

Chesf

Annual Report 2021



Eletrobras
Chesf

Table of Contents

Introduction

Message from the Management
About the report
2021 Highlights

Governance

Chesf - Company Profile
Governance, integrity and ethics
Communication channels
Risk Management
Emergency action plan
Sustainability Management System
Acknowledgements
Organizations we participate in
Voluntary Commitments
Strategic Planning - Business and
Management Plan 2021-2025
Chesf Strategic Map
PNG 2022-2026

Prosperity

Economic Performance
Operational Performance
Energy transition
Technology and Innovation
Suppliers

People

People Management and Development
Health, Safety and Well-being
Human Rights
Communities

Planet

Environmental Management
Climate change
Waste
Water
Biodiversity and Ecosystem Services

GRI Content Index

Index of other frameworks – SASB and TCU

Assurance Report

Appendixes

2030 Agenda Indicators and Projects
PNG Targets and Results 2021-2025

Credits

Introduction

This is the 2021 Annual Report published by Chesf, a company belonging to the Eletrobras group. This material presents information about the company's performance, its main results, achievements and goals under international standards. The content you will find in the following pages was collected and organized according to the best global management and reporting practices in corporate sustainability, aligned with our holding company Eletrobras and the other companies of the group.

This document is divided into four pillars – Governance, Prosperity, People and Planet –, prioritizing economic, environmental, social and governance factors (EESG).

You can learn more about how we built this report in “About the Report”.

sustentabilidade@chesf.gov.br.

GRI 102-53

Enjoy your reading!

The icons found throughout the report indicate the contents related to the different methodologies used to consolidate the information presented. They are the following:

- Material topics
- GRI contents
- Capitals (of the Integrated Report)*
- SDGs in the UN 2030 Agenda



**Formulated by the International Integrated Reporting Council (IIRC), capitals demonstrate the set of resources and competencies that drive a company's value generation.*



Natural capital
natural resources used



Financial capital
financial resources



Manufactured capital
buildings, equipment and infrastructure used for 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

Message from the Management

GRI 102-14, 102-15

In 2021, we consolidated what we envision for the future of Chesf within the Brazilian electricity sector – *to be a reference in sustainable and innovative energy solutions with high value for society*. Our corporate actions are guided by our strategic vision, and our management focuses on monitoring indicators and complying with the plans outlined.

We have acted diligently and efficiently, with important improvements in management, gains in regulatory efficiency and greater commercial maturity: we are a company in constant evolution.

Compliance with operation and maintenance plans; investment in generation and transmission modernization; implementation of teleassistance and constant monitoring of dam operation and safety conditions have enabled greater availability and reliability. In the face of a historic drought in the South and Southeast, Chesf used the robustness of its hydroelectric plants, wind farms and transmission lines to bring energy to the four corners of Brazil through the National Interconnected System (SIN), helping to ensure the power supply that is essential for the health and quality of life of Brazilians.

The reorganization of areas and processes and the new Regulatory and Commercial Department have helped



FABIO LOPES ALVES

to strengthen innovation, efficiency and sustainability in every area of the company, and underpinned a results-oriented mindset across our organization. This cultural transformation aims to increase the profitability of our business, growing revenues through excellence in the management and operation of assets. We have expanded our business portfolio, diversifying energy sources, developing new business models, acquiring and incorporating assets; we are also engaging in the purchase and sale of energy beyond



ELVIRA BARACUHY
CAVALCANTI PRESTA

the volumes we already generate and operate in the company.

We invest in the modernization of our hydroelectric plants to increase the efficiency, availability, profitability and useful life of our assets. In 2021, we launched the Generation Facilities Modernization Program. This program allocates R\$1.5 billion over the next ten years to replace old analog devices with digital equipment, trade older turbines for newer, more efficient models,

and digitize our control rooms. This effort was recognized by the federal government as the largest modernization project in the Brazilian electrical sector.

In fact, technology and digital transformation are the foundations we need to continuously evolve, responding to market dynamics and preserving our relevance to society while generating profit for our shareholders.

Acting with integrity and in alignment with the three ESG pillars (Environmental, Social and Governance), Chesf lives up to its ambition: to be an enabler of a more sustainable future for the energy market and for Brazilian society. Our commitment to acting in a sustainable and responsible manner is as important as the strength of our generation and transmission park, one of the largest in Brazil.

A signatory to the United Nations Global Compact (UN) since 2009, Chesf currently monitors nine Sustainable Development Goals (SDGs), in strict compliance with ESG aspects. Aligning our performance with SDGs strengthens our ties with our priority stakeholders, with society and with the planet.

Engaging in careful strategic planning and monitoring and adjusting our plans to our business needs has also helped us improve our economic and financial performance. In fact, we had the best result in our history in 2021.

Our net income was 159.3% higher than 2020, reaching R\$ 5.5 billion in 2021; our operating cash generation (EBITDA) grew 35% to R\$ 3.7 billion and our net operating revenue (ROL) of R\$ 8.1 billion was 31.8% higher than the year before.

In a challenging year marked by a severe water crisis and by the continuing Covid-19 pandemic, we rose to the challenge: we protected life while generating and transmitting energy.

We must thank the valuable contributions that made all of this possible. Our appreciation goes to all Chesf employees, outsourced professionals and partners who served the interests of our country and delivered quality energy to society. We are an integrated team that seeks operational excellence continuously.

This vision of responsible, efficient and sustainable production also guided the preparation of this report. This is an objective account of Chesf's performance in the selected topics, showing results, risks and plans for the future.

Enjoy your reading!

Fabio Lopes Alves

CEO of Chesf

Elvira Baracuh Cavalcanti Presta

Chairman of the Board of Directors

We are working diligently and efficiently to make Chesf strong – today and in the future

About the report

GRI 102-49, 102-50, 102-52

The information in this annual report covers the activities and results for the period from January 1 to December 31, 2021 and follows the Global Reporting Initiative (GRI) Standards, Essential option.

The contents are presented in an integrated manner based on EESG aspects. This model integrates global and sectoral standards and good practices, as follows:

- GRI Standards;
- International Integrated Reporting Council (IIRC) Integrated Reporting Guidelines
- sectorial material topics – Sustainability Accounting Standards Board (SASB);
- recommendations of the Task Force on Climate-related Financial Disclosures (TCFD);
- United Nations (UN) Sustainable Development Goals (SDGs); and
- Principles of the United Nations (UN) Global Compact

Additional references that support this document are the "Management Report: guide for preparation in the form of an Integrated Report", of the Brazilian Federal Court of Accounts (TCU), and the "Electric Sector Accounting Manual", of the National Electric Energy Agency (Aneel). As it includes the information and indicators defined by the Agency, this report also meets the requirements for the accountability document called "Annual Report on Social, Environmental and Economic-Financial Responsibility of Electric Power Companies". **GRI 102-56**

[Click here](#) for details on the GRI-based concepts, assumptions and protocols used in our report (Preparation Base for the Annual Report of Eletrobras companies)



Assurance

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.

Defining materiality

GRI 102-42, 102-43, 102-44, 102-46, 103-1

The 2021 materiality matrix guides the content of the annual reports of all Eletrobras companies. The consultation process for defining content and limits of material topics involved 1,074 internal and external stakeholders. Interviews were conducted with executives and specialists, in addition to an online consultation involving shareholders, investors, administrators and Fiscal Council, customers, workers and their family members, government, partners, sponsors and suppliers, and society.

As a result of the internal validation, 11 material topics were selected in 2021 for reporting, managing and monitoring; four relevant topics are optional for reporting depending on their specific relevance for each Eletrobras company. In 2020, the [list contained 16 material topics](#); this important prioritization exercise enabled better management of the themes selected for this year. GRI 102-43, 102-49

In addition to the material topics presented in the infographic on the following page, the following were considered relevant themes:

- Waste*
- Suppliers*
- Customers*
- Regulatory context *
- Radioactive waste
- Nuclear safety

*Chesf relevant themes.



The consultation process for defining materiality involved **1,074 stakeholders**

Eletrobras Group Materiality Assessment

1. Identification

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

4. Approval

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

List of material topics

GRI 102-47

SDGs

People

Communities **7, 10, 11, 16**
 Human rights **4, 8, 9, 10, 16**
 Health, safety and well-being **3, 7, 8**
 People management and development **4, 7, 10, 11, 16**

Planet

Water **6, 12, 13**
 Climate change **3, 7, 11, 12, 13, 15**
 Energy transition **7, 9, 13**
 Biodiversity and ecosystem services **14, 15**

Governance

Risk management **12, 16**
 Governance, integrity and ethics **12, 16**

Prosperity

Technology & Innovation **7, 8, 9**

A dynamic materiality matrix

The materiality matrix is periodically revised to reflect current macroeconomic and industry conditions

2. Analysis

Collect the views of different stakeholders through:

- An online survey to **rate the material topics** on a scale of high impact to low impact
- Deep-dive interviews** with Eletrobras executives and independent experts
- Surveys using Eletrobras' communication channels:** Ombudsman's Office, Investor Relations, Social Media and Contact Us

3. Prioritization

- Refine the topics** and assign weights to responses based on the perspectives of experts vs. executives
- An Eletrobras Group workshop** attended by the Executive Sustainability Management Committee and

70 representatives to prioritize the material topics

11 material topics

Material topics and their boundaries

GRI 102-42 102-43, 102-46, 102-47, 103-1

The boundaries of the topics in the materiality matrix determine where the impacts of the company's activities occur and who is impacted, as well as the respective SDGs and capitals related to the topics (according to the International

Integrated Reporting Council, IIRC), besides pointing out the connection with other frameworks used. This indicates how value generation occurs in Eletrobras companies, as shown in the following table.

	Material Topic	Why the topic is material	Where it occurs	SDG*	Capital	Connection with other frameworks	Stakeholders** GRI 102-40
Prosperity	Technology and Innovation	Research, development and innovation actions related to electric power and sustainable development; use of new technologies to transform business processes, ensuring safety, integrity, reliability and protection of digital information; actions to enhance efficiency in the power production chain and energy consumption, generating positive environmental impacts.	Internally and externally	<div>7</div> <div>8</div> <div>9</div>		TCU DJSI SASB ISE Global Compact	<ul style="list-style-type: none"> • Workforce • Leaders • Customers • Suppliers • Government • Investors • Society • Opinion leaders
People	Communities	Relationship with local communities – people or groups of people living or working in areas that are subject to impacts resulting from the organization's operations.	Externally	<div>7</div> <div>10</div> <div>11</div> <div>16</div>		TCU DJSI ISE	<ul style="list-style-type: none"> • Communities • Opinion leaders • Leaders
	Human Rights	Respecting and promoting human rights and adopting mechanisms to identify, prevent, monitor, supervise and mitigate current or potential impacts on human rights.	Internally and externally	<div>4</div> <div>8</div> <div>9</div> <div>10</div> <div>16</div>		TCU DJSI ISE Global Compact	<ul style="list-style-type: none"> • Workforce • Suppliers • Communities • Government • Society • Opinion makers

	Material Topic	Why the topic is material	Where it occurs	SDG*	Capital	Connection with other frameworks	Stakeholders**
	People Management and Development	Actions related to people management and the professional life cycle of individuals in the company, from hiring to development to termination of labor contract.	Internally and externally	<div>4</div> <div>8</div> <div>9</div> <div>10</div> <div>16</div>		TCU DJSI ISE Global Compact	<ul style="list-style-type: none"> • Workforce • Suppliers • Communities • Government • Society • Opinion makers
	Health, Safety and Well-being	Promoting a safe and healthy environment for all company employees.	Internally and externally	<div>3</div> <div>7</div> <div>8</div>		TCU SASB ISE	<ul style="list-style-type: none"> • Workforce • Leaders • Communities • Suppliers • Customers • Opinion leaders
Planet	Water	Management of water-related impacts.	Internally and externally	<div>6</div> <div>12</div> <div>13</div>		TCU SASB DJSI ISE	<ul style="list-style-type: none"> • Communities • Shareholders • Customers • Opinion leaders • Leaders • Workforce • Suppliers • Government • Society
	Biodiversity and Ecosystem Services	Conservation and preservation of biodiversity.	Internally and externally	<div>14</div> <div>15</div>		TCU SASB DJSI ISE	<ul style="list-style-type: none"> • Communities • Society • Opinion leaders

	Material Topic	Why the topic is material	Where it occurs	SDG*	Capital	Connection with other frameworks	Stakeholders**
	Climate change	Mitigation of greenhouse gas emissions and adaptation to the effects of climate change.	Internally and externally	<div> <div>3</div> <div>7</div> <div>11</div> <div>12</div> <div>13</div> <div>15</div> </div>		TCU SASB TCFD ISE	<ul style="list-style-type: none"> • Investors • Communities • Suppliers • Customers • Leaders • Opinion leaders • Workforce • Government • Society
	Energy transition***	Role of the energy sector in the transition to a low-carbon economy. Use of clean and renewable sources and decarbonization of the energy mix.	Internally and externally	<div> <div>7</div> <div>9</div> </div>		TCU SASB TCFD Global Compact	<ul style="list-style-type: none"> • Investors • Shareholders • Leaders • Customers • Opinion leaders • Suppliers • Government • Society

	Material Topic	Why the topic is material	Where it occurs	SDG*	Capital	Connection with other frameworks	Stakeholders**
Governance	Governance, integrity and ethics	System by which the company is managed, monitored and encouraged, involving the relationships between senior management, supervisory and control bodies and other stakeholders; socio-environmental aspects in decision-making, anti-corruption policies and procedures and ethics management based on the values, principles, standards and norms of behavior of the organization.	Internally	12 16	This is not associated with a single capital, but rather with governance, which permeates and guides all value generation activities	TCU Pró-Ética ISE DJSI	<ul style="list-style-type: none"> • Workforce • Investors/ shareholders/ market analysts • Communities • Press • Customers • Opinion leaders • Leaders • Suppliers • Government • Society
	Risk Management	Architecture implemented in the company to manage risks effectively, minimizing the occurrence of events that may have a negative impact on strategic objectives.	Internally and externally	12 16		TCU SASB TCFD DJSI ISE	<ul style="list-style-type: none"> • Workforce • Leaders • Investors/ shareholders/ market analysts • Communities • Press society /opinion leaders • Partners / sponsored parties / suppliers • Governments / legislators / regulatory bodies • Customers

* SDG 17 is transversal to all other SDGs

** Impacted audiences and/or stakeholders who prioritized the topic during the process used for defining materiality (“Leaders” may include company leaders, Board of Directors and Fiscal Council)

*** While “Energy Transition” is part of the “Planet” pillar within the Sustainability Framework, it is presented here under Prosperity for more fluent reading.

2021 Highlights

Acquisition and integration of the Wind Complex Pindaí I, II and III (BA)

Approval for the implementation of new wind farms: Frei Damião (PB) and resumption of investments in Casa Nova B (BA)

Concession period for the Sobradinho HPP extended by another 7 years

R\$5.5 billion profit

Dividend distribution
R\$1.3 billion

Tariff revisions in 2021 – concluded the tariff revision process for the concession agreement 061/2001 and for seven contract bids leading to an **increase of R\$2.5 billion in profit compared to fiscal year 2020**

Launch of the Generation Facilities Modernization Program, planned over the next ten years

Self-absorption of greenhouse gas emissions from 100% of energy consumption in administrative units and 7.7% of emissions from transmission losses through Renewable Energy Certificates (REC)



GOVERNANCE

MATERIAL TOPICS

- Governance, integrity and ethics
- Risk management

CAPITALS



The definition of governance is evolving: organizations are increasingly expected to define and incorporate purpose into the very core of their business.

Governance is key to achieving long-term value: it aligns and boosts financial and social performance, ensures accountability and builds legitimacy vis-a-vis company stakeholders.

Chesf

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7

Companhia Hidro Elétrica do São Francisco (Chesf), an Eletrobras company, was the first public company in the electric power sector in Brazil: it was founded on October 3, 1945. Headquartered in Recife, Chesf has 3,084 employees and operates in power generation, transmission and commercialization. Power generation is concentrated in the Northeast and then distributed to the North/Northeast and Southeast/Midwest through transmission lines feeding the National Interconnected System (SIN).

Chesf was created by Decree-Law 8.031 and formally constituted at the First General Meeting held on March 15, 1948. It is a publicly traded and mixed-capital corporation, governed by Law 6.404 of December 15, 1976. The company acts in strict accordance with current legislation and Aneel regulations. [Chesf's Bylaws](#) are the set of rules defined in shareholder meetings that govern the legal relationships and operation of the company.

BOA ESPERANÇA
HYDROELECTRIC
POWER PLANT (PI)



Shareholding Structure

Chesf's share capital

Total amount

R\$9,754 billion

represented by

55,905,000

registered shares

(54,151,000 common shares and 1,754,000 preferred shares, all with no par value)

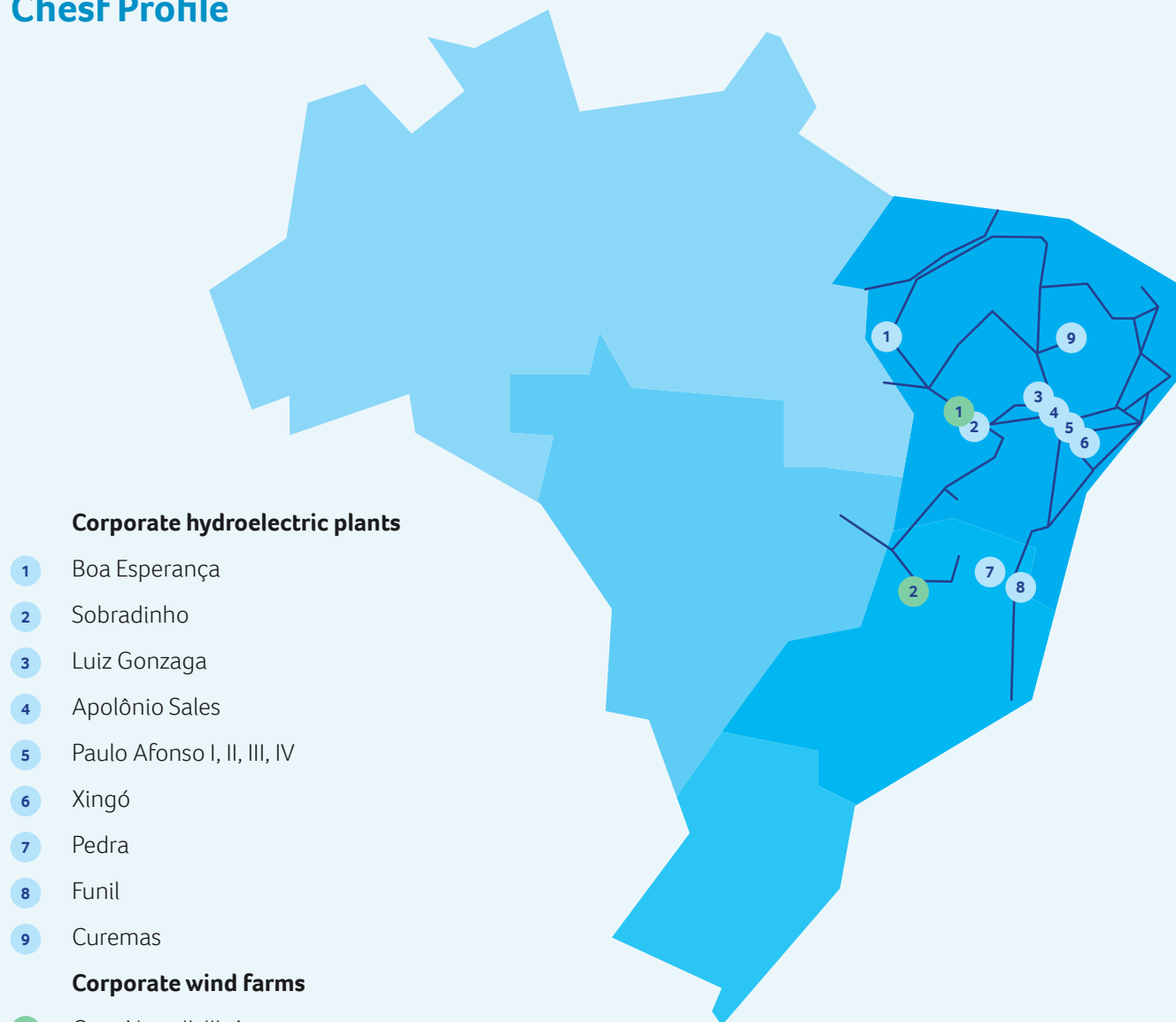
99.578% belonging to Eletrobras

0.347% belonging to the Ministry of the Economy

0.075% belonging to other shareholders

As a publicly traded company, Chesf abides by the rules of the Brazilian Securities and Exchange Commission (CVM). The company's relationship policy is based on transparent disclosure of information and respect for legal and ethical principles, following the standards required of a public service concessionaire.

Chesf Profile



Chesf assets include:

12 corporate hydro power plants

8 on São Francisco River;
2 on Contas River (BA);
1 on Parnaíba River (PI); and
1 on Piancó River and Aguiar River (PB).

10,262.33 MW power generation

14 corporate wind farms

198.1 MW generation

Total installed power of the generation park

10,460.43 corporate MW

2,642.95 MW in Special Purpose Entities (SPEs)

Total transmission lines (LT) in all voltages:

21,801.35 km¹ (corporate) and

1,768.15 km (SPEs)

Total transformation capacity in operation:

70,296.37 MVA (corporate)

Transformation capacity in operation in SPEs: **5,688.88 MVA³** **EU4**

136 power substations²

12 power plant elevatory substations

¹ The value shows a small variation in relation to that published in the 2021 Management Report, as it considers a different calculation criterion.

² Considers corporate substations and other substations belonging to transmission companies in which Chesf holds a stake.

³ Considers transmission substations and elevatory substations (2,851.80 MVA and 2,837.08 MVA, respectively).

Chesf EU1

POWER PLANTS *	RIVER	INSTALLED CAPACITY (MW)
Hydroelectric Power Plants		10,262.33
Sobradinho	São Francisco	1,050.30
Luiz Gonzaga (Itaparica)	São Francisco	1,479.60
Apolônio Sales (Moxotó)	São Francisco	400.00
Paulo Afonso I	São Francisco	180.00
Paulo Afonso II	São Francisco	443.00
Paulo Afonso III	São Francisco	794.20
Paulo Afonso IV	São Francisco	2,462.40
Xingó	São Francisco	3,162.00
Funil	de Contas	30.00
Pedra	de Contas	20.01
Boa Esperança	Parnaíba	237.30
Curemas	Piancó	3.52
Wind Farms		198.10
UEE Casa Nova II	–	32.90
UEE Casa Nova III	–	28.20
UEE Casa Nova A	–	27.00
EOL Acauã	–	6.00
EOL Angical 2	–	10.00
EOL Arapapá	–	4.00
EOL Carcará	–	10.00
EOL Corrupião 3	–	10.00
EOL Coqueirinho 2	–	16.00
EOL Caititu 2	–	10.00
EOL Caititu 3	–	10.00
EOL Papagaio	–	10.00
EOL Teiú 2	–	8.00
EOL Tamanduá Mirim 2	–	16.00
Total		10,460.43

* Considers corporate ventures

Net power output in 2021¹ EU2

Total volume of net power generated

26,356,833.37 MWh

Power generated by hydroelectric sources

25,875,728.27 MWh

Power generated by wind sources

481,105.1 MWh

¹ Considers corporate ventures.

The net electric power generated by Chesf is calculated from data collected by electronic meters every five minutes. The information is consolidated hourly and sent to the Electric Energy Trading Chamber (CCEE), where it is audited and returned to the company.

Annual growth rates

2019/2018

37%

2020/2019

72%

2021/2020

-26.31%

In 2019 and 2020, generation grew significantly. This can be attributed to the recovery of the hydrological conditions at Chesf reservoirs. The decline in generation in 2021 was due to the water crisis in the Northeast, yet even with lower volumes, the region still generated enough power to ensure national supply during the period marked by severe droughts in the South and Southeast.

Transmission lines and transformation capacity in operation in 2021 ^{EU4}

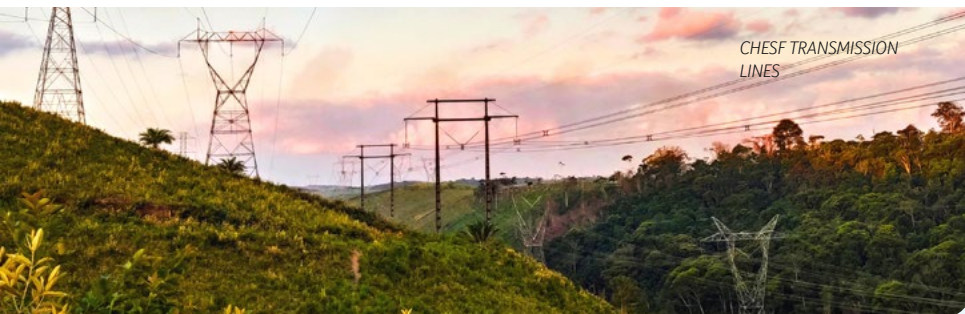
Transmission lines in operation, all voltage levels (km) – corporate	21,801.35 ¹
Extension of transmission lines (km) – SPE	1,768.15
Transformation capacity in operation (MVA) – corporate	70,296.37
Transformation capacity in operation (MVA) – SPE	5,688.88 ²
Inlet or output of transmission lines operation, all voltage levels (km)	309.7
Net variation in processing capacity (MVA)	500
Annual Allowed Revenue (RAP) approved for transmission assets operated by the company (R\$) ¹	3,372,981,856.90

¹ The value shows a small variation in relation to that published in the 2021 Management Report, as it considers a different calculation criterion.

² Considers transmission substations and transformer substations (2,851.80 MVA and 2,837.08 MVA, respectively)

CHESF TRANSMISSION LINE IN
TERESINA (PI)





Corporate transmission lines under construction in 2021 ^{EU4}

In 2021, Chesf implemented the expansion of 243.88¹ kilometers of transmission lines (LT) associated with the company's own ventures. This total considers authorizations issued or concession contracts signed, yet not concluded in Aneel's Transmission Management System (Siget).

Chesf did not participate in any transmission auction in 2021. ^{EU4}

Ventures

1.	LT 230 kV Paraíso / Açú / Mossoró	192 km ¹
2.	Sectioning of the Sobradinho 500 kV TL – Luiz Gonzaga C2 at SE Juazeiro III	0.64km
3.	Sectioning of the 500 kV Luiz Gonzaga – Milagres C1 TL at SE Milagres II	1.5 km
4.	Sectioning of LT 500 kV Angelim II – Recife II at SE Suape II	49.74 km

¹ Chesf clarifies that the project for the construction of LT 230kV Paraíso/Açú/Mossoró has been partially completed, with the completed portion of the transmission line already in operation. While the unfinished stretch only has 123 km, the company maintains the full planned extension of 192 km as 'in progress'.

