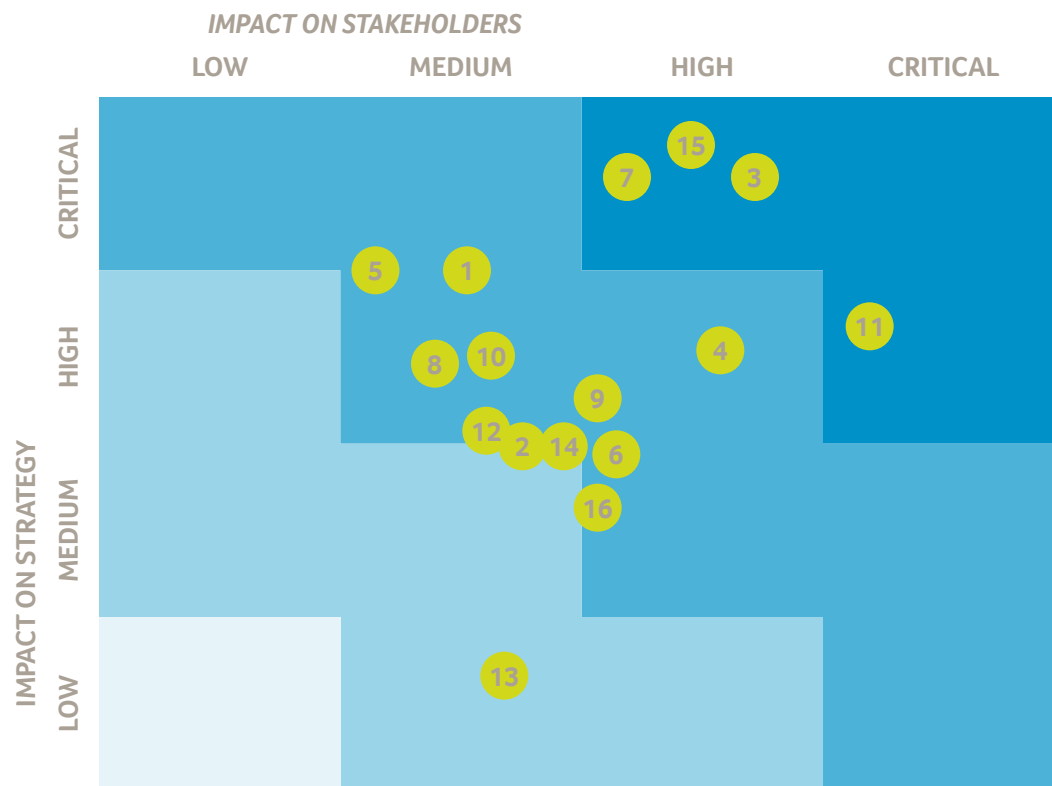
102-47, 103-1

## MATERIAL TOPICS\*\*

1. Research & Development + Innovation
2. Relationship with Suppliers
3. Water
4. Socio-environmental aspects in decision-making
5. Cybersecurity and digital transformation
6. Human rights
7. Risk and Crisis Management
8. People management and development
9. Climate change
10. Energy transition
11. Corruption and ethics management
12. Corporate governance
13. Relationship with communities\*
14. Energy supply
15. Financial Result
16. Health and safety and welfare\*

\* topics included in 2020

\*\* the last topic, Legal and regulatory compliance, is a Chesf exclusive topic



For the 2020 cycle, the 2019 materiality was reviewed through benchmarking with key market players. The current report includes topics in UN 2030 Agenda and prioritized SDGs (Sustainable Development Goals), external scenario assessment (with events such as the current pandemic) and includes other sustainability protocols, such as

the Sustainability Accounting Standards Board (SASB). The new proposed materiality matrix for the Eletrobras Companies' Annual Report 2020 was presented to the holding company's Executive Board and Strategy, Governance and Sustainability Committees (CEGS) for validation of the previous materiality matrix approved in 2019 by

the Eletrobras Board of Directors, with the addition of the three new topics above. The proposed addition was deemed necessary given the relevance of the pandemic, which further underscored the need to monitor and report on such matters. Accordingly, Chesf adopted the umbrella Eletrobras materiality matrix with 16 material topics for

the 2020 Annual Report and the Chesf Executive Board added **Legal and Regulatory Compliance** as an additional topic for our company.

# Material topics and boundaries






## GRI 102-46


The boundaries of the topics in the Eletrobras materiality matrix determine where the potential impacts caused by the value generation process occur, as well as the respective capitals associated with these impacts under the IIRC concept.

### STAKEHOLDERS

- 1 Clients
- 2 Employees
- 3 Communities
- 4 Suppliers
- 5 Government
- 6 Investors
- 7 Society
- 8 All

### CAPITALS

-  Natural
-  Manufactured
-  Human
-  Social and relationship
-  Intellectual
-  Financial

Material topic GRI 102-44, 102-46, 103-1	Where it occurs	SDGs	Capitals	Connection with other frameworks	Stakeholders
Research & Development + Innovation	Internally	7 8 9		TCU	1 4 5 6 7
Relationship with Suppliers *	Internally and externally	8 10 16	 	TCU DJSI ISE	4
Water	Externally	6 12 13 14		SASB DJSI ISE	3 5 7
Socio-environmental aspects in decision-making	Internally and externally	7 8 9 13 16	This is not associated with a single capital, but rather with governance, which permeates and guides all value generation activities	TCU SASB DJSI ISE	3 4 5 6 7
Cybersecurity	Internally and externally	7 8 9 11 13	 	DJSI SASB ISE	1 2 3 4 5 6 7 8
Digital transformation	Internally	9	 	TCU	2 4
Human rights	Internally and externally	8 9 10 16		TCU DJSI ISE	2 3 4 5 7
Risk and Crisis Management	Internally	3 7 9 10 13 14 15		TCU DJSI ISE	1 2 3 4 5 6 7 8

Material topic GRI 102-44, 102-46, 103-1	Where it occurs	SDGs	Capitals	Connection with other frameworks	Stakeholders
Management of People development	Internally	3 4 8 9 10 12		DJSI ISE	2 6
Climate change	Externally	3 7 8 9 11 12 13 14 15		TCU SASB TCFD	1 3 4 5 6 7
Energy transition	Internally	3 7 8 9 11 12 13 14 15		TCU SASB TCFD	5 6 7
Corruption and ethical management	Internally	16		TCU ProEtica DJSI ISE Pacto Global	1 2 3 4 5 6 7 8
Corporate governance	Internally	16	This is not associated with a single capital, but rather with governance, which permeates and guides all value generation activities	TCU ProEtica ISE DJSI	1 2 3 4 5 6 7 8
Relationship with communities *	Externally	7 10 16		TCU DJSI ISE	3
Energy supply	Externally	3 7 8 9 11 13	One of the activities through which the company transforms inputs into values	TCU SASB	1 5 6 7
Financial Result	Internally	8 9 16		TCU ISE DJSI	2 4 5 6
Health and safety and well-being *	Internally and externally	3 6 7 8		SASB ISE	2 3 4
Legal and regulatory compliance	Internally and externally	5 6 7 8	This is not associated with a single capital, but rather with governance, which permeates and guides all value generation activities	TCU ISE	1 2 3 4 5 6 7 8

\* New topics reported in 2020.

# Capitals

The table on the side lists the inputs and impacts associated with each Chesf capital (according to the IIRC methodology, as explained on page 9).













CAPITAL	INPUTS	IMPACTS
<b>Social and relationship capital</b>	Sponsorships, social networks and advertising campaigns	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Valuing and fostering culture and the exchange of knowledge</li> <li>Image of the organization</li> </ul>
	Social communication, Code of Ethics and Integrity, corporate policies and volunteering	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Improve business reputation</li> <li>Improve institutional relations</li> <li>Improve organizational culture</li> <li>Business alignment</li> <li>Business Integrity</li> <li>Positive brand perception</li> <li>Reduce lawsuits</li> <li>Contribute to public policies</li> </ul>
	Stakeholder relationship processes/ channels and Ombudsman	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Transparency</li> <li>Access to information</li> </ul>
	Social and environmental programs	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Greater contribution to public policies</li> <li>Reduce conflicts</li> <li>Mitigate impacts</li> <li>Social transformation</li> </ul>
	Corporate reporting	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Transparency</li> <li>Communication</li> <li>Accountability</li> </ul>
	Institutional relations	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Increase market value</li> <li>Credibility</li> </ul>
	Reputation survey	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>Brand value</li> </ul>

# Capitals






CAPITAL	INPUTS	IMPACTS
<b>Financial capital</b> 	Equity (cash income)	 <b>POSITIVE</b> <ul style="list-style-type: none"> <li>Investment capacity</li> </ul>
	Equity (capitalization revenue)	 <b>POSITIVE</b> <ul style="list-style-type: none"> <li>Liquidity</li> </ul>
	Third party capital (loans and financing)	 <b>POSITIVE</b> <ul style="list-style-type: none"> <li>Market expansion</li> </ul>  <b>NEGATIVE</b> <ul style="list-style-type: none"> <li>Changes in the foreign exchange and interest scenario</li> </ul>
	Return on investment	 <b>POSITIVE</b> <ul style="list-style-type: none"> <li>Project feasibility</li> </ul>
	Shares and debentures	 <b>POSITIVE</b>  <b>NEGATIVE</b> <ul style="list-style-type: none"> <li>Direct impact on other capitals</li> </ul> 
<b>Human capital</b> 	Own Employees	 <b>POSITIVE</b> <ul style="list-style-type: none"> <li>Job creation and income generation</li> </ul>
	Training, capacity building and motivational processes, programs and procedures	<ul style="list-style-type: none"> <li>  <b>POSITIVE</b>                      Development of intellectual capital   </li> </ul>
	Knowledge Management	<ul style="list-style-type: none"> <li>  <b>POSITIVE</b>                      Retention and dissemination of knowledge over time                 </li> </ul>

# Capitals

CAPITAL	INPUTS	IMPACTS
<p><b>Intellectual capital</b></p> 	<p>Research and development + Innovation</p> <hr/> <p>Cybersecurity</p> <hr/> <p>Patents, Intellectual Property and Copyright</p>	<p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>• Technological innovation</li> <li>• Incentive to scientific research and development</li> </ul> <hr/> <p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>• Business Integrity</li> <li>• Data security for company and clients</li> </ul> <hr/> <p> <b>POSITIVE</b></p> <ul style="list-style-type: none"> <li>• Guarantee monopoly of invention</li> <li>• Protect against unauthorized exploitation</li> <li>• Improvements and new products and services</li> <li>• Increase production process efficiency</li> <li>• Sustainability for the organization</li> <li>• Competitive advantage</li> <li>• Preserve organization intelligence</li> </ul>
<p><b>Manufactured</b></p> 	<p>Generation (hydroelectric plants, wind and photovoltaic generators)</p> <hr/> <p>Transmission lines and substations</p> <hr/> <p>Buildings, administrative facilities and IT structure</p>	<ul style="list-style-type: none"> <li>•  <b>POSITIVE</b></li> <li>• Revenue generation</li> <li>• Job creation</li> <li>• Power availability</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•  <b>POSITIVE</b></li> <li>• Revenue generation</li> <li>• Job creation</li> <li>•  <b>NEGATIVE</b></li> <li>• Involuntary displacements</li> <li>• Visual and noise pollution</li> </ul> <hr/> <ul style="list-style-type: none"> <li>•  <b>POSITIVE</b></li> <li>• Technological know-how</li> <li>•  <b>NEGATIVE</b></li> <li>• Generation of administrative waste</li> </ul>



# Capitals

CAPITAL	INPUTS	IMPACTS
<p><b>Natural capital</b></p> 	Water	<ul style="list-style-type: none"> <li> <b>POSITIVE</b></li> <li>Multiple uses of reservoir</li> <li> <b>NEGATIVE</b></li> <li>Changes in ecosystems/habitat</li> <li>Involuntary displacements</li> <li>Decreased diversity of flora and fauna</li> </ul>
	Sun	<ul style="list-style-type: none"> <li>As it is a new source, the impacts of the sun as are still under study</li> </ul>
	Soil (occupation)	<ul style="list-style-type: none"> <li> <b>NEGATIVE</b></li> <li>Loss of vegetation cover</li> <li>Forest fragmentation</li> <li>Erosive processes</li> <li>Sedimentation</li> </ul>
	Wind	<ul style="list-style-type: none"> <li> <b>NEGATIVE</b></li> <li>Interference in migratory routes and collision with birds</li> <li>Reduction of migratory bird populations</li> <li>Visual and noise pollution</li> </ul>

# Our EESG journey

Working in collaboration with four of the largest international consulting firms, the World Economic Forum launched in 2020 a proposed framework for reporting on corporate sustainability in terms of Economic, Environmental, Social and Governance goals. The suggested report structure defines four integrated pillars: Principles of Governance, Prosperity, People and the Planet. Different metrics and disclosures are defined for each pillar. This structure enhances existing standards such as the Global Reporting Initiative (GRI) and Integrated Reporting.

With the adoption of this reporting model, our sustainability efforts are now presented under the four pillars defined by the World Economic Forum.

All companies belonging to Eletrobras use the same framework for their 2020 reports. On the next pages you will find the results, achievements, actions and goals reported by our holding company, organized according to the four pillars.

Each one of them covers the individual company's achievements, results, guidelines, indicators, goals and actions for the year. This structure absorbs and systematizes existing reporting standards – such as GRI or IIRC Integrated Reporting

# THE ELETROBRAS GROUP SUSTAINABILITY FRAMEWORK



MATERIAL TOPICS

CAPITALS

- CORPORATE GOVERNANCE
- RISK AND CRISIS MANAGEMENT
- CORRUPTION AND ETHICAL MANAGEMENT
- LEGAL AND REGULATORY COMPLIANCE



# Governance

# Chesf

**GRI 102-1, 102-2, 102-4, 102-5, 102-6, 102-7, EU1**

Established as the first company in the electricity sector in Brazil, Companhia Hidro Elétrica do São Francisco (Chesf) was founded in 1948 and is today one of the largest hydroelectric power generators and owner of one of the largest transmission parks<sup>1</sup> in the country. With 12 hydroelectric power plants (UHEs), nine reservoirs with a total storage capacity of 57 billion cubic meters of water and three wind power plants (UEEs), Chesf has an installed capacity of 10,347.43 MW in corporate power plants – representing approximately 27% Eletrobras's generation capacity<sup>2</sup>.

The transmission system includes more than 23,000 kilometers<sup>3</sup> of lines and 129 power substations operated by the company (including substations belonging to other transmitters in which Chesf has a stake). Also included in the Chesf system are 12 plant elevatory substations. Chesf also has stakes in generation and transmission projects through SPEs and invests in solar energy through mini and microgeneration plants.

<sup>1</sup> Considering the total extension of transmission lines in 2019 assets

<sup>2</sup> Total installed Chesf capacity (the sum of corporate power plants and SPEs) is 13,097.61 MW (26% of total Eletrobras' installed capacity)

<sup>3</sup> Considering corporate lines and SPEs in all voltage levels

## Power plants.

- UHE Boa Esperança
- UHE Curemas
- UHE Funil
- UHE Luiz Gonzaga
- UHE Apolônio Sales
- UHE Paulo Afonso I
- UHE Paulo Afonso II
- UHE Paulo Afonso III
- UHE Paulo Afonso IV
- UHE Pedra
- UHE Sobradinho
- UHE Xingó
- UEE Casa Nova II
- UEE Casa Nova III
- UEE Casa Nova A

## Net energy production in 2020 EU2

**35,768,915 MWh<sup>4</sup>**  
 (35,596,818 from HPPs and 172,097 from wind farms)<sup>5, 6</sup>

<sup>4</sup> Refers to corporate power plants

<sup>5</sup> Information collected through electronic meters every 5 minutes, consolidated hourly and sent to the Electricity Trading Chamber (CCEE)

<sup>6</sup> Chesf generation grew 73% between 2019 and 2020 thanks to improved hydrological conditions in its reservoirs

**One of the largest hydroelectric power generators and owner of one of the largest transmission parks in the country**

## Chesf's activities are spread over an area of around 1.4 million km<sup>2</sup> in Northeastern Brazil



Chesf's activities are spread over an area of around 1.4 million km<sup>2</sup> in Northeastern Brazil. Among others, the company operates in the markets of Salvador (BA), Paulo Afonso (BA), Sobradinho (BA), Fortaleza (CE), Teresina (PI), Aracaju (SE), Rio Largo (AL), Natal (RN), Campina Grande (PB) and Brasília (DF). **GRI 102-6**

We also distribute energy to the North, Northeast, Midwest and Southeast regions through a system of transmission lines supplying the National Interconnected System (SIN) at different voltages (500, 230, 138 and 69 kV). In fact, 40% of all the energy exported from the Northeast to the South and Southeast comes from the São Francisco River basin – where Chesf is the main generator.

Headquartered in Recife, Pernambuco, Chesf operates as a publicly-held corporation and mixed economy subsidiary of Eletrobras, governed by Law No. 6,404, of December 15, 1976. The rules of our statute are defined in general meetings and regulate our legal relations and operation. **GRI 102-5**

### Marketing

#### **GRI 102-6, 102-7**

We operate in the private sector and maintain commercial relationships with customers in the following segments:

#### **Generation**

- 12 Free Consumers
- 51 Energy distributors
- 13 Traders

#### **Transmission**

- 614 Generators, including Self-Producers, Independent Energy Producers (PIE) or Shared Generation Installations (CG)
- 49 Transmitters
- 11 Distributors
- 23 Consumers

Chesf is responsible for approximately **27%** of the installed generation capacity of all Eletrobras companies



**WIND POWER**

UEE – Casa Nova II, III e A (BA)



**HYDROELECTRIC ENERGY**

- UQS – Paulo Afonso IV (BA)
- PAF – Complex Paulo Afonso I, II and III (BA)
- ULG – Luiz Gonzaga (PE)
- USB – Sobradinho (BA)
- UBE – Boa Esperança (PI)
- UXG – Xingó (AL and SE)
- UAS – Apolônio Sales (AL)
- UCR – Curemas Power Plant (PB)
- UFL – Funil Power Plant (BA)
- UPE – Pedra Power Plant (BA)



**100%**

chesf's generation capacity comes from clean energy sources<sup>2</sup>



**129** power **substations**<sup>4</sup>

**12** power plant elevatory **substations**

**10,347.43 MW<sup>1</sup>**  
INSTALLED CAPACITY

**HOW IS ALL THIS POWER TRANSMITTED?**



**99%** refers to hydroelectric power

**3** wind farms

R&D projects for generation of **solar power**



**More than 23,000 km**

of transmission lines<sup>3</sup>

<sup>1</sup> Refers to corporate power plants

<sup>2</sup> Considers hydroelectric and wind power sources

<sup>3</sup> Considers corporate lines and SPEs of all voltage levels

<sup>4</sup> Including substations from other transmission companies in which Chesf has a stake



<b>TRANSMISSION LINES IN OPERATION AND ADDED DURING THE YEAR</b>	<b>2020</b>
In operation, all voltage levels (km) <sup>1,2</sup>	23,211.75
New transmission lines starting operation, all voltage levels (km) <sup>2</sup>	535.7

<sup>1</sup> Includes corporate lines and Special Purpose Entities

<sup>2</sup> Values may differ from those reported due to different calculation criteria

<b>TRANSMISSION LINES UNDER CONSTRUCTION</b>	<b>2020</b>
Transmission lines under construction or starting operations, all voltage levels (km)	394.58
Company investment planned for transmission system expansion (R\$ million)	507.5
Annual Permitted Revenue (RAP) associated with the expansion of the company transmission system (millions of reais)	145.56
Number of works in substations	22
Number of works on transmission lines	17

photo: Luiz Usina Transmission Line Gonzaga, Jatobá (PE)



# Mission, vision, values **GRI 102-16**

SDGs



Chesf is guided by its commitment to the sustainable development of society, by ethics and respect for people and life.

## Mission



Operate in the electric power sector with excellence and sustainability, generating value for society

## Vision



To be a reference in profitable and innovative electricity solutions that bring high value to society

## Values



- Safety
- Respect for people, justice and equity
- Ethics and transparency
- Innovation and entrepreneurship
- Commitment to society
- Preserve the environment

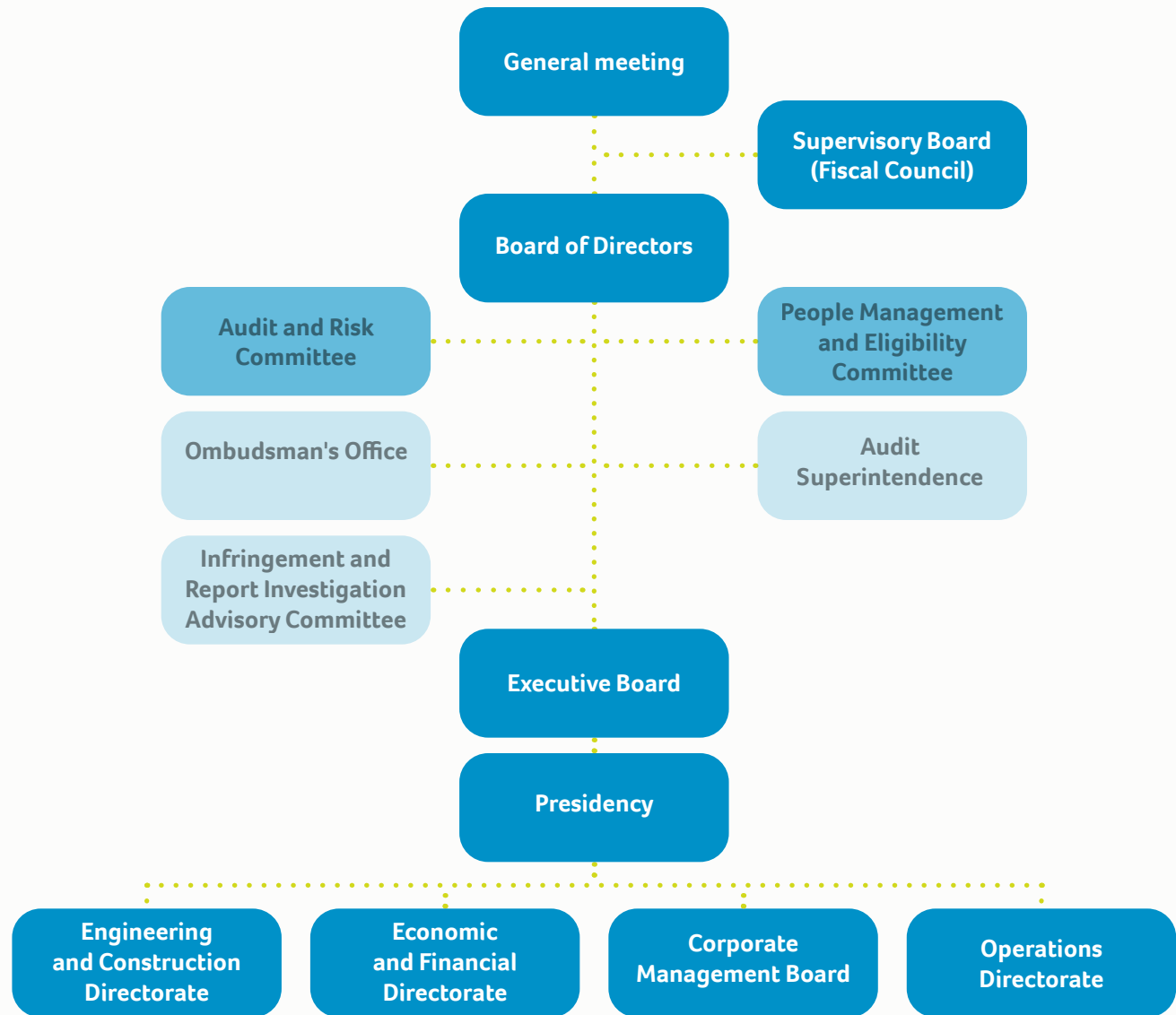
# Governance structure

## GRI 103-2

The definition of governance takes on new meaning in an organization that has a clear purpose at the heart of its business. Governance is essential for a company to generate long-term value: it aligns and boosts financial and social performance and ensures ethical, responsible interactions with its stakeholders.

Chesf Bylaws and Internal Regulations define the responsibilities of the company's governance bodies and executives.

**Governance organization chart**  
**GRI 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-27, 102-28, 405-1**





Chesf's highest governance body is the **General Shareholders' Meeting**, responsible for approving all management reports, besides electing the company's top management and establishing standards and rules. In 2020, Chesf held four General Meetings (one ordinary and three extraordinary).

The **Supervisory Board** or Fiscal Council is responsible for supervising management actions based on Internal Regulations. The Chesf Supervisory Board meets monthly and also holds extraordinary sessions called by the Chair of the Board of Directors. A total of 14 meetings were held in 2020.

The **Board of Directors** is made up of seven members elected by the General Meeting – currently six men and one woman. Of these seven directors, one is appointed by the Minister of Economy, another is an elected representative of employees, a third is appointed by the controlling shareholder (and will be also be elected as Chief Executive Officer) and another four are appointed by Eletrobras (two of them as independent directors). They have two-year mandates, and cannot be re-elected or re-appointed more than three consecutive times and the fees paid to the members of the board are set forth at Chesf's Annual Shareholders' Meeting.

#### GRI 102-24

The Board of Directors is responsible for setting the general business direction, controlling approved programs and verifying the results obtained by Chesf. The board is assisted by the **Audit and Statutory Risks Committee (CAE)** and by the **Management, People and Eligibility Committee** – both instituted by Eletrobras. The Board of Directors' meets every month, and also holds extraordinary sessions called by the President. A total of 17 meetings took place in 2020.

## Advanced education for senior management GRI 102-27

Chesf management and members of the supervisory board have specific training programs on corporate and capital market legislation, information disclosure, internal controls, code of conduct, Law 12,846/2013 and other relevant topics related to the company's activities. In 2020, the Corporate University of Eletrobras Companies (Unise) promoted the lectures "Beyond Compliance: a new approach to corporate governance based on behavioral ethics", "SOX Workshop" and "Advanced Program on Governance, Integrity and Capital Markets". They were all attended by the Executive Board, Board of Directors and Supervisory Board (Fiscal Council).

## Other committees

Chesf also has other committees that are not advisory to the Board of Directors. They are the following:

- Program Management Committee
- Chesf Research & Development + Innovation
- Corporate Sustainability Committee
- Business Planning Committee
- Risk Committee

## Top management assessment

### GRI 102-28

Chesf's board of directors and supervisory board have their performance evaluated annually by an independent consultancy hired by Eletrobras. The process consists of an online questionnaire for self-assessment and evaluation by the board followed by a face-to-face interview (or videoconference) to discuss relevant aspects under the guidelines of the holding company (including the assessment of competencies, results and attributions), wrapped up with a conclusion report including recommendations and a feedback meeting.

The **Executive Board or Executive Directorate** is the executive body of senior management and, as in the case of the Board of Directors, their attributions are established by law and by Chesf Bylaws. This group of executives is made up by the Chief Executive Officer and four other Officers elected by the Board of Directors. They work full time and are responsible for running Chesf according to the guidelines set by the General Meeting and the Board. Our Executive Board meets once a week and also on an extraordinary basis when called by the Chief Executive Officer. A total of 67 meetings took place throughout 2020.

It should also be noted that authority over economic, environmental and social topics is delegated to executive management as follows: under the company Bylaws, the General Shareholders' Meeting must empower the Board of Directors, the Executive Board, the Officers and the Supervisory Board/Fiscal Council. Empowered by the General Meeting, the Board of Directors delegates power to the Executive Board and Officers by means of deliberations recorded in the minutes of the meeting, making them accountable for economic, environ-

mental and social topics. The Executive Board in turn empowers managers and employees through decisions recorded in minutes of meetings and internal regulations. The minutes of the General Shareholders' Meetings and the meetings of the Board of Directors are always registered with the Commercial Registry of Pernambuco and the Securities and Exchange Commission (CVM), and are also available on the [corporate portal](#).

We also point out that our stakeholders have access to a series of channels to ask any type of questions on economic, environmental and social topics. Stakeholder inquiries can be addressed by different hierarchical levels, including the Board of Directors – either directly, or through periodic reports sent by Chesf's strategic areas to the Board.

**GRI 102-19, 102-20**

# Leadership remuneration

## GRI 102-35, 102-36, 102-37

Based on Law No. 9,292, of July 12, 1996, Chesf's 70th Annual Shareholders' Meeting established that the monthly fees paid to the members of the Supervisory Board and to the Board of Directors must be set at 10% of the average monthly fees plus 13th salary received by the Executive Board (excluding any other remuneration items).

All Executive Officers receive the same fixed amount – except for the Chief Executive Officer, whose remuneration is 5% higher. Chesf Directors are also entitled to a private retirement plan offered by financial institutions or banks (with specific conditions and rules for early redemption). The values follow the limits established by the Secretariat for Coordination and Governance of State-owned Companies (Sest).

Top management remuneration is established on a yearly basis, effective from April of the current year to March of the following year. Once approved in the minutes of the Annual General Meeting (AGO), the amounts are submitted to the Ministry of Economy, which then issues a technical note through Sest validating, revising or redefining the values presented.

The portion of remuneration based on performance indicators or targets is called the Annual Variable Remuneration of Directors (RVA). Defined by the guidelines of the holding company Eletrobras and Sest, RVA is an important incentive for directors to maintain their focus on productivity, results-oriented management, superior business performance and achievement of the goals established for Chesf.

### ANNUAL AMOUNTS PAID TO CHESF'S GOVERNANCE BODIES

REMUNERATION (R\$)	2018	2019	2020
Board of Directors	269,801.17	311,745.04	330,894.00
Supervisory Board (Fiscal Council)	162,265.32	165,600.19	166,212.96
Board of Executive Officers	3,674,545.04	3,195,234.67	3,692,609.02

## Annual Public Policy and Corporate Governance Charter

### GRI 103-2, 103-3

As prescribed in article 8, items I, III and VIII, of Law 13,303, of June 30, 2016; in article 13, items I, III and VIII, of Decree 8.945, of December 27, 2016; and in articles 16 and 18 of the Rules of the B3 State-Owned Governance Program (Brasil, Bolsa, Balcão), Eletrobras and Chesf prepare their Annual Public Policy and Corporate Governance Charter. This [charter](#) can be found on our website.

# Integrity (Compliance) and Ethics

SDGs

16

**GRI 102-16, 102-17, 102-18, 102-29, 103-1, 103-2, 205-2**

Chesf's activities are guided by the values, principles, standards and norms of behavior expressed in the company's Strategic Map, in the [Code of Conduct, Ethics and Integrity for Eletrobras Companies](#) (written in 2010 and reviewed every five years), and in many other applicable resolutions and normative instructions.

New hires receive a copy of the code, and the content is disseminated by the Ethics Committee. All members of the governance bodies, employees and business partners (whether or not newcomers) must regularly acknowledge and sign documents on our values, principles, norms and standards of behavior. Members of governance bodies and business partners also receive training on Eletrobras principles, rules and standards of behavior, our compliance program and other sets of rules. In 2020, all 14 members of Chesf's governance body received training on anti-corruption policies and procedures.

Chesf has specific training activities for different professional areas. The Improvement Program for Eletrobras directors and officers (from the holding company and its controlled, affiliated or partner companies) also features ethics and integrity. In addition, Chesf has a Compliance and Risk Management Advisory Committee formalized through Normative Resolution 11/2018 GI-02 to ensure compliance and continuous improvement of the Eletrobras Companies Integrity Program.

## The Five Dimensions of the Eletrobras Companies Integrity Program

**GRI 102-17, 103-2, 103-3, 205-2, 205-3**

All businesses under the holding company must follow the Eletrobras 5 Dimensions Program, which describes the constant flow of actions necessary for all companies to ensure compliance with laws and regulations. These integrity mechanisms are designed to detect, prevent and address fraud and corruption risks in several business processes such as hiring, sponsoring, donations, agreements, selecting partners in SPEs and appointing advisers to SPEs, among others. The most vulnerable processes are periodically mapped by Eletrobras to identify and strengthen integrity mechanisms.

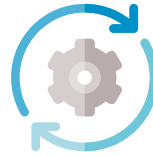
The Eletrobras 5 Dimensions Program is also monitored through indicators for training and awareness actions for employees, suppliers and business partners, as well as due diligence actions in suppliers classified as critical integrity risk.

All businesses under the holding company must follow the **Eletrobras 5 Dimensions Program**, which describes the constant flow of actions necessary for all companies to ensure compliance with laws and regulations



# The Five Dimensions of the Eletrobras Integrity Program

**GRI102-17, 103-2, 103-3, 205-2, 205-3**



## Develop the environment for integrity program management

Create actions that underscore the full support of governance bodies to a culture of ethics and integrity.



## Program monitoring, remedial measures and application of penalties

The program is continually monitored through internal audits, controls implemented in ProERP (SAP) and SOX control tests.



## Periodic risk analysis

Identification, assessment, treatment and monitoring of vulnerabilities and risk factors for fraud and corruption in Eletrobras companies, as applicable.



Existence  
Quality  
Effectiveness



## Communication and Training

The Eletrobras 5 Dimensions Program is disseminated through communication and training actions tailored to different audiences.

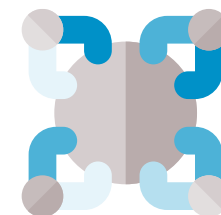


## Structure and implement integrity program policies and procedures

The program creates and disseminates a knowledge base to strengthen a culture of ethics and integrity in all Eletrobras companies, including applicable policies and other regulations to be followed in daily business activities.

# Integrity (Compliance) and Ethics

**GRI 102-16, 102-17, 102-18, 102-29, 103-1, 103-2, 205-2**



We use periodic integrity assessment mechanisms not only when initiating a contracts, but also in ongoing relationships with third parties and suppliers.

## COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES **GRI 205-2**

LEVEL		2020	
		RECEIVED COMMUNICATION	RECEIVED TRAINING
Managerial	no.	218	209
	%	100.00	95.87
College educated	no.	921	921
	%	100.00	100.00
No college education	no.	2,026	1,987
	%	100.00	97.98

## BUSINESS PARTNERS IN SPES

	RECEIVED COMMUNICATION
no.	9
%	90,00

## Ethics Committee **GRI 412-2**

Chesf's Ethics Committee is responsible for disseminating ethical values and principles through the implementation of communication and training actions, and for addressing and investigating inquiries and reports regarding ethics.

Educational and communication actions related to ethics, integrity, prevention of moral and sexual harassment, gender, race and human rights, conflict mediation and transformative listening. are carried out annually within the Corporate Education Plan (in partnership with the training area). The Ethics Committee can be contacted by e-mail: [etica@chesf.gov.br](mailto:etica@chesf.gov.br).



# Communication channels

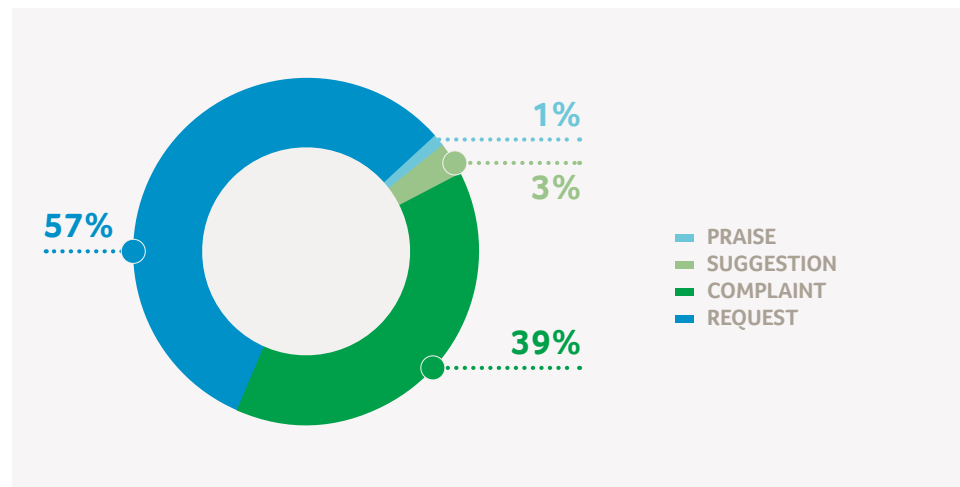
**GRI 102-16, 102-17, 102-18, 102-29, 103-1, 103-2, 205-2**

Chesf's Ombudsman serves as a wide-reaching communication channel between the company and all internal and external stakeholders. Acting in an impartial manner and directly linked to the Board of Directors, this body has a mediating, pedagogical and strategic function, receiving claims that have not been resolved through other service channels. In the process of analyzing complaints and resolving them, the Ombudsman can identify trends and guide the organization as it strives for continuous improvement and effective solutions under the ultimate principles of legality, transparency, secrecy and ethics.

During 2020, the Chesf Ombudsman received 747 claims: 677 (90.6%) came through the Ombudsman System and 70 (9.4%) were addressed to the Citizen Information Service (SIC) – a system made available by the Office of the Comptroller General of the Union (CGU) to respond specifically to requests based on the Access to Information Law.

All inquiries received are classified as praise, complaint, request or suggestion. The graph below shows the respective percentages in relation to the total inquiries received during the year.

In 2020, 80% of the respondents said they would use the Ombudsman services again; 57% said their request had been fully met and 20% said it had been partially met. Chesf responded to 100% of the inquiries received during the year. Regarding incident reports, 100% were addressed, with 42% considered unfounded. Our risk map is revisited every time we confirm a report of irregularity to avoid new occurrences.



## Reporting channel for Eletrobras companies

The Eletrobras Reporting Channel is available at all Eletrobras companies. The Channel makes it easy to voluntarily report any suspected or known irregularities or illicit acts. This is a very important instrument within our Integrity Program, surfacing problems so that corrective action can be taken.

The coordination and handling of complaints received complaints fall upon the Integrity System Committee (CSI), formed by representatives of the holding company and other Eletrobras companies.

In 2020, a total of 71 new whistleblower protocols<sup>1</sup> were received through the Eletrobras Whistleblowing Channel.

Created in 2019, the Infringement Report and Complaint Investigation Advisory Committee also reports directly to the Chesf Board of Directors and responds to requests received from two Eletrobras bodies: the Report Investigation Coordination (CAID) and the Integrity System Committee (CSI). The Infringement Report and Complaints Advisory Committee is responsible for the internal investigation of possible breaches of the Integrity Program, rules, contracts and manuals and/or legislation involving Chesf employees. The results of the investigation are formalized in reports forwarded to CAID and included in the agenda of CSI meetings.

During 2020, the Infringement Report and Complaints Investigation Advisory Committee investigated a total of 43 complaints, all of which were discussed within CSI.

<sup>1</sup> Values may differ from those reported in the Chesf Administrative Report due to different calculation criteria used by Eletrobras and Chesf

# Risks and opportunities

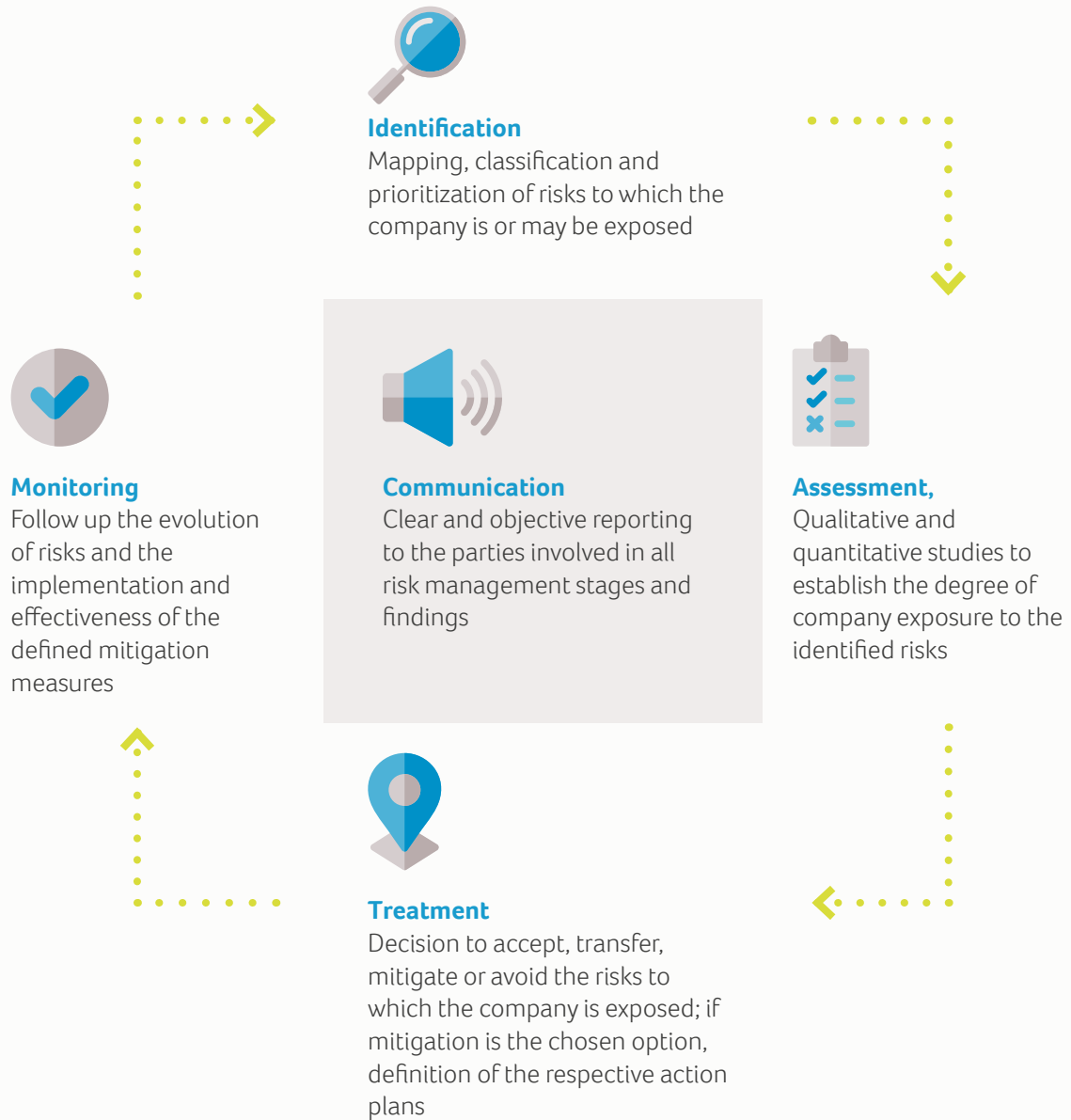
**GRI 102-11, 102-15, 102-26, 102-30, 103-2, 103-3**

The risk management process at Chesf follows the principles and guidelines established in the Eletrobras Companies Risk Management Policy, and aims to develop an integrated view of the main corporate risks to which the company is exposed, as well as to define actions to mitigate such risks in collaboration with the respective business areas. Chesf's risk management activities have been increasingly systematized and incorporated into corporate strategy, with the Board of Directors and the Executive Board playing a central role in the matter.

Our risk management methodology covers identification, assessment, treatment, monitoring and communication of different types of risks, as detailed below.

## Risk management model

**GRI 103-2, 103-3**



## Risks and opportunities

**GRI 102-11, 102-15, 102-26, 102-30,  
103-2, 103-3**

The Risk Matrix for all Eletrobras companies was revised in 2020, and our risk reports are consolidated. Additionally, the Eletrobras Companies Operational Risk Committee (Corisco), with representatives from the risk areas of all companies in the group, meets on a monthly basis to align guidelines and best practices.

With representatives from all executive boards, Chesf's Risk Committee works on the Risk Matrix and proposes the order of priority for corporate risks – this suggested order must then be approved by the Executive Board and the Board of Directors. The next step is to assess risks together with the business areas, generating mitigation actions that are monitored by the risk management area. Some of these actions are included in initiatives and projects contained in the Business and Management Plan (PNG).

PNG is monitored in the monthly meetings of the Executive Board held to evaluate the objectives of the Chesf Strategic Map and to analyze the indicators of the Business Performance Goals Contract (CMDE) signed with Eletrobras.