Substations under expansion in 2021 ^{EU4}

Chesf expanded 11 own substations in 2021, increasing the company's transformation capacity. These projects have authorizations issued or concession agreements signed, but not concluded in Aneel's system Siget.

1.	SE João Câmara III – Installation of the fifth Auto-transformer Bank	500/138 kV – 3 x 150 MVA, 450 MVA
2.	SE Icó – Installation of the third transformer	230/69 kV, 100 MVA
3.	SE Milagres – Installation of the fourth transformer	230/69 kV, 100 MVA
4.	SE Morro do Chapéu II – Installation of the second transformer	230/69 kV, 150 MVA
5.	SE São João do Piauí – Installation of the second autotransformer	500/230 kV, 300 MVA
6.	SE Campina Grande II – Installation of TR room	230/69 kV, 100 MVA
7.	SE Messias – Third ATR	500/230-13,8 kV, 3x200 MVA, 600 MVA
8.	Installation of the fourth Three-Phase Transformer and the second Grounding Transformer in SE Aquiraz II	150 MVA
9.	SE Fortaleza – Installation of the fifth TR	230/69 kV, 100 MVA
10.	SE Poções II – Installation of the third transformer	230/138 kV, 100 MVA
11.	SE Teresina II – installation of fourth ATR	500/230 kV - 3X100 MVA, 300 MVA
Transformation capacity associated with these ventures		2,450 MVA

Mission, vision, values

GRI 102-16

Mission

To operate in the electricity sector with excellence and in a sustainable manner, generating value for society

Vision

To be a reference in innovative, profitable electric power solutions and generate high value to society

Values

- Safety
- Respect for people, fairness and equality
- Ethics and transparency
- Innovation and entrepreneurship
- Commitment to society
- Preservation of the environment

Governance, integrity and ethics

GRI 103-2, 103-3, 102-16, 102-18

A company that has good corporate governance is accountable, ethical and transparent in dealing with all stakeholders: shareholders, employees, creditors, customers and society in general. Corporate governance contributes to long-term sustainable growth. **GRI 103-2**

Learn more about our stakeholders [here](#)

The requirements and functions of Chesf's governance structure are established in the company's Bylaws and in the respective internal regulations of its collegiate bodies.

For evaluation purposes, Chesf has participated in the Governance Index of the Secretariat for Coordination and Governance of State-Owned Enterprises (Sest) of the Ministry of Economy since the second cycle, in 2018. The assessment uses a series of questions to evaluate governance (boards and departments) transparency, risk management and controls.

A total of 60 companies were evaluated in 2021, including 45 directly controlled by the Federal Government and 15 subsidiaries. The average score of the subsidiaries was 8.47/10. Chesf's score was 8.34.

The key structures in Chesf governance, integrity and ethics are the following:

- Board of Directors, with 28.5% independent members;
- The Supervisory Board (Permanent Fiscal Council), with powers and functions defined in Internal Regulations and legal compliance requirements;
- Members of the Executive Board of the holding company participate in the Chesf Board of Directors;
- Code of Ethical Conduct and Integrity of Eletrobras Companies;
- Different communication channels for receiving complaints and/or reports on possible irregularities;
- Managers and members of the Supervisory

- Board (Fiscal Council) are subject to evaluation regarding the requirements and prohibitions provided for in Law 13.303/2016 and Decree 8.945/2016;
- Support Committee to the Board of Directors – Statutory Audit and Risk Committee;
- Annual evaluation of the members of the Board of Directors, the Executive Board and the Fiscal Council;
- Annual Report in accordance with the GRI Standards and in compliance with the IIRC framework;
- Participation in the process for inclusion in the Brazilian stock exchange B3's Corporate Sustainability Index (ISE); and
- Participation in the process for inclusion in the IG-SEST Governance Indicator developed by Sest. **GRI 103-2**



Governance structure

GRI 102-18, 102-19, 102-20, 102-22, 102-24, 102-26, 102-33

In 2021, Chesf invested in evolving its corporate governance, introducing the Superintendence of Business Strategy and Participation Management. The new superintendence will bring greater transparency and professionalism to management, responding to the changes in the Brazilian electricity sector, and anticipating the possible new legal framework and potential opening of the Eletrobras capital. Chesf is getting ready to act as an independent energy producer, putting an end to the quota regime and entering the competitive private sector energy market. **GRI 103-2**

Chesf's corporate governance model includes the General Meeting, Board of Directors (CA), the Advisory Committee to the Board of Directors, the Statutory Audit and Risk Committee (CAE), the Supervisory Board or Fiscal Council (CF) and the Executive Board (DE). The Board of Directors also has two organizational units directly subordinated to it: the Ombudsman and Internal Audit. The Board of Directors and the Executive Board manage the company based on the principles of equality, accountability, transparency and corporate responsibility.

The General Shareholders Meeting assigns powers to the Board of Directors, the Executive Board, the officers and the Fiscal Council through the Company's Bylaws. The Board of Directors delegates powers to the Executive Board and the officers by means of resolutions recorded in meeting minutes. The Executive Board, in turn, delegates authority to managers and employees through decisions recorded in meeting minutes and internal regulations. **GRI 102-19**



Superintendence of business strategy and business stake management

Coordinates the definition and development of strategic plans, including the business and management plan (PNG), Variable Manager Compensation (RVA) and the Goals and Performance Contract; monitors strategy implementation and strategic indicators; coordinates and standardizes strategic project management; coordinates corporate sustainability and corporate governance actions; and coordinates the management of company stakes in other business and the management of the company's own business portfolio.

The General Meeting – the highest Chesf governance body – approves management accounts, elects the company's senior management and establishes the rules to be observed while carrying out the mission. Six meetings were held in 2021: one ordinary and five extraordinary. **GRI 102-26**

The permanent Supervisory Board (Fiscal Council) is composed of three effective members and an equal number of alternates, all elected by the General Meeting; one member appointed by the Ministry of Economy as a representative of the National Treasury; one member appointed by the Ministry of Mines and Energy; and one member appointed by Eletrobras. The Fiscal Council is responsible for verifying management

actions vis-a-vis Internal Regulations; this body holds ordinary monthly meetings besides extraordinary meetings called by the Chairman of the Board. A total of 14 meetings were held in 2021.

Chesf is managed by a Board of Directors and by an Executive Board; both have their attributions defined by law and by company Bylaws. The Board of Directors is responsible for establishing the general direction for Chesf's business, overseeing approved programs and verifying the results obtained. This body meets monthly and extraordinarily when called by the Chairman of the Board. A total of 24 meetings were held in 2021.

The Executive Board, an executive body charged with administration and representation, is formed by a CEO and up to five directors, respecting the minimum of three members elected by the Board of Directors who perform their duties on a full-time basis. This body is responsible for ensuring the regular functioning of Chesf within the guidelines laid down by the General Meeting and the Board of Directors. . The Executive Board meets ordinarily once a week; extraordinary meetings may be called by the CEO. A total of 63 meetings were held in 2021.

The Board of Directors is advised by the Statutory Audit and Risks Committee and the Eletrobras Management, People and Eligibility Committee, pursuant to Law 13.303/16 and Decree 8.945/16, which regulated it.

Established by Eletrobras, the Management, People and Eligibility Committee analyzes and issues recommendations on risks and strategies to be adopted by Eletrobras companies in people management and eligibility of members of management and supervisory board members.

Also created by Eletrobras, the CAE extends its operations to all controlled companies; it analyzes and issues recommendations on internal audits, accounting audits and independent audits, supervision, risks to be assumed by the company, internal controls and risk and financial management, as provided for in its bylaws. **GRI 102-18**

The update to Normative Resolution RN-25/2021 GE-25 was approved in 2021, formalizing the internal regulations of the Executive Board, as well as Normative Resolution RN-09/2021 GI-25, which formalizes adherence to the Regulations of the Eletrobras Companies – edition 1.0. **GRI 103-2, 103-3**

Leadership Training **GRI 102-27**

Chesf's managers and members of the Supervisory Board regularly participate in specific training on corporate and capital market legislation, disclosure of information, internal controls, code of conduct, Law 12.846/2013 and other topics related to the company's activities.

In 2021, the Eletrobras Corporate University (Unise) held lectures and webinars on compliance and governance in state-owned companies, corporate aspects in state-owned companies, best practices in corporate governance, transactions with related parties and training of leaders in risk factor, with the participation of members of Chesf's Executive Board, Board of Directors and Supervisory Board. Managers of the different business areas also made presentations at the meetings held by these collegiate bodies.

New members of the Board of Directors, Supervisory Board and Executive Board participated in integration and improvement training. Topics included governance structure, company processes and businesses, routines and activities of the bodies for which they were elected.

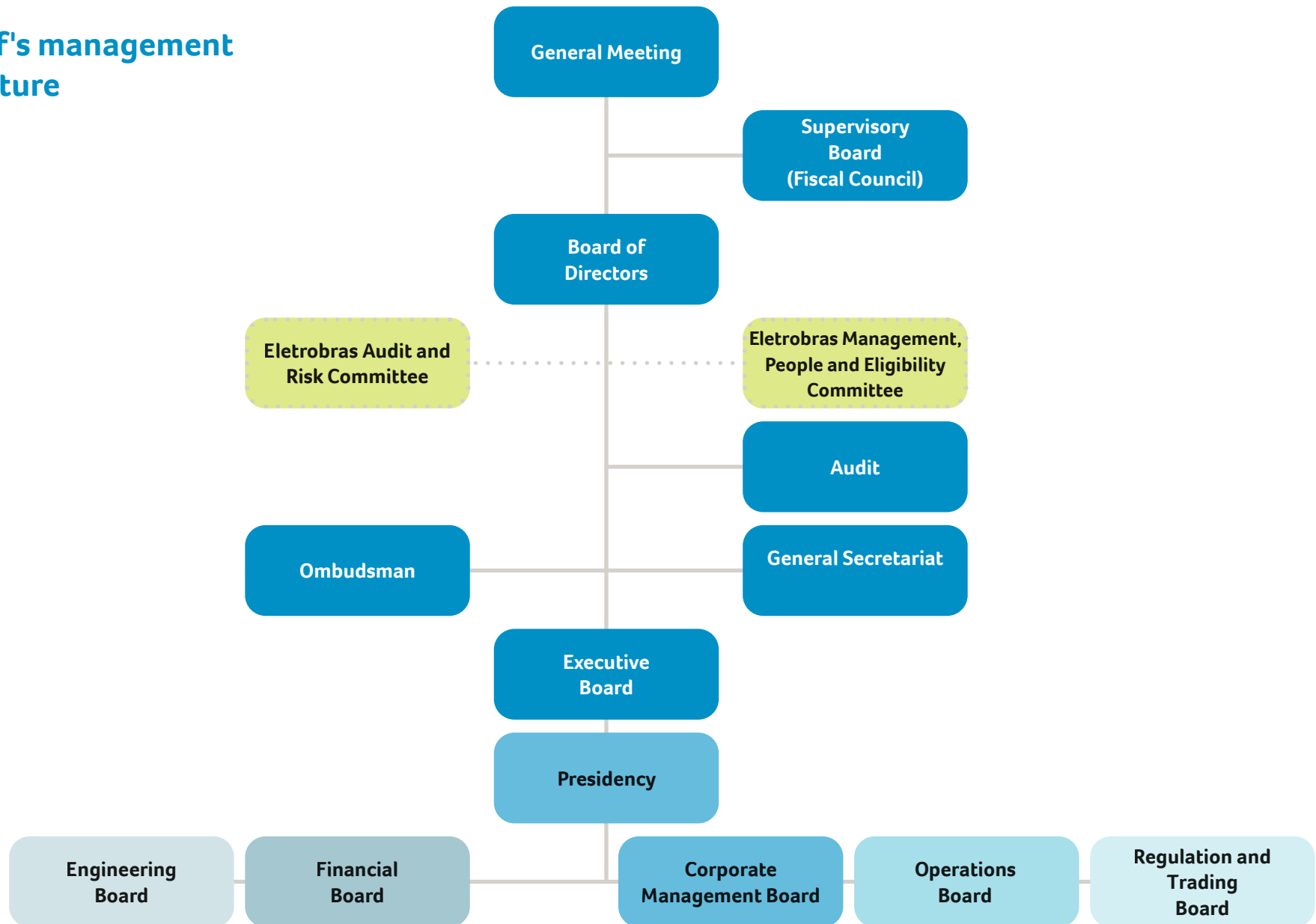
Performance evaluation **GRI 102-28**

Aiming to ensure the highest performance in Chesf corporate management, an external consultancy hired by Eletrobras carries out an annual independent performance evaluation of Chesf executives and Fiscal Council members. A questionnaire and online interviews are used to evaluate the performance of the collegiate body as defined in Eletrobras guidelines, including skills and competencies, results and attributions. A final report with recommendations and feedback meetings conclude the process.

The final report points out opportunities for improvement and presents recommendations for better performance in strategy, risk management, internal controls, independent audits and good corporate governance practices.

Chesf executives and Supervisory Board (Fiscal Council) members participate in regular training activities offered by the company

Chesf's management structure



Leadership Remuneration

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

Based on Law No. 9.292 of July 12, 1996, Chesf's 73th General Meeting (August 2021) established that the monthly fees paid to the members of the Supervisory Board (Fiscal Council) and to the Board of Directors must be set at ten percent of the average monthly fees and 13th salary received by the Executive Board (excluding any other remuneration items). The 186th Chesf Extraordinary General Meeting ratified the remuneration of the company's managers and members of the Supervisory Board for the period from April 2021 to March 2022.

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 comply with the limits established by 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, striving for results-oriented management, superior business performance and achievement of the goals established for Chesf.

Annual amounts paid to Chesf's governance bodies

REMUNERATION (R\$)	2019	2020	2021
Board of Directors	311.745,04	330.894,00	306.383,33
Supervisory Board (Fiscal Council)	165.600,19	166.212,96	165.447,01
Board of Executive Officers	3.195.234,67	3.692.609,02	4.520.332,60

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 (Brasil, Bolsa, Balcão) State-Owned Governance Program, Eletrobras and Chesf prepare their Annual Public Policy and Corporate Governance Charter.

The Annual Charter
is available at the
[Chesf website](#)

Profile of the Board of Directors

The Board of Directors, a collegiate body with deliberative functions, is composed of seven members elected by the General Meeting, with a unified management term of two years and a maximum of three consecutive additional terms. One member is appointed by the Minister of Economy; one is an elected employee representative; one will be appointed by the controlling shareholder and elected as Chair, and four are appointed by Eletrobras, with two independent members.

Eletrobras, a controlling shareholder and holder of 100% of the common shares with voting rights, is responsible for the selection and election process for the members of the Chesf Board of Directors, in compliance with the guidelines set forth in the Company's Bylaws. As an exception to this rule, the representative member of the employees is elected by direct peer vote. Only employees currently in service can participate in this election organized jointly by Chesf and labor unions. **GRI 102-22 e 102-24**

Chesf adopts the Eletrobras Integrity Program, known as the Eletrobras 5 Dimensions Program

Composition of the Chesf Board of Directors

The current Chesf Board of Directors has five men and two women:

- the parent company's Corporate Management and Sustainability officer;
- the parent company's Chief Financial and Investor Relations Officer (woman);
- a company employee;
- the company's Chief Executive Officer;
- a lawyer appointed by the Ministry of Economy;
- an engineer (woman) as an independent member; and
- an engineer as an independent member.

GRI 102-22, 102-23

Integrity Program

GRI 103-2, 103-3, 205-1, 205-2, 205-3

Chesf's activities are guided by values, principles, standards and norms of behavior expressed in the company's Strategic Map, in the Eletrobras Code of Ethical Conduct and Integrity and in several resolutions and normative instructions.

Chesf adopts the Eletrobras Companies Integrity Program, known as the Eletrobras 5 Dimensions Program, which aims to prevent, detect and remedy situations involving fraud and corruption, promoting a business management environment focused on compliance and avoiding, mitigating and remedying the negative impacts resulting from illicit situations.

Periodic analysis of this program helps to identify and update processes found to be exposed to risks of fraud and corruption. Additionally, the program aims to identify gaps and strengthen integrity mechanisms. Periodic audits and controls within the scope of SOX certification verify the effectiveness of internal controls in enforcing strict compliance within the company.

New employees joining Chesf receive a copy of the Code of Ethical Conduct and Integrity, and the Chesf Ethics Committee is responsible for further disseminating the Code. All members of the governance bodies, employees and business partners must regularly read, acknowledge and sign documents stating their adherence to company's values, principles, norms and standards of behavior.



No cases of corruption were recorded at Chesf in 2021. **GRI 205-3**

Members of governance bodies and business partners also receive training on Eletrobras principles, rules and standards of behavior, compliance program and other sets of rules. In 2021, fifteen members of Chesf's governance bodies received training in anti-corruption policies and procedures. **GRI 205-2**

Specific training was carried out according to each professional's area and/or function. Directors and officers of the holding company and subsidiaries, affiliates or partners also receive content on ethics and integrity through the annual Corporate Governance Improvement Program.

Chesf has a Risk, Compliance and Information Security Superintendence, with a Corporate Integrity Department (DPRI) responsible for ensuring compliance with and continuous improvement of the Integrity Program, aligned with the policies and procedures defined within the scope of the Compliance Steering

Committee (CDC), a group formed by representatives of the integrity areas of all Eletrobras companies.

Several corporate policies have been established over the years to consolidate the integrity guidelines in Eletrobras companies, with emphasis on Anti-Corruption, Conflict of Interest and Consequence Management policies. The guidelines contained in such policies are detailed tactically in several corporate regulations, such as the Integrity Program, Integrity Monitoring, Integrity Assessments and Management and Handling of Whistleblower Reports and Confirmed Violations.

Additionally, the Chesf Ethics Committee promotes educational actions on principles and commitments, and partners with the integrity area in the evaluation of possible conflicts of interest and in other initiatives that aim to consolidate ethical behavior in the company.

GRI 102-25

All Eletrobras companies follow the Eletrobras 5 Dimensions Program, a series of integrity mechanisms for detecting, preventing and handling risks of fraud and corruption in different business processes, such as hiring, sponsorships, donations, agreements, selection of partners in SPEs and appointment of directors in such companies, among other processes.

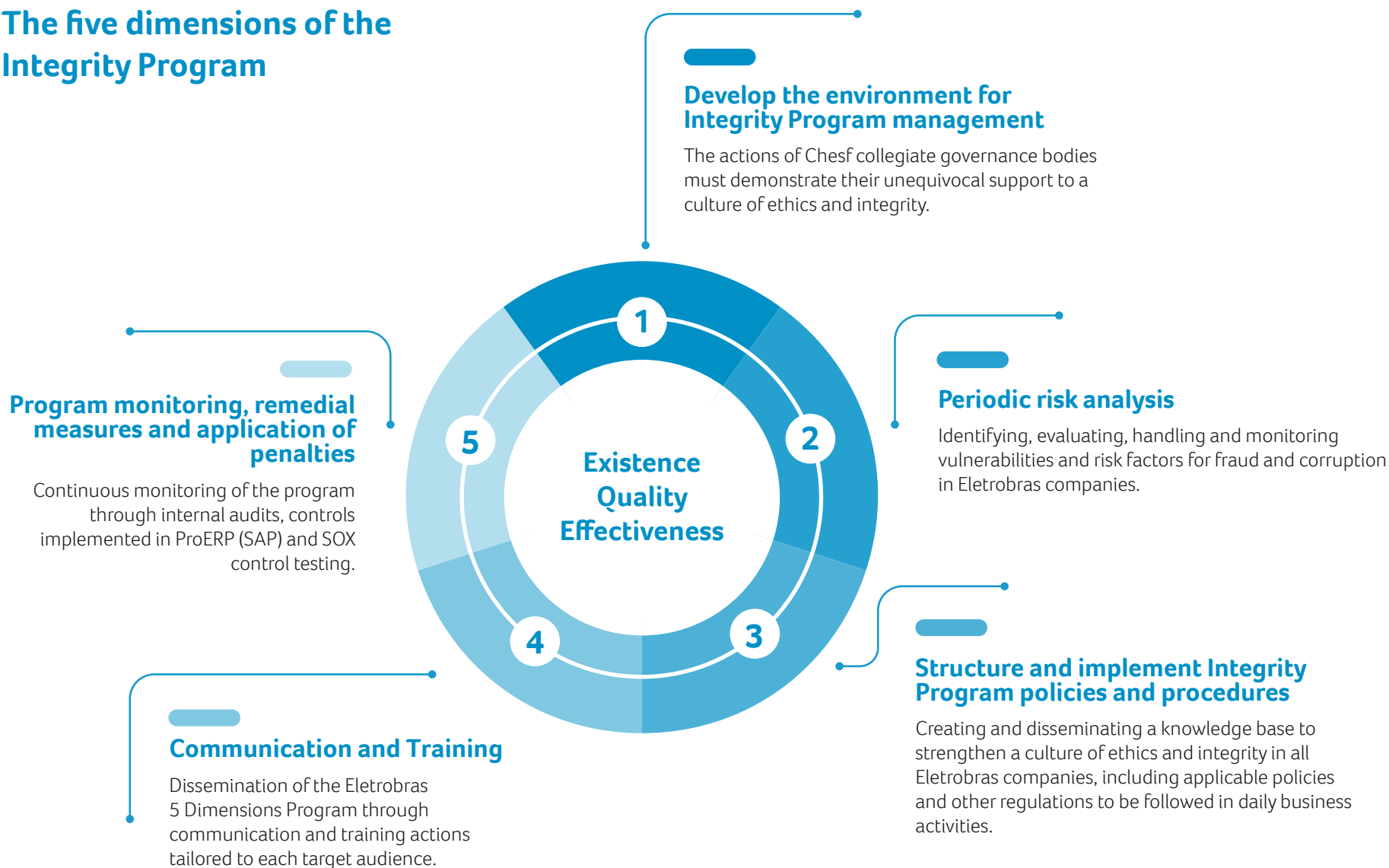
The most vulnerable processes are mapped periodically by Chesf, as required in all Eletrobras companies, aiming to identify possible need for reinforcement in integrity mechanisms.

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

In contracts of critical integrity risk, suppliers are submitted to a due diligence process: answers to a questionnaire will provide the necessary information to classify their integrity risk as low, medium, high or very high. Expert opinions on integrity are issued for high risk and very high risk suppliers, defining action plans that include raising awareness of integrity and possible required audits.

A total of 30 integrity-critical suppliers with contracts signed in 2021 were submitted to the due diligence process: two were classified as high risk and one as very high risk. The remaining suppliers were classified as medium and low risk.

The five dimensions of the Integrity Program



Communication and training on anti-corruption policies and procedures GRI 205-2

Members of the governance body who received communication and training in anti-corruption policies and procedures



	2019		2020		2021	
Members of the governance body	Received communication	Received training	Received communication	Received training	Received communication	Received training
number	14	14	14	14	15	15
%	100	100	100	100	100	100

Employees who received communication and training in anti-corruption policies and procedures, by level

LEVEL		2019		2020		2021	
Members of the governance body		Received communication	Received training	Received communication	Received training	Received communication	Received training
Managerial	number	212	207	218	209	256	237
	%	100	97.64	100	95.87	100	92.58
College educated	number	934	876	918	918	875	816
	%	100	93.79	100	100	100	93.26
No college education	number	2,047	1,780	2,026	1,985	1,953	1,786
	%	100	86.96	100	97.98	100	91.45

Business partners in SPEs who received communication on anti-corruption policies and procedures

BUSINESS PARTNERS IN SPES	2019	2020	2021
Members of the governance body	Received communication	Received communication	Received communication
number	0	9	8
%	0	90	100

Communication channels

GRI 102-17, 102-21, 102-29

Chesf is guided by transparency and maintains a constant dialogue with its stakeholders. Our communication channels are open and available to receive suggestions, criticism, reports on suspected misconduct, compliments and comments.

Reports and inquiries received through the different channels are sent to the company's technical areas to ensure company response is based on accurate facts and data. The company will respond on the same channel where the inbound communication was received.

Communication channels available

The following channels provide easy access:

- intranet, for employees
- corporate portal
- social media (Instagram, Facebook, YouTube, Twitter and LinkedIn)
- Ombudsman
- Citizen Information Service (SIC)
- Eletrobras Whistleblowing Channel
- Vendor Service Center
- other channels for reaching specific areas (more detailed information is available on the corporate portal)

The minutes of the General Meetings and the meetings of the Board of Directors, registered with the Board of Trade of Pernambuco and the Brazilian Securities and Exchange Commission (CVM) of the federal government, are available on the [corporate portal](#).

Ombudsman

Chesf's Ombudsman presents periodic reports to the Board of Directors on the key topics and questions brought up by internal and external stakeholders, so that actions can be taken to correct and improve processes.

The Ombudsman maintains the dialogue between citizens and the company. This independent body reports directly to the Board of Directors and is responsible for receiving, examining and submitting complaints, requests, praise and suggestions regarding Chesf procedures and actions. Maintaining absolute impartiality, it is also responsible for managing the Citizen Information Service (SIC), integrated into the Fala.BR platform of the Office of the Comptroller General (CGU).

Anyone can access the Ombudsman through an [electronic form on the Chesf portal](#), by e-mail, telephone, letter or requesting face-to-face service. The name of the person making the report or inquiry is kept confidential, and the content of the message will be treated impartially as restricted information. Every message coming in through any of the channels is registered in the Ombudsman System (SOU).

The Ombudsman's actions are aligned with the Eletrobras Anti-Corruption Program, the provisions of the Sarbanes-Oxley Law (SOx) and the regulations of the General Ombudsman of the Union.

In 2021, the SiC received 45 requests for access to information; in two cases, there were first instance appeals through the CGU's Fala.BR platform.

Citizens can also report irregularities or make complaints through Eletrobras's Whistleblowing Channel, which is independent, external and centralized for all companies. Contacts made through the Eletrobras channel are handled by the General Ombudsman of the holding company and operated by an external company specialized in receiving and managing the handling of complaints.

The Whistleblowing Channel centralizes all reports involving possible unethical, irregular or illegal conduct. Reports can be made anonymously or not: the identity of the whistleblower will always be protected. The person reporting the possible irregularity receives a protocol and a password to monitor the process until its conclusion. Key concerns reported by the Chesf Ombudsman include reports on possible violations of the Integrity Program (Eletrobras 5 Dimensions) and the Code of Ethics and Conduct applicable to all Eletrobras Companies. **GRI 102-34**

2021	
Praise	6
Suggestions	22
Whistleblower Reports*	59
Requests	367
Complaints	225
Total	679

(*) excluding out-of-scope protocols and those related to high hierarchy and conflicts.