In view of the changes that have taken place in recent years both in Chesf and in the electricity sector, we redesigned our long-term strategy with the support of specialized consultants. Our focus is now to reposition the company in line with Eletrobras' strategic guidelines, aiming for the following objectives:

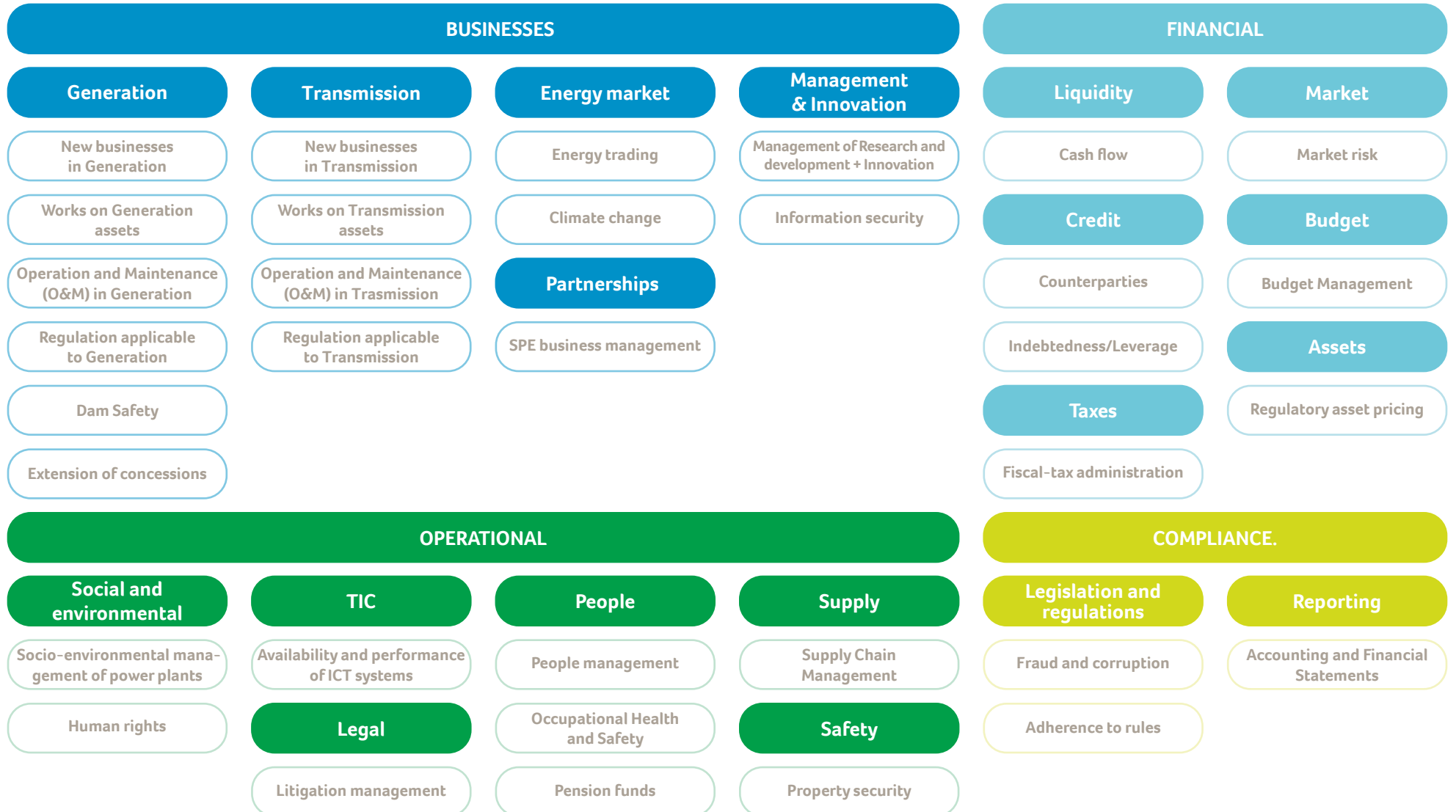
- **Implement and monitor Chesf's strategic planning for the next 15 years, using internal diagnostics and scenario projections**
- **Propose and implement governance methodology and strategy management**
- **Implement continuous monitoring of strategy reach**
- **Implement a process to update Chesf's organizational identity and strategic objectives, leading to Strategic Map reformulation**



# Key risks

**GRI 103-2, 103-3, 102-11, 102-15, 102-29, 102-31**

Senior management identifies and then prioritizes risks considering risk appetite, previous studies and other data. Below are some of the risks prioritized by Chesf:



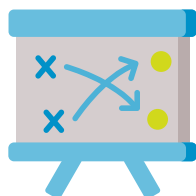
## Key risks

**GRI 103-2, 103-3, 102-11, 102-15, 102-29, 102-31**

Some of these risks are prioritized by Eletrobras and others only by Chesf. In the table on the side, they are classified as either "Corporate" or "Chesf".

Our PNG 2020-2024 listed the following key corporate risks: legal, commercial, SPE-related, regulation, people management, management of expansion works and maintenance. With the reformulation of our long-term strategic plan, we also developed projects and indicators for Operation and Maintenance, Engineering, Innovation, Asset Management, Financial Management, Organizational Culture, Litigation, Information Systems and People Management .

	PRIORITIZED RISKS	PRIORITY
1	Energy Trading	Corporate
2	Accounting and financial statements	Corporate
3	Human rights	Corporate
4	Litigation management	Corporate
5	Fraud and Corruption	Corporate
6	SPE business management	Corporate
7	Socio-environmental management of power plants	Corporate
8	Operation and Maintenance (O&M) in Generation	Corporate
9	Operation and Maintenance (O&M) in Transmission	Corporate
10	Works on Generation assets	Corporate
11	Works on Transmission assets	Chesf
12	Regulatory asset pricing	Chesf
13	Sectoral regulation in Generation	Corporate
14	Sectoral regulation in Transmission	Corporate
15	Information Security	Corporate
16	People Management	Chesf



## A strategy-oriented arm

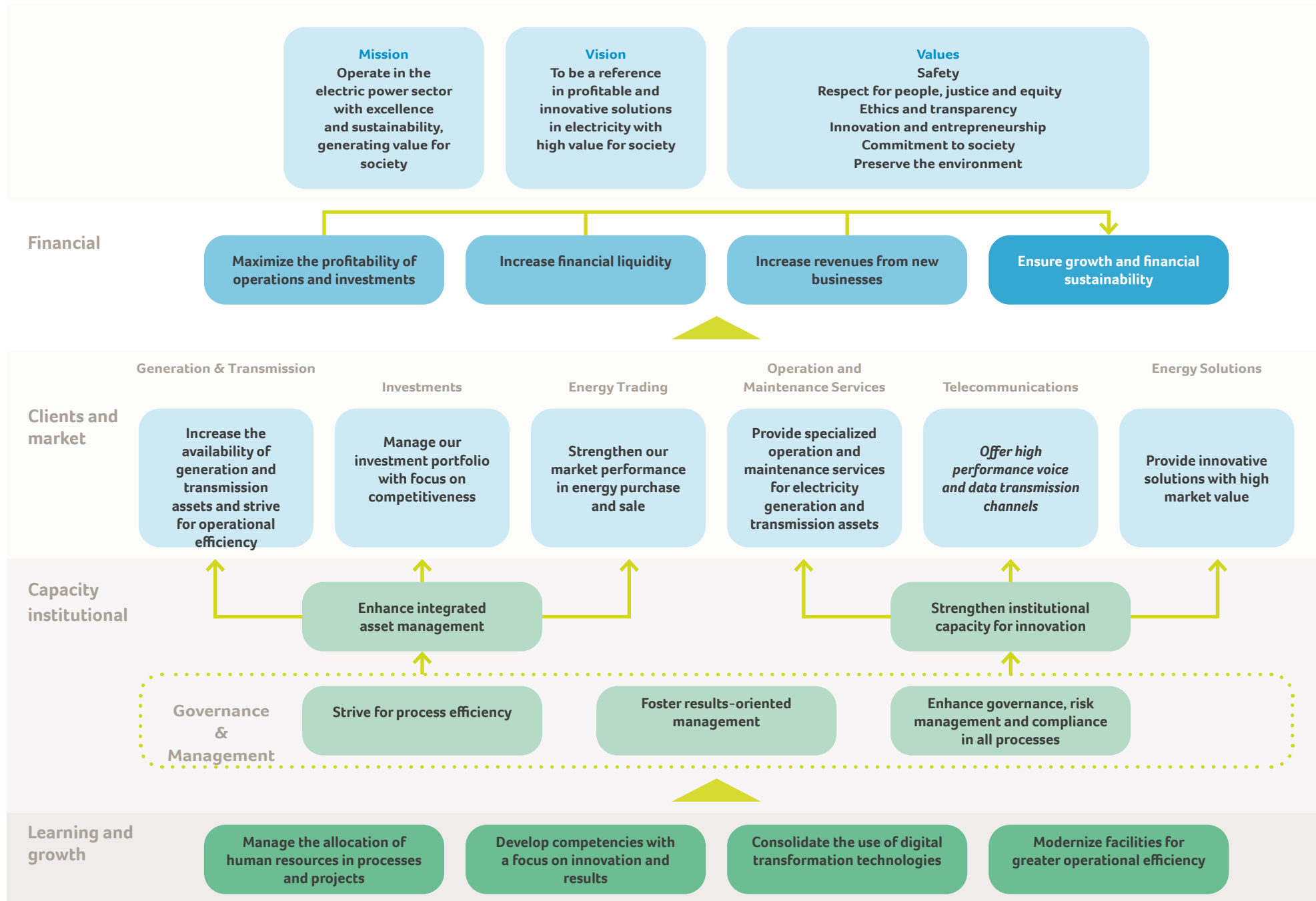
**GRI 102-26**

Chesf's Planning, Governance, Strategy and Sustainability Advisory Committee cooperates with the Planning Committee to develop a strategic plan aligned with Eletrobras and PDNG.

This planning consists of Chesf's Strategic Map, Business and Management Plan, CMDE and Annual Variable Remuneration Program (RVA), approved by the company's Executive Board and Board of Directors and periodically monitored by both as well as by the Fiscal Council.

The Chesf 2020-2035 Strategic Map is shown below:

# Chesf Strategic Map 2020–2035



# Performance Monitoring

## GRI 102-15, 102-26, 102-29, 102-31, 103-2, 103-3

Chesf's Strategic Planning is a dynamic process involving systematic assessment of scenarios and internal and external factors impacting business performance and company's strategic objectives. The ultimate objective is to enhance business management to achieve defined long-term goals and results.

In addition to considering long-term scenarios, Chesf's Strategic Planning also follows Eletrobras' umbrella PDNG, which is detailed into a company-specific PNG. Our strategy is monitored against the Chesf Strategic Map, PNG and CMDE, with PNG and CMDE monitoring results presented at an Executive Board meeting and discussed by the Board of Directors.

Additionally, our Strategy Evaluation Meetings assess the objectives, indicators and projects of the Long-Term Strategic Plan. This is how Chesf controls deviations between planned goals and actual results to take the necessary actions to improve business performance.

Planest is the strategic management software used to record and support this process, providing faster and reliable consolidated information.

### Business and Management Plan (PNG)

Our Business and Management Plan (PNG) contains Chesf's business objectives and purposes and guides decision making and investments related to the company's future. In its PNG, Chesf details the strategic initiatives to be implemented in the business, reducing uncertainties and increasing the chances of success.

In 2020, Chesf demonstrated its outstanding ability to adapt to the global crisis triggered by the new coronavirus and impacting all areas of society. Reinventing ourselves and quickly adapting our business processes were essential strategies to maintain Chesf operational availability levels.

In view of this new reality, the corporate routine changed quickly: 70% of the team started working remotely, and operational work was adapted to new health and safety protocols. Resilience, adaptability and flexibility became key concepts to face the new challenges, and a new plan of action was developed to maintain adequate service levels. At Chesf, we saw this period as a great opportunity to update our organizational management focusing on operational efficiency and striving for effective implementation and monitoring of strategic initiatives.

Based on the holding company's PNDG, Chesf's PNG guides the company in pursuing planned objectives and CMDE indicators – CMDE is the agreement signed between Eletrobras and its controlled companies. PNG helps to identify deviations between goals and results so we can act on them and improve our business performance, and later submit the results to the Board of Directors.

### More specific plans and actions

Climate change and possible changes in environmental legislation and water use are the main threats to our activities, but we also take this as an opportunity to expand our generation from renewable sources – which in fact can bring energy security in periods when hydroelectric power plant (HPP) reservoirs have low levels.

Intergovernmental Panel on Climate Change (IPCC) data from 2014 shows that Chesf's hydroelectric power generation capacity is located in regions potentially subject to changing rainfall patterns. Climatic and meteorological conditions affect HPP capacity to generate electricity – this can hinder us in complying with the clauses of our energy contracts and increase company exposure to the greater volatility of the Settlement Price for Differences (PLD), leading to financial losses for the company and higher prices for consumers. This is why we have hydrological risk assessments. This includes actions such as:

# Performance Monitoring

## GRI 102-15, 102-26, 102-29, 102-31

- Network management and monitoring of hydrological data, reservoir levels and inflows, pluviometry and liquid discharge in measurement posts, as well as climate information in the hydrological basins in which we have power plants and projects
- Specific procedures for flood control, with inflow forecast for affluents to the reservoirs and allocation of stand-by volume in the reservoirs during the wet period
- Communication procedures to keep local communities informed of river and reservoir conditions – especially in critical events
- Real-time data monitoring of upstream (reservoir) and downstream (after the power plant ) conditions
- Storage and management of hydrological information from the monitoring network of the Water Resources Management System
- Use of hydrological and hydraulic models for integrated management of hydroelectric plants
- Georeferenced survey of areas susceptible to flooding, considering different levels and flows
- Compliance with the operational guidelines for reservoirs belonging to the Brazilian Interconnected Power System (SIN)
- Survey and monitoring of inflow and level constraints in river basins where Chesf operates power plants
- Energy hedge reserves

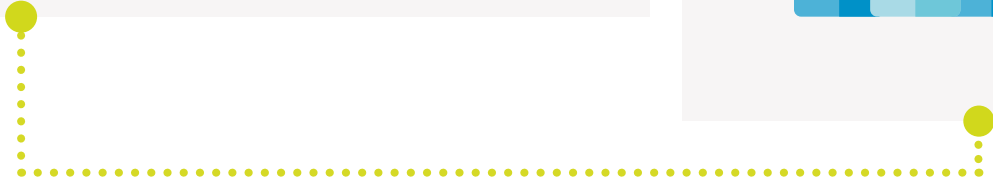
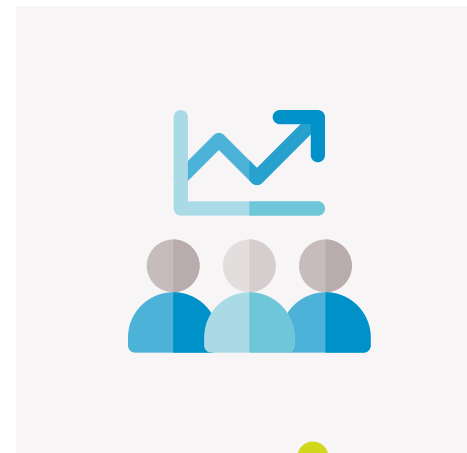
### Emergency Action Plans (PAEs)

Our Emergency Action Plans are an excellent example of our precautionary culture. Chesf dams have their individual PAEs, which combine actions to protect life, the environment and the properties located downstream of the dams – thus avoiding the destruction of lives and places, damage to the company's image and financial losses. In addition, we built containment basins around the power transformers of the plants and substations to prevent oil spills on the ground (and the consequent contamination of groundwater table), in the event of leaks.

### Financial implications and other risks and opportunities arising from climate change GRI 103-2, 201-2

Managing greenhouse gases (GHG) is another way for Chesf to generate value and create new business opportunities. A future regulation of the carbon taxation market in Brazil would bring great opportunities to the company, given our low emission levels. In addition, the company could benefit from trading Reduced Emissions Certifications (CERs) in the cap-and-trade system, the market mechanism that creates emission limits for a particular sector of the economy under the Kyoto Protocol Clean Development Mechanism (CDM).

Our management of GHG emissions is guided by Eletrobras Environmental Policy. In addition, the [Eletrobras' Declaration of Commitment on Climate Change](#) demonstrates the holding company's alignment with global corporate sustainability trends and current market and society concerns.





# Performance Monitoring

## GRI 102-15, 102-26, 102-29, 102-31, 103-1, 103-2, 103-3

### Legal and regulatory compliance

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

At Chesf, we manage this extra material topic by integrating regulatory processes in different areas of the company and articulating actions with regulatory bodies such as Aneel and the National Water Agency (ANA); with sectorial associations such as Abrate and Abrage; and also with the National Electric System Operator (ONS) and MME, among others.

Created in October 2018 and linked to the Director of Operations, the Regulation Superintendence has been expanding and strengthening its functions in transmission contract management, integrated asset management and regulatory matters. These activities are even more crucial in light of the robust results achieved in generation and transmission in the last year.

Below are some 2020 highlights in legal and regulatory compliance.

- Reduced Aneel fines by A22.5%, saving more than R\$ 1.6 million. This achievement was possible partially as a result of Chesf administrative appeals, but mostly thanks to preventive actions and to our success in meeting the terms agreed with the regulatory agency, leading to the extinction of seven Punitive Administrative Proceedings
- R\$ 54 million increase in generation revenues from plants where Chesf holds a stake due to adjusted Remuneration Rates for the Generation segment
- Increased approximately R\$ 75 million in Annual Generation Revenue (RAG) for the 2020/2021 cycle thanks to the positive 2019 results of plants where Chesf holds a stake (Paulo Afonso, Boa Esperança, Luiz Gonzaga and Xingó)
- In the Aneel reviews of Operation and Maintenance (O&M) revenues, Chesf had the greatest efficiency among the Eletrobras companies included in the assessment
- More Transmission Contracts formalized- 1,675 in 2020 - and implementation of electronic signatures, providing traceability, reducing formalization time and eliminating printing costs
- Coordination of the tariff review processes of the Transmission Concession Contracts 017/2009 and 018/2009 for the 2020 cycle. The reviews reached a RAP of R\$ 27.7 and R\$ 8.5 million, representing an increase in revenue of respectively 2.38% and 2.47%
- Survey and prioritization of the regulatory requirements and best practices in Asset Management for review processes, enhancing data integration and integrity in lifecycle information (new project planning, operation, maintenance and fixed asset records)

### Crisis management GRI 103-2, 103-3

Chesf adopted the first version of the Eletrobras Crisis Communication Management Regulation. The Regulation establishes a Crisis Management Committee, defines roles and responsibilities, lists basic procedures for different types of situations and outlines communication strategies to address stakeholders who are directly or indirectly impacted by the event.

# Organizations we participate in

## GRI 102-12, 102-13

### Associations

Brazilian Wind Energy Association (ABEEólica), with financial contribution

Brazilian Association of Photovoltaic Solar Energy (ABSOLAR), with financial contribution

Brazilian Association of Large Electricity Transmission Companies (Abrate), with financial contribution and participation of our Chief Operating Officer João Franklin as Chairman of the Board

Brazilian Association of Electricity Generating Companies (Abrage), with financial contribution

Brazilian Association of Electric Energy Sector Accountants (ABRACONEE), with financial contribution

Association of Utilities Services in Telecommunications and Technologies for Energy Companies in Latin America (UTCAL), with financial contribution

Brazilian Association of Ombudsmen (ABO), with a seat on the Governance Council and financial contribution

American Chamber of Commerce (Amcham), with financial contribution

Electricity Memory Center in Brazil

Brazilian Committee of the National Energy Integration Commission (CIER-BRACIER), with financial contribution

Brazilian Committee on Dams (DBDB)

São Francisco River Basin Committee (CBHSF), with a seat on the Governance Council and financial contribution

Brazilian National Electricity Production and Transmission Committee (CI-GRE-Brasil), with financial contribution

Special Secretariat for Social Communication of the General Secretariat of the Presidency of the Republic (Secom-PR Sponsorship Committee), with financial contribution

Public Ethics Committee of the Executive Secretariat of the Public Ethics Committee of the General Secretariat of the Presidency of the Republic, with financial contribution

National Forum on Ethics Management in State-Owned Companies (maintained by the Technical and Financial Cooperation Agreement between 20 companies), with a seat on the Governance Council and financial contribution

COGE Foundation, with financial contribution

Group of Business Leaders (LIDE)

Instituto Acende Brasil

### CONTRIBUTION AMOUNTS, BY ASSOCIATION/ENTITY, IN R\$

	2020
ABEEólica	177,885.50
Abrage	199,450.29
Abrate	199,450.29
CIER-BRACIER	48,526.50
Fundação COGE	64,000.00
Other	496,022.47

### Voluntary commitments

#### GRI 103-2, 103-3

- Global Pact (UN)
- UN Guiding Principles on Business and Human Rights
- Principles of Women's Empowerment (UN Women)
- Gender and Race Pro-Equity Program
- Network for Fighting Sexual Violence against Children and Adolescents in Pernambuco
- Na Mão Certa Program (Childhood Brasil)
- Sustainable Development Goals (SDGs)
- Eletrobras Declaration of Commitment on Climate Change
- Open Letter from the private sector in support of carbon pricing in Brazil, from the Business Climate Initiative (IEC)
- Brazilian Business Community Commitment to Biodiversity

# Energy transition

## GRI 103-2



**Chesf is already a 100% renewable energy company**



When it comes to the use of renewable sources to generate electricity, Chesf was born at the forefront. We take great pride in being a 100% renewable energy company. We have recently expanded our generation through new wind farms and, in smaller scale, also solar photovoltaic parks, in addition to generation from HPPs<sup>1</sup>. We participate in these wind and solar ventures as concessionaires or as part of SPEs.

Although we do not rule out new thermoelectric plants, our short and medium term plans only feature wind and photovoltaic projects, in line with the Eletrobras guidelines of prioritizing renewable sources to expand power supply while driving the transition to a low carbon economy.

<sup>1</sup> Photovoltaic power plants are not in commercial operation

### **Petrolina Solar Energy Reference Center (Cresp) EUB**

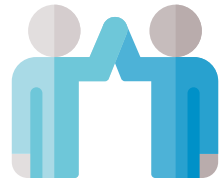
Structured by Chesf in 2017, the Petrolina Solar Energy Reference Center (Cresp) will support the expansion of our electric-energy system based on solar energy in different forms: photovoltaic solar energy, concentrated solar energy and solar energy from parabolic cylinders. The Brazilian Northeast has one of the most favorable conditions worldwide for such projects, with solar radiation levels that are only comparable to the Atacama Desert in Chile and some regions in Africa.

We want to explore all possible technologies to generate power from sunlight. Solutions for energy storage - essential to solar energy in particular, but also a central point for the future of the global electricity sector - are one of Cresp's priorities.

# Sustainability Management System

**GRI 102-16, 102-26, 103-1, 103-2, 103-3**

SDGs



## The Eletrobras Sustainability Management System is reinforced by the Chesf Corporate Sustainability Committee

The [Eletrobras Sustainability Management System](#) is based on four axes:

### Eletrobras Companies Sustainability Policy

The Eletrobras Sustainability Policy establishes guidelines for all the companies in the group aiming for corporate sustainability, business continuity and sustainable development. The document was reviewed in 2019, and completed ten years of existence in 2020.

### Executive Committee for Sustainability Management

Managed by the holding company, this committee brings together sustainability leaders from all Eletrobras companies and is responsible for disseminating sustainability actions and coordinating the three other pillars of the Sustainability Management System: the [Corporate Sustainability Management Indicators System \(IGS System\)](#), the Value Creation Model and Integrated Reporting.

### Corporate Sustainability Management Indicator System (IGS System)

Developed by the Electric Energy Research Center, the holding company's R&D organization, the IGS System is a strategic tool for the management of sustainability indicators. In 2020, the system completed ten years of existence, and the formerly separate environmental indicator module was integrated.

### Value Creation Model

Updated in 2019, the Eletrobras Value Creation Model shows how sustainability is present in all business processes of the holding company. This perspective, combined with each company's integrated action, enables best practices and business continuity for all Eletrobras companies. The Eletrobras Value Creation Model identifies 30 expectations in its current version. See below how we transform inputs into products – and how we generate value for the company and for society.

# VALUE CREATION MODEL

Learn about how the Eletrobras Group transforms inputs, through its business activities, into outputs and outcomes and how they create value for the business and society



Equipment and facilities

Stakeholders



Manufactured capital



Financial capital



Social capital

MAIN INPUTS

Natural resources



Intellectual capital



Human capital

Workforce



Natural capital

## PURPOSE

We put all our energy into the sustainable development of society.

## VISION

To be an innovative, clean energy company, recognized for excellence and sustainability.

## VALUES

- ⚡ Collaboration and recognition
- ⚡ Innovation
- ⚡ Ethics and transparency
- ⚡ Excellence
- ⚡ Respect for people and life

## VALUE CREATION ASPIRATIONS

- Supplier development **SDG 4, 5, 8, 10, 12, 13, 16**
- Revenue reliability **SDG 7, 9**
- Conservation of biodiversity **SDG 9, 13, 15**
- Energy savings **SDG 7, 13**
- Fairly priced (sustainable) contracts **SDG 7, 9**
- Contribution to sustainable development **SDG 1 to 17**
- Professional development and training **SDG 4, 8**
- Participatory dialog **SDG 11, 16**
- Access to electricity for all, with a reduced risk for social and environmental impacts **SDG 1 to 3, 7, 9, 10, 13 to 15**
- Dividends **SDG 8**
- A more sustainable supply chain **SDG 5, 8, 10, 12, 16**
- Respect for human rights **SDG 8, 9, 10, 16**
- Jobs and income **SDG 1 to 3, 8, 9, 10, 12**
- Integrity (ethical, lawful and transparent conduct) **SDG 16**
- Private social investment **SDG 1, 3, 4, 7 to 9, 13, 15**
- Improvements to national infrastructure **SDG 7, 9, 11**
- Better living conditions in affected communities **SDG 1, 3, 9, 11, 16**
- Affordable electricity **SDG 3, 7 to 9**
- Partnership in managing government programs **SDG 1 to 3, 7 to 9, 12, 13, 17**
- Participation in structuring projects **SDG 7, 9**
- Research, development and innovation **SDG 7 to 9**
- Contract predictability **SDG 8, 12, 16**
- Sponsorship of culture, sports and events **SDG 3, 4, 8, 9, 13**
- Greater diversity **SDG 5, 8, 10, 12, 16**

## STAKEHOLDERS

- Partners, sponsors and suppliers
- Media and opinion makers
- Society
- Customers
- Communities
- Governments, congress and regulators
- Investors, shareholders and market analysts
- Employees and their families



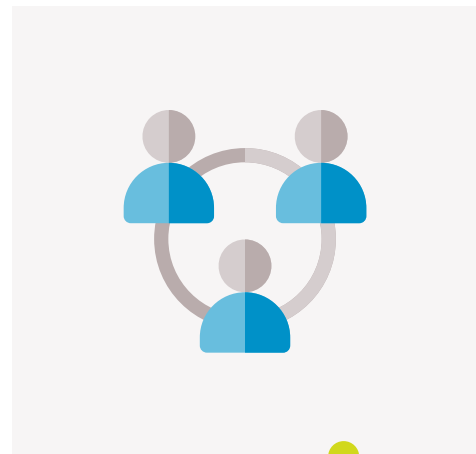
# Sustainability Management System

GRI 102-16, 102-26, 103-1, 103-2, 103-3



## Integrated Reporting

Integrated Reporting enables companies to provide consistent information on how they create value for clear communication with stakeholders. Chesf has adopted this methodology in its annual reports since 2018, as a complement to GRI standards. This means we present tangible and intangible information about financial, manufactured, intellectual, human, social and relationship capital, as well as natural capital.



### Chesf's Corporate Sustainability Committee

Meeting monthly and bringing together representatives from all boards, this committee is coordinated by Chesf's President and aims to assist the company's governance bodies and management in sustainability matters, fostering sustainability efforts and creating mechanisms to achieve sustainability goals. Below are some achievements of the Chesf Corporate Sustainability Committee in 2020:

- Monitoring the goals and actions of the 2030 Agenda - Sustainable Development Goals
- Monitoring the Sustainability 4.0 Program
- Performance above target in ISE B3 in four of the five dimensions (with emphasis on the Environmental dimension), reaching global portfolio average score for the first time
- Monitoring of strategic business sustainability projects included in PNG 2020-2024:
  - Social Responsibility Lagos do São Francisco
  - Supplier management
  - Conta Zero Program
  - Voluntary Reforestation
  - Human rights
  - Implementation of PAE s (Emergency Action Plans)
  - Periodic Dam Safety Review

# 2030 Agenda and SDGs

## GRI 102-16, 102-26, 103-1, 103-2, 103-3



We prioritize actions and projects that contribute to the UN 2030 Agenda and its Sustainable Development Goals in our socio-environmental management. Below are the priority SDGs for Eletrobras companies monitored and reported in this document:



SDGS	INDICATOR	RESPECTIVE CHESF GOAL	RESULTS IN 2020
7 – Affordable and Clean Energy	Participation of clean sources (solar, wind, hydraulic, nuclear) in the Brazilian energy matrix	100%	100%
	8 – Decent work and economic growth	20.30%	20.64%
9 - Industry, innovation and infrastructure	Management positions held by women	2.73	2.42
	Lost Time Injury Frequency Rate (own employees)	0.2%	(20.1)
	Lower energy consumption <sup>1,2</sup>	0.3%	6.8%
	Reducing water consumption <sup>3</sup>	0.2%	16.6%
13 – Climate action	Reduced consumption of fossil fuels	1.0%	ND
	Investments in Research and development + Innovation/ Net operational revenue <sup>4</sup>	2,933.68 tCO <sub>2</sub> e	2,522.85 tCO <sub>2</sub> e
	GHG emissions and use of fossil fuels in fleet	80%	100%
	16 -- Peace, justice and strong institutions	80%	100%
16 -- Peace, justice and strong institutions	Due diligence of suppliers exposed to fraud and corruption risks	80%	100%
	Level 1 suppliers encouraged to value and promote diversity	100%	99%
	Employees trained in anti-corruption	80%	7.18%
Suppliers participating in the integrity awareness program (Compliance)			

1 Refers only to electric power acquired from SIN for administrative activities

2 The overall increase in power consumption is mostly due to increased consumption for administrative activities (from 516.93 MWh in 2019 to 2,500.64 MWh in 2020)

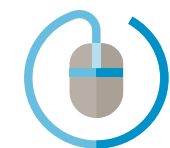
3 The reduction considers only water from utilities used for administrative activities; it does not include water consumption in Chesf substations, which was included in 2020 as 10,439 m<sup>3</sup>

4 Net operational revenue, considering tax deductions and sector chargers, grew 36.2% compared to the previous fiscal year, going from eR\$ 4,886.9 million in 2019 to R\$ 6,656.1 million in 2020

# New SDGs for 2020

SDGs 10 11 12 15

Based on the findings of a survey involving 224 respondents (including experts on topics related to corporate sustainability for all Eletrobras companies), the holding company's Executive Board and Board of Directors approved the prioritization of four additional SDGs (*represented in the figures below*) for the Eletrobras 2020-2035 Strategic Plan, bringing the total to nine.



**Watch Eletrobras' corporate video on the connection between strategy, SDGs and PDNG**

## Performance and SDGs

The UN 2030 Agenda SDGs prioritized by Eletrobras companies are part of Managers' Annual Variable Remuneration Program. The SDG Alignment Index (IAO) is the result of the weighted score of strategic indicators in the 2030 Agenda, showing to what extent Eletrobras companies have delivered on their SDG commitments.

As a result of the change in prioritized SDGs, two more indicators have been included in IAO: one for SDG 10 (weighted index of the salary ratio between women and men at multiple levels) and one for SDG 12 (Suppliers subject to due diligence in EESG aspects). We also expanded the indicator for frequency rate to include outsourced employees.



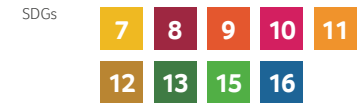
*Chesf professionals perform maintenance work on transmission lines*

*All photos of employees not wearing masks were taken before the pandemic. Strict health protocols were implemented at Chesf in March 2020 to fight Covid-19 contagion.*



# Sustainability integrated into management

## GRI 102-31, 102-33



Eletrobras' Strategic Plan (2020-2035) presents the holding company's long-term vision for its different businesses, and is further detailed in the Business and Management Master Plan (PDNG) with a map showing trends, guidelines, indicators, values and impacts for the following five years, that is, from 2020 to 2025. The entire map content is related to SDDs.

### Sustainability Program 4.0

Part of the PNDG, this program was created by Eletrobras in 2019 and consists of 12 projects related to the social, environmental, governmental and financial dimensions of the business, based on scenario projections, investor requirements and sustainability indexes. Some of the projects (*see table below illustration*) are already being implemented by Chesf.

PROJECTS	PDNG STRATEGIC GUIDELINES 2020-2024	PRIORITY SDGS IN PDNG 2020-2024
Leveraging Human Capital	Culture and People	8 9
Synergy with Industry 4.0	Innovation and digital transformation	7 8 9 16
Engaging Stakeholders in the Value Chain and Raising Awareness of Human Rights	Governance	8 9 16
Sustainable Supplier Management	Management	8 13 16
Commitment to Transparency and Dialogue with Stakeholders	Governance	13 16
Sustainable Performance/2030 Agenda	Value and Investment	7 8 9 13 16
Enhancing Corporate Governance Practices	Governance	16
Improved Qualification of Social and Environmental Factors in Risk Management	Governance	7 9 13 16
Energy transition	G&T Efficiency	7 9 13
	G&T Expansion	
GHG Offset and Environmental Protection	G&T Efficiency	7 8 9 13 15
	G&T Expansion	
	Expansion of biodiversity conservation actions	
Certification for Energy From Clean Sources	New Businesses	7 9 13
Sustainable Management of Financial Capital	Value and Investment	8 9 16
	G&T Efficiency	
	Management	

MATERIAL TOPICS

CAPITALS

- CYBERSECURITY AND DIGITAL TRANSFORMATION
- ENERGY SUPPLY
- RESEARCH & DEVELOPMENT + INNOVATION
- RELATIONSHIP WITH SUPPLIERS
- FINANCIAL RESULT
- ENERGY TRANSITION



UHE Boa Esperança.  
Guadalupe (PI)

# Prosperity



Every human being has the right to live a prosperous and fulfilling life in a world where economic, social and technological progress is in harmony with nature. This is in short the UN credo, further detailed in concepts such as economic growth with equity, sustainable production and consumption, decent work, real increase in income, social protection and access to financial services for all. The UN also stresses the importance of innovation and transformation in business models to create shared value.

## Economic performance

**GRI 102-7, 102-45, 103-1, 103-2, 103-3**

Chesf's growth and continuity depend on maintaining short, medium and long-term business prospects. We have adopted a series of procedures to monitor the difference between the results planned in PNG and what was actually achieved month by month. In addition, CMDE also establishes a series of goals and financial indicators to be followed, such as:

**Net Debt / Adjusted EBITDA: target of 0.15 and result of -0.21 in 2020**

Chesf's economic and financial performance is managed by its Superintendence of Economic-Financial Planning and Control, subordinated to the Economic-Financial Directorate. For Human Resources, we have one superintendency and three departments dedicated to planning and economic-financial control. In addition, these management areas are evaluated by Internal Audit, External Audit and a specialized consultancy firm.

Over the course of 2020, we identified the need for adjustments to improve management and controls. Below are two highlights:

- **Corporate Businesses and Equity Stake Management: implementation of governance process improvement in shared projects and ventures**
- **Sarbanes-Oxley Certification (SOX): remediation plan for the gaps identified during the internal controls audit preceding the certification process**

# Economic performance

GRI 102-7, 102-45, 103-1, 103-2, 103-3



## Key figures and events in 2020

- Chesf closed the year with a **profit of R\$ 2.109 billion**, the **second largest in its** history, 25.6% lower than the profit of R\$ 2.833 billion in 2019. In contrast, our gross operating revenue grew from R\$ 5.936 billion in 2019 to R\$ 7.928 billion in 2020 (+ 33.6%), mainly due to the recognition of deferred tax credits.
- In 2020, Chesf concluded the transference of the administration of the HNAS – the Nair Alves de Souza Hospital in Paulo Afonso (BA) – to the public sector. This will represent **R\$ 50 million annual savings for the company**
- We had **significantly lower delinquency rates** than might be expected in a pandemic year.
- Chesf's incorporation of SPEs such as the Pindaí Wind Complex is part of our strategy to **increase future revenues**.

# Economic performance

**GRI 102-7, 102-45, 103-1, 103-2, 103-3**



## Investments and the Annual Budget Law (LOA)

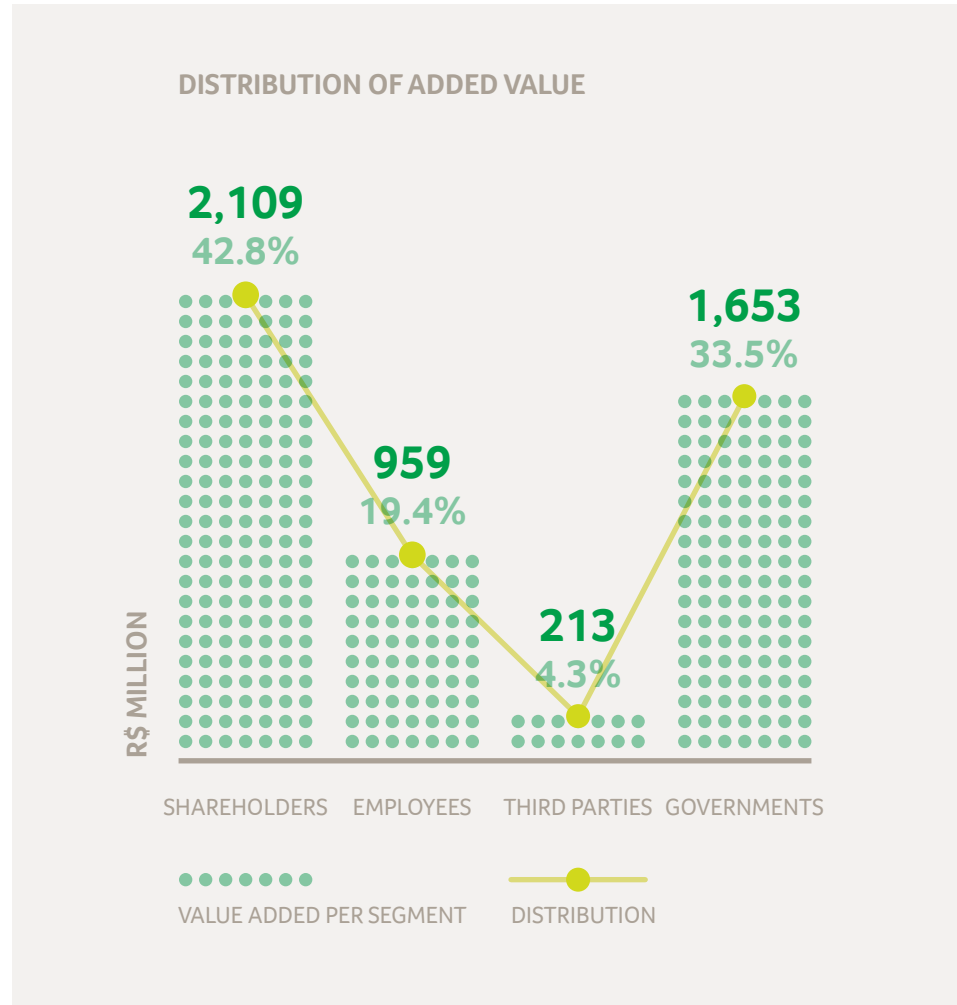
As a state-owned company, Chesf must include its investment budget in the Annual Budget Bill of Law (LOA) to be approved by the Brazilian National Congress. In addition, our Global Expenditure program must be approved by presidential decree every year. The overall amount of Chesf's investment budget approved in LOA 2020 – Law 13,978 of 01/17/2020 – was R\$ 1,867,972,360.

### Other Chesf highlights in the financial area:

- Implemented Zero Base Budget (OBZ)
- Strengthened Controlling to become more predictive than diagnostic
- Raised R\$ 263 million from Banco do Nordeste do Brasil (BNB) for reinforcement and improvement works in transmission
- Received a favorable final ruling in a lawsuit filed by Mendes Júnior – the contractor claimed a reimbursement of more than one trillion reais (later reduced to R\$ 84 billion) for additional costs arising from loans presumably taken out to finance the works of the Itaparica UHE (PE). This court decision was considered a historic victory for the Federal Attorney General's Office (AGU)
- The annual cost of the Temporary Maintenance Funds (VMT) to meet the requirements of the Family Income Recomposition Program of Itaparica was reduced by 58% (from R\$ 4.36 million to R\$ 1.83 million)
- Raised R\$ 1.442 million with real estate divestment

## Economic value generated **GRI 201-1**

The economic value generated by Chesf in 2020 was R\$ 4,933.2 million, against R\$ 3,400.7 million generated in 2019. We add value to the following segments of society: salaries, charges and employee benefits (19.4%); taxes, fees and contributions to the federal, state and municipal governments (33.5%); third parties (4.3%); and profit paid out to shareholders (42.8%).



Taxes are a key source of government revenue, a crucial element in fiscal policy and a pillar of macroeconomic stability. Eletrobras companies pay their taxes on time and encourage their chains of value to do the same, in an ethical and transparent way – paying taxes contributes to the realization of public policies to benefit society. In 2020, through the creation of value from their businesses, Eletrobras companies generated approximately R\$ 4.9 billion in federal, state and municipal taxes. Strict compliance with tax legislation shows that all Eletrobras companies respect their stakeholders and will not tolerate tax evasion. The holding company's Financial and Investor Relations Department is responsible for the companies' fiscal strategy and policy, and for embedding them in shared company culture.

**GRI 103-2, 103-3, 207-1, 207-2, 207-3**

# Operating performance **GRI 102-7,** **103-2**

MATERIAL TOPICS

CAPITALS

FINANCIAL RESULT  
ENERGY SUPPLY



Chesf monitors its operational performance indicators through information compiled and monitored by the Operation and Maintenance quality management area to ensure increasingly efficient and profitable operations.

Aiming for greater asset (and revenue) reliability and availability, we implemented a plan to modernize facilities and equipment, investing R\$ 310 million in 2020. We also adopt predictive maintenance techniques and initiatives to plan compatible interventions. In addition, our teams in the area are being trained for the ISO 55001 certification process.

Even in the midst of the pandemic, we managed to increase energy generation by 73% compared to 2019 (35,769 GWh against 20,734 GWh). This result was possible thanks to the favorable hydrological conditions of the São Francisco River basin – the Sobradinho HPP reservoir, the largest in the Brazilian Northeast, reached 93.84% storage capacity in mid-May 2020. **EU2**

In terms of operation technology, in 2020 Chesf was the first Eletrobras company to implement the Work Clearance Management (WCM) module within Systems Applications and Products in Data Processing (SAP) – this module was created by Chesf itself.

Additionally, in compliance with the Dam Safety Law, we are investing to improve the instruments used for assessing and adapting the conservation of civil construction structures of plants and dams.

## Indexes

The **2020 Chesf Operational Availability Indicator for Transmission** was **99.96%**. **EU6**<sup>1</sup>

We have maintained the availability of hydroelectric generation above 95%

thanks to interventions and improvements in the generating units. During 2020, technical losses in our consolidated basic network added up to 1.16% of the total. **EU12** We closed the year with a historical record of only 1.14% revenue, the best Variable Portion (PV) indicator ever recorded by Chesf.

Even with the pandemic, Chesf reached its targets for service availability indicators (both generation and transmission) and proceeded with works and investments as planned

In the Aneel reviews of Operation and Maintenance (O&M) revenues, Chesf had the greatest efficiency in Transmission among the Eletrobras companies included in the assessment

AVERAGE GENERATION AVAILABILITY FACTOR <sup>1</sup> (2020) <b>EU30</b>	CORPORATE ENTERPRISES <sup>1</sup> (%)	CORPORATE ENTERPRISES AND SPEs (%)
Hydraulic	96.01	96.42
Wind	98.87	98.63

<sup>1</sup> The figures are slightly different from those published in the Management Report submitted to CVM and in Aneel's reports because they are based on different calculation assumptions

# Operating performance GRI 102-7, 103-2, EU2, EU4, EU6, EU12, EU30

MATERIAL TOPICS

CAPITALS

FINANCIAL RESULT



See below other 2020 Chesf highlights in operational indexes:

- Second best result of the last five years in the **System Robustness Indicator**, which ended 2020 at **94.84%**. This index measures the capacity of a company's Basic Network to withstand contingencies without loss of load, that is, with no interruption of electricity supply to consumers.
- **Generation Operational Availability of 1.12**. This index measures the probability for equipment to be operating, performing its function or ready to operate at any given moment.<sup>1</sup>
- **Transformer Operational Availability Indicator at 99.90%**, above the set target of 99.83%
- Chesf was **one of the six best companies** among the largest **transmission<sup>2</sup> companies that make up the National Interconnected System (SIN)**, and ranked second within the Eletrobras group

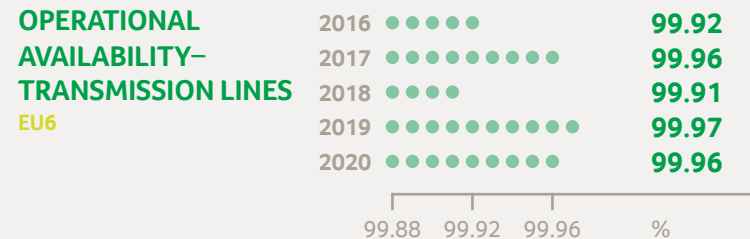
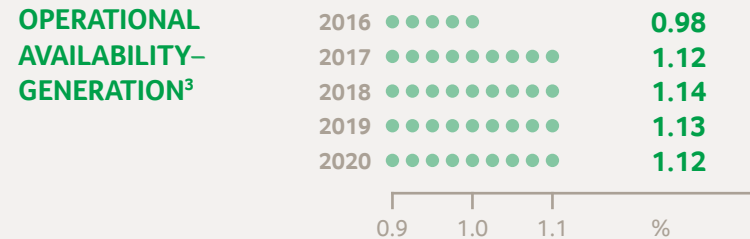
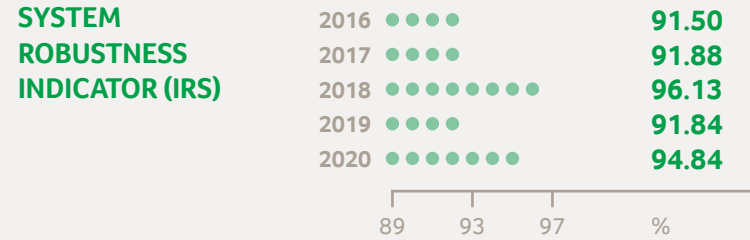
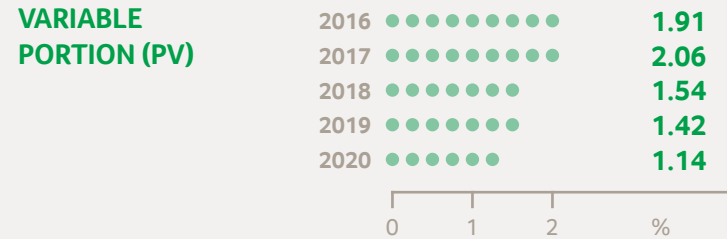
Chesf Operation maintained its ISO 9001: 2015 Certification for the processes in the ten bodies and facilities belonging to its Operation Organizational System. The graphs on the side show our 2020 operational results and our evolution in recent years.