Out-of-scope reports: not involving suspected non-compliance incidents (classified as 'other comments') or cases beyond the responsibility of Eletrobras companies.

Conflicted: refers to reports involving possible suspects who are users of the Channel.

Risk Management

GRI 102-15, 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, based mostly on ISO 31000:2018, COSO ERM 2017 and IIA:2020, the 2020 Three-Line Model of the Institute of Internal Auditors. Risk management activities have been increasingly systematized and incorporated into the business strategy, with the Board of Directors and the Executive Board playing a central role in this process.

Chesf has a formally established Risk Committee, a Risk Management area and the Statutory Audit and Risk Committee (CAE) with an office at the holding company and overseeing all Eletrobras companies. The risk management methodology comprises identifying, evaluating, handling, monitoring and communicating different types of risks.

The risk management process begins with identification: senior management will define the main risks the company is exposed to internally and externally and consider their possible impacts to strategy. The product of this identification phase is the Corporate Risk Matrix, which presents the risk events in a language that is common to all business areas, defining pillars, categories and risk events and their respective scope.

Next comes evaluation: the existing controls and mitigating actions are analyzed to define how to handle each risk: the company may choose to avoid, mitigate, share or accept such risk.

Chesf adopts the Eletrobras Regulation on Crisis Communication Management. The regulation provides for the establishment of a Crisis Management Committee and defines the roles and responsibilities of committee members.

Besides the corporate risks described in the Risk Matrix, other risk factors that may impact Chesf's Business and Management Plan (PNG) are also evaluated in this phase. [GRI 403-2](#)

In its risk chapter, PNG 2021-2025 lists 12 relevant risk factors, especially:

- [power trading](#);
- [business management of Special Purpose Entities \(SPEs\)](#);
- [works on Transmission assets](#);
- [pension funds](#);
- [market](#);
- [regulation](#);
- [information security](#);
- [people management](#); and
- [new litigation cases and litigation management](#)

Risk Matrix

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

Chesf reviewed its Risk Matrix in 2021. The former matrix was used between January and October and the new one came into force in November.

The review process included an interview with all company officers and members of the Board of Directors to collect their views on the relevant risks for the company.

The resulting new Risk Matrix of 25 risk events was then approved. All 25 events are being evaluated since January 2022 and will be monitored continuously throughout the year; they will be reported next year as part of the 2022 Annual Report.

Chesf builds its Risk Matrix following Eletrobras guidelines

Chesf Risk Matrix

January to October

OPERATIONAL

FINANCIAL

Generation

New businesses in Generation

Works on Generation assets

Operation and Maintenance (O&M) in Generation

Regulation applicable to Generation

Dam safety

Transmission

New businesses in Transmission

Works on Transmission assets

Operation and Maintenance (O&M) in Transmission

Regulation applicable to Transmission

Energy market

Energy trading

Climate change

Partnerships

SPE business management

Management & Innovation

Management of R&D + I

Information security

Liquidity

Cash flow

Credit

Counterparties

Indebtedness/Leverage

Taxes

Fiscal-tax administration

Market

Market risk

Budget

Budget management

Assets

Regulatory asset pricing

BUSINESS

COMPLIANCE.

Social and environmental

Socio-environmental management of power plants

Human rights

ICT

Availability and performance of ICT systems

Legal

Litigation management

People

People management

Occupational Health and Safety

Pension funds

Supply

Supply Chain Management

Safety

Property security

Legislation and regulations

Fraud and corruption

Adherence to rules

Reporting

Accounting and Financial Statements

Chesf Risk Matrix

from November 2021

OPERATIONAL

Generation

Delays in Generation Works Schedule

Sector Regulation in Generation

Unavailability of Generation Assets

Dam safety

Transmission

Delays in Transmission Works Schedule

Sector Regulation in Transmission

Unavailability of Transmission Assets

Energy market

Hydrological risk

Counterparty risk

Climate change

New Businesses

Low degree of competitiveness and diversification in G&T expansion

Partnerships

SPE business result

Governance

Weaknesses in Information Security

Cyber attacks

FINANCIAL

Liquidity

Cash flow

Assets

Regulatory asset pricing

BUSINESS

Social and environmental

Social and environmental risks

Violation of Human Rights by suppliers

Legal

High-value lawsuits

Safety

Vulnerability in Property Security

Human capital

Staff renewal and training

Failures in Health and Safety at Work

Actuarial Imbalance of Pension Fund

COMPLIANCE.

Legislation and regulations

Fraud in Contracts with Third Parties

Non-compliance with LGPD

Relevant risks

GRI 102-15

The matrix in force until October 2021 listed 33 risk events; 16 of those were prioritized for analysis. The revised matrix effective from November 2021 defines 25 risk events; all of them are considered relevant and will be analyzed.

Emergency action plan EU21

The new Brazilian dam safety law establishes standards requiring companies to comply with several safety requirements. These include Emergency Action Plans (PAEs) and constant communication and training for the communities surrounding the dams, so that everyone knows how to act in the event of a rupture.

Chesf standard RN-15/2018 GE-04 – Facility Contingency Plan Management establishes principles, guidelines and responsibilities in the identification, evaluation, handling, monitoring and communication of potential risks inherent to the company's facilities.

The additional 2019 Chesf standard RN-14/2019 GE-09 – Management of PAEs Chesf plants describes actions to protect downstream populations, properties and the environment, avoiding material damage and financial losses.

The standards also define the procedures to be adopted by Chesf in emergencies, such as risk of imminent rupture threatening dam structures or even in case a rupture has in fact occurred. In addition to internal actions, the PAE determines that external agents must be notified, and that relevant information be provided to civil defense and protection authorities.

OPENING THE TAQUARI FLOODGATE
IN PAULO AFONSO (BA)



All projects under Chesf responsibility must have contingency plans containing at least the following topics: natural disasters, operational, digital and physical safety, environmental disasters, health and safety.

It is important to note that Chesf's generation facilities are designed for self-reestablishment. Additionally, in case of failure in self-reestablishment, the plant has at least a second or even a third independent power supply alternative, depending on its strategic importance for the recovery of the National Interconnected System.

The manuals and standards for the recovery of power plants or substations after shutdowns are used for

training local Chesf personnel and are available at each Chesf facility. The documentation is managed by the normative department of operation.

Chesf also has an Incident Control System, in which incidents in plants, substations, transmission lines and other facilities can be reported by employees, also anonymously if desired. Notifications may range from minor nonconformities observed in facilities and processes to near misses or actual incidents.

The precautionary principle is also applied in the preparation of the PAEs for all Chesf HPP dams and in the construction of containment basins around the power transformers in plants and substations.

GRI 102-11

ANGIQUINHO PLANT SEEN FROM URUBÚ
ISLAND, IN PAULO AFONSO (BA)



Sustainability Management System

With the collaboration of four of the largest international consulting firms, the World Economic Forum launched in 2020 a proposed structure for reporting information related to corporate sustainability, reflecting the interrelationship of economic, environmental, social and governance factors (EESG). The suggested report structure defines four integrated pillars: Principles of Governance, Prosperity, People and the Planet.

Each pillar covers a set of metrics and disclosures. This structure adopts and systematizes existing reporting standards, such as GRI Standards and Integrated Reporting. Chesf used this model for its sustainability framework and for its 2021 Annual Report.

The company's Sustainability Management System is based on five axes, starting with the [Sustainability Policy](#) that guides the actions of all Eletrobras companies. The Executive Sustainability Management Committee is the body that disseminates the actions and coordinates the other three axes: the IGS System, a strategic tool for managing indicators; Integrated Reporting and the Value Creation Model.

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.



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

Equipment and facilities

Stakeholders

Financial resources

Main inputs

Research and knowledge

Natural resources

Workforce



Manufactured capital



Financial capital



Social capital



Intellectual capital



Human capital



Natural capital

- 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 a 17](#)
- Professional growth/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 a 3, 7, 9, 10, 13 a 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 a 3, 8, 9, 10, 12](#)
- Integrity (ethical, lawful and transparent conduct) [SDG 16](#)
- Private social investment [SDG 1, 3, 4, 7 a 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 a 9](#)
- Partnership in managing government programs [SDG 1 a 3, 7 a 9, 12, 13, 17](#)
- Participation in structuring projects [SDG 7, 9](#)
- Research, development and innovation [SDG 7 a 9](#)
- Procurement 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

Governments, congress and regulators

Customers

Communities

Employees and their families

Investors, shareholders and market analysts



Chesf Corporate Sustainability Committee

With members representing all Chesf departments, this committee coordinated by the company president advises on company governance and management of sustainability-related aspects, creating stimuli and mechanisms to help attain specific objectives. The committee meets monthly.

These were the highlights in 2021:

- monitoring indicators related to the 2030 Agenda - Sustainable Development Goals;
- ISE B3 performance above the 2021 target;
- monitoring strategic corporate sustainability projects:
 - Lagos do São Francisco Social Responsibility;
 - Supplier management
 - Conta Zero Program
 - Voluntary Reforestation
 - Human Rights
 - Implementation of PAEs; and
 - Periodic Dam Safety Review
- Started standardizing sustainability project management.

Sustainable Development Goals

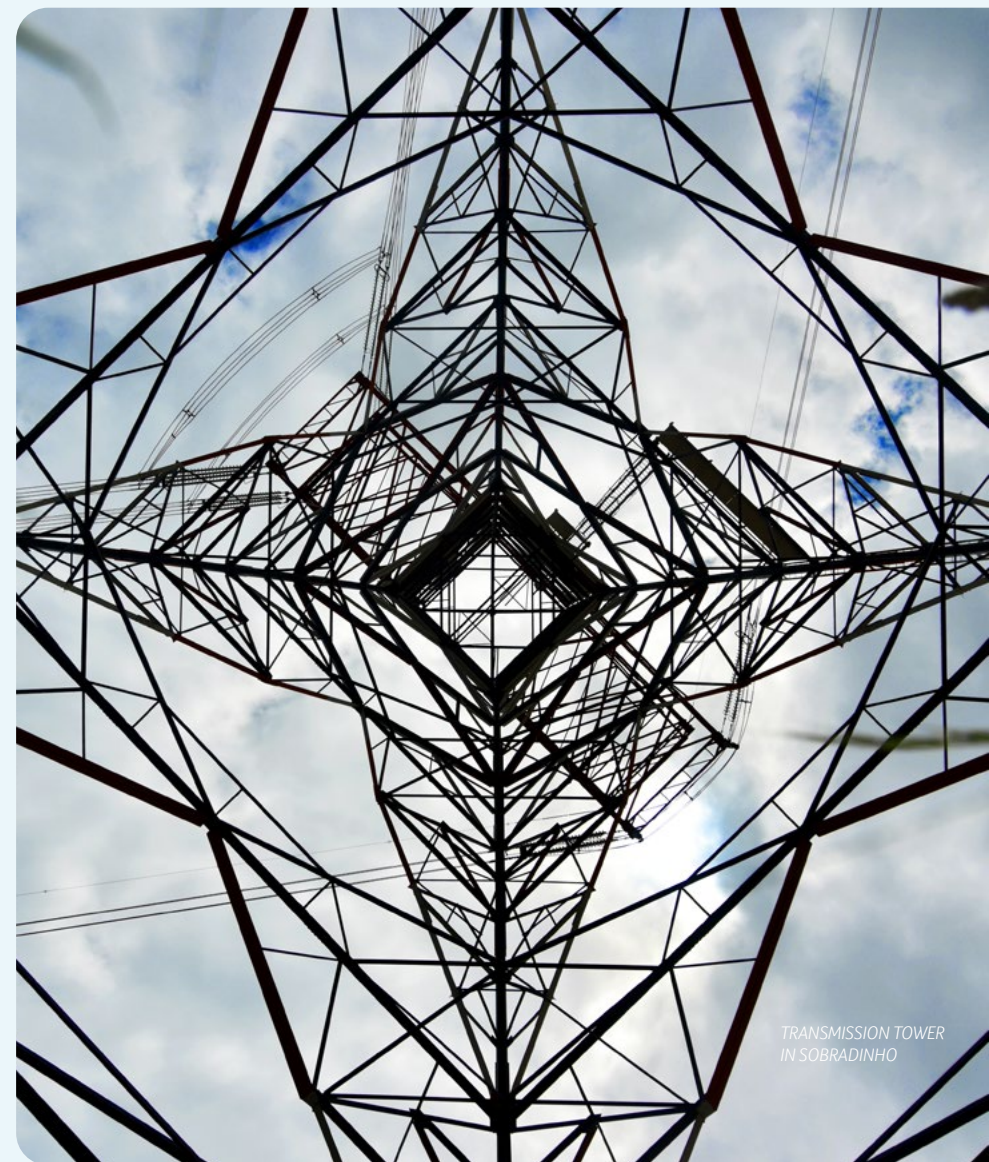
GRI 413-1

Aligned with Eletrobras' goals and objectives, Chesf's PNG 2021-2025 prioritizes nine of the SDGs in the United Nations 2030 Agenda. They are the following:



The results of the actions associated with each SDG are detailed in Appendix 1

SDGS	INDICATOR	2021 TARGET
7	Energy saved in Eletrobras corporate buildings through efficiency actions	6.45%
7	Share of clean energy sources	100%
8	Frequency Rate of work-related accidents with lost time -- own employees	2.59
8	Frequency Rate of work-related accidents with lost time – outsourced employees	3.90
9	Percentage of NOR applied in R&D+I	1.2%
9	Automation Rate Percentage (automated processes within the universe of automatizable internal control processes)	100
10	Management positions held by women	21%
10	Weighted Index ratio of pay for women and men at multiple levels	1%
10	Beneficiaries (number of people) assisted in social projects	600
11 and 13	Reduction of Scope 1 + 2 emissions, without transmission losses	1%
12	Suppliers subjected to ESG Due Diligence	60%
13	Total greenhouse gas emissions per Net Operating Revenue (NOR).	0.191
16	Employees trained in Integrity Program policies and procedures (compliance)	98%
16	Due Diligence of suppliers exposed to risk of fraud and corruption.	100%
16	Employees trained in Human Rights	50%
7, 8, 9, 10 and 16	SDG Alignment Index - IAO	1.0


TRANSMISSION TOWER
IN SOBRADINHO

Acknowledgements

In 2021, Chesf received the following awards, recognitions and certifications:

- Childhood Brasil recognition for compliance with all requirements established by the Na Mão Certa Program for 2021;
- the Chesf regional office in Salvador (BA) was recognized in another edition of the Seal of Ethnic-Racial Diversity, granted by the Secretariat of Reparation of the Municipality of Salvador. This seal acknowledges Chesf policies to combat racism in the workplace;
- for the fifth consecutive time, Chesf received the Seal of the Pro-Gender and Race Equality Program awarded by the Ministry of Women, Family and Human Rights, UN Women and the International Labor Organization (ILO);
- the company's two largest generating plants, Xingó and Paulo Afonso IV, had their Occupational Health and Safety Management Systems (SGSSO) certified in ISO 45001:2018, a standard focused on improving occupational health and safety. These were the first power plants among Eletrobras companies to receive such certification;

- Chesf maintained the accreditation of the Chesf Metrology Laboratory – MetroChesf in ISO IEC 17025 INMETRO for voltage, current, resistance, power and energy: the lab remains certified to provide calibration and certification of service standards used in the maintenance of protection, measurement and automation systems;
- Chesf's operation maintained the ISO 9001:2015 Certification in all processes of the 13 bodies

and facilities that make up its Operation Organizational System; and

- Eletrobras companies was included in the Bloomberg Gender-Equality Index 2022 for their performance in 2021, integrating the group of 418 institutions in 45 countries and regions recognized for their commitment to transparency in the dissemination of data on gender equality.



Organizations in which we participate

GRI 102-12, 102-13

Chesf invests in and supports associativism and solidarity actions developed by associations, foundations, forums and related entities acting for the general good and sustainable development of society. Chesf participates actively in the following organizations:



ORGANIZATIONS	CONTRIBUTIONS IN 2021 (R\$)
Brazilian Association of Wind Energy - ABEEólica	99.000,00
Brazilian Association of Photovoltaic Solar Energy (Absolar)	48.576,00
Brazilian Association of Major Electric Power Transmission Companies (Abrate)	276.105,88
Brazilian Association of Electric Power Generation Companies (Abrage)	195.454,88
Brazilian Association of Electric Power Sector Accountants (Abraconee)	12.600,00
Association of Utilities Services in Telecommunications and Technologies for Power Companies in Latin America (Utical)	31.146,20
Brazilian Risk Management Association (ABGR)	2.700,00
ABO Association of Ombudsmen (ABO)	—
American Chamber of Commerce (Amcham)	—
Brazilian Committee of the National Energy Integration Commission (Bracier)	63.618,24
Brazilian Committee of Large Dams	27.500,00
São Francisco Hydrographic Basin Committee (CBHSF)	—
Brazilian National Committee for the Production and Transmission of Electric Power (Cigre)	5.580,00
Committee of Public Ethics of the Executive Secretariat of Public Ethics of the Presidency of the Republic	—
The National Council on Water Resources. (CNRH)	—
National Forum for The Management of Ethics in State Enterprises, maintained through the Technical and Financial Cooperation Agreement, currently undersigned by 20 companies	—
COGE Foundation	64.000,00
Group of Business Leaders (LIDE)	24.000,00
Brazilian Association of Business Communication (Aberje)	13.938,00
Instituto Acende Brasil	99.990,00
Memória da Eletricidade	309.725,40
Brazilian Committee on Dams (DBDB)	27.500,00
Total	1.301.434,60

Voluntary commitments

GRI 102-12

Chesf makes voluntary commitments aligned with the company's ESG policy and strategy. In 2021, the company participated in the following initiatives:

- Global Compact
- Pro-Gender and Race Equality Program;
- Women's Empowerment Principles (UN Women)
- Declaration of Commitment to Combat Sexual Violence against Children and Adolescents;
- Eletrobras Declaration of Commitment on Climate Change
- Open Letter - Private Sector supports Carbon Pricing in Brazil prepared by IEC;
- SDGs;
- Open Letter - Companies for Human Rights;
- Brazilian Business Commitment to Water Security;
- Brazilian Business Commitment to Biodiversity; and
- Na Mão Certa Program (Childhood Brasil)

Strategic Planning - Business and Management Plan 2021-2025

GRI 102-15

Chesf's business strategy and guidelines are based on the periodic analysis of internal and external environments, always aiming for alignment with national and international electric power sectors and with its own mission. The company analyzes its strengths, weaknesses, opportunities and threats within the different environments.

Based on this analysis, Chesf planning process defines a five-year Business and Management Plan (PNG) subject to annual reviews.

The Plan evaluates the business environment for generation, commercialization and transmission, defining scenarios, performance indicators and projects for analysis and corporate development.

The Chesf PNG is aligned with the Eletrobras Strategic Plan and with the Eletrobras Business and Management Master Plan (PDNG). In addition, Eletrobras has a Business Performance Goals Agreement (CMDE) with its subsidiaries, establishing that financial, operational,

management, governance and socio-environmental aspects will be monitored. These instruments are discussed and approved at an Executive Board meeting and must also be deliberated by the Board of Directors.

Given the changes that have occurred in Chesf's internal and external environments in recent years and considering the need for a long-term strategic plan to ensure growth over the next 15 years, the company is repositioning itself within Eletrobras' strategic guidelines.

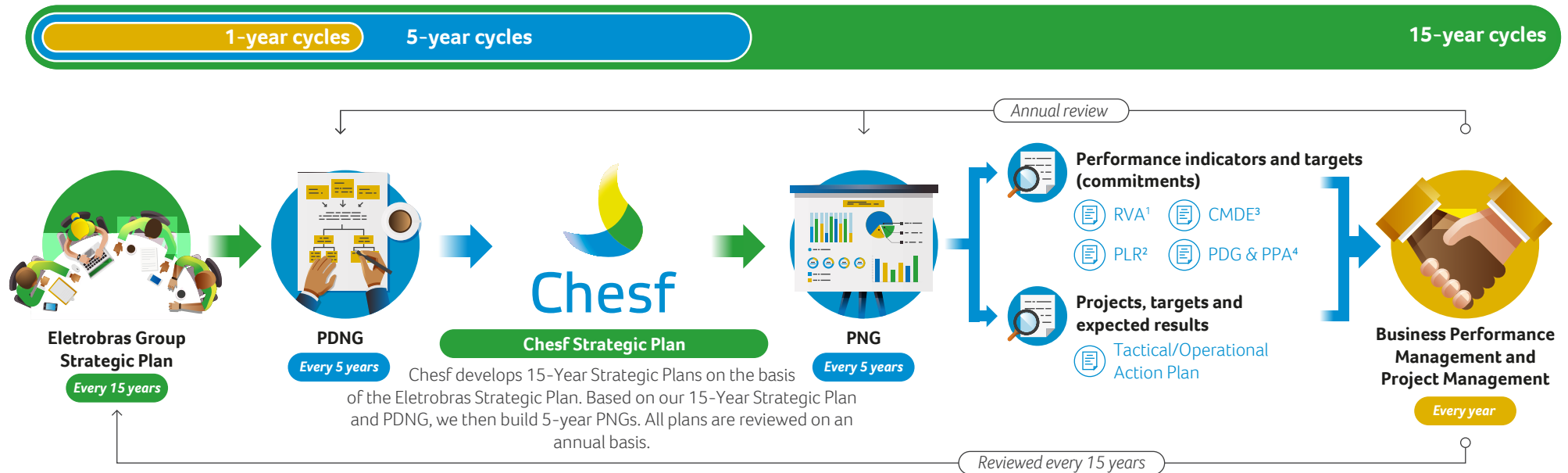
Chesf's corporate plan is monitored monthly through meetings of the Executive Board and the Board of Directors where PNG performance is evaluated.

Additional periodic strategy evaluation meetings also monitor progress in terms of the company's objectives, indicators and strategic projects. This enables Chesf to analyze gaps between targets and results, propose actions and countermeasures, map business opportunities and improve business performance.

The results of Chesf's PNG 2021-2025 can be found in Appendix 2

How we ensure we are future-ready

Strategic planning at Chesf is aligned with the model adopted across the Eletrobras Group, and is led by our parent company. **The model is structured into planning and management components covering different time horizons—15 years, 5 years and 1 year.**



Eletrobras Group Strategic Plan and Chesf Strategic Plan

Outlines strategic goals and targets for the next 15 years. Plans are agreed between subsidiaries and our parent company, taking account of the internal and external environment and established general guidelines. This step informs the development of the Eletrobras Business & Management Master Plan (PDNG) and individual Group company's Business & Management Plan (PNG).

Business & Management Master Plan (PDNG) and Business & Management Plan (PNG)

Once the PDNG has been developed, **each subsidiary then uses it to inform their own Business & Management Plan (PNG), describing their business outlook for the next 5 years.** The PNG establishes indicators, performance targets and expected results that are tracked during the course of the year.

Business Performance Management and Project Management

The process chain comes full circle with the management and monitoring of organizational performance targets and commitments to **inform day-to-day business management.**

¹ Management Variable Compensation (RVA) – for senior leadership

² Profit-Sharing Plan – for employees

³ Business Performance & Targets Contract

⁴ General Expenditure Plan (PDG) and Multi-Annual Plan (PPA)

Strategic Map

Chesf

GRI 102-26

Among other functions, the company's Superintendence of Business Strategy and Participation Management is responsible for preparing a strategic plan, working together with the Project Planning and Management Committee. The Committee is made up of representatives from the different areas of the organization, in line with the Eletrobras Strategic Plan and PDNG.

The plan comprises the Chesf Strategic Map, PNG, Corporate Performance Goals Agreement (CMDE) and Annual Variable Compensation Program (RVA); it is approved by the Chesf Executive Board and the Board of Directors and monitored periodically by these governance bodies and by the Supervisory Board (Fiscal Council).

The Chesf Strategic Map describes its mission, vision and values, the strategic results to be achieved and the strategic objectives that will enable the company to attain these results. It is reviewed annually for continuous improvement in management and effective achievement of business goals; additional reviews may be carried out as required by internal and external factors impacting business performance.

The Chesf Strategic Map **is reviewed annually**



FLOODGATE CAPUXU IN
PAULO AFONSO (BA)

Chesf Strategic Map 2021-2025

Mission

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

Vision

To be a reference in profitable and innovative solutions in electric power, creating high value for society

Values

Safety
Respect for people, fairness and equality
Ethics and transparency
Innovation and entrepreneurship
Commitment to society
Preserve the environment

Financial

Maximize the profitability of operations and investments

Increase financial liquidity

Increase revenues from new businesses

Ensure growth and financial sustainability

Clients and market

Generation & Transmission

Increase the availability of generation and transmission assets and strive for operational efficiency

Investments

Manage our investment portfolio with focus on competitiveness

Energy Trading

Strengthen our market performance in energy purchase and sale

Operation and Maintenance Services

Provide specialized operation and maintenance services for electric power generation and transmission assets

Telecommunications

Offer high performance voice and data transmission channels

Energy Solutions

Provide innovative solutions with high market value

Institutional capacity

Enhance integrated asset management

Strengthen institutional capacity for innovation

Governance & Management

Strive for process efficiency

Foster results-oriented management

Enhance governance, risk management and compliance in all processes

Learning and growth

Manage the allocation of human resources in processes and projects

Develop competencies with a focus on innovation and results

Consolidate the use of digital transformation technologies

Modernize facilities for greater operational efficiency

PNG 2022-2026

The 2021 annual review of Chesf's five-year Business Plan led to its PNG 2022-2026, valid from January 2022. The plan is aligned with the Eletrobras Strategic Plan and PDNG, the short- and medium-term five-year plans guiding the actions of all Eletrobras companies.

Chesf PNG 2022-2026 reflects therefore the assumptions, guidelines, objectives and actions related to nine SDGs and the voluntary commitment made to the UN 2030 Agenda by all Eletrobras companies.

Among the guidelines, plans and business strategies that guide Chesf's path to sustainable growth, the following stand out: the company's proposed expansion through continued investments in opportunities associated with new forms of renewable power generation; the search for operational excellence throughout the value chain; the modernization of Chesf's facilities, covering improvements in the areas of transmission and generation, to enhance asset profitability; the elimination of pending works and the resumption of efficient participation in auctions; the emphasis on regulatory, land, judicial and environmental issues; the optimization of operational costs, focusing on reducing personnel costs and cultural transformation; and the improvement of corporate governance and business integrity.