## The importance of remote facility operation

Today Chesf has 15 corporate plants and 129 substations, totaling 144 installations. Among them, 70% already receive remote commands from operation centers, which means we can operate these facilities remotely and safely for greater efficiency and revenues.

<sup>1</sup> This index is used as a follow-up indicator in PNG and does not correspond to the average availability factor linked to EU30

<sup>2</sup> This ranking considers the discount in Variable Portion in relation to revenues



<sup>3</sup> This index is used as a follow-up indicator in PNG and does not correspond to the average availability factor linked to EU30



# Research and development

## + Innovation

### GRI 103-2, EU8

Chesf's Research, Development and Innovation management process is standardized by Aneel and takes place within the general Brazilian electricity sector planning activities carried out by the Energy Research Company (EPE). **EU10**

Currently, Chesf's main Research, Development and Innovation fronts are:

- **Alternative Power Generation Sources (FA), with R\$ 13,533,355.89 allotted for investments in Electricity Systems Planning (PL)**
- **Innovation management (GI)**
- **Substations 4.0**
- **Green Hydrogen**
- **Hybrid plants combining wind and solar generation plus energy storage**

### Development and Innovation Center

A major highlight of 2020 - and even greater promise for coming years - was the creation of the Development and Innovation Center, through which we will implement a management system to control and manage all phases of innovation at Chesf, from the spark of the first idea to actual realization of financial returns. The Development and Innovation Center was kicked off with the Chesf Innovation Award. Forty projects were submitted by 149 employees, and the winning ideas will be implemented in our operation. The 12 winners will also represent Chesf in the Eletrobras Innovation Award.



MATERIAL TOPICS

CYBERSECURITY AND DIGITAL TRANSFORMATION  
RESEARCH AND DEVELOPMENT + INNOVATION

CAPITALS



In environmental research, the total investment in 2020 was R\$ 270,667.12. Our management tools cover a wide sprange of areas, from requests and ideas related to Research and development + Innovation to project design, receipt of proposals, contracts, purchases and financial execution. Our innovation-focused training programs had the participation of 0.22% of our workforce during 2020.

### Patent registration EU8

In 2020, we filed patent EP 2985920 - Smart Alarm in Switzerland. Published as PI 1106471-4, the patent refers to a model for voltage regulation and parallelism among different models of voltage sources and/or high voltage energized spans.

# Research and development

## + Innovation

### GRI 103-2, EU8

#### Digital transformation GRI 103-2

Technology permeates management at Chesf, and has played a key role in improving our operational efficiency and financial results.

Digital transformation is managed through regular monitoring of strategic projects and followed up by Management and Executive Directors. This includes the evaluation of the P18 project – Advanced Interpretation and Data Storage Solutions, which, in line with Chesf's Strategic Map, seeks to consolidate the use of digital transformation technologies in the company.

During 2020, Chesf's total investment in the area was R\$ 10 million. Our highlights are listed on the side:

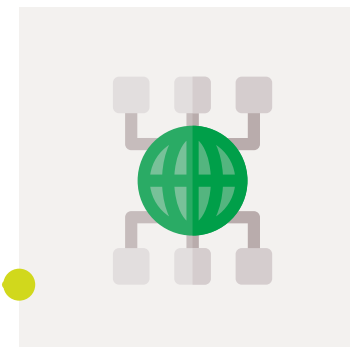
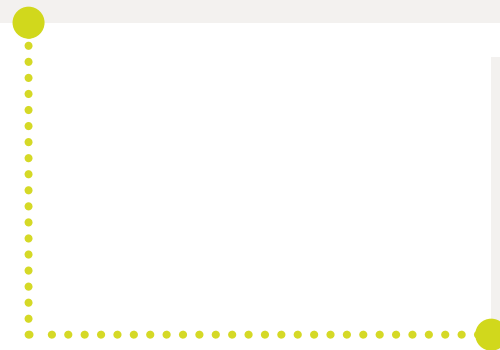
MATERIAL TOPICS

CAPITALS

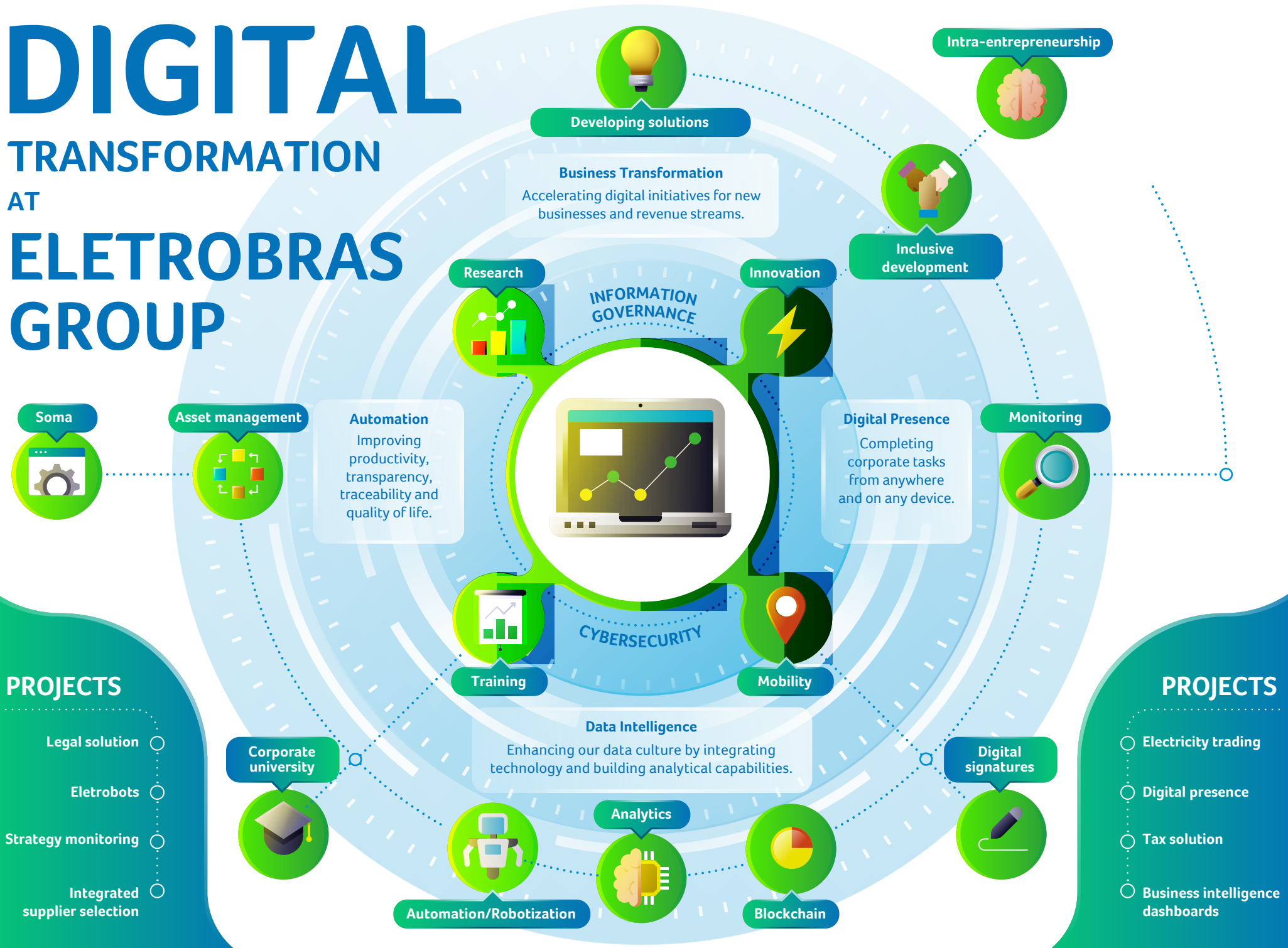
CYBERSECURITY AND DIGITAL TRANSFORMATION  
RESEARCH AND DEVELOPMENT + INNOVATION



- Completed transition to Microsoft Office 365, taking Chesf to the cloud in a process accelerated by the pandemic
- Finalized implementation of all SAP modules
- Developed advanced data analysis solutions based on a business intelligence (BI)/business analytics (BA) platform; also developed predictive solutions through a data science platform for more assertive decision making
- Implemented solutions based on *Robotic Process Automation (RPA)*, Artificial Intelligence, Machine Learning and ChatBot through automated, cognitive/intuitive interaction platforms
- Enhanced efficiency in fleet use through the use of telemetry
- Ongoing implementation of new Artificial Intelligence systems in Legal, Energy Trading, Tax Management, Transmission Contract Management, Real Estate Management, Supply Chain Management and Territorial Management, among others.



# DIGITAL TRANSFORMATION AT ELETROBRAS GROUP



## PROJECTS

- Legal solution
- Eletrobots
- Strategy monitoring
- Integrated supplier selection

## PROJECTS

- Electricity trading
- Digital presence
- Tax solution
- Business intelligence dashboards

# Research and development

## + Innovation GRI 103-2, EU8

MATERIAL TOPICS

CAPITALS

CYBERSECURITY AND DIGITAL TRANSFORMATION  
RESEARCH AND DEVELOPMENT + INNOVATION



Situation Room. Recife (PE)

### Cybersecurity GRI 103-2, 103-3, 418-1

We act preventively to correct any identified vulnerabilities before they lead to actual problems. Chesf monitors its cyber environment and security tools as required by Federal Government security and regulatory frameworks, as well as by the Eletrobras Code of Ethical Conduct.

Our strategic cybersecurity planning is carried out in three-year cycles, with annual reviews as necessary. The area produces management monitoring reports with indicators, has a staff of five people on average and an annual budget of R\$ 3.25 million.

In addition, Chesf is working together with the other companies in the Eletrobras group to standardize Information Security processes at holding company level, implementing a joint model for cyber incident management and communication within the corporate crisis management guidelines.

In 2020, we developed a vulnerability management process through a procedure that involved both Information Technology (IT) and Operation Technology (TO) teams. We also implemented multiple identification factor verification in our systems, and banned the use of USB flash drives.



**Chesf suffered more than two thousand cyber attacks in 2020, and our defenses successfully deterred them all**

# Supplier management

**GRI 102-9, 102-10, 102-43, 103-2, 204-1**

MATERIAL TOPICS

CAPITALS

RELATIONSHIP WITH SUPPLIERS



Chesf implemented its Zero Delay program in the second quarter of 2020. The idea is to enhance efficiency in Supply routines, reducing bureaucracy and using real-time information for decision making, so the area can play a more strategic role and generate more value.

Another important highlight in this area was the launch of the Chesf Supplier Portal, strengthening and consolidating the Northeast Shared Services Center. The portal enables suppliers to easily manage their information, send documents and monitor their registration – the process is secure, quick and transparent. The Northeast Shared Services Center (CSC) was strengthened to unite areas common to all Eletrobras companies, such as Supplies, Purchasing, Accounting and Legal.

## Supplier policy GRI 102-9, 204-1, 412-3

Our selection process for suppliers follows the general rules applicable to all Eletrobras companies, such as [Bidding and Contracts Regulation](#), [Supply Logistics Policy](#) and the [Supplier Conduct Guide](#). In addition, contractual provisions establish that every supplier must abide by the Supplier Conduct Guide and follow the guidelines of the Eletrobras Integrity Program.

**In 2020, purchases from local suppliers represented 38.86% of the overall amount disbursed by Chesf, representing a contribution of more than R\$ 593 million to the economy of the Northeastern region**

## Monitoring GRI 412-3

Like all other Eletrobras companies, Chesf monitors suppliers throughout the their relationship with the company. Among other aspects, we evaluate:

- Legal compliance
- Economic and financial valuation
- Technical qualification
- Compliance with established technical specifications
- Internal monitoring (contractual management and inspection) and due diligence for critical suppliers regarding sustainability, human rights and integrity

# Supplier management

**GRI 102-9, 102-10, 102-43, 103-2, 204-1**

MATERIAL TOPICS

CAPITALS

RELATIONSHIP WITH SUPPLIERS



When a case of non-compliance is identified, we promptly apply the measures described in our supplier agreement. This standard agreement is published on the Chesf website, so suppliers can access it before signing.

All Chesf suppliers are included in a matrix that classifies their criticality as high, medium or low, based on their score in different criteria. Critical suppliers are those identified as representing a high integrity risk to Chesf and all Eletrobras companies; suppliers of inputs or services considered essential for the company's core activity (and which have a direct impact on the final quality of our services); and those companies that have greater impact on the environment, human rights and employee health and safety. Other critical suppliers include those with access to confidential information; exclusive suppliers; and suppliers that have high volumes of financial transactions with our company.

Chesf has adopted integrity due diligence procedures in its supplier assessment since 2018. Out of the companies that signed agreements with Chesf in 2020, 97 filled out questionnaires to determine supplier integrity risks, including information on whether the company or any member of its management had been involved in fraud or corruption lawsuits in the past ten years. Companies formerly involved in such lawsuits are subject to close contract monitoring.

**GRI 205-1**

At the end of 2020, Chesf had a total of **622 active suppliers**

Companies interested in supplying Chesf can enroll in our Supplier Register, a management tool that streamlines the qualification phase of bidding procedures. Interested parties can register in advance and send their documents – once in the system, the supplier will not need to resend them every time. This also simplifies the process for Chesf, since the documents can be analyzed well ahead of bids. Registration makes it possible to send suppliers automatic email alerts about current bids that may interest them, simplifies management of contracts, verification of payment terms conditions and even signing amendments to existing agreements. A Registration Certificate (CRC) is valid for one year.

Due to the pandemic, in 2020 our traditional National Meeting of Suppliers to Eletrobras Companies was held virtually on August 28. The meeting strengthened the ties between Eletrobras companies and suppliers, with more than 300 participants taking advantage of this opportunity to learn more about human rights, the environment, corporate integrity, safety in the workplace and business opportunities during the pandemic. Other subjects included high performance management and its impact on B2B relations, and specific business opportunities available for companies that supply Eletrobras.

- **330 suppliers** (or 53% of the total) were hired in 2020 through bidding, waiver (above R\$ 50 thousand) and unenforceability, totaling around R\$ 1.5 billion expenditures.

- **445 Chesf suppliers** (or 71.54%) are considered directly critical, according to the criticality matrix for Eletrobras companies

MATERIAL TOPICS

CAPITALS

SOCIO-ENVIRONMENTAL ASPECTS  
IN DECISION-MAKING HUMAN RIGHTS  
PEOPLE MANAGEMENT AND DEVELOPMENT  
RELATIONSHIP WITH COMMUNITIES  
HEALTH AND SAFETY AND WELFARE



# People

Xingó (SE)



**Employees, clients, suppliers, investors and surrounding communities are essential pillars for any organization. That is why companies must commit to health and safety, human rights, equality and diversity.**

Complying with Brazilian legislation applicable to companies controlled by the Union, Chesf only hires professionals through public competition, which precludes any consideration of gender

## Internal audience **GRI 102-7, 102-43, 401-1, 404-1, 406, 406-3**

Chesf had a total of 3,162 employees at the end of 2020. Eight employees were hired, all through judicial measures. We had a 93% drop in employment terminations compared to the 652 dismissals in 2019: a total of 42 employees left the company in 2020; 12 of them chose to enroll in the Consensual Dismissal Plan (PDC).

Complying with Brazilian legislation applicable to companies controlled by the Union, Chesf only hires professionals through public competition, which precludes any consideration of gender.

### EMPLOYEES BY AGE GROUP **GRI 102-8, 405-1**

	2018	2019	2020
< 30 years old	122	80	60
Between 30 and 50 years old	1,862	1,787	1,760
> 50 years old	1,832	1,326	1,342
<b>Total</b>	<b>3,816</b>	<b>3,193</b>	<b>3,162</b>

### EMPLOYEES BY GENDER **GRI 102-8, 405-1**

	2018	2019	2020
Men	3,078	2,606	2,582
Women	738	587	580
<b>Total</b>	<b>3,816</b>	<b>3,193</b>	<b>3,162</b>



# Internal audiences **GRI 102-7, 102-43, 401-1, 406, 406-3**



Chesf closed 2020 with **3,162** employees

## HIRED EMPLOYEES BY AGE GROUP **GRI 401-1**

	2018		2019		2020	
	NO.	RATE <sup>1</sup>	NO.	RATE <sup>1</sup>	NO.	RATE <sup>1</sup>
< 30 years old	1	0.82	0	0.00	0	0
Between 30 and 50 years old	5	0.27	0	0.00	4	0.23
> 50 years old	13	0.68	1	0.07	4	0.29
<b>Total</b>	<b>19</b>		<b>1</b>		<b>8</b>	

## CONTRACTED EMPLOYEES BY GENDER **GRI 401-1**

	2018		2019		2020	
	NO.	RATE <sup>1</sup>	NO.	RATE <sup>1</sup>	NO.	RATE <sup>1</sup>
Men	17	0.54	1	0.04	7	0.27
Women	2	0.27	0	0.00	1	0.17
<b>Total</b>	<b>19</b>		<b>1</b>		<b>8</b>	

<sup>1</sup> Admission Rate

## JOB TYPE

	2020		
	MEN	WOMEN	TOTAL
Full time	2,104	522	2,626
Part time	478	58	536
<b>Total</b>	<b>2,582</b>	<b>580</b>	<b>3,162</b>

## EMPLOYEES WHO HAVE LEFT THE COMPANY, BY AGE GROUP **GRI 401-1**

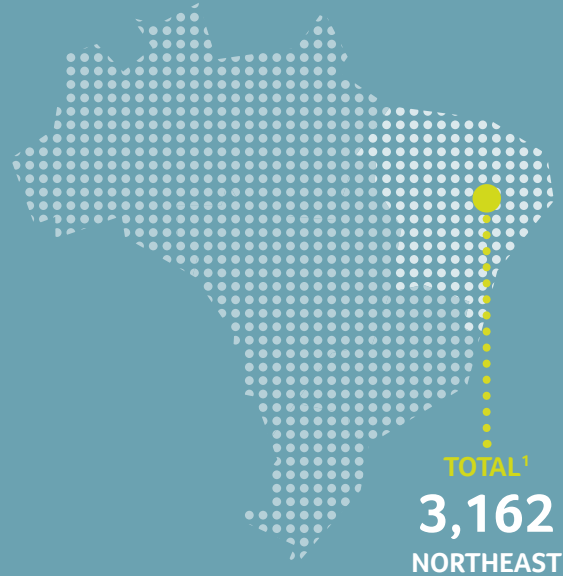
	2018		2019		2020	
	NO.	RATE <sup>2</sup>	NO.	RATE <sup>2</sup>	NO.	RATE <sup>2</sup>
< 30 years old	2	1.64	3	3.75	0	0
Between 30 and 50 years old	25	1.34	47	2.61	9	0.51
> 50 years old	311	16.34	602	44.2	33	2.41
<b>Total</b>	<b>338</b>		<b>652</b>		<b>42</b>	

## EMPLOYEES WHO LEFT THE COMPANY, BY GENDER **GRI 401-1**

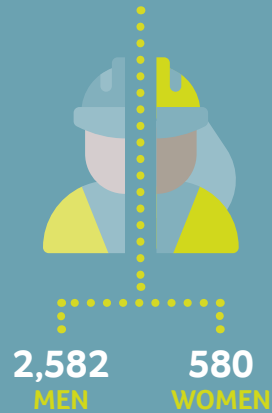
	2018		2019		2020	
	NO.	RATE <sup>2</sup>	NO.	RATE <sup>2</sup>	NO.	RATE <sup>2</sup>
Men	262	8.33	494	18.96	34	1.3
Women	76	10.11	158	26.92	8	1.36
<b>Total</b>	<b>338</b>		<b>652</b>		<b>42</b>	

<sup>2</sup> Employment Termination Rate

# Employment contract **GRI 102-8**



## BY GENDER



## BY DAILY WORKLOAD



<sup>1</sup> Considering the following types of employment relationships: own employees, requisitioned personnel, amnestied civil servants reinstated in the company and commissioned positions. Does not include employees on loan, employees on unpaid leave and amnestied/reinstated

civil servants transferred to government agencies. All Chesf employees have an open-ended employment contract (no defined termination date).

<sup>2</sup> daily workload of 7.5 or 8 hours, depending on Chesf schedules.

<sup>3</sup> Workload of 4 to 6 hours.

See below our 2020 highlights in People Management. **GRI 102-43**

- **Advances in the Shared Infrastructure and Human Resources Agreement among Eletrobras companies** Great efficiency gains with further centralization of teams, automation of several functions and use of business intelligence tools for predictive cost analysis
- Continued implementation of the **People 5.0 Program** presenting latest trends in management and concurrent work to foster best practices, creative solutions, greater agility and transformative leadership. The initiative recognizes the best teams and projects related to these concepts, certifying them with the "People 5.0" seal
- **Implementation of the General Data Protection Law (LGPD)** and mandatory LGPD course for all employees
- Strengthened our **Remote Learning Platform**, a process that was already underway and was accelerated by the pandemic

## 2020 events and campaigns

- **Chesf Day** Our free Microsoft Teams event held on October 28 presented eighteen projects from the Management Board and had more than 1,200 enrolled participants
- **#ExisteChesfnaMinhaVida** Chesf's social media campaign "There's Chesf in my Life" highlights the role played by the company in employees' lives
- **Chesf Solidária** The solidarity campaign collected employee donations for socially vulnerable populations during the pandemic
- Support actions for people with disabilities, and dissemination of relevant awareness campaigns: **Lilac August** (violence against women) **Pink October** (breast cancer) and **Blue November** (prostate cancer)
- **End of Year Celebration** Held virtually due to Covid-19, the event celebrated Chesfians' commitment, responsibility and professionalism during this challenging year

## Task force against Covid-19

Several protocols and security measures were implemented at Chesf since the beginning of the SARS-CoV-2 pandemic. The complex task of restructuring productive processes and developing contingency plans involved teams from People Management, Occupational Health, Workplace Safety and Operations, among others.