Chesf's PNG 2022-2026 is available on the [company's website](#)



PROSPERITY

MATERIAL TOPICS

- Technology and Innovation
- Energy Transition

MATERIAL TOPICS

- Customers
- Regulatory context
- Suppliers

CAPITALS



The ambition to ensure a prosperous and full life for all human beings, and economic, social and technological progress that preserves and protects nature. Prosperity involves economic growth based on decent jobs, sustainable livelihoods, rising real income and social protection. It also involves

innovating and transforming business models to create shared value, investing in sustainable and resilient infrastructure for cities and settlements, promoting industrialization, fostering small and medium-sized enterprises and engaging in sustainable supplier management.

Economic performance

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

In a challenging year marked by rising inflation and interest rates, continued pandemic and extreme water scarcity in the South and Southeast, Chesf achieved economic results above target in almost all aspects except investments, generating value for shareholders and society.

Chesf closed 2021 with 31.8% growth in Net Operational Revenue reaching R\$8.1 billion, R\$5.5 billion profit and R\$1.3 billion dividend distribution.

A combination of factors enabled this positive result, helping the company to meet a significant part of its PNG. Positive elements include revenue growth, incorporation of new ventures, tariff revision for an important part of its assets, and the extension of the concession period of the Sobradinho (BA) plant for an additional seven years.

The concession period was extended after the renegotiation of the plant's hydrological risk with Aneel. In this process, Chesf gave up a lawsuit filed in the Federal Regional Court of the 1st Region (TRF-1) pleading the neutrality of the apportionment of injunctions by other sector players, and making a one-time payment of R\$1.4 billion. Both Chesf and the Brazilian Association of Electric Power Generating Companies (Abrage) believe this compensation is advantageous and paves the way for a significant increase in revenue over the seven-year extension

period. As for the disbursement made, it is important to note that the company had already provisioned an amount that was in fact superior to R\$1.8 billion.

Another important revenue-generating factor was the definitive acquisition of 100% of the Pindaí Wind Complex from Sequoia Capital Ltda. (Chesf already held 97% of the shares). With this transaction, the company started to incorporate an annual revenue of around R\$80 million – in addition to increasing its installed generation capacity by 110 MW, reaching a total of 10,460.43 MW. The project in the southwest of the state of Bahia was initially formed by 11 Special Purpose Entities (SPEs) selling energy in the regulated environment through Aneel auctions.

In 2021, the Aneel tariff revision of Chesf's generation and transmission assets brought relevant results, adding approximately R\$700 million to the company's annual revenue.

Chesf's satisfactory financial result ensured the maintenance of its Fitch AA rating. The company remains rated as high investment grade. The Chesf rating is aligned with the Fitch rating of the holding company Eletrobras.

Chesf did not meet its investment target of R\$1.29 billion in 2021. The total amount invested in asset renovation, modernization and maintenance was

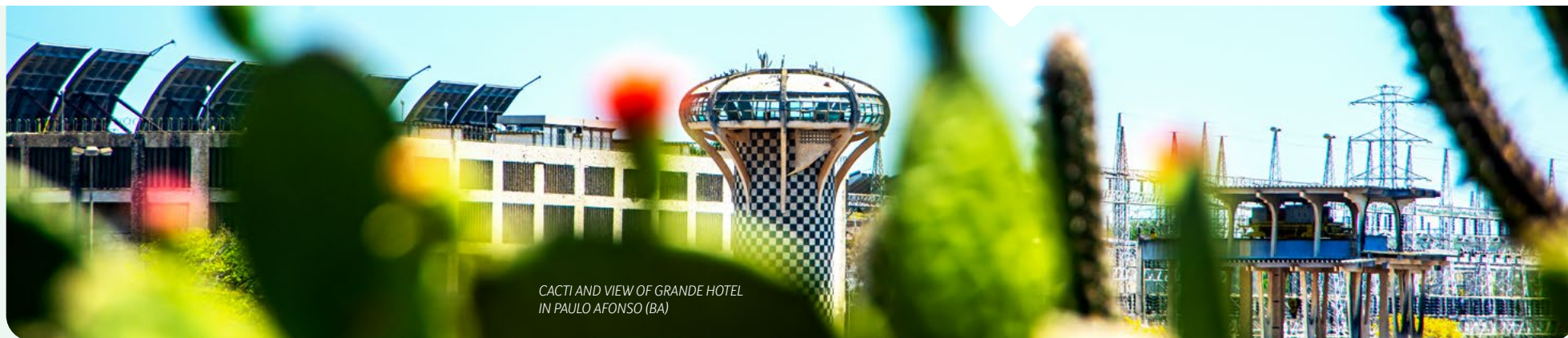
R\$1.08 billion. Although below budget, the amount is higher than the investment made in the last two years: 83.78% of the target in 2021, against 50.89% in 2020 and 50.76% in 2019.

It is also worth mentioning that Chesf partners with the private sector as a minority shareholder in some private ventures and also invests in power generation and transmission through them. Such ventures are called SPEs.

These are the SPEs in which the company held a stake on December 31, 2021:

- STN – Sistema de Transmissão Nordeste S.A.
- Energética Águas da Pedra S.A.
- Interligação Elétrica do Madeira S.A.
- Energia Sustentável do Brasil S.A.
- Norte Energia S.A.
- Interligação Elétrica Garanhuns S.A.
- Vamcruz I Participações S.A.
- Companhia Energética Sinop S.A.

GRI 102-45



CACTI AND VIEW OF GRANDE HOTEL
IN PAULO AFONSO (BA)

Economic Highlights

Profit

R\$5.5 billion

(+ 159.3% compared to 2020)

Dividends

R\$1.3 billion

Net operating revenue

R\$8.1 billion

(+ 31.8% compared to 2020)

Definitive acquisition

and incorporation of the Pindaí Wind Complex, in Bahia.

On August 28, 2021, Chesf won a lawsuit filed by the Municipality of Canindé do São Francisco against Chesf for the payment of R\$2.925 billion corresponding to the ICMS apportionment referring to the hydroelectric complex of the Xingó plant.

Added value generated GRI 201-1

The value added by Chesf in 2021 was R\$9.13 billion, compared to R\$4.93 billion in 2020. The company added value to the following segments of the company: salaries, charges and benefits to employees (11.6%); taxes, fees and contributions to federal, state and municipal governments (25.2%); third parties (3.3%); and profit to shareholders (59.9%).

Investments and the Annual Budget Bill of 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, the company's Global Expenditure Program must be approved annually by presidential decree. The total amount of Chesf's investment budget approved in the LOA 2021 – Law 14,144, of April 22, 2021 – was R\$ 1.718.065.698.00.

Capitalization

In 2021, the National Congress approved the Eletrobras capitalization project, later sanctioned by the federal government as Law 14.182/2021. Capitalization aims to reduce the Union's participation in the company's capital from the current 51% to 45% of the shares. The company plans to sell part of its shares in the stock market while maintaining its status as the largest shareholder. This will free up capital for new investments and help the company maintain its competitiveness in the market. In view of the planned Eletrobras capitalization, PDNG 2022-2026 foresees investments of around R\$48.3 billion, an increase of about 17.5% compared to the previous PDNG (2021-2025).

of Chesf assets. This will bring enhanced results in the implementation of new ventures, increase the availability of assets in commercial operation and especially ensure the company fulfills the regulatory requirements necessary to obtain greater revenues.

The continuous improvement in regulatory compliance will help ensure that Aneel recognizes fair and adequate revenue for all Chesf projects in implementation and in commercial operation. In 2021, the company made progress in adopting and strengthening best practices through its new Asset Management Committee, a new governance structure for monitoring and analyzing all ongoing actions.

Chesf had a decisive presence in 100% of the Aneel social participation processes initiated in 2021 (subsidy claims, public hearings and public consultations), contributing to improve the regulations applying to its business.

The year was marked by relevant regulatory definitions for Chesf, especially the conclusion of the tariff revision processes of Concession Agreement 061/2001, which added R\$2.5 billion to company results in relation to fiscal year 2020.

Regulatory context

Chesf operates in the highly regulated energy market in Brazil. Aiming for the best results within the standards established by the National Electric Energy Agency (Aneel), the company Regulatory and Marketing Board created in March 2021 will ensure regulatory compliance and boost company results.

With the creation of this new board, regulatory compliance becomes a new pillar in the management



THE PETROLINA SOLAR
ENERGY REFERENCE
CENTER (CRES)

Operating performance

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

Chesf's operation in 2021 was strongly impacted by two aspects: the Covid-19 pandemic, which changed the work dynamics in generating parks and transmission, and the water scarcity in the South and Southeast, which forced the company to operate at the limit of its capacities to supply the interconnected national system.

The two aspects are closely connected: even during the pandemic, Chesf had to ensure uninterrupted, reliable power generation since the Northeast had slightly better water availability, making up for the impaired generation in the South and Southwest due to severe water scarcity. Thanks to the safety and health protocols established in 2020, the company was able to deliver positive results.

In 2021, the company generated 26,357 GWh, a 26% reduction compared to 2021, again due to water scarcity. Sobradinho, the largest reservoir in the Northeast, had 30% lower storage levels in the wet period 2020/2021 compared to the previous year: 72% in early April 2021 and 51.65% on December 31.

It is important to mention that Sobradinho reservoir levels still made it possible to meet the demand of the National Interconnected System (SIN) in the 2021 dry season as established by the guidelines of the National Electric System Operator (ONS).



BOA ESPERANÇA HYDROELECTRIC POWER PLANT (PI)

Another important point is that Chesf has continuously invested in transmission and generation, striving for greater reliability and availability and improved operational performance. More than 2,640 modernizations were carried out in 2021: replacement of 971 lightning rods, 816 instrument transformers, 112 switches, 52 circuit breakers, 69 bushings and 191 radiators, in addition to improvements in protection, automation and telecommunications systems. These actions reflected on the operational indicators, which exceeded their 2021 targets.

Chesf also had 99.95% operational availability of transmission ¹, within the five-year average and above the target of 99.91%. The operational availability of transformers was also above the target of 99.89%, reaching 99.92%. These indicators represent the

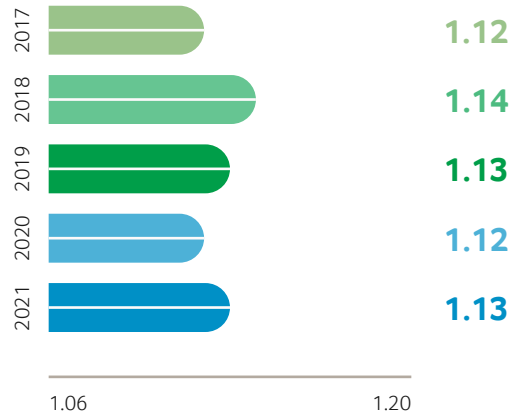
likelihood of an equipment being in operation or ready to perform its function.

The result for the Variable Portion (PV) indicator in 2021 was the second best in the company's history. The system robustness indicator of 91.4% was considered satisfactory. The operational availability of generation was above the target of 1, maintaining the availability value at 1.125. Technical losses in the consolidated basic network were 0.78%².

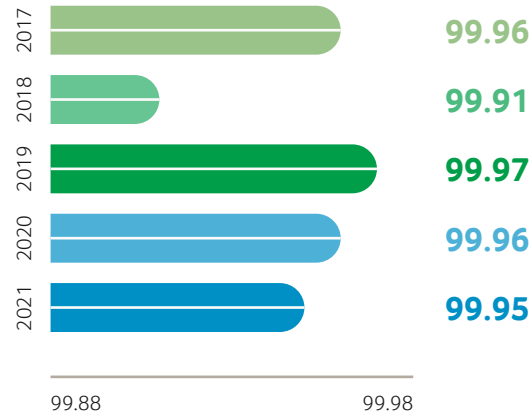
¹ Considers corporate transmission lines in the basic network eligible for the Annual Permitted Revenue (RAP) and that have been in operation throughout the reporting period, including sectioned segments. Does not include complementary network lines.

² The value reported for this indicator considers the corporate transmission lines eligible for RAP that were in operation at the end of the reporting period.

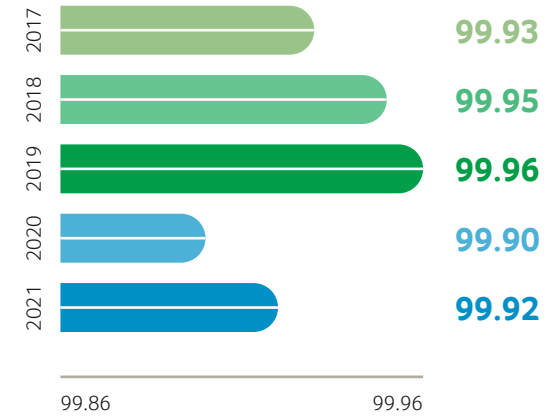
Operational Availability of Generation



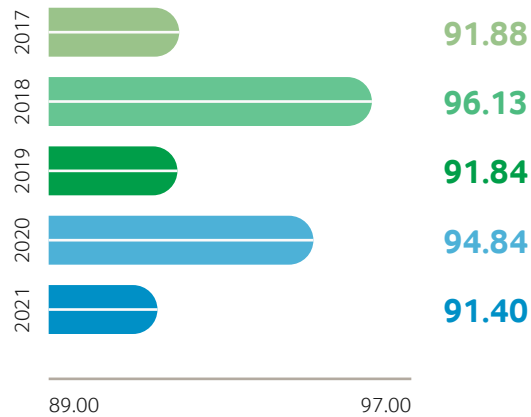
Operational Availability of Transmission Lines



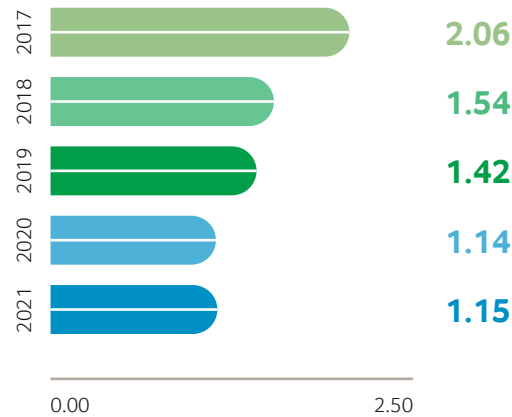
Operational Availability of Transformers



System Robustness Indicator



Variable Portion – PV



In these graphs, the larger the number, the better the performance. The exception is the Variable Portion (PV) graph, in which lower means better

The availability factor of hydroelectric generation has remained above 95%. This positive result can be attributed to improvements in generating units, auxiliary services, process optimization and compatibility of interventions. Data on hydroelectric plants is audited by ONS. The information on wind farms is collected through a Chesf system called Scada.

AVERAGE PLANT AVAILABILITY FACTOR BY ENERGY SOURCE AND REGULATORY SYSTEM EU30	CORPORATE VENTURES	CORPORATE VENTURES AND SPES
Average generation availability – Hydroelectric (%)	96.64	97.00
Average generation availability – Wind (%)	99.01	98.39



HYDROELECTRIC POWER PLANTS
PAULO AFONSO I II AND III

Tax performance

GRI 207-1, 207-2, 207-3

Chesf understands the importance of taxes for government revenues, fiscal policy and macroeconomic stability. The company pays its taxes and charges on time and encourages its value chain to also embrace this corporate responsibility.

In 2021, the creation of value in Eletrobras companies generated approximately R\$ 10,073 billion in federal, state and municipal taxes. Complying fully with tax laws, Chesf shows respect for company stakeholders, promotes good tax practices and helps the country fight tax evasion. The Financial Board is responsible for Chesf's fiscal strategy and policies and for embedding them firmly in the corporate culture.

Modernization Program for Generation Facilities

Investments over a 10-year period add up to **the largest modernization and digitalization initiative in the Brazilian electric power system**



What will be done in the power plants



Replacing measurement, protection, command, control, oversight and regulation systems and **expanding the number of variables measured**



Improving systems used to move floodgates, digitalizing command centers, including videowall for monitoring



Integrated operation for all HPP complex with greater **efficiency and operational reliability**



Adapting generation units for synchronous operation, expanding the services offered to the National Electric System

Asset Modernization

Chesf invested approximately R\$500 million in operations to modernize and renew its assets and ensure generation and transmission availability rates remain high and within targets. Another R\$800 million are already approved for investments in 2022. In a year marked by water crisis, the modernization work was carefully scheduled in agreement with Aneel and ONS, making sure there was no impact on power supply, especially in the case of planned shutdowns for the execution of works.

The investment is necessary to extend the useful life of older Chesf equipment. Other amounts have been earmarked for the company's Engineering area, adding up to a total investment of R\$1.5 billion.

Chesf launched its Generation Facility Modernization Program, considered by the federal government to be the largest in Brazil. The Sobradinho (BA), Paulo Afonso IV (BA), Luiz Gonzaga (PE) and Xingó (SE) hydroelectric power plants will receive significant investments over the next ten years to replace analog equipment with digital devices. This will ensure 25 more years of operation and continuing high performance for Chesf's plants.

Chesf's hydroelectric plants have been operating for decades, so equipment upgrades and modernization are fundamental for maintaining quality in generation. About 30% of the substations will need to receive investments. Modernization is also necessary in 40% of the transmission lines.

Chesf is pioneering digitization in its operations while modernizing its power plants with new engines and turbines. With the investments, the equipment in the Luiz Gonzaga, Paulo Afonso IV and Xingó plants will be upgraded to synchronous operations, enabling ONS to change their voltage and frequency remotely.

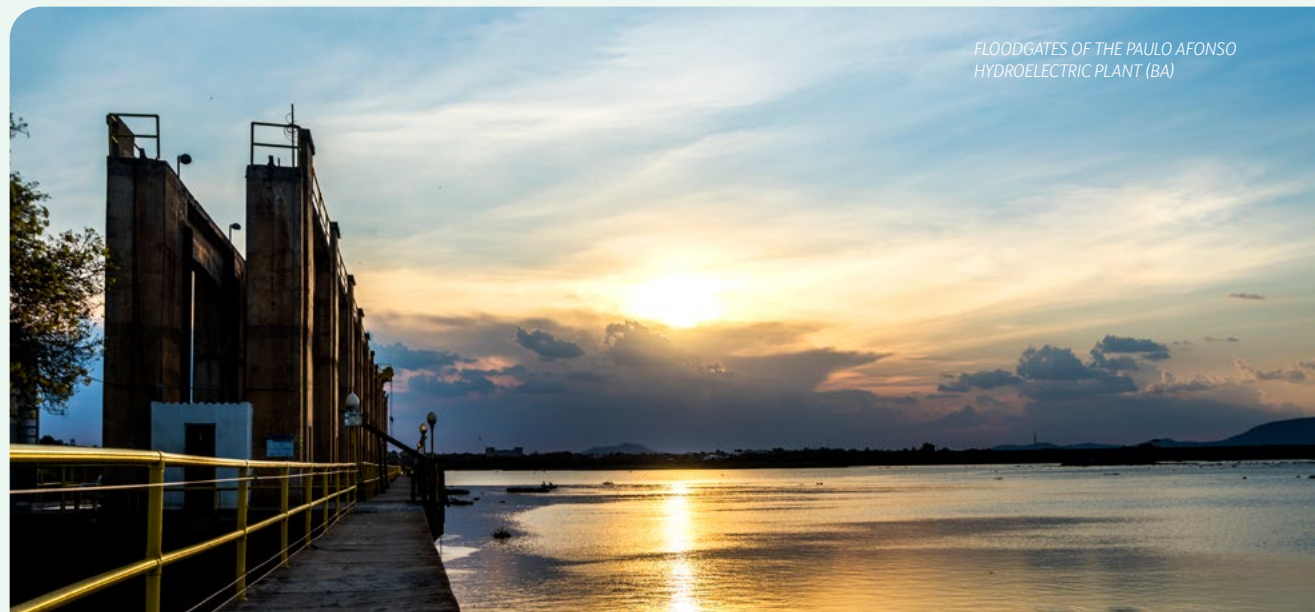
Chesf invested more than R\$380 million in engineering projects to modernize and expand the capacity of its transmission lines. Highlights in 2021 include the energization of 16 projects for expansion and reinforcement of transmission lines, adding 300 MVA transformation capacity and 196 km of transmission lines to the basic network, besides recapacitating 291 km of transmission lines.

Operation Certifications ^{EU6}

Chesf is continuing its efforts towards having all operations certified in ISO 55001 for excellence in asset management. In 2021, the company carried on the work it had started in 2020, training operational teams and reassessing procedures to attain certification in 2022.

Chesf created the Asset Management Committee in 2021, centralizing administrative and management initiatives. The committee will unify and orchestrate the individual actions carried out by the Financial, Operation and Engineering Boards and focus on maximizing company revenues. One of the actions already in place is the Integrated Asset Management project.

The entire Chesf operation is ISO 9001 certified.



FLOODGATES OF THE PAULO AFONSO
HYDROELECTRIC PLANT (BA)

Energy transition

GRI 103-2, 103-3

Chesf operates with 100% renewable energy generation. Today, it is present in the hydroelectric, wind and solar power sectors.

Chesf knows strategic management of energy generation sources can add value to the business. The company does not rule out new thermoelectric plants in its future portfolio. This notwithstanding, Chesf focuses on implementation studies for projects based on 100% renewable energy (wind, photovoltaic and hydroelectric).

Chesf's governance bodies approved in 2021 the installation of two wind farms: Frei Damião I (PB), with a generation capacity of 110 MW, and the resumption of Casa Nova B (BA) operations, with 27 MW. Other highlights: the distributed generation photovoltaic plants in the substations of São João do Piauí (PI) and Campina Grande II (PB) started operating; and the technological plant for the Solar Energy Research Center of Petrolina (Cresp) is under implementation.

Technology and Innovation

GRI 103-2, 103-3

Research, Development and Innovation (R&D+I) at Chesf flow along two lines: corporate innovation and open innovation.

Open innovation covers all R&D+I projects standardized by Aneel and aligned with the plans conceived by the Energy Research Company (EPE) for the Brazilian electric power industry. Chesf's minimum investment in this area is based on Law 9.991/2000, which establishes that 1% of the company's net operating revenue (ROL) will be distributed as follows: 0.2% for the Ministry of Mines and Energy, 0.4% for the National Fund for Scientific and Technological Development (FNDCT) and 0.4% for research, development and innovation projects.

All Chesf R&D+I projects are developed and monitored by its Development and Innovation Center. In 2021, the main R&D investment at Chesf were made in the following areas:



CHESF TECHNICIAN SETS UP A DRONE FOR FIELD WORK

Investment in R&D+I

Alternative sources of electric power generation – investment	R\$ 20.389.320
Safety – investment	R\$ 8.350.370
New materials and components	R\$ 4.136.580
Operation of electric power systems – investment	R\$ 578.420

Linking solutions, people and results

All R&D+I projects at Chesf are managed from our **Development & Innovation Center**.

1. Smart Innovation Management System (SIGI)

- Centrally manages **R&D I projects and startups**.
- This **includes** risk assessment, technological maturity progression, investment and revenue management, and performance tracking.

2. Chesf Innovation Hub

- Drives Chesf innovation initiatives to **address pain points within the organization**.

Key Areas of R&D I Investment in 2021



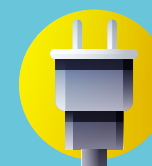
Alternative energy sources
R\$ 20.389.320,00
invested



Safety
R\$ 8.350.370,00
invested



New materials and components
R\$ 4.136.580,00
invested



Operation of electric power systems
R\$ 578.420,00
invested

3. Chesf Innovation Awards

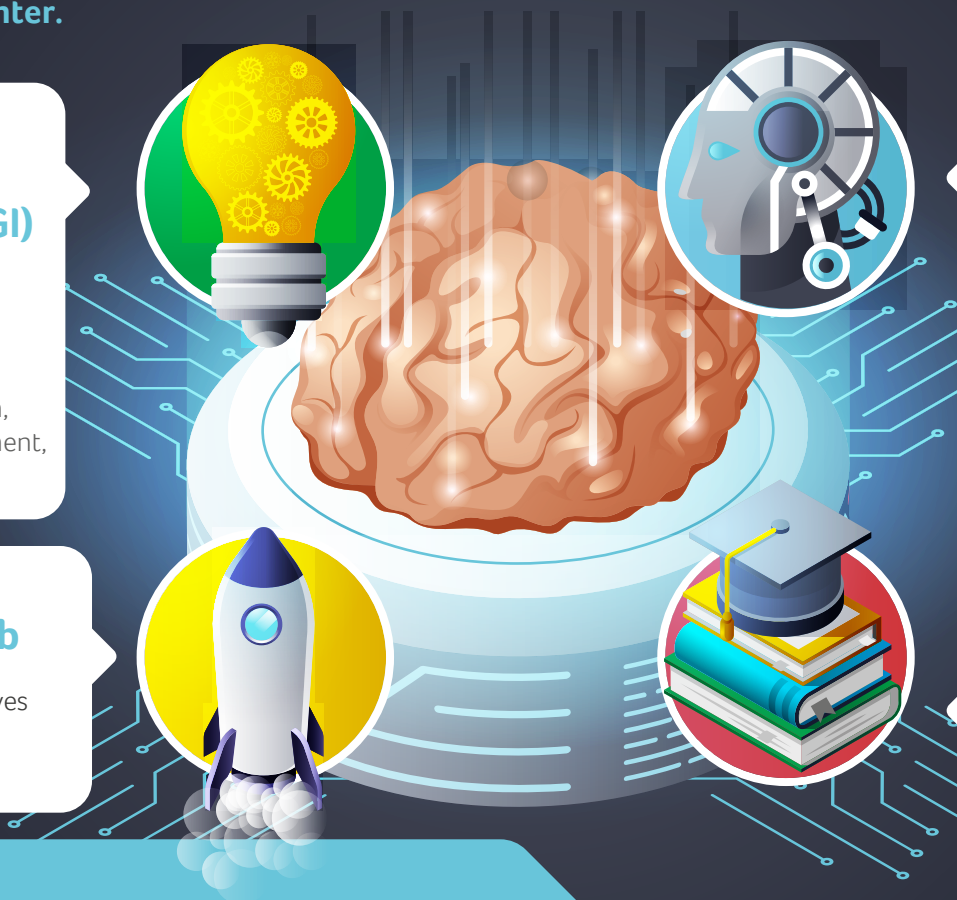
- Awards to reward employee innovation

14 available categories



4. Training for innovation champions

- Initiatives to **train Chesf Employees** to champion our internal culture of innovation



Key R&D+I projects

COMPLETED

Use of solar energy in HPP reservoir

Objective: implement a complementary system generating 1 MWp power from photovoltaic panels mounted on floating platforms in the Sobradinho HPP (BA) reservoir.

From idea to market

Objective: develop and implement an innovation method for Chesf to ensure a systematic and continuous process of value generation, increasing the efficiency of R&D+I projects. The main product developed in this project was the Intelligent Innovation Management System (Sigi).

IN PROGRESS

Storage in substation with third power supply

Objective: improve power supply for auxiliary and ancillary services at substations by integrating a photovoltaic solar energy source and battery storage.

Petrolina solar platform

Objective: develop products and processes that bring greater efficiency, lower costs and fewer environmental impacts to photovoltaic systems and plants in Brazil. The project includes developing and implementing a 0.5 MW technological plant with innovative technologies and third generation modules (high concentration cells and thin films – TeCd, CIGS), in addition to other silicon photovoltaic technologies.

New windmill concept

Objective: the project proposes a wind turbine with a 3 MW electric power generator at ground level, transmitting the power generated by the rotor through angular gearboxes/multiplication boxes and a vertical axis.

Location study for large solar power plants

Objective: develop software to estimate the most appropriate capacities and locations for the installation of hybrid power generation arrangements (solar, photovoltaic, wind and energy storage) and the most appropriate dispatch of these arrangements.

Predictability model of health of electric power sector professionals through vital signs, molecular and serological tests and thermal images

Objective: develop a predictability model by monitoring vital signs (oximetry, heartbeat and temperature) in real time, and sending data via smartphone to a bioepidemiological surveillance platform, as well as performing molecular tests for the detection of SARS-CoV-2 in Chesf employees.

Design of saturated reactors for reactive compensation in extra-high voltage systems

Objective: consolidate the techniques developed for the design and manufacture of natural saturation reactors (RSNs) for medium voltage through the construction and installation of a prototype in the 69 kV Chesf network. Develop models, techniques and methods for the design of economically viable RSNs for application in the compensation of the extra-high voltage network, especially in 500 kV transmission lines.

Intelligent hybrid plant

Objective: develop an intelligent hybrid generation system for R&D with controls enabling stable, improved operation and maintenance, real-time simulators for performance optimization and production capacity forecasting in scale of hours, days and months.

Heliothermal parabolic trough plant at the Petrolina Solar Energy Reference Center (Cresp)

Objective: implement a thermosolar demonstration plant with 0.8 MWe concentration (net), using parabolic trough technology for scientific and technological research in heliothermia. The project is intended to promote new R&D+I initiatives to be installed at Cresp in partnership with other institutions.

Chesf started implementing its Innovation Hub in 2021. The Hub will accelerate the implementation of open innovation and foster the discovery of new business solutions for the company. The Hub will also serve to launch calls for start-ups to present their proposed solutions.



Investing in green hydrogen is on Chesf's research radar

Research and Development + Innovation GRI 103-3 and EU8

In 2021, Chesf implemented its Intelligent Innovation Management System (Sigi) for monitoring R&D+I projects from conception to execution. Sigi enables researchers and company employees to track projects using artificial intelligence, a risk assessment model and a technological maturity assessment.

Sigi investments prioritize the development of disruptive technologies. One example is hybrid generation, in which there are different forms of energy production in the same plant, such as wind and solar or hydroelectric and solar, as in the case of the photovoltaic panels installed in part of the Sobradinho reservoir.

Another technology on Chesf's radar is the future development of green hydrogen. Cresp is working on a project to produce hydrogen through photolysis, differently from conventional processes. In this process, concentrated solar rays break down the water molecule to produce hydrogen.

Digital transformation GRI 103-2 and 203-3

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

Chesf identifies and monitors the impacts of technology and evaluates its strategic digital transformation projects through monthly meetings, quarterly monitoring activities and performance assessments.

In 2021, the company invested R\$ 11.5 million in projects to consolidate digital transformation as part of Chesf's Strategic Map 2020-2035, introducing advanced analytical data processing tools and expanding the use of cloud-based solutions.

Key actions include the introduction of business intelligence (BI) and business analytics (BA) for advanced analytical data processing and the development of predictive solutions combining artificial intelligence and a data science platform, besides the completion of the technical assessment to identify information technology assets (hardware/software) and evaluate Chesf's internal computing environment.

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

Cybersecurity is a very important element within Chesf's business strategies. Security breaches can compromise sensitive information, administrative services or critical infrastructure and cause significant damage to company results.

The company's information security department is responsible for governance and strategic security planning. Cybersecurity is specifically addressed by two areas in the company: one for information technology (IT) and another for operational technology (OT).

Cybersecurity management is based on key security frameworks, federal regulations, the Eletrobras Code of Ethical Conduct and Integrity and other applicable company policies which must be approved by the Executive Board and then published, updated and audited.

Chesf assesses its cybersecurity by continuously monitoring the execution of its information security plan and related indicators. Company audits validate the maturity of processes, identifying and correcting flaws in internal controls. Actions based on risk factors are implemented to reduce the probability of impacts related to safety events.

In 2021, several actions were taken to strengthen IT and OT cybersecurity, upgrading the technology used in access control and monitoring and improving existing processes through regulations that focus on managing vulnerabilities.

The consolidated and integrated operation of the new solutions has brought greater maturity to Chesf's cybersecurity, providing greater protection to the company's computing environment.

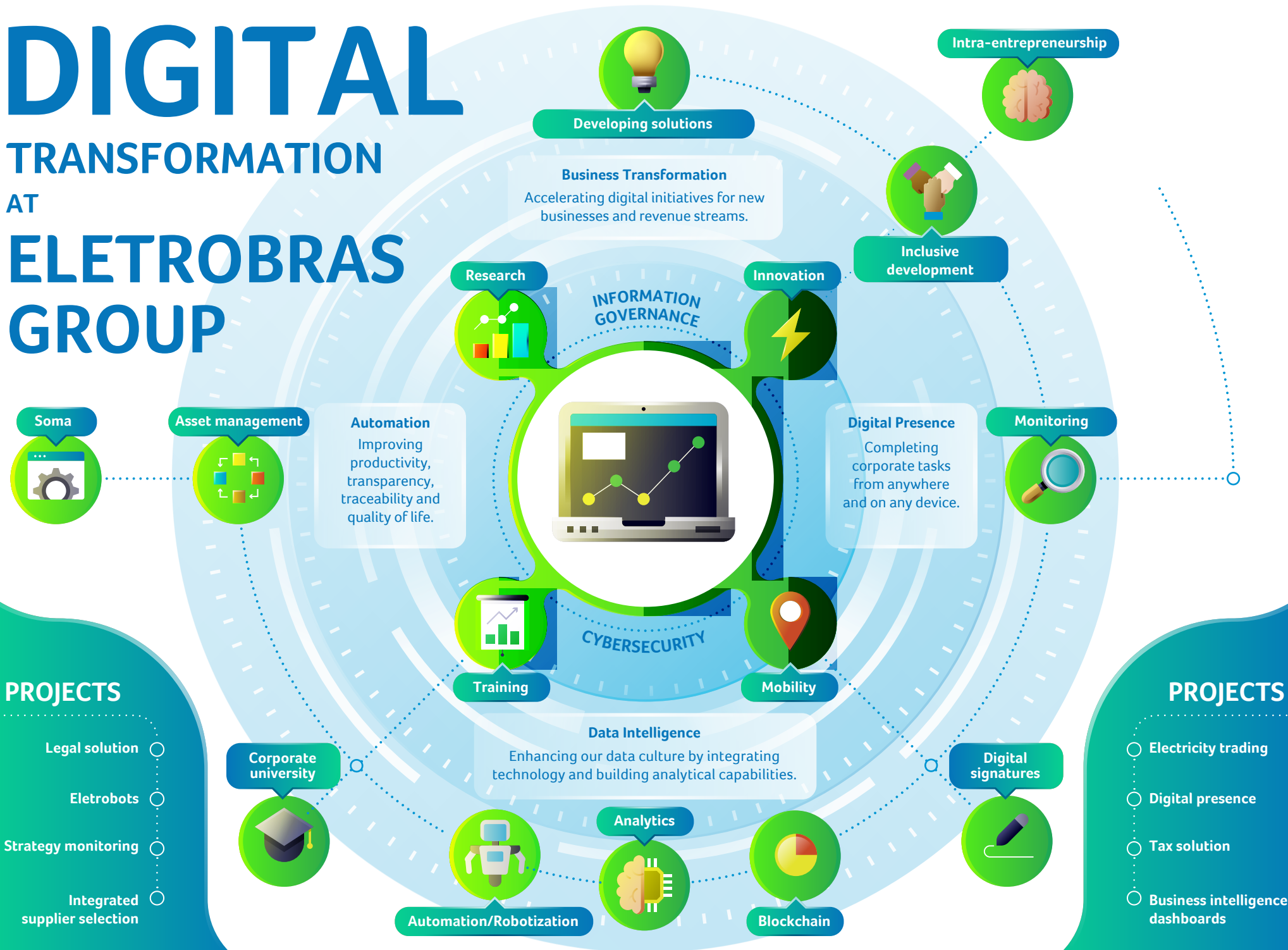
Chesf has made significant progress in information classification, a significant advance in data protection. No privacy breaches or losses of customer data were detected or reported in 2021.



MONITORING AT THE XINGÓ HYDROELECTRIC PLANT, BETWEEN THE STATES OF ALAGOAS AND SERGIPE

Cybersecurity is essential to ensure the Brazilian electrical system can operate at full capacity

DIGITAL TRANSFORMATION AT ELETROBRAS GROUP



Suppliers

GRI 102-9, 102-10, 204-1

The year 2021 marked the integration of the Eletrobras Group Supplier Service Center in the Shared Services Center (CSC) of the Northeast and the launch of the Supplier Space, a single website for all Eletrobras suppliers. The Supplier Space provides standardized access and enables mobility, security, agility and transparency. Suppliers themselves can manage and update their information, send documents and track the status of their registration process.

For safer supplier management, in 2021 Chesf continued enforcing sanctions and analysis of claims through its Commission for Supplier Penalty and Claims, a collegiate body responsible for judging and enforcing administrative processes. Chesf also created a committee responsible for its Administrative Process on Accountability (PAR) to investigate possible administrative responsibilities of suppliers in bidding processes.

Another highlight: the company introduced an ESG due diligence process for its suppliers, with special focus on integrity, sustainability and human rights.

More information
about suppliers in [link](#)



Contracted suppliers*	342
Total amount contracted through bidding waiver or non-requirement for holding a bid (R\$)*	3.084.166.521,54
Number of suppliers	1,632

* Values show small variations in relation to those published in the Management Report 2021 because a different criterion was used for calculation.

Proportion of spend with local suppliers*

	2019	2020	2021
Budget for suppliers (R\$)	554.157.012,82	1.527.608.491,64	3.084.166.521,54**
Spend with local suppliers* (R\$)	180.440.598,05	593.581.584,17	775.263.129,01
Percentage of budget spent with local suppliers* (%)	32.56	38.86	25.14

* Local suppliers are those with head office or a branch in the Northeastern states.

** Contracts signed through bidding.

Purchasing practices, policies and relationship

GRI 102-9, 103-2, 103-3, 204-1 and 407-1 E

As a state-owned company, Chesf complies with specific legislation when processing its bids or selecting its suppliers. The main rules governing the company in this respect are set out in Law 13.303/2016, Bidding Regulations, Eletrobras Contracts and Law 123/2006. The company is also subject to the new sustainability policy of Eletrobras companies requiring ESG due diligence processes to better monitor and identify supplier integrity and sustainability practices.

Chesf follows the Supply Logistics Policy of Eletrobras Companies, which aims to ensure contracts comply with new legislation on business integrity and sustainability and are aligned with Dimension 3 of the Eletrobras 5 Dimensions Program, while also fostering good national and international sustainability practices along the supply chain of Eletrobras companies.

In 2021, Chesf consolidated the changes introduced by the new regulatory resolution on supply guidelines and competencies in its Zero Delay Program. Greater agility was achieved in bidding processes, also due to the streamlined Eletrobras Shared Services Center (CSC).

As an important monitoring and transparency tool, the Zero Delay BI Panel has been made available to the entire company, allowing real-time monitoring of procurement and supplier management processes.

The implementation of the Zero Delay Panel - Ventures is planned for 2022, focusing on acquisitions processes and management of contracts for Chesf ventures.

Regarding Chesf's relationship with its suppliers, it is important to highlight that the Code of Ethical Conduct and Integrity of Eletrobras Companies and the Principles and Commitments of Conduct in Chesf's relationship with suppliers guarantee freedom of association and collective bargaining for vendors and suppliers. It is also relevant to point out that all supplier contracts in force during the period of this report are bound by the above two documents that clearly define the conduct Chesf expects from its contractors.

The company has communication channels in place to receive reports on suspected misconduct. Chesf reserves the right to carry out audits at the contractors' premises or at the locations where the services are carried out.

Customers

GRI 102-43, 102-6

Chesf has two types of customers and beneficiaries:

- **trading:** free consumers, power distributors, traders; and
- **transmission:** generators (self-producers, PIE and ICG), transmitters, distributors, consumers.

The company carries out biannual online satisfaction surveys with its customers. In 2020, the survey covered the generation and transmission businesses. The following dimensions were covered: service, commercial, management of trading and transmission contracts, measurement and billing, image and sustainability. In all, 62.4% of clients were surveyed.

Satisfaction in relation to the organization in general reached 90.6%. In trading, customer satisfaction was 100%.

Chesf complies with specific legislation in processing bids and selecting suppliers

CUSTOMER / BUSINESS	SATISFACTION (%)	IMPORTANCE (%)	SATISFACTION TARGET (%)
Traders/Generation	95	95.8	85.75
Free consumers/Generation	84	93.8	84.62
Distributors/Generation	95.4	96	91.42
Connected/Transmission	88	97	90.13
General score	90.6	95.65	87.98

Despite reaching its satisfaction target, Chesf wants to go further in customer relationship management: the company outlined actions to reduce response time and expand the dissemination of its energy businesses.



METAL BRIDGE IN PAULO AFONSO (BA)



PEOPLE

MATERIAL TOPICS

- People management and development
- Health, Safety and Well-being
- Human rights
- Communities

CAPITALS



People are essential for any organization, and even more so for Eletrobras. Our people are Eletrobras employees, customers, suppliers, partners and the populations in the communities around our operations. Their growth, prosperity and well-being are fundamental to the success of our companies.

People management and development

GRI 102-8, 103-2, 103-3, 403, 404, 406, 412



CHESF EMPLOYEES IN A LEVELING MEETING

Internal audience (workforce)

Chesf closed 2021 with 3,084 employees, all with an indefinite (open-ended) employment contract. All employees are based in the Northeast of Brazil and covered by Collective Bargaining Agreements.

There have been no significant variations in the number of employees or portion of the company's activities performed by third party workers in 2021.

As a public company, Chesf admits new employees mostly through competitive entrance exams observing legal and constitutional parameters; the entrance exams must be authorized by the Secretariat of Coordination and Governance of State Enterprises (Sest). The last entrance exam took place in 2012. The maximum number of employees is also defined by Sest. A monthly assessment ensures Chesf complies with this maximum head count.

Voluntary Resignation Plans were created in 2013, 2017, 2018 and 2019, with no planned staff replacement. Work overload among the remaining workforce is monitored through analysis of behavioral trends and the use of the Personal Development Assessment (PDA) methodology.



The Performance Management System (SGD) under evaluation in the 2021 Cycle was implemented at the beginning of the year. Corporate and team targets and competencies associated with employee functions and positions were used for this evaluation cycle.

Chesf acquired a new SGD tool in 2021, as did all other Eletrobras companies. This modernized the process and brought greater integration and productivity. It is an accessible platform with features that simplify and speed up the process.

The company did not have performance evaluation and career development processes in 2021. **GRI 404-3**

Employees by age group¹ **GRI 102-8, 405-1**

	2019	2020	2021
< 30 years old	80	60	38
Between 30 and 50 years old	1,787	1,760	1,710
> 50 years old	1,326	1,342	1,336
Total	3,193	3,162	3,084

Employees by gender¹ **GRI 102-8**

	2019	2020	2021
Men	2,606	2,582	2,531
Women	587	580	553
Total	3,193	3,162	3,084

¹ The total number of employees includes one person who was granted an INSS disability retirement at the beginning of 2022, with retroactive effect. At the time the data for the Annual Report was consolidated, the employee in question was still on the Chesf active employee database.

² Turnover was calculated using the standard formula applicable to Eletrobras companies: (dismissed employees [by gender, region or age bracket] / number of employees [by gender, region or age bracket]) x 100

In terms of staff turnover, the number of admissions in 2021 (6) was 25% lower than in 2020 (8). As in 2020, such new admissions only occurred by force of judicial measures. There was an increase of around 90% in the number of dismissals and resignations in 2021 (80) compared to 2020 (42). All admissions and dismissals took place in the Northeast, which is the only region where Chesf employees work.

New hires by age group **GRI 401-1**

	2019		2020		2021	
	NO.	%	NO.	%	NO.	%
< 30 years old	0	0	0	0	0	0
Between 30 and 50 years old	0	0	4	0.23	2	0.12
> 50 years old	1	0.07	4	0.29	4	0.29
Total	1		8		6	

Employees hired by gender **GRI 401-1**

	2019		2020		2021	
	NO.	%	NO.	%	NO.	%
Men	1	0.04	7	0.27	6	0.23
Women	0	0	1	0.17	0	0
Total	1		8		6	

Employees who left the company by age group² **GRI 401-1**

	2019		2020		2021	
	NO.	%	NO.	%	NO.	%
< 30 years old	3	3.75	0	0	1	2.63
Between 30 and 50 years old	47	2.61	9	0.51	9	0.52
> 50 years old	602	44.2	33	2.41	70	5.14
Total	652		42		80	

Employees who left the company by gender² **GRI 401-1**

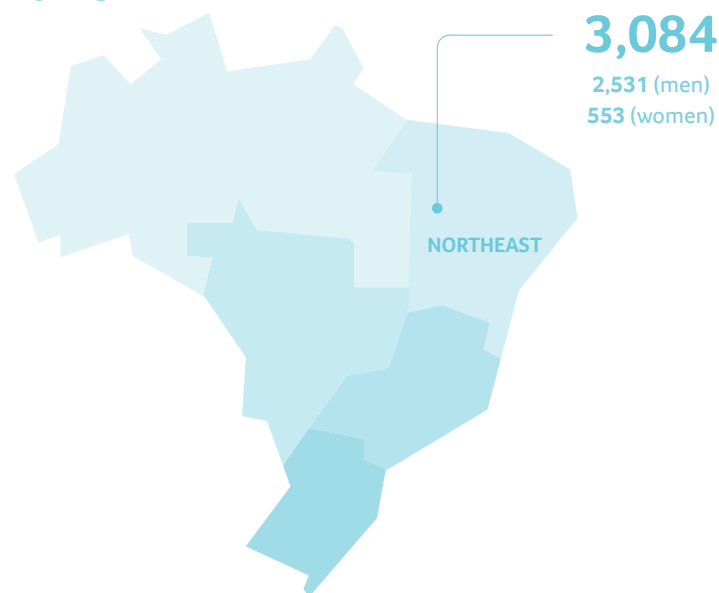
	2019		2020		2021	
	NO.	%	NO.	%	NO.	%
Men	494	18.96	34	1.3	54	2.1
Women	158	26.92	8	1.36	26	4.64
Total	652		42		80	

Hired employees by type of workday GRI 401-1

JOB TYPE	2019			2020			2021		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Full time	2,168	528	2,696	2,104	522	2,626	2,046	507	2,553
Part time	438	59	497	478	58	536	485	46	531
Total	2,606	587	3,193	2,582	580	3,162	2,531	553	3,084

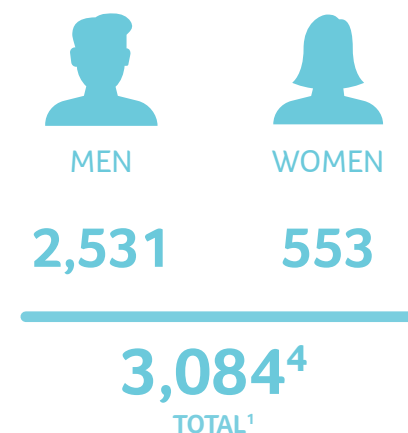
Employment

by region



4. The total number of employees includes a person who was granted an INSS disability retirement at the beginning of 2022, with retroactive effect. At the time the data for the Annual Report was consolidated, the employee in question was still on the Chesf active employee database.

by gender



by type of employment



1. 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 indefinite (open-ended) employment agreement.

2. In alignment with the holding company, and as established by decree, requested personnel are classified as having an indefinite term employment contract under decree No. 9144, of August 22, 2017.

3. As defined by the holding company, a monthly workload of at least 200 hours is considered full time. As defined by the holding company, a monthly workload below 200 hours is considered part time.

Highlights

Below are the people management highlights in 2021:

- **Gente 5.0**, a project to stimulate modern management skills and practices that combines people valorization, integration and collaboration with intelligent systems to create strategic solutions;
- Adapted **covid-1 prevention protocols** and reinforced communication to employees;
- Modernization of the **performance management system (SGD)**;
- Implementation of the **NR-10 online course**.

Pandemic context

Chesf adopted many strategies to enforce the protocols and necessary security measures since the beginning of the Covid-19 pandemic in 2020. The holding company maintained its weekly monitoring of the epidemiological situation in all Eletrobras companies.

The key actions to combat the pandemic in 2021 were:

- rotating groups of employees in remote work during part of the first semester;
- employees with comorbidities only resumed face-to-face activities after they were fully vaccinated, in the second semester;
- Refresh of the awareness campaign;
- new distribution of masks and hygiene kits;
- daily monitoring of employees' health through app;
- medical care for employees and their dependents provided through telemedicine appointments; and
- an app for online psychosocial support.

Chesf's protocols and employee commitment kept internal Covid-19 infection rates low, especially as vaccination progressed.

Remuneration **GRI 102-35, 102-36, 102-37, 102-38 and 102-39**

Chesf adopts the unified salary table valid for all Eletrobras companies. New hires receive the initial salary of the table corresponding to the required schooling, always respecting the floors for specific worker categories as defined by law.

In 2021, the ratio between the annual remuneration of the company's highest-paid individual and the total average annual remuneration of all employees was 5.60. This ratio was 5.75 in 2020 and 6.12 in 2020.

The percentage increase in the annual remuneration of the highest paid individual in 2021 was 4.07%. The average percentage increase in the remuneration of all employees (except for the highest paid) was 5.54%. The ratio between the two indicators is 0.74.

Adjustments to the salary table are defined annually during the negotiation of the Collective Bargaining Agreement (ACT).

Chesf constantly monitors the ratio between salaries paid to men and women in the company, as seen in the next page. **GRI 405-2**

Base salary - Women (R\$)

	2019	2020	2021
Management positions	21.038,91	21.347,93	21.331,63
College educated	9.978,08	10.328,12	11.022,63
No college education	5.335,41	5.454,21	8.448,45

Remuneration - Women (R\$)

	2019	2020	2021
Management positions	22.919,47	23.659,30	24.255,88
College educated	12.538,11	13.000,07	14.136,86
No college education	7.975,71	8.104,57	11.374,03

Mathematical ratio between base salary for women and men in each functional category

	2019	2020	2021
Management positions	1	1	0.95
College educated	0.91	0.91	0.91
No college education	1.07	1.05	1.17

Base salary - Men (R\$)

	2019	2020	2021
Management positions	21.045,79	21.354,95	22.494,32
College educated	11.000,03	11.389,76	12.062,16
No college education	4.998,67	5.181,06	7.227,89

Remuneration - Men (R\$)

	2019	2020	2021
Management positions	24.578,48	25.189,81	27.121,78
College educated	15.036,88	15.563,07	16.679,14
No college education	7.881,70	8.113,79	10.828,09

Mathematical ratio between remuneration for women and men in each functional category

	2019	2020	2021
Management positions	0.93	0.94	0.89
College educated	0.83	0.84	0.85
No college education	1.01	1	1.05


MAINTENANCE IN
TRANSMISSION LINE

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

Chesf's Strategic Plan guides our educational efforts: we must develop the technical and managerial capabilities our workforce needs to be able to face the organization's challenges. The goal is to foster a corporate culture that promotes process integration and continuous development for people and better results for the company.

The Corporate Education Plan (PEC) aims to develop the general and specific skills required for Chesf business, enabling continuous learning through courses, lectures, workshops, seminars and other activities.

The company monitors PEC indicators quarterly through consultation with the superintendents and directors. Employees also complete an electronic educational needs survey called Educational Retrofit.

Strategic knowledge and critical skills for the organization are mapped by surveying top executives on the needs they identify in light of the strategic plan for the period, and this information is used to define the annual educational plan.

PEC promotes general and specific competencies and fosters continuous employee learning. A special highlight is the Chesf Leader Development Program.

Aiming for continuous improvement of processes and professional qualification, a total of 2,504 hours were taught in postgraduate courses (long-term) and another 2,898 hours in congresses, seminars and symposia, besides 157,878 hours in other educational actions.

All Chesf educational actions are directed to its workforce (internal audience). In 2021, the total amount invested in corporate education was R\$4.558 million. The average investment per employee was R\$1.478.

Average hours of employee training by gender

	2019	2020	2021
Men	38.68	22.06	49.83
Women	32.76	19.73	56.54
Total	37.59	21.64	51.03

Average hours of employee training by functional category

	2019	2020	2021
Managers	41	34.74	125.80
College educated	40.76	27.05	52.38
No college education	35.79	17.69	40.63

Corporate education indicators are monitored weekly through an electronic management panel made available to all employees and managers. The corporate climate survey carried out every two years by Eletrobras is another useful tool for evaluating the effectiveness of education management at Chesf. GRI 102-43

Chesf had **163,280.05 hours of training in 2021**, significantly more than the 68,415 hours in 2020

Benefits GRI 401-2, 401-3

Chesf grants the following benefits to employees: transportation allowance, funeral allowance, maternity and paternity leaves (see data in the table), medical plan, dental plan, group life insurance, pension fund, variable remuneration, meal and food allowance, psychopedagogical allowance, daycare allowance, educational allowance, vacation bonus, additional remuneration for time of service, pharmacy allowance, leave for workers who are victims of domestic violence, supplementary sickness pay, leave for death of stepfather or stepmother, extension of maternity leave, extension of paternity leave and foreign language courses.

In addition, the company offers benefits for death or disability capped at the amount established in ACT and reimbursement of assistive technologies up to the limits established in normative rules.

There is no formal program aimed at attracting and retaining employees, but Chesf's benefit policy can be considered an attractive. The New Employee Reception, Integration and Assignment Program also has a direct influence on employee retention since it ensures a smoother professional adaptation to the new job.