The holding company created a Crisis Committee common to all Eletrobras companies, with daily meetings in the early days of the pandemic. Other committees at different management levels were soon formed to cascade the strategies outlined by senior management. The learning curve was steep, and the learnings will continue to benefit Chesf long after the pandemic is over.

Below are some of our key actions to fight the pandemic:

- Placing 65% of employees on remote work (and, months later, drawing up a plan to have them gradually return to our offices)
- In operational activities, a rotation scheme combined with extended 12-hour shifts (normal shifts are 8 hours) reduced the number of workers in our facilities at any given time to ensure social distancing
- Several works were revised and redesigned, especially those carried out in closed environments
- Changes in routines associated with transportation and meals for on-site employees
- Awareness campaign
- Distribution of masks and hygiene kits
- Quick Covid-19 tests
- Daily monitoring of employees' health through app
- Medical care for employees and their dependents through telemedicine appointments
- Notebooks were provided for employees working from home
- Online psychosocial support through app
- Business intelligence tools helped managers monitor process changes and remote work

### Speedy replacement

A very significant example of the Chesf effort to maintain activities during the pandemic was the crash training program for about 200 employees so that they could immediately replace on-site employees in case of contagion or quarantine.

We mapped professionals trained in electrical engineering, telecommunications and electrotechnics and offered e-learning programs to prepare them to quickly shift to working on-site if required.

**Chesf protocols and Chesfians' commitment to following them were essential to curb contagion among on-site personnel: we actually had fewer cases in operations than in remote work**



## Health and safety

### GRI 103-2, 103-3, 403-5, 403-6, 403-7

Chesf facilitates employee access to non-occupational medical and health services through outpatient clinics in its facilities and through the healthcare plan managed by the Chesf Foundation for Assistance and Social Security (Fachesf). Employees with disabilities also have a Support Program for People with Disabilities (PAPD) for the purchase of orthoses and prostheses, besides specific therapies.

Chesf has fitness centers (Health Promotion Centers) in Recife and Salvador; we offer workplace gymnastics, and we have an Organic Produce Market in our Head Office and in other regional offices. Chesf also has a psychosocial crisis support network and a program to assist employees with mental and/or behavioral disorders, including alcoholics, chemical dependents and smokers.

#### GRI 403-6

Finally, we offer flu vaccination for workers, and stage awareness campaigns for Sexually Transmitted Infections (STIs), breast cancer and prostate cancer.



Flu shots in 2020

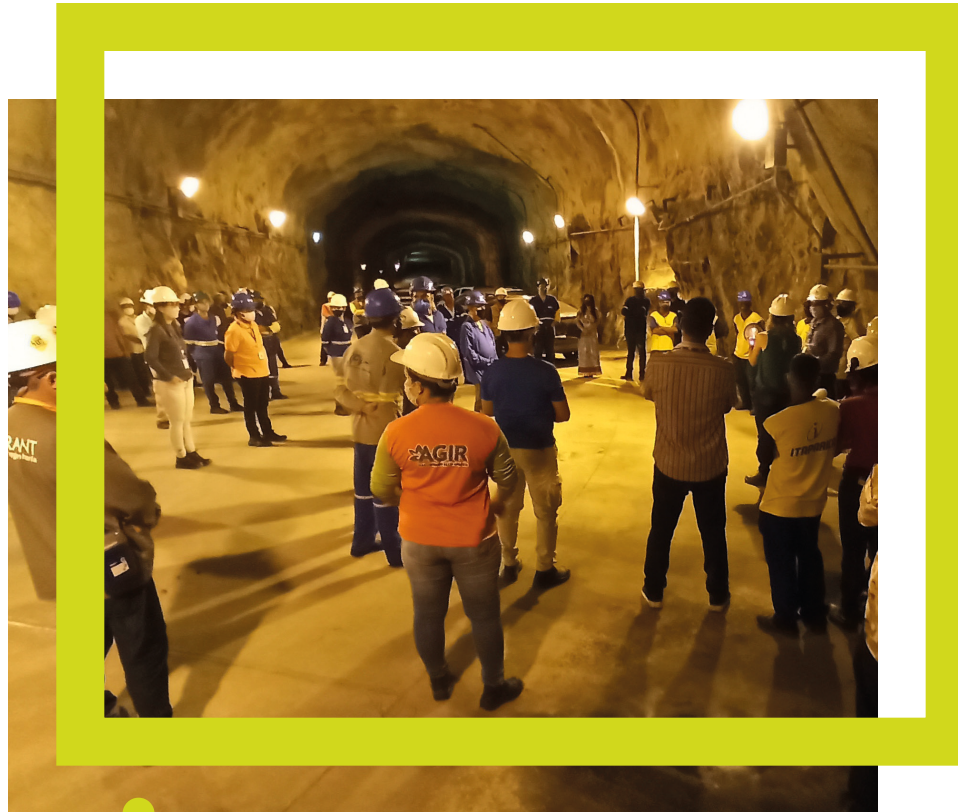
# Accidents

**GRI 102-41, 103-2, 103-3, 403 (2018), 403-1, 403-2, 403-3, 403-4, 403-9, 403-10, EU16**

Chesf employees are represented by our Internal Accident Prevention Commissions (CIPAs). Our company is divided into seven regional offices and one head office, and we have 21 decentralized CIPAs. The 240 employees that make up the different commissions are equivalent to 7.3% of the total workforce.

**GRI 403-1**

Our occupational health and safety standards were updated in late 2020. Chesf constantly evaluates the hazards and risks associated with its activities, and also carries out periodic safety inspections and audits at its service providers.



**Dam safety**

We carried out evacuation drills at all Chesf plants in 2020. We also staged the first edition of our Dam Safety Seminar, with the launch of an e-book on the topic.

Our analysis tools include Hazards and Risks Matrices, Preliminary Hazard Analysis (APP) and Preliminary Risk Analysis (APR). We also have an Incident and Non-Conformity Control System (CIN), and our results are monitored by the Department of Health and Safety at Work (DGPS) through indicators such as:

- **Lost Time Injury Frequency Rate (TFA): 2.42 in 2020**
- **Severity Rate (TG): 23.5**

As for formal agreements with unions, 28.85% of our health and safety clauses are part of the national Collective Bargaining Agreement (ACT), and 30% come from our specific Chesf ACT.

**GRI 403-4**

# Accidents

**GRI 102-41, 103-2, 103-3, 403 (2018), 403-1, 403-2, 403-3, 403-4, 403-9, 403-10, EU16**

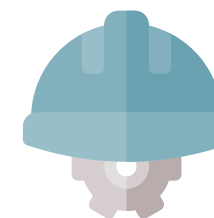
## FREQUENCY AND SEVERITY RATE - TYPICAL ACCIDENTS **GRI 403-9<sup>1,2</sup>**

Number of hours worked	6,605,852
Absolute value of lost time injuries (≤ 15 days)	15
Absolute value of lost time injuries (> 15 days)	1
Absolute value of non-lost time accidents	7
Total number of accidents	23
Days/men lost time	155
Days/men debited	0
Total days lost	155
Number of work-related fatal injuries	0
Lost Time Injury Frequency Rate (TFA)	2.42
TF (Frequency Rate)	3.48
TG (Severity Rate)	23.46

<sup>1</sup> Based on current legislation, this indicator defines employees as those with employment contracts associated with the company's CNPJ and which have this employment registered in their work permits, as determined in our consolidated labor law CLT. The following categories are included: own employees present on site, loaned/assigned em-

No employees were placed on sick leave due to occupational disease in 2020.

The Xingó Hydroelectric Plant remains certified in the Occupational Health and Safety Management System (SGSST) based on the international standard OHSAS 18 001 while the system is migrating to the new ISO 45 001 standard: 2018.



ployees, employees on paid or unpaid leave, employees in elected positions, amnestied civil servants onsite or on loan and, finally, young apprentices. The following categories are not included: employees requested from other companies, employees in a position of president or director and interns. **GRI 102-48**

<sup>2</sup> The lost-time injury frequency rate (TFA), frequency rate (TF) and severity rate (TG) use the following calculation for hours worked: the sum of monthly average hours worked x 167 x 12 (with 12/31/2020 as the cutoff date). **GRI 102-48**

# Remuneration

## GRI 102-36, 102-37, 102-38, 102-39

Chesf adopts the unified salary scale applicable to all Eletrobras companies. The initial salary is defined based on the required schooling level for the job (Elementary, High School Support Level, High School Technical Level and College Education). We respect the applicable legal salary floors for specific categories.

**GRI 102-36**

During ACT negotiations, Chesf receives employees' proposals and claims through their union representatives; we then discuss possible salary readjustments and the maintenance/expansion or elimination of existing benefits.

**GRI 102-37**

In 2020, the rate between the highest remuneration paid at Chesf and the average annual employee remuneration was 5.75 - lower than the 6.12 calculated in 2019.

**GRI 102-38**

In addition, the average remuneration of the highest-paid individual in 2020 varied - 0.3% in relation to 2019 - the variation among all other employees was 3.3%. As a consequence, the proportion between the annual variation of the highest paid individual and the variation of all other salaries paid was 0.09%.

**GRI 102-39**

We continuously monitor the gender pay gap, as shown in the tables below.

**GRI 405-2**



PROFESSIONAL CATEGORY		BASE SALARY (R\$)			REMUNERATION VALUE (R\$)		
		2018	2019	2020	2018	2019	2020
Managerial Level	Women	20,606.38	21,038.91	21,347.93	21,462.21	22,919.47	23,659.3
	Men	21,150.42	21,045.79	21,354.95	24,486.08	24,578.48	25,189.81
College Educated	Women	9,784.62	9,978.08	10,328.12	12,494.72	12,538.11	13,000.06
	Men	11,227.82	11,000.03	11,389.76	15,943.3	15,036.88	15,563.07
No College Education	Women	5,392.44	5,335.41	5,454.21	8,033.36	7,975.71	8,104.57
	Men	4,918.97	4,998.67	5,181.06	7,871.14	7,881.7	8,113.79

PROFESSIONAL CATEGORY		RATIO BETWEEN BASE SALARY FOR WOMEN AND MEN			RATIO BETWEEN BASIC PAY FOR WOMEN AND MEN		
		2018	2019	2020	2018	2019	2020
Managerial Level		0.97	1	1	0.88	0.93	0.94
College Educated		0.87	0.91	0.91	0.78	0.83	0.84
No College Education		1.1	1.07	1.05	1.02	1.01	1

# Remuneration

## GRI 102-36, 102-37, 102-38, 102-39

### Career and organizational climate GRI 404-1, 404-3

Chesf did not carry out regular performance and career development assessments in 2020.

A total of **106 hours** were spent in training on human rights for 98.26% of our employees; 84.47% of our security guards (own employees plus outsourced staff) also received this training  
GRI 410-1, 412-2

### Corporate education GRI 103-3, 404-1, 404-2, EU14

Chesf's Strategic Plan guides our development initiatives: we must ensure our employees have the necessary technical and managerial skills to address the challenges faced by the organization.

Our Corporate Education Plan focuses on general competencies and specific skills required by Chesf's businesses. Support for continuous learning is provided through courses, lectures, workshops and seminars, with quarterly indicator monitoring.

A total of 258 educational actions took place in 2020, adding up to 385,897 hours and involving 3,041 employees (or 95.24% of the staff, considering our 2019 workforce). Educational actions include long-term courses (such as specialization programs and master degrees), congresses, seminars, workshops, etc.

Last but not least, we maintain and leverage our intellectual capital with the following actions:

- **Knowledge Retention and Transfer Program**
- **Leader Development Program, focusing on first transitions into leadership positions**
- **Personal finance courses**
- **Partnership with the Enterprise-School Integration Center (CIEE) for intern recruitment and hiring**

### Benefits GRI 401-2, 401-3

Chesf grants traditional benefits such as allowances for transportation, meals, food, childcare, education and medicines; medical and dental care, group life insurance, psychopedagogical assistance, sick leave, maternity and paternity leaves, variable remuneration, vacation bonus, additional for length of service and pension plan. Additional benefits are language courses, special leave for victims of domestic violence, supplement to government sickness benefits, leave for support to sick family members, leave for the death of a stepfather or stepmother, extension of maternity and paternity leaves and funeral assistance.

We also offer death or disability benefits capped as established in ACT, and reimbursement for the acquisition of assistive technologies (such as hearing aids or blood pressure measuring devices), capped at values established in our regulations.



### Diversity

GRI 103-2, 103-3, 406-1

Our PNG, Strategic Map and Eletrobras Code of Conduct, Ethics and Integrity all state our commitment to respect individuals regardless of gender, ethnic-racial and sexual orientation; we will not condone discrimination nor any forms of moral and sexual harassment, and we support the fight against the abuse and sexual exploitation of children and adolescents.

Chesf monitors discrimination based on complaints received through its different communication channels. At the end of each year, we gather and analyze data from all complaints received, addressed and resolved. In 2020, the Chesf Ethics Committee received 20 complaints and initiated preliminary proceedings in 13 cases. Out of those, 12 complaints were resolved with signed conduct agreements and seven cases were considered unfounded or forwarded to other channels.

We are part of the MME Gender and Race Equity Program and our Chesf Gender and Race Committee was awarded the Seal of Ethnic-Racial Diversity by the Municipality of Salvador in 2020.

### Human rights GRI 103-2, 103-2, 412-13

Signatory to the UN Global Compact and the UN Guiding Principles on Business and Human Rights; the Network to Combat Sexual Violence against Children and Adolescents in Pernambuco; and the Na Mão Certa Program from Childhood Brasil, Chesf has promoted human rights awareness in its relationships with its various stakeholders, especially employees, suppliers, partners and communities.

Today we have nine Human Rights Awareness subprojects within our Value Chain Engagement Program. In addition, we created in 2020 the Chesf Human Rights Working Group under the coordination of our Institutional Relations Superintendence, aiming to bring greater visibility to this topic within the company,



## HIGHLIGHTS 2020

- Lecture on "Harassment at Work" with Karla Valle, specialist in harassment at work at the Regional Labor Court of Rio de Janeiro (TRT-RJ). Both moral and sexual harassment were addressed in her presentation.
- Lecture "What You Need to Know About Moral Harassment" with Nilson Perissé, from the Petrobras Ombudsman's Office
- Campaign "16 Days of Activism for the End of Violence against Women", including a lecture on masculinities by Ismael dos Anjos, author of the documentary *"The Silence of Men"*
- Webinar "Management of Diversity and Inclusion in Public Organizations", promoted by the MME Standing Committee on Gender, Race and Diversity Issues – all Eletrobras companies are part of MME. The event featured a lecture by consultant Reinaldo Bulgarelli, a specialist in the diversity promotion and management
- Campaign to disseminate the National Day for Persons with Disabilities, an action that is part of the permanent campaign "Viva as Diferenças" ("Celebrate Differences"), focused on information and education on special needs.
- Campaign to celebrate the 25th of August, marked by the enactment in Brazil of the United Nations International Convention on the Rights of Persons with Disabilities
- UN Day on October, 24 Celebrating the UN anniversary, the Global Compact (to which Chesf is a signatory) aired a free online course on "How to Understand and Act for Sustainable Development Goals (SDGs)"
- Dissemination campaign for December 10, International Human Rights Day. This action was part of the campaign "16 Days of Activism for the End of Violence against Women"
- Dissemination campaign for August 12, Brazilian Human Rights Day. This special date is dedicated to specific Brazilian hurdles and challenges to the advancement, protection and maintenance of individual and collective rights in our country
- Participation in actions that marked the 30th anniversary of the Child and Adolescent Statute (ECA), in partnership with the State Council for the Defense of Children and Adolescents (CEDCA-PE). In another joint action with the Council, Chesf participates annually in the "Fazer Bonito" campaign, which marks May 18 as a day dedicated to awareness and mobilization against abuse and sexual exploitation of children and adolescents.
- Campaign to disseminate September 23, the International Day against Sexual Exploitation and Trafficking of Women and Children.
- Webinar: "Online Safety for Children and Adolescents: Dangers and Opportunities", conducted during October (Brazilian "Children's Month") by Childhood Brasil, an NGO maintained by Eletrobras companies through the "Na Mão Certa" Program
- Publication and dissemination on the Chesf Portal of the graphic novel on slave labor produced by the Public Ministry of Labor (MPT).
- Campaign to disseminate the 12th of June as the National Day Against Child Labor
- Lilac August Campaign, which since 2017 fights violence against women. Annual event promoted by the Chesf Gender and Race Committee on August 7, anniversary of the enactment of the Maria da Penha Law on Violence against Women. Additionally, a video on the Chesf YouTube channel warned about the surge in domestic violence during the isolation measures against the coronavirus – and showed how to report such crimes
- Partnerships with NGOs Recife Chesfians Citizenship Committee, Salvador Chesfians Citizenship Committee, Solidary Mission Project (ProSol) and Working Group on Positive Prevention (GTP +)
- Support for the "Saving Lives" campaign led by BNDES. In this initiative, Chesf donated R\$ 3 million to hospitals of the Brazilian Unified Public Health System (SUS) in the Northeast to purchase protection kits for health professionals
- Donation of R\$ 120,000 in basic food baskets to poor communities around our facilities in the Northeast – which were especially vulnerable due to the pandemic
- Allocated R\$ 1.35 million through tax incentive laws to the State and Municipal funds for the Defense of the Rights of Children and Adolescents and the Elderly, supporting projects in Health and Education

# Creating social value

## GRI 102-21

### Relationship with stakeholders GRI 102.40, 102-42, 102-43, 103-2

The Eletrobras Policy on Communication and Engagement with Stakeholders defines how we identify and select the stakeholders we will engage with.

We communicate with investors, shareholders and/or market analysts through a specific channel, and provide them with relevant information as prescribed by law; we also issue press releases and news. We hold an annual event to celebrate Chesf's anniversary, bringing together authorities from Eletrobras, other companies in our sector and from MME. In addition, our Chief Executive Officer and other officers occasionally participate in ceremonies in the National Congress, Pernambuco State Assembly and Recife City Council. As a consequence of the pandemic, most of our stakeholder relationship events were staged online during 2020.

The press is another strategic audience for Chesf. We receive daily inquiries from journalists and we are always in contact with them; we have weekly meetings with the press on sensitive issues for the Brazilian Northeast, such as water scarcity. The regional press is especially important for the business, since many riverside municipalities are close to our dams and hydroelectric power plants. We also aired a branded content campaign in Bahia.



**Customer satisfaction index**  
**90.6%**

MATERIAL TOPICS

CAPITALS

SDGs

9 16

RELATIONSHIP WITH COMMUNITIES



### Clients

As part of the Eletrobras group, Chesf conducts satisfaction surveys with customers every two years.

In 2020 we had an online survey between July 27 and August 9, focusing on our Generation and Transmission businesses. Value attributes were used

to assess service, commercial activities, management of energy trading agreements, metering and billing, management of transmission agreements, image and sustainability.

The survey found a customer satisfaction rate of 90.6% – above the established target of 87.98%. We reached the highest score (5) in some attributes. The table below shows satisfaction rates by customer segment:

CLIENT / BUSINESS	SATISFACTION
Traders/Generation	95%
Free consumers/Generation	84%
Distributors/Generation	95.4%
Connected/Transmission	88%
<b>General score</b>	<b>90.6%</b>



### Communities **GRI 103-2, 413-1<sup>1</sup>**

Chesf's relationship with local communities surrounding projects (under implementation and in operation) is geared to avoiding, mitigating or remedying any negative impacts identified in preliminary environmental studies or in assessments carried out at active plants. Most of the actions are associated with Environmental Education programs and Social Communication initiatives involving local communities.

A team of professionals from different backgrounds interacts directly with the communities using a multidisciplinary approach. The group also supervises our Environmental Education and Social Communication agreements with specialized companies and professionals.

<sup>1</sup> This indicator considers the number of operations and the table of strategic assets of Eletrobras companies according to the National System Operator (ONS), as well as other operations monitored by the companies' operating areas, as stated in the corresponding Technical Note (NT DGOA 001/2021). The percentage of engagement actions was calculated according to these defining criteria for "operations". **GRI 102-48**

Some of our 2020 actions aimed at communities:

- Campaigns on dam safety, fire prevention and on hazards associated with **kites**
- **Texting service (SMS)** with inflow updates for the São Francisco River region
- Continued the **Socioenvironmental Action Plan (PAS)** at **HPPs Paulo Afonso I, II, III, IV, Apolônio Sales** and at **Xingó HPP** to embed environmental management in communication, education and environmental health
- Project **Recovering Native Trees** in pastures used by bovines and caprines in small properties. The idea is to have pastures with enough native trees to recover the soil and offer shelter for the animals, minimizing water erosion and conserving topsoil quality. The beneficiaries of this project are 105 farmers from 21 small rural properties in the villages of Patos, Pedra Grande, Lago de Dentro and Sítios Novos – all located in the municipality of Poço Redondo (SE). During 2020, the initiative planted 6,500 seedlings in 19 properties and introduced 21 species of plants native to the Caatinga
- **"Productive Backyards Project"**, creating and maintaining an Integrated and Sustainable Agroecological Production Unit (PAIS) in the agrovil-

lage community area of the Lameirão settlement. A total of nine women participated in this initiative. They organize the PAIS System, maintaining and distributing their production with the participation community youths. The harvest is distributed among 20 settlement families and supplies the Veredas da Caatinga group; twice a month, the vegetables are also sold in the organic fairs held at the Delmiro Gouveia (AL) city hall.

- **Sobradinho Lake Project**, carried out by the Brazilian Agricultural Research Corporation (Embrapa) Semi-arid and closed in December 2020. The initiative covered the municipalities Sobradinho, Casa Nova, Sento Sé, Remanso and Pilão Arcado, all located around the Sobradinho Plant in Bahia, and improved the quality of life of local communities through the dissemination of knowledge and technology, enabling local farmers and fishermen to deal with the frequent droughts in the region. Embrapa Semiárido implemented local Technological Learning and Training Camps in the local communities.
- **Lakes of São Francisco Project**, also carried out by Embrapa Semiárido in the municipalities of Pariconha, Olho D'Água dos Casados, Delmiro Gouveia and Piranhas (Alagoas); Paulo Afonso, Rodelas and Glória (Bahia); Petrolân-

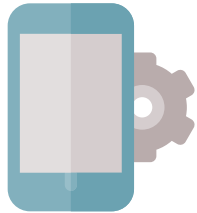
dia and Jatobá (Pernambuco) and Canindé do São Francisco, Poço Redondo and Nossa Senhora da Glória (iSergipe), all located around the dams of the Paulo Afonso Complex and the Itaparica (Luiz Gonzaga) and Xingó HPPs. The objective is to promote research, development, technology transfer and training for technicians, students, producers and fishermen, strengthening local infrastructure for agricultural activities, improving local producers' productivity and income, and enabling them to multiply productive units.