The trainee program creates and maintains a spirit of renewal at Chesf, providing an efficient channel for monitoring technological and conceptual advances.

Maternity / Paternity Leave

		2019	2020	2021
Employees who have taken leave	men	89	56	50
	women	7	10	22
Employees who returned to work after the end of the leave in 2021	men	89	59	51
	women	6	9	16
Employees who returned to work after leave and remained in the company 12 months after their return	men	89	60	51
	women	21	12	24
Return rate (%) ¹	men	100	100	100
	women	100	100	100
Retention Rate (\$) ²	men	97.8	98.36	100
	women	100	100	100

1. Calculated as (total no of employees returning to work after parental leave / total no of employees who should return to work after parental leave) x 100

2. Calculated as (total no of employees retained 12 months after parental leave / total no of employees returning from parental leave in previous years to the reporting year) x 100

Diversity

GRI 103-2, 103-3, 406-1, 405-1, EU14

Our PNG, Strategic Map and Eletrobras Code of Conduct, Ethics and Integrity all state our commitment to respecting gender, ethnic-racial and sexual orientation diversity. Chesf does not condone discrimination nor any form of moral and sexual harassment, and the company supports the fight against abuse and sexual exploitation of children and adolescents.

The management of diversity is evaluated through the actions and indicators in the biannual Chesf Pro-Gender and Race Equality Plan. The company also has an Assistance Program for People with Disabilities (PAPD). Both employees with disabilities (PWD) and employee dependents with disabilities are entitled to the benefits.

Chesf monitors discrimination based on complaints received through its different communication channels. The objective is to remedy damage, boost positive impacts and empower the whistleblower.

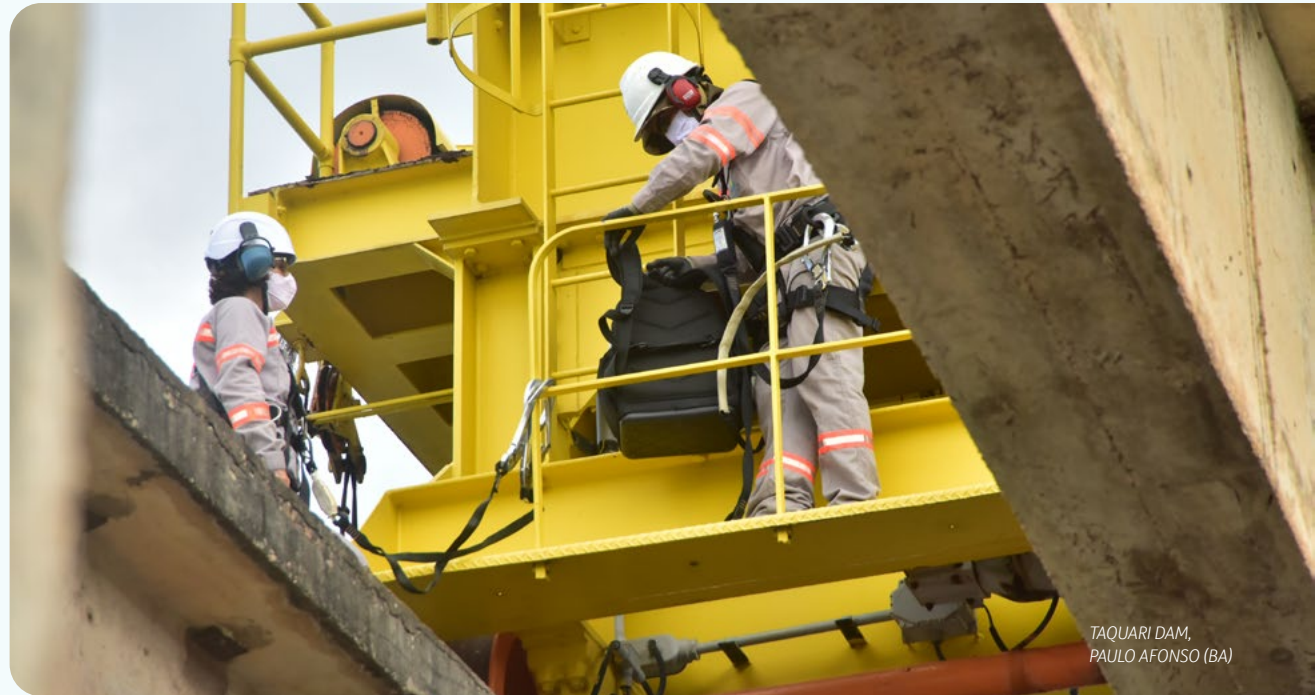
Reports and suggestions coming in through the company's communication channels are evaluated and handled. In 2021, the Chesf Ethics Committee received 25 complaints and initiated preliminary proceedings in 14 cases. Out of those, 13 complaints were resolved with signed conduct agreements and seven cases were considered unfounded or forwarded to other channels.

In 2021, two cases of discrimination were registered at Chesf. Both were handled by the Ethics Committee. In one case, the employee found to display discriminating behavior signed a Personal and Professional Conduct

Agreement (ACPP); in the second case, an ethical reproach was issued after the due investigation process.

Chesf is a signatory to three UN non-discrimination commitments. The first is the Global Compact: its principle 6 calls for eliminating discrimination in the workplace. The company also adhered to the “Principles of Women's Empowerment” against gender inequality and to the Business Pact against the Sexual Exploitation of Children and Adolescents. Events, lectures, working groups, committees and forums offer additional opportunities to discuss discrimination.

The company is also part of the Gender and Race Pro-Equality Program of the Ministry of Mines and Energy (Mme).



TAQUARI DAM,
PAULO AFONSO (BA)

Chesf is a signatory
to three UN non-
discrimination
commitments.

Individuals in managerial positions in the organization by age group

	2019	2020	2021
< 30 years old	0	0	0
Between 30 and 50 years old	173	185	220
> 50 years old	39	33	36
Total	212	218	256

College-educated employees by age group

	2019	2020	2021
< 30 years old	8	1	0
Between 30 and 50 years old	681	659	605
> 50 years old	245	258	270
Total	934	918	875

Employees with no college education by age group

	2019	2020	2021
< 30 years old	72	59	38
Between 30 and 50 years old	933	916	885
> 50 years old	1,042	1,051	1,030
Total	2,047	2,026	1,953

Employees by minority groups and positions

JOB TYPE	NO COLLEGE EDUCATION		COLLEGE EDUCATED		MANAGERIAL POSITION	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Black, oriental, brown and indigenous	1,119	126	245	88	82	22
People with disabilities	76	14	44	14	5	2



Health, Safety and Well-being

GRI 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, EU16

Chesf complies strictly and fully with all current legislation on occupational health and safety, especially the Regulatory Standards of the Ministry of Economy. A normative resolution of the company defines its entire occupational health and safety policy.

Other regulations define rules for the acquisition, use, storage and conservation of personal protective equipment (PPE) and collective protective equipment (EPC), several occupational safety training programs and training on occupational safety and health during interventions in the electroenergy system, besides risk analysis.

Chesf complies with all Regulatory Standards of the Ministry of Economy

These regulations are valid for all employees and must be followed in all functions and activities. The same occupational health and safety requirements apply to service providers contracted by Chesf.

To underscore the importance of the requirements, Chesf holds safety integration meetings before starting contracts with suppliers. The company also conducts periodic safety inspections and audits on these contracts.

Chesf facilitates employee access to non-work-related medical and health services, both in the outpatient clinics available at its facilities and through the health plan managed by the Chesf Foundation for Social Assistance and Security (Fachesf). Employees with disabilities have the Disability Support Program (PAPD) for the acquisition of orthoses and prostheses and for specific treatments. The company also offers reimbursement benefits for medicines and glasses.

During the Covid-19 pandemic, Chesf started to provide telemedicine service through Fachesf. To monitor cases of infection and to prevent Covid-19 contagion among employees, the company used a check-in application and offered telemedicine consultations to employees who had symptoms of the disease.

The company offers fitness centers (Health Promotion Centers) in Recife and Salvador and plans to extend this

benefit to all administrative units of the company. Chesf offers labor gymnastics and holds an organic products fair at its headquarters and other regional offices. The company's psychosocial support network offers help to cope with crises and support for employees with mental or behavioral disorders, including alcoholism, chemical dependence and smoking.

Annual influenza vaccination campaigns for workers and campaigns to prevent sexually transmitted infections (STIs) and breast and prostate cancer are other regular activities. .

Chesf assesses hazards and risks associated with its activities through tools such as Hazard and Risk Matrices, Preliminary Hazard Analysis (APP) and Preliminary Risk Analysis (APR). The objective is to protect our workforce and others under our labor responsibility by preventing work-related injuries and illnesses, reducing absenteeism due to sickness, promoting the continuous improvement of Occupational Health and Safety (OHS) processes, stimulating and improving a prevention culture and promoting safe and healthy behavior.

With the change from the OHSAS 18001 standard to ISO 45001, Chesf kicked off its Prevent+ project in mid-2020: the objective is to implement the Occupational Health and Safety Management System (SGSSO) in its 12 plants, in addition to using it as an evaluation mechanism for this topic.

In 2021, SGSSO was implemented at the Paulo Afonso IV and Xingó plants under ISO 45001:2018. The scope of certification covers all processes: operations, mechanical, electrical, civil and support maintenance in hydroelectric plants. This means it encompasses employees, outsourced personnel and visitors working in the two plants.

The company also follows the Occupational Health and Safety Program of Eletrobras Companies, developed in partnership with DuPont consultants. Chesf engages in health and safety management in operations as well as in mechanical, electrical, civil and support maintenance in its hydroelectric plants and other generating parks, encompassing employees, contractors and visitors operating in all company areas. **GRI 403-1, 403-7**

Hazard and Risk Matrix

This matrix is used to identify and evaluate normal and extraordinary risks impacting Chesf workers. Employees have different channels available to voice concerns or report risks: the company's Specialized Services in Safety Engineering and Occupational Medicine (SESMT), the Internal Accident Prevention Commission (Cipa) and the Ombudsman. Employee privacy is guaranteed in all channels.

A Chesf safety policy revised in 2021 determines that no work may ever be performed without considering the health and safety of the worker. This policy also ensures compliance with the technical and legal provisions applicable to employee health and safety. **GRI 403-2**

Occupational health services

Every year, CHESF sends requests for routine medical exams to monitor employee health; the company provides the necessary medical, nursing and psychological services to ensure quality occupational health services. The company also develops annual campaigns to encourage self-management of personal health.

The company monitors indexes of periodic medical examinations and absenteeism and prepares an annual report on its Occupational Health Medical Control Program (PCMSO).

The following services are available for Chesf employees: occupational medicine, occupational nursing, occupational psychology and social assistance. **GRI 403-3**

Worker participation in occupational safety and health

Chesf has decentralized internal accident prevention committees (Cipas) in seven regional offices in addition to the headquarters, complying with Regulatory Standard 5 (NR-05) issued by the Ministry of Economy. These committees are responsible for identifying risks, developing preventive actions, implementing quality control, disseminating and collaborating in the development of the PCMSO and the Environmental Risk Prevention Program (PPRA).

All Chesf employees are represented by the Cipas and the safety and health committees. In addition, three topics of Occupational Safety and Medicine of the National Collective Bargaining Agreement (ACT)

(5.77% of total Act clauses) are addressed in the company's own collective bargaining agreement.

Workers participate in the process of defining hazard and risk matrices: they point out and recognize the risks they are exposed to in each activity and propose mitigating measures. These matrices are reviewed periodically. Employees receive communication through the Safety Moment (weekly meeting to address OHS topics) and through official company communications such as Chesf Hoje. **GRI 403-4**

Occupational health and safety training

In 2021, there were face-to-face and remote training activities. Highlights: handling and operation of hazardous products (MOPP); risk factor training; emergency brigade formation; defensive driving; training in NR-10, basic and complementary; Cipa training; prevention of human error shutdown; NR-35; NR-13; receipt and control of chemicals; chainsaw operator safety. **GRI 403-5**

A Chesf safety policy revised in 2021 determines that **no work may ever be performed without considering health and safety**

Accidents at work* GRI 403-9, 403-10

Frequency and severity rate¹

Number of employees ²	3,295
HHTER (Man hours worked)	6,602,679
Absolute number of lost-time injuries (less than or equal to 15 days)	18
Absolute number of lost-time injuries (greater than 15 days)	6
Absolute number of accidents without lost time	6
Total absolute number of accidents	30
Man-days lost time	599
Man-days debited	0
Total man-days lost ³	599
Number of deaths	0
Lost time frequency rate (tfa) ³	3.63
Frequency rate (tf) ³	4.54
Severity rate (tg) ³	90.72

1 This indicator considers the following assumption: based on current legislation, employees are defined as those linked to the company's CNPJ in their employment contract and in their Work Book, as determined by Brazilian Labor Law CLT. The following categories are included: own employees present in the company, assigned to other organizations or on leave with/without salary; amnestied employees present in the company and assigned to other organizations, young apprentices; and own employees on leave with/without salary or holding an elective office. The following categories are not included: employees requested from other companies; individuals holding the position of president/director and trainees.

2 Frequency rates for lost time accidents (TFA), frequency rate (TF) and severity rate (TG) are calculated considering the following formula for the number of hours worked: sum of the monthly average hours worked x 167 x 12 (considering cutoff date as December 31, 2021).

3 For lost days, 43 days were recorded in 2021 due to an accident that occurred in 2020.

* In 2019 and 2020, there were three unreported accidents in Chesf statistics. One of the employees had an accident in 2019, with lost days in 2020. At that time, the technical understanding was that the lost days were to be recorded as final by the end of the year, without passing them on to the following year. From 2021, however, there was a change in this understanding. Another employee was injured in August 2020; initially there was no presumed lost time. Yet the employee's condition worsened, and he took a medical leave by the end of 2020. Finally, a third employee was injured in December 2020. The incident was not communicated to SESMT in time to be recorded in the company's accident statistics. **GRI 102-55, 102-48**



WOMEN EMPLOYEES AT THE MAIN FLOODGATE IN ALGORÃO (AL)

In 2021, the Accumulated Frequency Rate of Typical Lost Time Accidents (TFAT) closed the year at 3.63**, higher than the tolerance limit of 2.59. specified for the company. The increase over 2020 can be attributed to: improved employee awareness leading to more reported cases; fewer employees in the company; return to face-to-face activities for all employees, including those who had been | working remotely during several months in 2020.

The Accumulated Severity Rate of Typical Lost Time Accidents (TGAT), in turn, closed 2021 at 90.72, below the limit of 113 established as tolerable for this indicator.

Occupational diseases GRI 403-10

No employees at Chesf perform occupational activities associated with high incidence of or high risk for specific diseases.

The work-related risks that may impact the health of workers at Chesf are electrical, height, noise, chemical, ergonomic, biological and accidental.

**The value shows a small variation in relation to that published in the 2021 Management Report, as it considers a different calculation criterion.

Human Rights

GRI 103-2, 103-3, 405, 408, 412-13

Signatory to the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Network to Combat Sexual Violence against Children and Adolescents in Pernambuco and Childhood Brazil's Na Mão Certa Program, Chesf fosters human rights in its stakeholder relationships, especially with employees, suppliers, partners and communities.

The Eletrobras Companies' Social Responsibility Policy uses the UN guiding principles on companies and human rights as a reference. Item 6 of the Code of Ethical Conduct and Integrity establishes that all companies in the group must "share respect for human rights and the principles of social justice and well-being". The Eletrobras Sustainability Policy states the need to "respect the human rights established

in national and international laws, treaties and conventions, and never accept violations within the company's scope of action".

Chesf monitors and evaluates human rights through its PNG actions using indicators of the 2030 Agenda. Today, the company has seven subprojects within the Value Chain Stakeholder Engagement project, which in turn is part of the broader Eletrobras Reputation and Engagement Program aimed at raising awareness of human rights.

The company maintains a Human Rights Working Group (GT DH) to integrate human rights principles in the Chesf corporate environment, and provide support to internal actions and external initiatives involving other stakeholders.

Chesf also has a Gender and Race Committee. The biannual Gender and Race Plan reaffirms the commitment to dignified working conditions, assertively combating child and/or slave labor, discrimination based on gender, race, sexual orientation, political, religious, physical and mental condition and/or any form of violence.

The company identifies and monitors its impacts through the Chesf Gender and Race Pro-Equality Plan – Edition 2020-2022. The Ombudsman and the Ethics Committee also identify possible issues. Actions to promote gender and race equality at Chesf are carried

out at the headquarters and in regional offices with the participation and guidance of the Committee.

It is also important to note that all contracts signed by Chesf include clauses on human rights.

Combating child labor GRI 103-2, 103-3, 408

In its Code of Ethical Conduct and Integrity and through its adherence to other commitments, Chesf formally undertakes not to admit child labor in its own company nor in activities carried out by partners in its production chain, and the company constantly monitors performance in this regard. Employees and other stakeholders can contact the Ethics Committee or the Ombudsman channel to report violations of human rights. The company did not identify the occurrence of child labor in its operations in 2021.

Contracts signed with service providers and suppliers are based on the document "Principles and Commitments of Business Conduct in Chesf's Relationship with Suppliers", attached to all contracts. The document describes the expected conduct of all companies and individuals doing business with Chesf.

The company identified eighty-four suppliers at risk for cases of child labor, forced or slave-like labor. The assessment included service providers, construction companies and outsourced labor providers with current contracts. **GRI 408-1, 409-1**

Chesf maintains a Human Rights Working Group

Chesf submits such cases to an independent audit by specialized consultants on third-party risk management to verify the employment records of the employees hired by these companies. This makes it possible to identify in advance any cases of non-compliance such as hiring minors.

Chesf reserves the right to carry out audits at the contractor's premises or at the places where the services are performed to verify compliance with the legislation that prohibits the use of forced or compulsory labor and night work, dangerous or unhealthy work for children under 18 years old and any work for children under 16 years old, except as an apprentice, from the age of 14.

Chesf's communication channels such as the Ombudsman and the Supplier Service Center can be used to report concerns or possible violations.

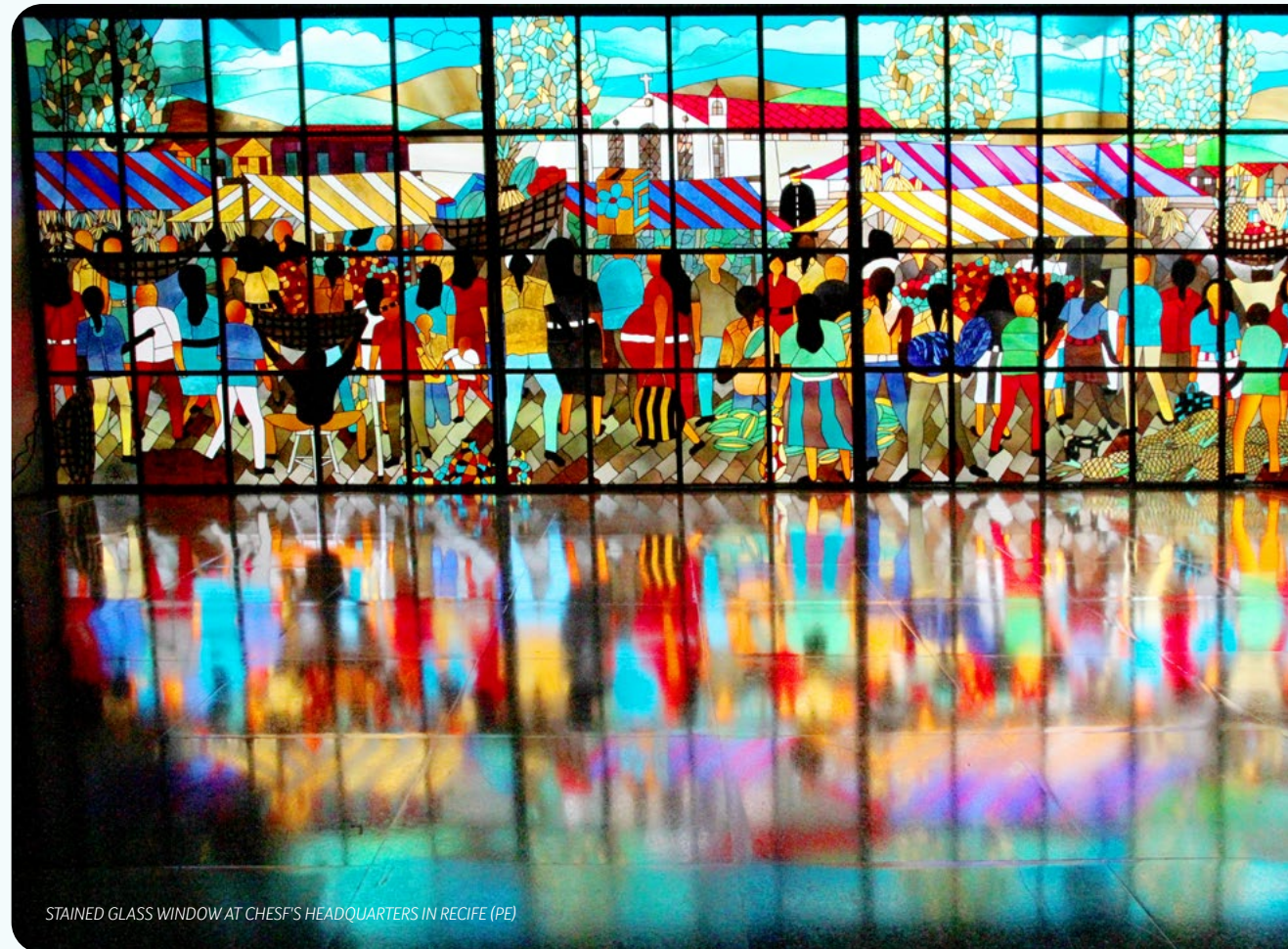
Combating forced or slave-like labor **GRI 103-2, 103-3**

Through its Code of Ethical Conduct and Integrity, Chesf formally undertakes not to admit forced labor or degrading conditions in its own activities, in its partners or along its production chain. The company also undertakes to report offenders.

Chesf monitors compliance through its Ethics Committee, Ombudsman channel and, as a member of the Eletrobras companies, also through the Eletrobras Whistleblower Channel.

Chesf's organizational structure features a team dedicated to human rights and a working group composed of representatives of areas especially involved in the theme.

A total of **12,820.5 hours** were dedicated to human rights training for 99.64% of Chesf employees **GRI 412-2**



STAINED GLASS WINDOW AT CHESF'S HEADQUARTERS IN RECIFE (PE)

Human rights at the Eletrobras Group

Stakeholder engagement and communication



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



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



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



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

Human rights due diligence



Special Purpose Entities (SPEs)

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



Suppliers

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



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

People management and organizational culture



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



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



Listed in the **Bloomberg Gender Equality Index** and included in the Brazilian Federal Gender and Racial Equity Program



Communities

GRI 102-43, 103-2, 103-3, 408, 409, 411, 411-1, 413-1, 413-2, 419, EU20

Chesf acts decisively to prevent, mitigate or remedy negative impacts on local communities in the regions where it operates. The company conducts a survey and evaluates impacts in its environmental studies, from project planning to implementation and operation.

The general guidelines of the Eletrobras Environmental Policy establish that the company must seek a dialogue with local communities from the very beginning of studies and projects to identify their expectations and needs.

This is essential to ensure company compliance with the requirements of the competent environmental agencies. In 2021, no significant number of local community complaints was identified through the relationship programs and tools used to interact with these populations.

This topic is evaluated and managed within the environmental licensing process for Chesf projects. Its effectiveness can be verified by the approval of education and social communication programs granted by the competent environmental agencies.

Most Chesf actions aimed at controlling impacts on local communities are embedded in its Environmental Education and Social Communication Programs. In 2021, R\$1.812.453 were allocated for environmental education and community communication programs.

In the Lagos do São Francisco social responsibility project, the executing company monitored by Chesf has tools in place for monitoring and evaluating impacts on the target population and on the environment. The results are systematized in a database and made available to the beneficiaries, company and partners. The working plan for these actions must also define targets, milestones and values.

Through a technical-financial cooperation agreement, in 2021 Chesf invested R\$1.6 million on a structuring social project in the Northeast and allocated R\$1.2 million from tax incentives to the Funds for the Defense of the Rights of Children and Adolescents and the Elderly; a public selection process defined the actions to be supported.

In recent years, Chesf has not implemented any project that would cause involuntary displacement of populations, nor is there any potential displacement associated with the projects in its business plan. This notwithstanding, whenever prospecting for new businesses and carrying out environmental studies, Chesf will always identify and describe the social, economic and cultural characteristics of the populations located within the area of direct and indirect influence of the ventures, as this is part of the company approach. **EU20**

Should a situation require involuntary population displacement, Chesf has the necessary organizational and technical structure in place to meet the applicable legal requirements. In this case, in addition to identifying and registering the citizens and residences impacted by the project, appropriate compensation must be negotiated within the licensing process through a participatory approach involving the company's environmental, legal and property departments.

The significant negative impacts of projects on local communities are generally established at the time of their implementation: possible soil degradation, vegetation suppression, relocation of properties, noise and dust and inconvenience to local communities.

It is the duty of all Eletrobras companies to maintain an ongoing dialogue with the communities surrounding their operations



Most of these impacts are mitigated through a series of programs established within the project's environmental licensing process or on Chesf's own initiative. Actions include the recovery of degraded areas, compensation program, traffic and particulate emission controls, forest replenishment, education and social communication.

As a rule, Chesf operations do not bring additional negative impacts to the surrounding communities, since work is carried out within the company's own facilities, as in the case of power plants and substations. For transmission lines, periodic inspections are carried out without impacting the local community.

Impacts on local communities are evaluated within the scope of the communication and environmental education programs carried out by the company in compliance with environmental licensing. These programs facilitate interaction with the local population.

Sports and culture

In 2021, Chesf participated in three Eletrobras Sponsorship Programs for the public selection of cultural and socio-sporting projects and power sector events. The company invested R\$3.924.950 through public notices and direct choice.

The 2021 Social and Sports Sponsorship Program of Eletrobras Companies sponsored five projects under the Sports Incentive Law, contributing to social transformation in the municipalities where the company operates.

A special highlight is the project "Make the impossible possible" from the Paraíba Association for the Visually Impaired (Apadevi) in Campina Grande (PB) to promote paralympic five-player soccer for the visually impaired.

The 2021 Cultural Program of Eletrobras Companies selected 12 projects eligible for tax incentive funding through the National Culture Support Program.

One of them was GuitaraSSA, an international electric guitar festival in Bahia, and the Criança Cidadã Orchestra, which promotes citizenship through classical music, string instruments, winds, luteria, archeteria, digital inclusion, foreign languages and psychosocial orientation. Chesf also sponsored the book "A história do Cigre-Brasil – 50 anos".

Within the 2021 Eletrobras Companies' Sponsorship Program for Power Sector Events, Chesf financed five projects: the 26th National Seminar on Electric Power Production and Transmission; the 9th Symposium on Supply and Logistics of Energy Sector Companies; the 33rd National Seminar on Large Dams; the 8th Meeting on Asset Management for Electric Power Sector Companies; and 360 Solar – Connecting Photovoltaic Energy with the Future.

The list of all sponsored sports and sociocultural projects and industry events can be accessed on the [Chesf website](#)

Investments made in local communities GRI 413-2

Investment focused on health and food security (R\$)	41.172
Number of direct beneficiaries from projects and actions focused on health and food security	1,810
Investment focused on generating work and income (R\$)	1.917.368
Number of direct beneficiaries from projects and actions focused on work and income generation	1,733
Total investments in voluntary actions (R\$)	1.958.540
Total donation to the Fund for Childhood and Adolescence (R\$)	1.000.000
Total donation to the Fund for the Elderly (R\$)	200.000
Total donation for emergencies or public calamity (R\$)	50.000
Total investments in the mobilization of volunteers (R\$)	29.865
Number of beneficiaries in voluntary actions	2,357
Total tax incentive sponsorship in sports projects (R\$)	800.000
Number of direct beneficiaries from tax incentive sponsorship of sports projects	343
Total invested in cultural sponsorship projects (R\$)	2.955.000
Amount invested in event sponsorships (R\$)	150.000
Audience in sponsored events	3,350
General administrative expenses (R\$)	460.127,91



There was no displacement of people due to Chesf activities in 2021

Chesf electric power transmission projects restricted the right of ownership as a result of the administrative easement along transmission lines, but such easements did not affect the economic activities on the impacted properties, nor did they cause people displacement.

PRESENTATION OF THE CRIANÇA
CIDADÃ ORCHESTRA PROGRAM



Community Engagement

GRI 102-43, 413-1

All 474 Chesf operations have engagement programs, impact assessments or local community development programs. **GRI 102-7**

These programs were impacted by the Covid-19 pandemic, which made it impossible to hold meetings and workshops. Activities were resumed in September 2021. The first actions after the pandemic were a participatory quick diagnosis in the Terra Dura Community, in Sergipe, and a workshop in the Oiteiros community, in Bahia.

In 2021, Chesf continued the Socio-environmental Action Plan (PAS) in the Paulo Afonso I, II, III, IV and Apolônio Sales HPPs – Paulo Afonso Complex and in the Xingó HPP. These plans aim to discipline and integrate environmental actions within the company's relationship with the community.

The company also completed the Simplified Environmental Report (RAS) for the Frei Damião Wind Complex, as required in the environmental licensing process for the project to be installed in Paraíba. The company filed this study with the competent environmental agency in March 2021.

Highlights

In 2021, Chesf worked on the following community relationship programs:

- **Chesf solidarity campaign:** 1,072 food baskets totaling about nine metric tons of food were collected and delivered in eight states in the Northeast, improving the nutrition of more than one thousand socially vulnerable families living around company facilities;
- **Christmas solidarity campaign,** with two actions: distribution of gifts to children around the company headquarters in Recife and in the regional office in Salvador, plus 1,614 food baskets and about 14 metric tons of food for families around the company's facilities;
- **May 18 campaign,** the National Day to Combat Sexual Abuse and Exploitation of Children and Adolescents;
- strengthened the use of the hashtag "**There is Chesf in my Life**";
- **educational campaigns,** such as Lilac August, Pink October, Blue November, People with Disabilities, 16 days of Activism, meeting with suppliers and Chesf's anniversary;
- **launch of the comic strips "Friends of Inclusion"**, a collective employee work on people with disabilities. The strips focus on inclusion, accessibility and discrimination against PWD, proposing a new look at the daily activities of PWD; and
- **prevention campaign** against arboviruses to educate Chesf employees on protective measures against dengue, Zika and Chikungunya.

Key actions in community engagement and development:

- adhered to the **Network to Combat Sexual Violence against Children and Adolescents**;
- adhered to Childhood Brazil's **Na Mão Certa Program**;
- Chesf Notice for the Selection of Programs and Projects in the **Funds for the Rights of Children and Adolescents** – 2021 Edition;
- Chesf Notice for the Selection of Programs and Projects in the **Funds for the Elderly** – 2021 Edition;
- **development actions for students and agricultural producers** (bovine, caprine, ovine, bee, chicken, vegetables, fruits, corn, beans, cassava) and recovery of the riparian vegetation around the lakes of the San Francisco river – PE/SE/AL/BA; and
- Notice for **Socio-environmental Projects of Eletrobras Companies** – 2021 Edition.

Rights of indigenous and traditional peoples GRI 103-2, 103-3, 411

In its recent ventures, Chesf has adopted the policy of avoiding interference in indigenous territories. The company relies on mapping provided by the National Indian Foundation (FUNAI) to carry out territorial assessments. Having mapped this information, the company can develop projects avoiding indigenous territories.

Yet Chesf still operates some transmission lines installed and energized in the 1960s to 1980s, before the current legal framework for environmental licensing existed. Such projects had to go through regularization processes in which the company must comply with the requirements of environmental licenses.

The data on impacts caused by the presence of Chesf transmission lines in or near indigenous territories is not conclusive at this point. However, the company has the necessary structure and mechanisms in place to receive and process requests associated with such territories.

In February 2021, Chesf promoted a course aimed at educators in the Curituba village in Canindé de São Francisco (SE), near the Xingó HPP. This course is part of the project “Education in quilombola territories: training for educators”.

Actions targeting indigenous and traditional peoples were greatly impacted by the Covid-19 pandemic, given the legal restrictions imposed on access to their lands.

No cases of violation of indigenous peoples' rights were presented in 2021. The Federal Public Prosecutor's Office of Salgueiro (PE) filed an action against Chesf, among other defendants, involving aspects of compensation to members of the Trukás ethnic group for impacts resulting from the implementation of Transmission Line 69 KV Cabrobó/Pedra Branca

in 1987. This asset had been assigned to Companhia de Eletricidade do Estado da Bahia (Coelba) in 2007, so this is a controversial matter. Nevertheless, Chesf reiterated in the court records its absolute commitment to reestablishing what is found to be legally applicable. **GRI 411-1**



BOA ESPERANÇA HYDROELECTRIC POWER PLANT (PI)



PLANET

MATERIAL TOPICS

- Climate change
- Water
- Biodiversity and ecosystem services

MATERIAL TOPICS

- Waste

CAPITALS



Protecting the planet from degradation through sustainable consumption and production, managing the use of natural resources and taking urgent action on climate change: this is one of the ambitions within our corporate purpose as we strive to meet the needs of present and future generations.

Environmental Management

GRI 103-2, 103-3

Chesf decisions having an impact on socio-environmental aspects consider the information, studies, possibilities and technical proposals provided by the responsible areas. The Company's Bylaws determine that its actions must seek economic, financial, social and environmental balance in operations and business opportunities. The Executive Board and the Board of Directors aim for minimal social and environmental interference, always leveraging positive impacts and minimizing negative effects.

Chesf's environmental management is guided by the biodiversity guidelines of the Eletrobras Companies' Environmental Policy and the environment is always considered when planning new projects or performing daily activities at the units. Plans and programs include limnological and water quality monitoring, ichthyofauna monitoring, environmental education, erosion control and vegetation restoration.

The new Chesf Environmental Management Superintendence (SEA) created in 2021 is responsible for carrying out actions and projects and communicating results. There are two areas within the new structure: one focuses on environmental compliance and regularity in new ventures and assets in operation and the other prioritizes Chesf's environmental sustainability.



In 2021, Chesf continued implementing its Environmental Management System (EMS) to align environmental management objectives with other strategic and sectoral goals established by the company. Indicators, goals and action plans are used to avoid, minimize and remedy negative impacts while boosting positive effects. In 2022, Chesf aims to achieve ISO 14 001 certification for the licensing processes of its generation and transmission projects.

Related to this goal, Chesf developed its Social and Environmental Risk Management process, with quarterly assessments of actions and timelines. From the design phase to energization, projects are followed up in quarterly meetings that evaluate the environmental indices considering the Chesf PNG and all other relevant aspects.

Generation plants and transmission lines in operation are monitored for environmental regularity, with

periodic reports on their licensing status. The company also relies on its Environmental Licensing System (SISLIC), a computerized tool for recording and sharing information and documents about the company's projects and units.

Highlights among the licenses issued in 2021 are the Operating Licenses (LO) for many transmission lines (TL): the 230 kV Banabuiú – Fortaleza C1 and C2 TL, the 230kV Pau Ferro/Santa Rita II TL, the 230kV Mossoró II/Açu II – C2 TL, the 230kV São Luís II/São Luís III – C2 TL, as well as the LOs related to substations in Rio Grande do Norte and Ceará.

With the evolution of this activity, Chesf's Environment area identified the need to improve its periodical communication on the environmental compliance status of its ventures to the other areas of the company.

Climate change

GRI 103-2, 103-3, 201-2

Chesf has historically focused on generation from renewable sources. its current expansion is essentially based on wind and solar energy. Other plans include the possible entry into the green hydrogen market, offering another form of clean energy.

A significant action in 2021 was the advance in the *Conta Zero* or Zero Bill Program, with the design of micro and mini photovoltaic generation projects to supply the power consumed in the company's administrative facilities, offsetting the energy supplied by concessionaires in most of the states in which Chesf is present. A total of 4.8 MWac is planned for implementation: 2.5 MWac in the Cresp (PE) area and 2.3 MWac in substations in the states of Alagoas, Ceará, Paraíba, Piauí and Rio Grande do Norte. The company expects to complete them all by year-end 2022.

Chesf also made progress in offsetting greenhouse gas (GHG) emissions, moving from the Clean Development Mechanism (CDM) to the Sustainable Development Mechanism (SDM). This move occurred through the company's definitive entry into the RECs (Renewable Energy Certificate) market.

In terms of regulatory risks, CHESF is bound by the National Policy on Climate Change. Changes in regulation on matters associated with climate change represent a risk: they may impact rules on water use and cause negative effects on the company's energy production.

Uncertainties regarding the availability of water resources exposes the company to physical risks. Chesf seeks to be transparent in its sustainability actions to minimize reputation risks.

As the energy matrix of the company features exclusively renewable sources, the sectoral targets for reducing GHG emissions will have a low impact on the company's operations.

I-RECs and offsetting CO₂ emissions

Growing demand for energy from renewable sources has changed the composition of the global energy matrix: the climate crisis has led companies and consumers to demand faster transition to clean energy. This widespread concern has had an economic impact on business deals and corporate sustainability indexes.

A REC or Renewable Energy Certificate confirms the energy consumed by a company comes from a renewable source. One REC is proof that 1 MWh of renewable energy has been generated and fed into the grid. This market has existed in Brazil since 2011 and has grown significantly in recent years, especially since the arrival of the I-REC Service, a global system for tracking environmental attributes, and as a result of changes in the Brazilian GHG Protocol Program, which started accepting RECs for GHG reduction or offsetting.

Purchase and sale of I-RECs rely on official data generated and reported by the Electric Energy Trading Chamber (CCEE), the Brazilian Wind Energy Association (ABEEólica) and the Brazilian Clean Energy Generation Association (Abragel).

REC issuance in Brazil jumped from 244 certificates in 2014 to 7,996,564 in October 2021. In the same period, the number of plants licensed to issue Renewable Energy Certificates grew from four to 256, according to Totum Institute. Demand is driven worldwide by consumers concerned with sustainability issues: they prefer to consume renewable energy and support the creation of economic incentives to boost the share of clean generation sources in their countries' energy matrix.

In 2021, Chesf continued certifying the power plants in its generating park. The following plants are now REC certified: Casa Nova A, Apolônio Sales, Boa Esperança, Funil, Luiz Gonzaga, Complexo Paulo Afonso (Paulo Afonso I, II, III and IV), Sobradinho and Xingó, totaling 98.7% of the installed capacity. The plants Casa Nova II and Casa Nova III had already been certified in 2020.

Having the plants certified means Chesf can offer RECs directly in auctions, supply them to Eletrobras, or use them to offset its own greenhouse gas emissions. Chesf has used 100% of its available certificates.

Emissions GRI 103-2, 103-3

This initiative opens opportunities for Chesf to grow its customer portfolio by offering a product that reflects its values and Eletrobras' guidelines. Beyond underpinning Chesf's position as a sustainable company, the certificates show the company is fully aligned with the global industry trends of decarbonization and digitalization.

Another important point: with the I-RECs issued for Chesf generation, the company has already obtained GHG offset certificates for 100% of its administrative units and for 7.7% of the losses in the company's transmission system.

Chesf also seeks to improve efficiency in the use and reuse of water and natural lighting in its buildings and premises. Some Chesf administrative facilities were built more than 40 years ago, long before such aspects gained importance in construction, so the company plans to modernize them for greater energy efficiency.

As part of the socio-environmental strategy defined for Eletrobras companies, Chesf calculates its GHG emissions as determined by the holding company, that is, based on the National Policy on Climate Change established by Law 12.187/2009 and regulated by Decree 7.390/2009.

In addition to measuring GHG emissions, Chesf complies with the National Policy by fostering the development of processes and technologies for GHG reduction and sequestration, and seeking solutions for greater savings in energy, water and other natural resources.

Chesf's strategy in relation to GHG emissions relies on the pillars expressed in its Declaration of Commitment on Climate Change: they guide the company's current practices and future planning.

The company's emission sources are continuously monitored; since 2009, the results are published annually in the Eletrobras Companies' Inventory of Greenhouse Gas Emissions. Emissions are recorded using the methodology of the UN Intergovernmental Panel on Climate Change (IPCC) and the guidelines of the GHG Protocol. Chesf monitors and evaluates its progress towards the absolute and relative GHG emissions reduction goals defined in the company's strategic plan.

The GHG Emissions Inventory contains the necessary information for Chesf to provide a series of environmental reports required by the market, in full

alignment with the Environmental Policy of Eletrobras Companies. Based on the inventory findings, Chesf establishes strategies, plans and goals for reducing and managing greenhouse gas emissions.

Aiming for continuous improvement, sources of direct and indirect emissions are mapped and monitored through the System of Indicators for Sustainability Management (IGS). After validation, the data is exported to a set of computational tools designed to calculate and monitor the historical evolution of variables related to GHG emissions.

Chesf's GHG emissions are measured and classified in three distinct scopes, as shown in the table below.

The National Policy on Climate Change guides Chesf's actions to reduce greenhouse gas emissions



BEES ON A CACTUS IN
XINGÓ (AL/SE)

Scopes for measurement of emissions

SCOPE 1 **GRI 305-1**

Direct emissions from fixed sources (TPPs)

Mobile sources

Fugitive emissions (SF6 refrigeration)

Sanitary effluents

Other fixed sources: LPG, natural gas, diesel from generator sets and auxiliary boilers

SCOPE 2 **GRI 305-2**

Emissions from amount of energy purchased from the grid

Losses in transmission

SCOPE 3 **GRI 305-3**

Independent Power Producers (IPP)

Air travel

Transport of non-energy products

Transport of fuels

Employee transportation



There are no significant NOx, SOx or other atmospheric emissions from operations **GRI 305-7**

In 2021, Chesf's total GHG emissions were equivalent to 269,336.97tCO₂. As expected, Scope 2 emissions predominate (96.7% of the total), followed by Scope 1 (3.2% of the total) and Scope 3 (less than 0.2% of the total). Although power consumption and transmission losses are lower than in 2019 (pre-pandemic year), there was a significant increase in Scope 2 emissions (more than 85%). This can be attributed mostly to the increase in the Grid emission factor, given the greater dispatch of thermoelectric power plants in 2021.

For more information and detailed data on gases, emission factors, base year, methodologies and assumptions, access the GHG Emissions Inventory on the [Chesf website](#).

SCOPE GRI 305-1, 305-2, 305-3	2019 (tCO ₂ e)	2020 (tCO ₂ e)	2021 (tCO ₂ e)
Scope 1	20,645	12,360	8,607
Scope 2	140,447	101,412	260,438
Scope 3	1,268	240	293
Total	162,360	114,012	269,337

Waste

GRI 103-2, 103-3, 306-1, 306-2, 306-4, 306-5

At Chesf, waste management involves planning solutions for source separation, storage, transportation, use, recovery and final disposal. Activities follow applicable standards to ensure we protect human health and the environment, following the principles of the Environmental Policy of Eletrobras Companies and the National Solid Waste Policy.

Chesf handles its class I and class II-A and B waste in accordance with the legal and normative provisions in force, with emphasis on art. 9 of Law 12.305/2010 (National Solid Waste Policy).

Most class I waste disposal is carried out by a specialized outsourced company or through reverse logistics. Class II waste or common waste (class II-A) is destined for landfills by outsourced companies, and part of the recyclables (class II-B) are collected by local waste picker cooperatives.

Regarding hazardous waste, we point out our efforts in managing ascarel (polychlorinated biphenyls - PCB), an insulating oil formerly used in electrical transformers. Because it is potentially carcinogenic, its manufacture and commercialization were proactively and preventively banned at Chesf.

Chesf follows the provisions of the Stockholm Convention of 2004 and the established deadlines for phasing out electrical equipment contaminated by ascarel. The Convention determined that equipment with residual PCB concentrations greater than 50 ppm should be phased out by 2025, with appropriate final disposal by 2028.

The Chesf transmission system no longer uses any equipment featuring ascarel. The modernization of the company's hydroelectric plants generation started in 2009, gradually replacing generation equipment containing ascarel. Today there are 14 transformers still using ascarel in generation units. Besides these remaining transformers, Chesf has another 243 tons of contaminated waste and equipment to be destined for a specialized company. This hazardous waste is under control, properly monitored and stored.

DISPOSAL OF NON-HAZARDOUS WASTE (T)	2021		
TYPE OF DESTINATION	HYDROELECTRIC GENERATION	ADMINISTRATIVE ACTIVITIES	TRANSMISSION
Recycling	977.21	14.64	797.74
Composting	0	41.64	0
Landfill	ND	169.49	ND
Total	977.21	225.77	797.74

DISPOSAL OF HAZARDOUS WASTE (T)	2021		
TYPE OF DESTINATION	HYDROELECTRIC GENERATION	ADMINISTRATIVE ACTIVITIES	TRANSMISSION
On-site storage	209.40	265.30	49.50
Industrial landfill	10.76	0.00	0.20
Co-processing	0.00	1.30	21.75
Reverse Logistics	17.60	1.70	161.00
Total	237.76	268.30	232.45

Water

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

Chesf's activity is essentially related to the use of water: it is our main environmental asset, and we rely predominantly on the São Francisco River.

It is important to note that the generation of power through hydroelectric plants does not significantly change the water quality of the water bodies where the activities occur. However, as defined in environmental regulations, Chesf manages and periodically monitors the quality and quantity of water in its reservoirs and areas of influence.

Among other data, we check water storage levels and flow; concentration of nutrients and biological parameters; 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. In periods of reduced flow, salinity is also measured, especially near the mouth of the watercourses.

The company also raises awareness of the importance of water among neighboring communities through its Education and Social Communication Programs (read more in "Communities").

Changes in flow caused by company activities are always aligned with the guidelines set by official control and regulation bodies; as they impact riverine activities such as planting, fishing and tourism, Chesf maintains ongoing communication with the local communities. Chesf strives for clear, direct communication and considers local characteristics in choosing the most effective means to reach the impacted populations.

According to National Water Agency (ANA), in 2021 the total volume of water turbinated by Chesf hydroelectric plants in water-stressed rivers (in critical or very critical situation) was 335,729,664.00 m³. All Chesf projects already have or are requesting a grant for the use of water resources.

Chesf pays Financial Compensation for Use of Water Resources (CFURH) in its hydroelectric plants, in accordance with Law 7.990/1989. In 2021, the company disbursed R\$163,643,822.06 for this purpose.

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**

As stated above, Chesf's activities do not cause significant impacts on the quality of water. On the other hand, water quality is one of the greatest challenges to the full operation of Chesf hydroelectric plants and reservoirs, especially in the case of changes in quality due to 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. The company intends to invest in the treatment of sewage from the cities surrounding the basins where it operates, in partnership with the federal government.

Other actions may be proposed to avoid, reduce, mitigate, repair and/or offset the impacts identified in the studies, thus preventing risks as defined in the principles and guidelines of the Eletrobras Environmental Policy. Regular monitoring of operational units may indicate the need for further actions and investments in operational processes and technologies to reduce impacts. The type, nature, scope, duration, reversibility and magnitude of an impact depends on the typology, size and location of the venture. The following table shows the most common impacts for each type of unit, and the possible actions Eletrobras companies may develop.

Water as an **impact factor**

TYPE OF VENTURE *	EXAMPLES OF IMPACTS **	EXAMPLES OF MITIGATION AND/ OR OFFSETTING ACTIONS
Hydroelectric plants	Alteration of hydrosedimentological dynamics	Hydrosedimentological monitoring program
	Alteration of the river regime/ Decrease of downstream flow	Hydrosedimentological monitoring program
	Change in groundwater levels	Hydrogeological monitoring program/Groundwater and groundwater quality monitoring program
	Change from lotic to lentic regime	Water quality monitoring program
	Change in surface water quality	Water quality monitoring program
	Erosion of the watercourse margins downstream of the reservoir	Erosion monitoring/ Replacement of riparian forest
Thermoelectric power plants	Multiple uses by reservoir formation	Environmental plan for the conservation and use of the surroundings of artificial reservoirs - Pacuera
	Consumptive use of water in the generation process	Program for monitoring water consumption and quality
	Possibility of water contamination by waste/oil leakage	Water quality monitoring program/Emergency Response Plan
Transmission lines and substations	Change of parameters such as temperature, turbidity and pH in the returned water	Water and Effluent Quality Monitoring Plan
	Consumptive use of water in the transmission process/ Consumptive use of water for current conversion	Program for monitoring water consumption and
Floating solar plants (in reservoirs)	Oil Leaks (Equipment Collapse)	Contingency plan/ Implementation of containment basins

* Shows the most commonly occurring impact, which does not mean it will necessarily occur.

** Intensity, magnitude, and importance of the impact will depend on the size of the venture and the characteristics of the region where it will be implemented.

DETAIL OF THE PAULO
AFONSO WATERFALL IN
PAULO AFONSO (BA)

River basins **GRI 303-1**

Chesf carries out periodic inspections of the hydrological conditions of the river basins, with measurements at hydrometric stations – these are located in the basins of the São Francisco, Parnaíba and Contas rivers. In addition, Chesf reviews and updates its Annual Flood Control Plan, operating rules and guidelines for flood control, flood control manuals and the inventory of hydraulic operating restrictions, ensuring systematic disclosure of all relevant information on these river basins.

All Chesf projects have a valid grant or a submitted grant request for the use of water in hydroelectric power plants.

Chesf participates actively in the River Basin Committees (CBHs) of the rivers in which it operates. The company engages with organized civil society, public agencies and the community in making shared decisions regarding the use of water in these basins. Chesf participates in the following CBHs and entities related to water use:

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

Capture, consumption and disposal

GRI 303-2, 303-3, 303-4 and 303-5

In 2021, Chesf consumed a total of 33,981.30 m³ of water. This data was obtained from direct measurements at the company's premises. **GRI 303-5**

In administrative activities, water comes mostly from the supply network. Chesf monitors water consumption through indicators collected and passed on by the different operational units. As of 2021, in cases where there are no water meters to measure administrative use, the volume is estimated by multiplying the average number of fixed employees by a consumption of 50 liters/day per employee. **GRI 102-48**

As an Eletrobras subsidiary, Chesf relies on the holding company's Water Resources Policy based on Law 9.433/97. The company set an annual internal goal of reducing consumption by 0.3% in the administrative facilities that feature meters. This enables Chesf to monitor and manage consumption in several units.

Having a reduction target encourages greater commitment to consuming less and managing water use more effectively. In 2021, the company met its reduction target.

Periodic maintenance was carried out in the hydro-sanitary facilities in 2021, and older equipment was replaced more efficient models. During 2021, Chesf began to work on technical specifications for the installation of water meters with remote reading using telemetry. Installation in some facilities is planned for 2022.

The main effluents generated by Chesf come from its sanitary facilities and from generation in hydroelectric turbines. In relation to effluents from sanitary facilities, 100% are directed to conventional treatment systems and do not pose risks to water bodies.



WATERFALLS IN PAULO AFONSO (BA)

	2019	2020	2021
Total annual volume of water turbined by hydroelectric plants (m ³)	112,850,428,608.00	189,815,758,560.00	138,783,408,480.00
Water drawn from underground sources – administrative activities (m ³)	34,506.20	27,869.42	29,008.00
Total water withdrawal from the sanitation utility supply network – administrative activities (m ³)	99.696.00	92,901.67	89,699.00

	2021
Total annual volume of water turbined by hydroelectric plants located in water stressed rivers (m ³)	335,729,664.00
Total water withdrawal in locations with no hydrometer, or in buildings with shared hydrometer (m ³)	51,199.50

Total water disposal (m³)

	2019		2020		2021	
TYPE OF SOURCE	ALL AREAS	WATER STRESSED AREAS	ALL AREAS	WATER STRESSED AREAS	ALL AREAS	WATER STRESSED AREAS
Surface water	112,850,428,608	59,559,840	189,815,758,560	306,875,520	138,783,544,405	335,729,664

Biodiversity and ecosystem services

GRI 103-2, 103-3, 304-2, 304-3, EU13

Chesf carries out actions to monitor, control, verify and mitigate impacts on biodiversity throughout the lifecycle of its ventures and facilities, from planning to implementation and operation. The company adjusts plans and operations to avoid and/or reduce interference in areas of rich biodiversity; beyond identifying affected species, the objective is to indicate their degree of vulnerability.

Chesf is part of the Working Group (WG) on Aquatic Resources and Biodiversity of the Environment

Committee of Eletrobras Companies, participating in the discussions and studies carried out by the group. Since 2020, the WG has developed a study to assess the companies' exposure to risks associated with biodiversity and ecosystem services and outlined strategies and management practices that can help the companies improve their performance in this respect.

Chesf does not yet have a methodology for classifying and systematically recording endangered species in the areas of influence of its ventures.