### Indigenous peoples GRI 411-1

Our social actions consider the specific indigenous rights provided for in the Brazilian Federal Constitution and in international treaties, notably Convention 169 of the International Labor Organization (ILO). In planning new ventures, we avoid TIs (Indigenous Territories) through satellite imaging and spatial studies based on mapping available from the National Indigenous Foundation (Funai).

No reports of violations of indigenous rights were received through the Eletrobras Ombudsman channels in 2020.

**Chesf's actions aimed at communities include support for small local farmers, campaigns against burning to clear land, and information on dam safety**



### Communication and social media

Chesf grew significantly both in social media (followed by more than 20,000 people) and in internal communications, as shown in the highlights below.

- Covid-19 prevention campaign initially aimed at employees reached a wider scope through materials available on our website
- Campaign “Our energy is with you. Stay at home”, a joint effort from all Eletrobras companies
- Strengthened our “Chesf Today” newsletter as a key information outlet for employees, besides the “Chesf Bulletin Board”, intranet and other

channels

- Data from the Ombudsman's Office show our employees are quite active on our communication networks: 82% of interactions were inquiries or comments on topics such as Supplies, Right of Way, Economic and Financial, General Services and Operation and Maintenance
- The hashtags #ExisteChesfNaSuaVida (#TheresChesfInYourLife) and #ExisteChesfNaMinhaVida (#TheresChesfInMyLife) appeared in several posts

### Culture

In 2020, Chesf also sponsored the Child Citizen Orchestra, an educational project for children and youths in Recife aimed at promoting citizenship through classical music, string instruments and musical instrument building – in addition to digital inclusion, foreign languages (English and Spanish) and psychosocial support.

Chesf also sponsored the book *Pernambuco: Folclore e Folguedos*, featuring photos and texts by visual artist Carlos Alberto de Souza (Pedro Índio) with co-author Ângela Santana, based on extensive research of the historical origins of folklore and merrymaking in the state of Pernambuco. Social Aria – Cultural Workshops IV is a project supported by Chesf that promotes free and professional courses in dance and music, impacting 450 children and youths.

**Child and slave labor GRI 103-2, 103-3, 407-1, 408-1<sup>1</sup>, 409-1<sup>1</sup>**

In its Code of Ethics and Conduct, Chesf formally undertakes not to admit forced, slave-like or child labor in its own activities or those of its partners and production chain; the company also commits to reporting offenders.

The document called Principles and Commitments to Business Conduct in Chesf's Relationship with Suppliers is the basis for our agreements with services and materials suppliers. The Code lists the behaviors we expect from our contractors. Such behaviors include not using forced or slave-like labor, no underage workers in night shifts or in hazardous work, no workers under 16 in any activity, except as apprentices (from the age of 14).

The Chesf Portal posted a *Graphic Novel on Contemporary Slave Labor* produced by the the Public Ministry of Labor (Federal Prosecutor's Office for Labor Law) to draw attention to the issue. In addition, in 2020 we carried out actions to disseminate the National and World Day to Combat Child Labor (June 12), raising awareness of the topic among internal and external audiences.

A total of 132 suppliers currently hired for works or services with dedicated labor at Chesf during 2020 were classified as risks for child, forced or slave-like labor. There were, however, no confirmed cases of child, forced or slave-like labor among them.

Chesf agreements involving dedicated labor are audited by independent specialists on third party risk management. The independent auditors verify each outsourced employee's registration data to identify possible cases of non-compliance with our ban on underage workers.

In addition, the company has an Ombudsman ([ouvidoria@chesf.gov.br](mailto:ouvidoria@chesf.gov.br)) and a Supplier Service Center ([caf@chesf.gov.br](mailto:caf@chesf.gov.br)), both widely disseminated on our website. Our Eletrobras Compliance Hotline ([Canal de Denúncias das Empresas Eletrobras](#)) is easily available and managed by an independent organization to ensure anonymity for whistleblowers.

There were no indications of active Chesf suppliers where the right to exercise freedom of association and collective bargaining was violated (or at risk).

**Social actions GRI 103-2, 103-3, 413-1**

In 2020, Chesf invested in two major structuring social projects in the Northeast. The actions aim to generate work and income and improve the quality of life for communities surrounding our projects, especially in the states of Bahia, Alagoas, Sergipe and Pernambuco.

In addition, the Chesf Corporate Volunteer Program (employee volunteer program) expanded its operations to all regional offices. Our internal volunteer campaign collected and distributed basic food baskets, hygiene kits and cleaning products for socially vulnerable families throughout the Northeast – and also for ten Long Term Care Institutions for the Elderly (ILPI) in Recife and surrounding municipalities, as well as in Salvador, benefiting a total of 255 elderly residents. Chesf itself allocated R\$ 120,000 for basic food baskets distributed to communities in the vicinity of our projects that were particularly affected by the pandemic.

<sup>1</sup> Contractors and outsourcing companies with personnel allocated in Eletrobras companies are considered at greatest risk for child labor and forced or slave-like labor. **GRI 102-48**



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**Eletrobras Companies Compliance Channel**

MATERIAL TOPICS

CAPITALS

WATER

SOCIO-ENVIRONMENTAL ASPECTS IN DECISION-MAKING

CLIMATE CHANGE

ENERGY TRANSITION



# Planet





**Our different economic activities can impact the environment and cause significant damage to the planet – and thus to society. The way our customers, regulators and other stakeholders respond to the consequences can create both risks and business opportunities. We must have a clear picture of the environmental impacts associated with each business to determine whether such impacts will impair our ability to create value, or ultimately make our business unfeasible in the long term.**

## Impacts

### GRI 103-2, EU20

#### Environmental impacts GRI 103-2 413-2

In its projects, Chesf carries out a thorough evaluation of environmental impacts and applicable regulations to minimize risks and delays in implementation. This precautionary approach is important to avoid sanctions imposed by environmental agencies or stakeholders, or other hurdles in the environmental licensing of new enterprises. These evaluations are consolidated monthly, and the results presented periodically to the Engineering Board. In addition, our Environmental Licensing System (SISLIC) is a computerized tool for recording and sharing information and documents regarding company enterprises and units.

We obtained more than 20 authorizations and licenses in 2020. This underscores our environmental compliance in new projects as well as in other reinforcement and improvement projects in existing plants.



# Impacts

## GRI 102-34, 103-2, EU20, EU22



### Impacts on people EU20

For neighboring communities, the most significant negative impacts usually occur during project implementation: changes in urban space and fishing activity, forced displacement of populations, migratory flows, variation in the demand for social services, change in the profile of employment and income and interference in the social dynamics of indigenous communities or *quilombolas*. Chesf has not implemented new HPP projects in recent years, and we have no plans to implement any other project that would cause involuntary displacement of populations. Should this nevertheless come to happen, we have the necessary organizational and technical structures to meet the applicable legal requirements.

In the initial prospecting phase leading to environmental studies, we identify the social, economic and cultural characteristics of the populations living within the area that will be directly or indirectly influenced by the new Chesf project.

### Emergency situations EU21

Chesf facilities have Contingency Plans for key risk scenarios, with defined procedures to be followed by teams in case of emergencies. Each Chesf plant has its specific Emergency Action Plan for emergencies in dams, including a detailed plan and training schedule. Chesf employees and outsourced teams working in our plants undergo specific training for emergencies.

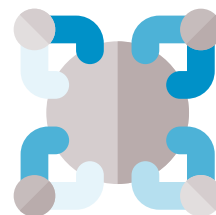
photo: Traditional fishing - Reservoir of Usinas Paulo Afonso I, II and III (BA)

# Environmental Management System **GRI 103-2**



All Chesf decisions that have an impact on socio-environmental aspects consider the information, studies, possibilities and technical proposals provided by the responsible areas. The company's Bylaws establish that we must strive for a balanced approach to economic, financial, social and environmental aspects in our operations and business opportunities. Our Executive Board and the Board of Directors seek to minimize negative effects while leveraging positive aspects to ensure the least possible social and environmental impact. The Chesf Expansion and Environment Planning Superintendence is responsible for coordinating actions related to the environment and climate change.

*photo: Reservoir of the Paulo Afonso I, II and III plants (BA)*



**Thanks to its environmental management system, today Chesf has control over licenses for its facilities**

# Water

## GRI 103-2, 303-1, 303-2, 303-3, 303-4, 303-5, 413-2

Chesf's production activity relies on water, but does not consume it. Hydroelectric plants generate power with no significant change to water quality in the hydric bodies where the generation activities occur. For strict observance of legal environmental parameters, however, our management areas periodically monitor the quality and quantity of water in the reservoirs where we have projects, as well as in their areas of influence. In most of the monitoring sessions we check, among other data, storage level and flow, concentration of nutrients and biological parameters, as well as physical-chemical parameters such as temperature, pH, electrical conductivity, dissolved oxygen, turbidity, transparency, total alkalinity, total hardness, nitrate and nitrite concentration, ammonia, total phosphorus, total phosphate, inorganic phosphorus, chlorides, chlorophyll, density of thermotolerant coliforms and concentration of pesticides, oils and greases.

We have quarterly water quality assessments; in water crisis scenarios, the frequency can be increased to biweekly or even daily analyses. Our regular activities also include permanent awareness-raising and educational actions for surrounding communities: our Education and Social Communication Programs stress the importance of water.

According to National Water Agency (ANA), the total annual volume of water turbined by Chesf hydroelectric plants located in rivers under water stress (in critical or very critical situations) was 306,875.52 megaliters in 2020.

In its PNG, Chesf has a SDG 9 goal (Industry, Innovation and Infrastructure) that is related to water consumption. This goal is to reduce by 0.3% per year our administrative water consumption from the supply network in an initiative

under the oversight of the Regional and Operational Management Superintendence. Water consumption is monitored by the Sustainability Committee, which checks for possible deviations and monitors our action plans as we work towards our goal. We exceeded our 2020 target thanks to targeted periodic maintenance of hydrosanitary facilities and the replacement of older equipment with more efficient versions.

In water disposal, the main effluents generated by Chesf come from sanitary facilities. All wastewater goes through conventional treatment systems (septic tanks or sewage systems offered by local concessionaires), with no risk to water bodies. **GRI 303-2**

Although Chesf's activities do not result in significant impacts on the quality of water resources as stated above, it should be noted that one of the greatest challenges to the full operation of its hydroelectric plants and reservoirs stems from the change in water quality by external factors. One example is macrophyte proliferation, mainly caused by the intake of sewage and the drainage of wastewater from the cities surrounding the reservoirs.

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### River basins

We carry out periodic inspections of the hydrological conditions of river basins, with measurements at hydrometric stations located in the basins of the São Francisco, Parnaíba and Contas rivers. We also have yearly reviews and updates to the Annual Flood Control Plan, rules and operational guidelines for flood control, inventory of hydraulic operating restrictions, flood control manuals, and ongoing, systematic dissemination of information on the basins of the three rivers.

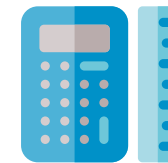
Chesf projects have a valid grant or a submitted grant request for the use of water resources for the purpose of leveraging hydroelectric potentials.



# Water

**GRI 103-2, 303-1, 303-2, 303-3, 303-4, 303-5, 413-2**

**Chesf consumed a total of 103.37 thousands of m<sup>3</sup> of water in 2020**



## The year 2020

In 2020, Chesf consumed a total of 103.37 thousands of m<sup>3</sup> of water<sup>1,2,3,4</sup>. This figure was calculated from direct measurements at company facilities carried out by the operational areas, which are then compiled and sent to the Superintendence of Regional and Operational Management, responsible for gathering the information and generating control and monitoring records.

1 Groundsource water collection data are not reported because of faulty hydrometers in some installations and lack of measuring equipment in some cases (usually in shallower wells). However, regularization services for Chesf hydrometers are in progress and this consumption will be measured from March 2022 **GRI 102-48, 303-3**

2 The water consumption of the supply network by Chesf substations during 2020 was calculated from the classic values used in the design of hydraulic systems – in this case, 50 liters/days per capita. Accordingly, we mapped the number of employees allocated in each of the substations, multiplied that number by 50 and then by 365 to reach our figure of 10,439 m<sup>3</sup> of water consumed during the year 2020 **GRI 102-48, 303-5**

3 Current protocols for Eletrobras companies consider both rainwater and water captured from the supply network as being water consumed for use in administrative activities – although it is possible that part of the surface water was consumed by the companies. In 2020, water consumed for use in administrative activities was also collected from underground sources **GRI 102-48, 303-5**

4 The volume of water consumed in areas of water stress was not identified **GRI 303-5**

### GRI 303-5

During 2020, Chesf introduced a series of improvements to its Support Instrument for Decision-Making in the Water Resources Area (ISDARH). This system was designed to manage and store hydrological data, send information to external bodies and meet the requirements of the Operation License (LO) granted to the Xingó Hydroelectric Plant. We carry out hydrosedimentometric monitoring – which includes inspection, treatment and storage of measurement records of liquid and solid discharges from hydrometric stations, as well as the maintenance of installed equipment and the performance of bathymetry (measurement of depth) in the measurement stations located downstream from the plants. Since 2013, a long drought has impacted the São Francisco River Basin. As a result, the Brazilian Institute for the Environment and Renewable Natural Resources (Ibama) has issued Special Authorizations for Chesf to reduce the flows from the Sobradinho and Xingó reservoirs. **GRI 413-2**

Below are the water forums we participate in:

- **São Francisco River Basin Committee (CBHSF), including its Institutional and Legal Technical Chamber and Technical Grant and Collection Chamber**
- **Water Resources Council of the State of Alagoas (CERH-AL)**
- **Rio das Contas River Basin Committee (CBHRC)**
- **Working Group on Water Resources and Hydroelectric Potential (GTRH-EE)**
- **Brazilian Association of Electricity Generating Companies**
- **Water Resources Working Group (GTRH) of the Brazilian Association of Electricity Generating Companies**

# Climate change

GRI 103-2, 305-7, 413-1

SDGs

8 9



In 2020, Chesf made considerable progress in expanding its generating complex, prioritizing the development of wind and solar photovoltaic generation projects in the Northeast. We aim to leverage the great potential of this region of the country in a sustainable manner, and we use geotechnology tools to identify areas already anthropized (that is, already altered by man) for our new ventures.

A good example is our Casa Nova A Wind Power Plant Project: we are resuming and concluding the implementation of a wind farm with an installed capacity of 27 MW. **SDG 8**

## Solar energy in compensation

The Conta Zero Program is underway at Chesf: this is an initiative that will offset the consumption of electricity by our distribution concessionaires. Our goal is to implement seven photovoltaic micro and mini-generation projects in substations and installations at the Petrolina Solar Energy Reference Center in six states (AL, CE, PB, PE, PI and RN), totaling 4800 kW.

## Chesf's floating solar plant: Research and development + Innovation GRI 413-1, SDG 9

As the largest project of its kind in Brazil, the Sobradinho floating plant is a reference in methodology, research project and implementation. Subject of recent doctoral theses at the Federal University of Pernambuco (UFPE), the floating plant showcases the opportunity for technological diversification – not only for Chesf, but for Eletrobras as a whole.

The expansion approved by Chesf in 2020 will raise generation capacity from 1MW to 2.5MW. We are planning a similar project at the Boa Esperança HPP for comparison purposes.

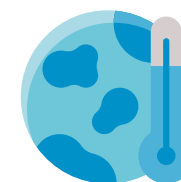


photo: Floating Solar Plant in the Sobradinho Hydroelectric Reservoir (BA), seen in the background

# Biodiversity

## GRI 304-2, 304-3, 304-4, EU13

Chesf carries out actions to monitor, control, verify and mitigate impacts on biodiversity throughout the planning, implementation and operation phases of its undertakings and facilities. Relevant findings of such studies may lead to changes in the projects, such as a different path for transmission lines. We also make adjustments to preserve and/or mitigate business interference in areas of high biodiversity value: our objective is to identify affected species and their degree of vulnerability.

In 2020, Chesf joined the Brazilian Business Commitment for Biodiversity led by the Brazilian Business Council for Sustainable Development. The objective is to make companies aware of the importance biodiversity and ecosystem services have for business activities, and to reinforce the fundamental role companies can play in conservation by adopting sustainable consumption and production patterns

### Generation

Our most significant negative impact on biodiversity is associated with the operation of hydroelectric plants, or rather with their reservoirs. The dam impacts water flow and interferes in the habitats and ecological dynamics of reophilic ichthyofauna, affecting their displacement, reproduction, recruitment and biodiversity, which can lead to a reduction in the number of fish species in these areas. In contrast, the main positive impact is flow regularization in low hydraulicity stretches of the São Francisco downstream of the Sobradinho HPP, all the way to the river mouth. In an effort to mitigate and offset the negative impacts of hydroelectric projects, Chesf maintains ichthyofauna monitoring programs, a fish farming station in Paulo Afonso and fishstocking with several species native to the basin.

**Operated by Chesf, the Xingó Forest Nursery produced 75,276 native caatinga tree seedlings in 2020.**

**Five thousand units of the crown-of-friar plant (*Melocactus sp*), a protected species at risk of extinction, are in the final stage of cultivation in a Chesf research project aimed at large-scale re-production – an additional four thousand seedlings will follow.**

Chesf has not identified any significant impacts on avifauna in its solar and wind generation projects to date, although existing literature describes some possible effects. In any case, fauna monitoring is an integral part of our environmental programs.

### Transmission

During the installation phase of the transmission undertakings, direct impacts on the flora and fauna may occur along the right-of-way and around towers and access plazas, causing a reduction in animal populations. While they do not compromise local biodiversity, such impacts are permanent – local vegetation cannot recover fully and the habitat for fauna is restricted. In order to mitigate and offset such impacts, Chesf runs programs for the recovery of degraded areas, flora and fauna monitoring and forest replacement initiatives, mostly in Conservation Units (UC). Other programs focus on the recovery of Permanent Preservation Areas (APP) and on erosion monitoring.

As for the positive impacts of its transmission projects, the roads built by Chesf to access the lines increase the mobility of the surrounding population, improving access to urban centers and facilitating production flows to markets. In addition, the mitigation programs carried out by the company – environmental education and social communication actions – contribute to the social development of communities.

# Biodiversity

**GRI 304-2, 304-3, 304-4**



## Action in 2020

- Monitoring of the aquatic ecosystems of the Parnaíba and São Francisco rivers and HPP reservoirs Boa Esperança, Sobradinho, Itaparica, Xingó and Paulo Afonso Complex.
- São Francisco River Monitoring Program during low flow (assessment of quality of water, macrophytes, saline intrusion and erosive processes)
- Continued recovering degraded areas around the HPP reservoirs of Sobradinho, Xingó and Boa Esperança
- Fishstocking with native species in São Francisco River reservoirs
- Maintenance of the revegetation project of the Mata do Junco Wildlife Refuge in the State Conservation Unit in Capela (SE), planting two thousand seedlings of native Atlantic Forest species to recover an area of 10.35 hectares. We have completed 86% of the implementation to date.
- Started monitoring and recovering the Permanent Preservation Areas (APPs) along the 230 kV Socorro/Penedo transmission line between Sergipe and Alagoas. After the diagnosis and revegetation of 14.4 hectares intercepted by the line (forecast of planting 12,000 native Atlantic Forest seedlings), the protected areas were fenced and information boards put up. More than 55% of the reforestation area has been implemented in this location.
- Continued the reforestation project of 61.6 hectares in the Ecological Station of Aiuaba (CE) and 13.5 hectares in the transmission line kV Picos/Tauá C1, planting more than 56,000 seedlings
- In partnership with Ibama and Codevasf (Development Company for the Valleys of São Francisco and Parnaíba), Chesf participated in an initiative in which 15,000 live fry and young curimatã (native São Francisco River fish species) were released in Lagoa dos Campinhos, in the municipality of Amparo do São Francisco (SE), and three thousand seedlings of native trees were donated for the recovery of riparian forests in the region



# Emissions

**305-1, 305-2, 305-3, 305-4,  
305-5, 305-6, 305-7**

In 2020, Chesf's total greenhouse gas (GHG) emissions were equivalent to 114,012 tCO<sub>2</sub>. As expected, Scope 2 emissions predominate (89% of the total), followed by Scope 1 (11% of the total) and Scope 3 (less than 1% of the total).



For more information and detailed data on gases, emission factors, base year, methodologies and assumptions, access the GHG Emissions Inventory on our [website](#) to find annual data published according to the IPCC methodology (2006) and the Greenhouse Gas Protocol guidelines (GHG Protocol - WRI, 2004).

## Annual emissions

	2019	2020
Scope 1 (tCO <sub>1</sub> e)	20,645	12,360
Scope 2 (tCO <sub>2</sub> e)	140,447	101,412
Scope 3 (tCO <sub>3</sub> e)	1,268	240
<b>Total (tCO<sub>2</sub>e)</b>	<b>162,360</b>	<b>114,012</b>

## Actions in 2020

- Continued operation of the photovoltaic mini-generation project in Petrolina (PE) with a generation capacity of 2,500 kWca, a research platform aimed at improving best practices in energy production. This research plant offsets Chesf's electricity consumption in a distribution concessionaire in Pernambuco. An agreement was also signed for studies on the use of new technologies to add another 500 kWca to the Petrolina plant **EU8**
- Proceeded with implementation of six additional distributed generation projects under the Conta Zero Program to add 2,300 kW of generation capacity and offset electricity consumption in the states of Alagoas, Ceará, Paraíba, Piauí and Rio Grande do Norte
- Elaboration of a study based on Chesf's distributed generation projects under the Conta Zero Program. The study consists of a Life Cycle Assessment (LCA) to compare electricity generation by the electrical matrix of the Northeast subsystem to an arrangement of eight photovoltaic generators. The main objective is to gather more information on the carbon footprint of different electricity generation systems and identify opportunities to reduce GHG emissions

# Effluents and waste

## GRI 306-2

Chesf's waste management plan seeks solutions for activities such as separation at source, storage, transportation, reutilization, recovery and final disposal to ensure such activities preserve human health and the environment, in line with the principles of the [Eletrobras' Environmental Policy](#) and abiding by the National Solid Waste Policy.

Chesf treats its waste (Class I and Class II-A and B) in accordance with the legal and normative provisions in force, especially with Art. 9 of Law 12,305/2010 (National Solid Waste Policy). Most Class I waste is disposed of by a specialized third-party company. In the case of Class II waste generated by the Headquarters Complex, Chesf hires third-party companies that collect the waste and send it to the Candeias Waste Treatment Center (CTR).

**Chesf is committed to adequate practices in the separation, storage, transport, recovery, recovery and final disposal of waste**

DISPOSAL OF NON-HAZARDOUS WASTE (T)	2020		
	HYDROELECTRIC GENERATION	ADMINISTRATIVE ACTIVITIES	TRANSMISSION
Recycling	12.30	6.70	5.77
Composting	0.0	0.0	0.0
Landfill	0.0	0.0	0.69
<b>Total</b>	<b>12.30</b>	<b>6.70</b>	<b>6.46</b>

DISPOSAL OF HAZARDOUS WASTE (T)	2020		
	HYDROELECTRIC GENERATION	ADMINISTRATIVE ACTIVITIES	TRANSMISSION
On-site storage	166.73	3.711	207.83
Industrial landfill	0.00	7.00	1.15
Co-processing	0.00	1.42	0.00
<b>Total</b>	<b>166.73</b>	<b>12.13</b>	<b>208.98</b>





# GRI CONTENT INDEX

Xingó HPP (SE)

# GRI CONTENT INDEX

## GRI 102-55

### GENERAL DISCLOSURES

#### GRI 102: GENERAL DISCLOSURES 2016

##### Organizational profile

Disclosure	Page/URL	Omission	Sustainable Development Goals
<b>102-1</b> Name of the Organization	21	None	
<b>102-2</b> Activities, brands, products and services	21	None	
<b>102-3</b> Location of headquarters	109	None	
<b>102-4</b> Location of operations	21	None	
<b>102-5</b> Ownership and legal form	21, 22	None	
<b>102-6</b> Markets served	21, 22	None	
<b>102-7</b> Scale of the Organization	21, 22, 51, 52, 53, 55, 56, 64, 65	None	
<b>102-8</b> Information on employees and other workers	64, 66	None	8, 10
<b>102-9</b> Supply chain	61, 62	None	
<b>102-10</b> Significant changes to the organization and its supply chain	61, 62	None	
<b>102-11</b> Precautionary principle or approach	34, 35, 36, 37	None	
<b>102-12</b> External initiatives	42	None	
<b>102-13</b> Membership of associations	42	None	

**Energy Sector Supplement - Organizational Profile**

Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>EU1</b> Installed capacity (MW), broken down by primary energy source and regulatory regime	21	None	7
<b>EU2</b> Net energy output, broken down by primary energy source and regulatory regime	21, 55, 56	None	7, 14
<b>EU4</b> Length of above and underground transmission and distribution lines by regulatory regime	55, 56. Note: Considering transmission lines in operation at the end of the period (both corporate and SPEs), including lines that may or may not qualify for RAP and complementary lines – such as power plant connection lines and lines serving free consumers or consumers connected to DIT in networks under 230kV.	None	

**Strategy**

<b>102-14</b> Statement from senior decision maker	4, 5	None	
<b>102-15</b> Key impacts, risks, and opportunities	4, 5, 34, 35, 36, 37, 39, 40, 41	None	

**Ethics and Integrity**

<b>102-16</b> Values, principles, standards and codes of behavior	25, 30, 32, 33, 44, 46, 47	None	16
<b>102-17</b> Mechanisms for advice and concerns about ethics	30, 31, 32, 33	None	

**Governance**

<b>102-18</b> Governance structure	26, 30, 32, 33	None	
<b>102-19</b> Delegating authority	26, 28	None	
<b>102-20</b> Executive-level responsibility for economic, environmental and social topics	26, 28	None	
<b>102-21</b> Consulting stakeholders on economic, environmental and social topics	10, 75	None	
<b>102-22</b> Composition of the highest governance body and its committees	26	None	
<b>102-23</b> Chair of the highest governance body	26	None	
<b>102-24</b> Nominating and selecting the highest governance body	26, 27	None	

**Governance**

Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>102-25</b> Conflicts of interest	26	None	
<b>102-26</b> Role of highest governance body in setting purpose, values and strategy	34, 35, 37, 39, 40, 41, 44, 46, 47	None	
<b>102-27</b> Collective knowledge of the highest governance body	26, 27	None	
<b>102-28</b> Evaluating the highest governance body's performance	26, 28	None	
<b>102-29</b> Identifying and managing economic, environmental and social impacts	30, 32, 33, 36, 37, 39, 40, 41	None	
<b>102-30</b> Effectiveness of risk management processes	34, 35	None	
<b>102-31</b> Review of economic, environmental and social topics	36, 37, 39, 40, 41, 49	None	
<b>102-32</b> Highest governance body's role in sustainability reporting	10	None	
<b>102-33</b> Communicating critical concerns	49	None	
<b>102-34</b> Nature and total number of critical concerns	82	None	
<b>102-35</b> Remuneration policies	29	None	
<b>102-36</b> Process for determining remuneration	29, 71, 72	None	
<b>102-37</b> Stakeholders' involvement in remuneration	29, 71, 72	None	
<b>102-38</b> Annual total compensation ratio	71, 72	None	
<b>102-39</b> Percentage increase in annual total compensation ratio	71, 72	None	

**Stakeholder Engagement**

Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>102-40</b> List of stakeholder groups	10	None	
<b>102-41</b> Collective bargaining agreements	69, 70. Note: 100% of employees are covered by collective bargaining agreements.	None	8
<b>102-42</b> Identifying and selecting stakeholders	10, 75	None	
<b>102-43</b> Approach to stakeholder engagement	61, 62, 64, 65, 66, 75	None	
<b>102-44</b> Key topics and concerns raised	12, 13	None	

**Reporting practices**

<b>102-45</b> Entities included in the consolidated financial statements	<p>51. Note: Specific Purpose Entities are included in Chesf consolidated financial reports and represent permanent stakes the company holds in the organizations controlled solely or jointly by Chesf, or affiliated companies. They are listed below:</p> <ul style="list-style-type: none"> <li>- STN - Sistema de Transmissão Nordeste S.A.</li> <li>- Energética Águas da Pedra S.A.</li> <li>- Interligação Elétrica do Madeira S.A.</li> <li>- Energia Sustentável do Brasil S.A.</li> <li>- Manaus Construtora Ltda.</li> <li>- Norte Energia S.A.</li> <li>- Interligação Elétrica Garanhuns S.A.</li> <li>- Vamcruz I Participações S.A.</li> <li>- Companhia Energética Sinop S.A.</li> <li>- Acauã Energia S.A.</li> <li>- Angical 2 Energia S.A.</li> <li>- Arapapá Energia S.A.</li> <li>- Caititu 2 Energia S.A.</li> <li>- Caititu 3 Energia S.A.</li> <li>- Carcará Energia S.A.</li> <li>- Corrupião 3 Energia S.A.</li> <li>- Teiú 2 Energia S.A.</li> <li>- Coqueirinho 2 Energia S.A.</li> <li>- Papagaio Energia S.A.</li> <li>- Tamanduá Mirim 2 Energia S.A.</li> </ul>	None	
<b>102-46</b> Defining report content and topic Boundaries	9, 10, 12, 13	None	

**Stakeholder Engagement**

Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>102-47</b> List of material topics	9, 11	None	
<b>102-48</b> Restatements of information	70, 76, 79, 85. Note: Adjustments made to data and assumptions in our previous report are indicated in the corresponding items.	None	
<b>102-49</b> Changes in reporting	10. Note: The 2020 materiality matrix has three additional material topics themes compared to 2019 (Health and safety and well-being; Relationship with Suppliers; and Relationship with communities).	None	
<b>102-50</b> Reporting period	9	None	
<b>102-51</b> Date of most recent report	9. Note: Our previous report was published in 2020 and referred to the year 2019.	None	
<b>102-52</b> Reporting cycle	9 Note: Annual.	None	
<b>102-53</b> Contact point for questions regarding the report	9, 109	None	
<b>102-54</b> Claims of reporting in accordance with the GRI Standards	Note: This report has been prepared in accordance with the GRI Standards – Core option.	None	

**Reporting practices**

Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>102-55</b> GRI content index	92	None	
<b>102-56</b> External assurance	108. The non-financial information published in this report was assured by an independent third party, as directed by the Executive Board and the Board of Directors and in accordance with international verification parameters. In this cycle, the assurance work was carried out by PwC.	None	



**SPECIFIC DISCLOSURES**

**Economic Performance**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	34, 35, 36, 37, 40, 41, 55		
	<b>103-3</b> Evaluation of the management approach	34, 35, 36, 37, 41, 47, 52, 53		
<b>GRI 201: Economic Performance 2016</b>	<b>201-1</b> Direct economic value generated and distributed	54		8,9
	<b>201-2</b> Financial implications and other risks and opportunities due to climate change	40		13

**Procurement Practices**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	61, 62, 75, 76		
	<b>103-3</b> Evaluation of the management approach	30, 31, 47		
<b>GRI 204: Procurement Practices 2016</b>	<b>204-1</b> Proportion of spending on local suppliers	61, 62		8

**Anti-corruption**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	26, 30, 31, 32, 33, 61, 62		
	<b>103-3</b> Evaluation of the management approach	30, 31, 47		
<b>GRI 205: Anti-corruption</b>	<b>205-1</b> Operations assessed for risks related to corruption	62		16
	<b>205-2</b> Communication and training about anti-corruption policies and procedures	30, 31, 32, 33		16
	<b>205-3</b> Confirmed incidents of corruption and actions taken	30, 31. Note: No confirmed incident of corruption was recorded in 2020.		16

**SPECIFIC DISCLOSURES**

**Taxes**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	54		
	<b>103-3</b> Evaluation of the management approach	54		
<b>GRI 207: Tax 2019</b>	<b>207-1</b> Approach to tax	54		
	<b>207-2</b> Tax governance, control, and risk management	54		1,10,17
	<b>207-3</b> Stakeholder engagement and management of concerns related to tax	54		1,10,17
	<b>207-4</b> Country-by-country reporting	Non-applicable		1,10,17

**Water and effluents**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	44, 46, 81, 82, 83, 84, 85		
	<b>103-3</b> Evaluation of the management approach	44, 46, 47		
<b>GRI 303: Water and effluents 2018</b>	<b>303-1</b> Interactions with water as a shared resource	84, 85		6, 12
	<b>303-2</b> Management of water discharge-related impacts	84, 85		6
	<b>303-3</b> Water withdrawal	84, 85		6, 8, 12
	<b>303-4</b> Water discharge	84, 85		6
	<b>303-5</b> Water consumption	84, 85		6

**SPECIFIC DISCLOSURES**

**Biodiversity**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 44, 46, 81, 82, 83		
	<b>103-3</b> Evaluation of the management approach	42		
<b>GRI 304: Biodiversity 2016</b>	<b>304-2</b> Significant impacts of activities, products, and services on biodiversity	87, 88		6, 14, 15
	<b>304-3</b> Habitats protected or restored	87, 88		6, 14, 15
	<b>304-4</b> IUCN Red List species and national conservation list species with habitats in areas affected by operations	87, 88		6, 14, 15
<b>Energy Sector - Biodiversity</b>	<b>EU13</b> Biodiversity of replacement habitat compared to the biodiversity of affected areas	87		6, 14, 15

**Emissions**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 43, 44, 46, 81, 82, 83, 86		
	<b>103-3</b> Evaluation of the management approach	42, 44, 46, 47		
<b>GRI 305: Emissions 2016</b>	<b>305-1</b> Direct (Scope 1) GHG emissions	89		3, 12, 13, 14, 15
	<b>305-2</b> Energy indirect (Scope 2) GHG emissions	89		3, 12, 13, 14, 15
	<b>305-3</b> Other indirect (Scope 3) GHG emissions	89		3, 12, 13, 14, 15
	<b>305-4</b> GHG emissions intensity	89		13, 14, 15
	<b>305-5</b> Reduction of GHG emissions	89		13, 14, 15
	<b>305-6</b> Emissions of ozone-depleting substances (ODS)	89		3, 12
	<b>305-7</b> Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	86, 89		3, 12, 14, 15

**SPECIFIC DISCLOSURES**

**Effluents and waste**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	44, 46, 81, 82, 83		
	<b>103-3</b> Evaluation of the management approach	44, 46		
<b>GRI 306: Waste 2016</b>	<b>306-2</b> Waste by type and disposal method	90		3, 6, 11, 12

**Employment**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	73		
	<b>103-3</b> Evaluation of the management approach	72		
<b>GRI 401: Employment 2016</b>	<b>401-1</b> New employee hires and employee turnover	64, 65		5, 8, 10
	<b>401-2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees	72		3, 5, 8
	<b>401-3</b> Parental leave	72		5, 8
<b>Energy Sector Supplement - Employment</b>	<b>EU14</b> Programs and processes to ensure the availability of a skilled workforce	72		4, 8
	<b>EU16</b> Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	69, 70		8

**SPECIFIC DISCLOSURES**

**Occupational Health and Safety**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	61, 62, 68, 69, 70		
	<b>103-3</b> Evaluation of the management approach	41, 68, 69, 70		
<b>GRI 403: Occupational Health and Safety 2018</b>	<b>403-1</b> Occupational health and safety management system	69, 70		8
	<b>403-2</b> Hazard identification, risk assessment, and incident investigation	69, 70		3, 8
	<b>403-3</b> Occupational health services	69, 70		3, 8
	<b>403-4</b> Worker participation, consultation, and communication on occupational health and safety	64, 65, 69, 70		8, 16
	<b>403-5</b> Worker training on occupational health and safety	68		8
	<b>403-6</b> Promotion of worker health	68		3
	<b>403-7</b> Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	68		8
	<b>403-9</b> Work-related injuries	69, 70		3, 8, 16
	<b>403-10</b> Work-related ill health	No employees at Chesf perform occupational activities associated with high incidence of or high risk for specific diseases.		3, 8, 16

**SPECIFIC DISCLOSURES**

**Training and Education**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	69		
	<b>103-3</b> Evaluation of the management approach	47		
<b>GRI 404: Training and Education 2016</b>	<b>404-1</b> Average hours of training per year per employee	72		4, 5, 8, 10
	<b>404-2</b> Programs for upgrading employee skills and transition assistance programs	72		8
	<b>404-3</b> Percentage of employees receiving regular performance and career development reviews	72		5, 8, 10

**Diversity and Equal Opportunity**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 73		
	<b>103-3</b> Evaluation of the management approach	42, 47, 73		
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	<b>405-1</b> Diversity of governance bodies and employees	26, 64		5, 8
	<b>405-2</b> Ratio of basic salary and remuneration of women to men	71		5, 8, 10

**Non discrimination**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 73		
	<b>103-3</b> Evaluation of the management approach	42, 47		
<b>GRI 406: Non-discrimination 2016</b>	<b>406-1</b> Incidents of discrimination and corrective actions taken	73		5, 8

**SPECIFIC DISCLOSURES**

**Freedom of association and collective bargaining agreements**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	61, 62, 69		
	<b>103-3</b> Evaluation of the management approach	47, 69		
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	<b>407-1</b> Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	79		8

**Child labor**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 61, 62, 79		
	<b>103-3</b> Evaluation of the management approach	42, 47, 49		
<b>GRI 408: Child Labor 2016</b>	<b>408-1</b> Operations and suppliers at significant risk for incidents of child labor	79		8,16

**Forced or Compulsory Labor**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 61, 62, 79		
	<b>103-3</b> Evaluation of the management approach	42, 47, 79		
<b>GRI 409: Forced or Compulsory Labor</b>	<b>409-1</b> Operations and suppliers at significant risk for incidents of forced or compulsory labor	79		8

**SPECIFIC DISCLOSURES**

**Security Practices**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	68, 69, 70		
	<b>103-3</b> Evaluation of the management approach	41, 68, 69, 70		
<b>GRI 410: Security Practices 2016</b>	<b>410-1</b> Security personnel trained in human rights policies or procedures	72		16

**Rights of Indigenous peoples**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 76		
	<b>103-3</b> Evaluation of the management approach	42		
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	<b>411-1</b> Incidents of violations involving rights of indigenous peoples	77		2

**Human rights assessment**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	61, 62		
	<b>103-3</b> Evaluation of the management approach	47		
<b>GRI 412: Human Rights Assessment 2016</b>	<b>412-2</b> Employee training on human rights policies or procedures	72		
	<b>412-3</b> Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	61		



**SPECIFIC DISCLOSURES**

**Local communities**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	42, 75, 76, 79		
	<b>103-3</b> Evaluation of the management approach	41, 42, 79		
<b>GRI 413: Local Communities 2016</b>	<b>413-1</b> Operations with local community engagement, impact assessments, and development programs	76, 79, 86		
	<b>413-2</b> Operations with significant actual and potential negative impacts on local communities	81, 84, 85		1, 2
<b>Energy Sector Supplement – Local Communities</b>	<b>EU20</b> Approach to managing the impacts of displacement	81, 82		1, 2, 11
	<b>EU22</b> Number of physically or economically displaced and compensation, broken down by type of project	82		1, 2

**SPECIFIC DISCLOSURES**

**Public Policy**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	29, 54		
	<b>103-3</b> Evaluation of the management approach	29, 54		
<b>GRI 415: Public Policy 2016</b>	<b>415-1</b> Political contributions	In compliance with Brazilian legislation, Eletrobras companies do not support or contribute to political parties or political campaigns of candidates for elective positions, nor do they allow employees to do so on behalf of Eletrobras. This guideline is ratified in the Code of Ethical Conduct and Integrity and in the Anti-Corruption Policy, both binding for all Eletrobras companies.		16

**Customer Privacy**

<b>GRI 103: Management approach 2016</b>	<b>103-1</b> Explanation of the material topic and its Boundary	10 to 13		
	<b>103-2</b> The management approach and its components	60		
	<b>103-3</b> Evaluation of the management approach	60		
<b>GRI 418: Customer Privacy</b>	<b>418-1</b> Substantiated complaints concerning breaches of customer privacy and losses of customer data	60. Note: Our controls did not detect any data leak, theft or loss during the year 2020, so there is no breach of privacy to be reported. Also, we did not receive any complaints from customers or regulators regarding leaks or breaches of privacy.		

**SPECIFIC DISCLOSURES**

**Availability and Reliability**

<b>Energy Sector Supplement - Availability and Reliability</b>	<b>EU6</b> Management approach to ensure short and long-term electricity availability and reliability	55, 56. Note: Considering corporate transmission lines qualifying for RAP in operation during the reporting period, including sections. Does not include lines in the complementary network.		7
	<b>EU10</b> Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	57. In Brazil, strategic energy supply and demand planning is carried out by the Company for Energy Research (EPE) by force of law. As a generator and transmitter of large blocks of electric power, Chesf does not plan demand by energy source.		7

**Research and Development**

Disclosure	Disclosure	PAGE/URL	Omission	Sustainable Development Goals
<b>Energy Sector Supplement - Research and Development</b>	<b>EU8</b> Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	43, 57, 58, 60, 89		7, 9, 17

**System Efficiency**

<b>Energy Sector Supplement - System Efficiency</b>	<b>EU11</b> Average generation efficiency of thermal power plants by energy source and by regulatory regime	Not applicable.		7, 8, 12, 13, 14
	<b>EU12</b> Transmission and distribution losses as a percentage of total energy	55, 56. Note: Indicator report considers corporate transmission lines qualifying for RAP in operation at the end of the reporting period.		7, 8, 12, 13, 14

**Emergency and Disaster Planning and Response**

<b>Energy Sector Supplement - Emergency and Disaster Planning and Response</b>	<b>EU21</b> Contingency planning measures, disaster/emergency management plan and training programs and recovery/restoration plans	82		1, 11
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**Access**

<b>Energy Sector Supplement - Access</b>	<b>EU30</b> Average plant availability factor by energy source and by regulatory regime	55, 56		1, 7
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# ASSURANCE REPORT

## GRI 102-56

(A free translation of the original in Portuguese)

Independent auditor’s limited assurance report on information related to sustainability included in the Annual Report for 2020

To the Board of Directors and Stockholders  
Companhia Hidro Elétrica do São Francisco  
- Chesf  
Recife - PE

### Introduction

We were engaged by Companhia Hidro Elétrica do São Francisco (“Chesf” or “Company”) to present our limited assurance report on the compilation of the information related to sustainability included in the Annual Report for 2020 of Chesf for the year ended December 31, 2020.

### Responsibilities of the Company’s management

The Company’s management is responsible for the preparation and fair presentation of the information related to sustainability included in the Annual Report for 2020, in accordance with the Global Reporting Initiative (GRI-Standards), and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

### Independent auditor’s responsibility

Our responsibility is to express a conclusion on the information related to sustainability included in the Annual Report for 2020, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, “Issuance of an Assurance Report related to Sustainability and Social Responsibility”, issued by the Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, “Assurance Engagements Other than Audit and Review”, also issued by the CFC, which is equivalent to the international standard ISAE 3000, “Assurance engagements other than audits or reviews of historical financial information”, issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical and independence requirements, and other responsibilities, including in relation to the application of the Brazilian Standard on Quality Control (NBC PA 01) and, therefore, the maintenance of a comprehensive quality control system, including documented policies and procedures regarding the compliance with the applicable ethical requirements, professional standards and legal and regulatory requirements.

Moreover, the aforementioned standards require that the work be planned and performed to obtain limited assurance that the sustainability information included in the Annual Report for 2020, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that enables the issue of a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead the auditor to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information related to sustainability included in the Annual Report for 2020, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

(a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information related to sustainability included in the Company's Annual Report for 2020.

(b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information of Chesf;

(c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the information related to sustainability included in the Annual Report for 2020; and

(d) comparing the financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included tests to assess compliance with the guidelines and criteria of the Global Reporting Initiative (GRI-Standards) applied in the preparation of the information related to sustainability included in the Annual Report for 2020.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

### Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the information related to sustainability included in the Annual Report for 2020. Consequently, we are not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an assurance engagement, the objective of which is the issue of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in the Annual Report for 2020. Therefore, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not carry out any work on the data reported for prior years, nor future projections and goals, including the results of the goals established by the Business and Management Master Plan (PDNG) that are not directly related to the GRI indicators included in the Annual Report for 2020.

The preparation and presentation of the sustainability indicators were performed pursuant to GRI-Standards criteria and, therefore, do not aim to provide assurance with regard to the compliance with social, economic, environmental, or engineering laws and regulations. However, the aforementioned standards establish the presentation and disclosure of possible cases of non-compliance with such regulations when sanctions or significant fines are applied. Our limited assurance report should be read and understood in this context, which is inherent to the criteria selected (GRI-Standards).

### Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information related to sustainability included in the Annual Report for 2020 of Companhia Hidro Elétrica do São Francisco has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-Standards).

Rio de Janeiro, June 29, 2021

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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# Credits

The publication of this report was made possible thanks to the effort and commitment of Chesf employees from different areas, who provided information and followed the development of the content herein. We would like to thank all those who collaborated in this process.

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### Child Citizen Orchestra Collection

**p. 77** Child Citizen Orchestra, sponsored by Chesf

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