HAWK IN THE INTERNAL
PATIO AT CHESF'S
HEADQUARTERS IN RECIFE
(PE)

Impacts on biodiversity

GRI 304-2, 304-3 and EU13

Chesf permanently monitors the habitats and species in its areas of operation, whether in the water, on land or in the air, aiming to measure impacts and protect the surrounding fauna and flora. The company also investigates the possible introduction of invasive or exotic species as a result of its activities – it is important to be alert so it can measure and/or avoid negative effects.

In 2021, Chesf prioritized two habitat protection or restoration projects:

- Revegetation of the Junco Forest Wildlife Refuge, in Sergipe: maintenance of 10.35 recovered hectares with the planting of 20 thousand seedlings of different species. The project is monitored by the conservation unit manager and was prepared by Chesf specialists in compliance with Ibama environmental licensing requirements. All seedlings grew as expected and 100% were replanted as planned for the period; and
- completion of the Monitoring and Recovery Program for the Permanent Preservation Areas (APP) along the 230 kv Socorro/Penedo transmission line. The revegetation of 3.58 hectares of area was carried out with the planting of 5,659 seedlings of native species. The program was prepared by Chesf experts and the respective implementation reports were sent to Ibama. In 2021, 469 seedlings were planted and 100% of the replacement area was implemented.

Results have indicated that evaluating reforestation projects by basically monitoring the extent of planting

areas and the number of seedlings actually planted would be sufficient to meet environmental agency requirements. However, considering the importance of the matter and the significant investment made in the projects, Chesf plans to introduce new methodologies and indicators for a more accurate assessment of the resulting contributions to biodiversity, including increased variety of native species and carbon fixation.

Since 1987, Chesf has maintained the Xingó Forest Nursery, located in Piranhas (AL), which has already produced more than 2 million native seedlings, including the species *Astronium urundeuva* (Aroeira) and *Commiphora leptophloeos* (Amburana-de-cambão), both included in the Red List of Threatened Species of the International Union for Conservation of Nature (IUCN) (2011). **GRI 304-4**

Chesf is also developing a methodology to monitor and compare the biodiversity of replacement habitats with the original conditions of the affected areas.

Generation

The most significant negative impact on biodiversity caused by Chesf's activities is associated with the operation of hydroelectric plants – and, more specifically, with their reservoirs.

Damming a watercourse 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. The main positive impact, in turn, is the regularization of the São Francisco River flow downstream from the Sobradinho HPP to its mouth, especially during times of reduced water availability. As a way to mitigate and offset the negative impacts of

the operation of hydroelectric projects, the company operates a fish farming station in Paulo Afonso and introduces several native species in the basin.

Among these species is *Lophiosilurus alexandri* (Pacamã), listed as “Vulnerable” in A2cd criteria. Since 1992, this species has been part of the Reservoir Restocking Program maintained by Chesf.

No significant impacts on biodiversity were found in solar and wind power generation projects during the fauna monitoring activities that are part of the company's environmental programs.

Transmission

Preventive measures are adopted in transmission lines, with emphasis on the definition of the best route to avoid interference in protected areas and in more significant fragments of native forest.

During the installation phase of the transmission lines, direct impacts on flora and fauna may occur along the right-of-way and around towers and access plazas, causing a reduction in animal populations. However, since both easement and accesses are narrow, the negative impact is limited to small areas along large extensions.

While the impacts do not compromise local biodiversity, they are permanent -- the vegetation cannot grow back and the habitat for fauna is restricted.

Another possible negative impact is the formation of erosional processes due to the extensive length of transmission lines and greater soil exposure, especially in accesses.

To mitigate and offset these impacts, especially in Conservation Units (UC), Chesf has programs aimed at recovering degraded areas, monitoring flora and fauna and replacing lost forests. Other programs focus on the recovery of Permanent Preservation Areas (APP) and on erosion monitoring.

On the positive side, transmission projects improve access to urban centers, production flows and mobility for the surrounding population.

In addition, mitigation programs carried out by the company – such as environmental education and social communication actions -- contribute to the social development of communities.

Voluntary reforestation

GRI 413-1

In addition to mandatory projects and actions for forest replacement, Chesf has a Voluntary Reforestation Program for the recovery of areas through the planting of seedlings and native species. This is also associated with Eletrobras' strategic initiatives in sustainability, and in line with SDG 15.

In 2021, Chesf contracted the execution of planting and maintenance services for the voluntary reforestation of an area of 2.5 hectares in Natal (RN); the company is negotiating the availability of more areas for implementation in 2022.

Positive impacts include the expansion of the green area and greater diversity of species, in addition to awareness raising in the surrounding community. No negative impacts have been identified for this project.

Long-standing stewardship of biodiversity

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

2003

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

2012

Biodiversity indicators and variables are incorporated in the Environmental Dimension of the IGS System¹

2019

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

2020

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

2006

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

2012

Biodiversity guidelines are included in the Eletrobras Group Environmental Policy

2020

We prioritize the Sustainable Development Goal 15 – Life on Land

SDG 15

2021

Targets to expand biodiversity conservation initiatives

Our targets

Our goals focus on 4 pillars

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

Our protection network

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

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

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

¹ Corporate Sustainability Disclosures System

² Brazilian Business Council for Sustainable Development



GRI Content Summary

GRI 102-55

CASA NOVA WIND FARM (BA)

GRI Content Index

GRI 102-55



**MATERIALITY
DISCLOSURES SERVICE**

2022

For the Materiality Disclosures Service, the GRI Services have verified that the GRI content index is clearly presented and references to Disclosures 102-40 through 102-49 are aligned with the appropriate sections in the body of the report. This service was performed in the Portuguese version of the report.

Content	Page/URL	Omission	SDGs
GENERAL CONTENTS			
GRI 101: Fundamentals 2016			
No content on GRI 101			
GRI 102: General Content 2016			
Organizational profile			
102-1 Name of the Organization	15		
102-2 Activities, brands, products and services	15		
102-3 Location of headquarters	15		
102-4 Location of operations	15		
102-5 Ownership and legal form	15		
102-6 Markets served	15, 62		
102-7 Scale of the Organization	15, 47, 50, 83		
102-8 Information on employees and other workers	65, 66		8, 10

Content	Page/URL	Omission	SDGs
102-9 Supply chain	61, 62. Note: The company signed contracts with 342 suppliers in 2021; the total contracted volume through bidding processes was R\$3.084.166.521,54. In addition, the supply chain had 1,632 suppliers with active contracts in the period, with emphasis on contracts of great relevance for the necessary investments to develop business areas: approximately R\$600 million for the supply and replacement of circuit breakers and disconnectors for substations in several states of the Northeast; PA IV HPP, with the simultaneous sale of replaced equipment.		
102-10 Significant changes to the organization and its supply chain – TCU	61. Note: In 2021, Chesf consolidated the incorporation of Wind Farm SPEs Pindaí I, II and III, adding 110MW to its installed generation capacity. This incorporation added 52 contracts with 11 suppliers, impacting the company's supply chain. Chesf continued applying sanctions and analyzing claims through the Committee on Supplier Penalties and Claims, a collegiate body responsible for judging this type of administrative process, which received new attributions in the review of supplier exclusion procedures. The Administrative Accountability Process Commission (PAR) was also created in 2021 to investigate possible supplier administrative responsibilities in bidding processes.		
102-11 Precautionary principle or approach	31, 34		
102-12 External initiatives	40, 41		
102-13 Membership of associations	40		
Strategy			
102-14 Statement from senior decision maker	4		
102-15 Key impacts, risks and opportunities	31, 33, 41		

Content	Page/URL	Omission	SDGs
Ethics and transparency			
102-16 Values, Principles, Standards, and Codes of Behavior	20, 21		16
102-17 Mechanisms for advice and concerns about ethics	30		16
Governance			
102-18 Governance structure	21, 22, 23		
102-19 Delegating authority	22		
102-20 Executive-level responsibility for economic, environmental, and social topics	22		
102-21 Consulting stakeholders on economic, environmental, and social topics	30		16
102-22 Composition of the highest governance body and its committees	22, 26		5, 16
102-23 Chair of the highest governance body	26		16
102-24 Nominating and selecting the highest governance body	22, 26		5, 16
102-25 Conflicts of interest	27		16
102-26 Role of highest governance body in setting purpose, values and strategy	22, 43		
102-27 Collective knowledge of the highest governance body	23		
102-28 Evaluating the highest governance body's performance	23		
102-29 Identifying and managing economic, environmental, and social impacts	30, 31		16
102-30 Effectiveness of risk management processes	31		
102-31 Review of economic, environmental, and social topics	31		

Content	Page/URL	Omission	SDGs
102-32 Highest governance body's role in sustainability reporting	117		
102-33 Communicating critical concerns	22		
102-34 Nature and total number of crucial concerns	30		
102-35 Remuneration policies	25, 68		
102-36 Process for determining remuneration	25, 68		
102-37 Stakeholders' involvement in compensation	25, 68		16
102-38 Annual total compensation ratio	68		
102-39 Percentage increase in annual total compensation ratio	68		
Stakeholder Engagement			
102-40 List of stakeholder groups	9, 99		
102-41 Collective bargaining agreements	100% of employees are covered by collective bargaining agreements.		8
102-42 Identifying and selecting stakeholders	7, 9, 21		
102-43 Approach to stakeholder engagement	7, 9, 62, 70, 80, 83		
102-44 Key topics and concerns raised	7		

Content	Page/URL	Omission	SDGs
Reporting practices			
102-45 Entities included in the consolidated financial statements	47. Note: Special Purpose Entities are included in Chesf's consolidated financial statements and represent the company's permanent equity interests in subsidiaries, joint ventures and affiliates; detailed below: STN - Sistema de Transmissão Nordeste S.A., Energética Águas da Pedra S.A., Interligação Elétrica do Madeira S.A., Energia Sustentável do Brasil S.A., Norte Energia S.A., Interligação Elétrica Garanhuns S.A., Vamcruz I Participações S.A. and Companhia Energética Sinop S.A.		
102-46 Defining report content and topic Boundaries	7, 9		
102-47 List of material topics	9		
102-48 Restatements of information	76, 94		
102-49 Changes in reporting	6, 7		
102-50 Reporting period	6, 117		
102-51 Date of most recent report	The previous report was published in 2021 for the year 2020.		
102-52 Reporting cycle	6		
102-53 Contact point for questions about the report	3, 130		
102-54 Claims of reporting in accordance with the GRI Standards	99. Note: This report has been prepared in accordance with the GRI “Essential” option.		
102-55 Summary of GRI content	99, 100		
102-56 External assurance	6, 117. Note: 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.		



Topics	Description	Topics	Page
MATERIAL TOPICS			
GRI 103: Management Approach 2016			
GRI 103-1	Explanation of the material topic and its Boundary		7, 9, 47
GRI 103-2	The management approach and its components	Water	92
		Biodiversity and Ecosystem Services	87, 96
		Communities	80, 85
		Human Rights	77, 78
		Risk Management	31
		People Management and Development	65, 70, 72
		Governance, integrity and ethics	21, 22, 23, 25, 26
		Climate change	87, 88, 89
		Health, Safety and Well-being	74
		Technology and Innovation	55, 58, 59
		Energy transition	55
103-3	Evaluation of the management approach	Water	92
		Biodiversity and Ecosystem Services	87, 96
		Communities	80, 85
		Human Rights	77, 78
		Risk Management,	31
		People Management and Development	65, 70, 72
		Governance, integrity and ethics	21, 23, 25, 26
		Climate change	87, 88, 89
		Health, Safety and Well-being	74
		Technology and Innovation	55, 58, 59
		Energy transition	55

Content	Page/URL	Omission	SDGs
ECONOMIC TOPICS			
GRI 201: Economic Performance 2016			
201-1 Direct economic value generated and distributed	48		8, 9
201-2 Financial implications and other risks and opportunities due to climate change	88		13
GRI 204: Procurement Practices 2016			
204-1 Proportion of spending on local suppliers	61, 62		8
GRI 205: Anti-Corruption 2016			
205-1 Operations assessed for risks related to corruption	26		16
205-2 Communication and training about anti-corruption policies and procedures	26, 27, 29		16
205-3 Confirmed incidents of corruption and actions taken	26, 27. Note: No incidents of corruption were recorded in 2021.		16
GRI 207: Tax 2019			
207-1 Approach to tax	52		1, 10, 17
207-2 Tax governance, control, and risk management	52		1, 10, 17
207-3 Stakeholder engagement and management of concerns related to tax	52		1, 10, 17
ENVIRONMENTAL TOPICS			
GRI 303: Water and effluents 2018			
303-1 Interactions with water as a shared resource	92, 94		6, 12
303-2 Management of water discharge-related impacts	92, 94		6
303-3 Water withdrawal	92, 94		6, 8, 12

Content	Page/URL	Omission	SDGs
303-4 Water discharge	92, 94		6
303-5 Water consumption	92, 94. Note: Through its companies, Eletrobras monitors the volume of water used for hydroelectric generation in water stressed areas (non-consumptive use). There is no water consumption by Eletrobras companies in water stressed areas.		6

GRI 304: Biodiversity 2016

304-2 Significant impacts of activities, products, and services on biodiversity	96		6, 14, 15
304-3 Habitats protected or restored	96		6, 14, 15
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	97		6, 14, 15

GRI 305: Emissions 2016

305-1 Direct (Scope 1) GHG emissions	90		3, 12, 13, 14, 15
305-2 Energy indirect (Scope 2) GHG emissions	90		3, 12, 13, 14, 15
305-3 Other indirect (Scope 3) GHG emissions	90		3, 12, 13, 14, 15
305-4 GHG emissions intensity	Link to inventory		13, 14, 15
305-5 Reduction of GHG emissions (SASB)	Link to inventory		13, 14, 15
305-6 Emissions of ozone-depleting substances (ODS)	Link to inventory		3, 12
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	90		3, 12, 14, 15

Content	Page/URL	Omission	SDGs
GRI 306: Waste 2020			
306-1 Waste generation and significant waste-related impacts	91		3, 6, 11, 12
306-2 Management of significant waste-related impacts	91		3, 6, 11, 12
306-4 Waste diverted from disposal	91		3, 6, 11, 12
306-5 Waste directed to disposal	91		3, 6, 11, 12
SOCIAL TOPICS			
GRI 401: Employment 2016			
401-1 New employee hires and employee turnover	66, 67		5, 8, 10
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	71		3, 5, 8
401-3 Parental leave	71		5, 8
GRI 403: Occupational Health and Safety 2018			
403-1 Occupational health and safety management system	74, 75		8
403-2 Hazard identification, risk assessment, and incident investigation	31, 74, 75		3, 8
403-3 Occupational health services	74, 75		3, 8
403-4 Worker participation, consultation, and communication on occupational health and safety	74, 75		8, 16
403-5 Worker training on occupational health and safety	74, 75		8
403-6 Promotion of worker health	74		3
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	74, 75		8

Content	Page/URL	Omission	SDGs
403-8 Workers covered by an occupational health and safety management system	74	The Occupational Health and Safety Management System (SGSSO) has been certified under ISO 45001 at the Chesf Headquarters, UHE Paulo Afonso IV and UHE Xingó. The company is seeking to confirm the exact number of own employees and contractors assigned to these sites. The key obstacle is that SAP employee control is based on the employee's assignment. Within Chesf's structure, an employee assigned to headquarters may actually be providing services in another regional office. This makes it very difficult to quickly map the number of employees physically present in each site. The same can be said of contracts with third parties. In many cases, outsourced personnel work on more than one site, which means there is no simple or quick way to account for their location. Chesf was therefore unable to map and report the number of own employees and contractors at the sites.	8
403-9 Work-related injuries	74, 76		3, 8, 16
403-10 Work-related ill health	76. Note: There are no employees whose work or workplace entails occupational activities with incidence or high risk of occupational diseases.		3, 8, 16
GRI 404: Training and Education 2016			
404-1 Average hours of training per year per employee	70		4, 5, 8, 10
404-2 Programs for upgrading employee skills and transition assistance programs	70		8
404-3 Percentage of employees receiving regular performance and career development reviews	65		5, 8, 10

Content	Page/URL	Omission	SDGs
GRI 405: Diversity and Equal Opportunity 2016			
405-1 Diversity of governance bodies and employees	66, 72		5, 8
405-2 Ratio of basic salary and remuneration of women to men	68		5, 8, 10
GRI 406: Non-discrimination 2016			
406-1 Incidents of discrimination and corrective actions taken	72		5, 8
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	62		8
GRI 408: Child Labor 2016			
408-1 Operations and suppliers at significant risk for incidents of child labor	78		8, 16
GRI 409: Forced or Compulsory Labor			
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	78		8
GRI 410: Security Practices 2016			
410-1 Security personnel trained in human rights policies or procedures	Percentage of security guards (own and outsourced staff) trained in human rights policies or procedures: 95.18% All of them (own employees and third parties) must meet the same qualification requirements.		16
GRI 411: Rights of Indigenous Peoples 2016			
411-1 Incidents of violations involving rights of indigenous peoples	80, 85		2
GRI 412: Human Rights Assessment 2016			
412-2 Employee training on human rights policies or procedures	78		

Content	Page/URL	Omission	SDGs
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100% of significant investment contracts include human rights clauses.		
GRI 413: Local Communities 2016			
413-1 Operations with local community engagement, impact assessments, and development programs	37, 80, 83, 97		
413-2 Operations with significant actual and potential negative impacts on local communities	80, 82, 92		1, 2
GRI 415: Public Policy 2016			
415-1 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.		
GRI 418: Customer Privacy 2016			
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	59. Note: Our controls did not detect any data leak, theft or loss during the year 2021, and therefore 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.		16
Organizational profile			
EU1 Installed capacity (MW), by primary energy source and regulatory regime	17		7
EU2 Net energy production, by primary energy source and regulatory regime	17, 50		7, 14

Content	Page/URL	Omission	SDGs
EU4 Length of overhead and underground transmission and distribution lines, broken down by regulatory system	16, 18, 19, 50. Note: Considering transmission lines that were in operation at the end of the period (corporate and SPEs), including lines that are or are not entitled to RAP and complementary network lines (power plant connection lines and lines that serve free consumers or are connected to other transmission facilities in networks < 230kV).		
Availability and Reliability			
EU6 Management approach to ensure electric power availability in the short and medium term	50, 54. Note: Considers corporate transmission lines of the basic network that are entitled to RAP and that were in operation throughout the reporting period, including sectioned segments. Does not include complementary network lines.		7
Research and development			
EU8 Research and development activity and expenditure to provide reliable electricity and promote sustainable development	58		7, 9, 17
Availability and Reliability			
EU10 Planned capacity against projected long-term energy demand, broken down by energy source and regulatory regime	By law, in Brazil the planning of energy supply and demand is carried out by the Energy Research Company (EPE). As a company that generates and transmits large energy amounts, Chesf does not plan demand by energy source.		7
System Efficiency			
EU11 Average generation efficiency of thermal power plants, by energy source and by regulatory system	The company does not have thermoelectric power plant projects.		7, 8, 12, 13, 14
EU12 Losses in power transmission and distribution as a percentage of total power	50		7, 8, 12, 13, 14
Biodiversity			
EU13 Biodiversity of replacement habitat compared to the biodiversity of affected areas	96		6, 14, 15

Content	Page/URL	Omission	SDGs
Employment			
EU14 Programs and processes to ensure the availability of skilled workforce	70, 72		4, 8
EU16 Policies and requirements regarding the health and safety of employees and outsourced and subcontracted workers	74		8
Local communities			
EU20 Approach to managing displacement impacts	80		1, 2, 11
EU21 Contingency planning measures, disaster/emergency management plans and training programs and recovery/restoration plans	34		1, 11
EU22 Number of physically and economically displaced persons and compensation, broken down by type of project	No displacement of people was caused by company operations.		1, 2
Access			
EU30 Average plant availability factor, by energy source and regulatory system	50, 52		1, 7

Index of other frameworks – SASB and TCU

Indicator	GRI Standards	Page
SASB		
IF-EU-110a1: Gross global scope, emissions covered by percentage, emissions– regulation limitation and reporting regulation.	GRI 305-1	90
IF-EU-110a2: Greenhouse gas (GHG) associated with energy supply.	GRI 305-2	90
IF-EU-110a3: Discussion of the long-term and short-term strategy or plan to manage Scope 1 emissions, emission reduction targets, and a performance review against these targets.	GRI 305-4	90
IF-EU-120a1: Atmospheric emission of the following pollutants NO ₂ (excluding N ₂ O), Sox, particulate matter (PM _{xx}), conductors (Pb) and mercury (Hg), percentage of each in or near areas of dense population.	GRI 305-7	90
IF-EU-140a1: Total water withdrawal, total water consumed, percentage in regions with high or extremely high baseline water stress.	GRI 303-1, 303-3, 303-5	92, 94
IF-EU-140a3: Description of water management risks and discussion of strategies and practices to mitigate these risks	GRI 303-1	92, 94
IF-EU-150a1: Amount of coal combustion waste (CCR) generated, percentage recycled	GRI 305-6	107
IF-EU-320a1: Total rate of recorded incidents (TRIR), fatality rate and near miss frequency rate	GRI 403-9	74, 76
IF-EU-550a1: Number of incidents of non-compliance with physical and cyber security standards or regulations	GRI 418-1	59
Installed, generated and transmitted capacity		
IF-EU-000.C: Length of transmission and distribution lines	G4-EU4	16, 18, 19, 50
IF-EU-000.D: Total electricity generated, percentage by main energy source, percentage in regulated markets	G4-EU2	17, 50
IF-EU-550 a.2: (1) Average System Outage Duration Index (SAIDI), (2) Average System Outage Frequency Index (SAIFI), and (3) Average Customer Outage Duration Index (CAIDI), including days of major events, percentage of transmission loss	G4-EU30	50, 52



Indicator	GRI Standards	Page
TCU		
Organizational overview and external environment	GRI 102-2, 102-5, 102-7, 102-8, 102-9, 102-14, 102-15, 102-16, 102-22	4, 15, 20, 21, 22, 26, 31, 33, 41, 47, 50, 61, 65, 66
Risks, opportunities and perspectives	GRI 102-15, 102-17, 102-30, 102-31, 102-34	30, 31, 33, 41
Governance and strategy	GRI 102-18, 102-20, 102-22, 102-23, 102-25, 102-26, 102-30, 102-35, 102-36, 102-37, 102-38, 102-39	21, 22, 23, 25, 26, 27, 31, 43, 68
Budgetary, financial and accounting information	GRI 201-1, 201-2, 204-1, 205-1, 205-3, 207-2, 405-2	26, 27, 48, 52, 61, 62, 68, 88
Results and performance	GRI 413-1, 413-2, G4-EU1, EU 2, EU 4, EU8, EU20, EU21, EU22	16, 17, 18, 19, 34, 37, 50, 58, 80, 82, 83, 92, 97, 113

Assurance Report

GRI 102-32, 102-50, 102-56

This document was approved by the Chesf Executive Board and Board of Directors. The information on sustainability management consolidated in this publication covers the calendar year from January 1 to December 31, 2021 and was defined by the materiality matrix developed by Eletrobras with the participation of all its subsidiaries – it is part of the limited scope of assurance of Chesf's 2020 Annual Report.

In this cycle, the assurance work was carried out by PricewaterhouseCoopers – PwC.

Independent auditor's limited assurance report on non-financial information included in the Annual Report for 2021

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

Introduction

We have been engaged by Companhia Hidro Elétrica do São Francisco – Chesf (“Chesf” or “Company”) to present our limited assurance report on the non-financial information included in the Chesf' 2021 Annual Report for the year ended December 31, 2021.

Our limited assurance does not cover prior-period information, or any other information disclosed together with the 2021 Annual Report, including any incorporated images, audio files or videos.

Responsibilities of the Chesf management

The management of Chesf is responsible for:

- selecting or establishing adequate criteria for the preparation and presentation of the information included in the Annual Report.
- preparing the information in accordance with the criteria and guidelines of the Global Reporting Initiative (GRI – Standards) and with the basis of preparation developed by the Company.
- designing, implementing and maintaining internal control over the significant information for the preparation of the information included in the Annual Report, which is free from material misstatement, whether due to fraud or error.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the non-financial information included in the 2021 Annual Report, 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 the auditor complies with ethical requirements, independence requirements, and other responsibilities of these standards, including those regarding the application of the Brazilian Quality Control Standard (NBC PA 01) and, therefore, the maintenance of a comprehensive quality control system, including documented policies and procedures on the compliance with ethical requirements, professional standards and relevant legal and regulatory requirements.

Moreover, the aforementioned standards require that the work be planned and performed to obtain limited assurance that the non-financial information included in the 2021 Annual Report, 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 Company involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that allows us to issue 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 him to believe that the information disclosed in the Annual Report taken as a whole might present material misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation, materiality, and presentation of the information included in the 2021 Annual Report, other circumstances of the engagement and our analysis of the activities and processes associated with the material information disclosed in the 2021 Annual Report in which material misstatements might exist. The procedures comprised, among others:

- (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 included in the 2021 Annual Report;
- (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 *Companhia Hidro Elétrica do São Francisco – Chesf*.
- (c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the 2021 Annual Report; and
- (d) when non-financial data relate to financial indicators, comparing these indicators with the financial statements and/or accounting records.

The limited assurance engagement also included the analysis of the compliance with the guidelines and criteria 1) of the Global Reporting Initiative (GRI-Standards); 2) the provisions established in the basis of preparation developed by the Company, applicable in the preparation of the information included in the 2021 Annual Report.

We believe that the evidence we 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 vary in nature and timing and are less detailed than those applied in a reasonable assurance. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level that would be obtained in a reasonable assurance engagement. Had we performed a reasonable assurance engagement, we might have identified other matters and possible misstatements in the information included in the 2021 Annual Report. 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 materiality, relevance, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior periods, nor future projections and goals, including results of goals established by Chesf's Business and Management Master Plan (PDNG) and Business and Management Plan (PNG) attached to the 2021 Annual Report.

The preparation and presentation of non-financial information and indicators followed the definitions of the basis of preparation developed by the Company and the guidelines of the Global Reporting Initiative (GRI-Standards) and, therefore, the information included in the 2021 Annual Report does not aim to provide assurance with regard to the compliance with social, economic, environmental or engineering laws and regulations. Those standards establish, however, the presentation and disclosure of any non-compliance with such regulations when significant sanctions or fines occur. Our assurance report should be read and understood in this context, inherent to the criteria selected and previously mentioned in this paragraph.

Conclusion

Based on these procedures performed, described herein, and on the evidence obtained, no matter has come to our attention that causes us to believe that the non-financial information included in the Annual Report for the year ended December 31, 2021 of Companhia Hidro Elétrica do São Francisco – Chesf has not been prepared, in all material respects, in accordance with the criteria and guidelines of the Global Reporting Initiative (GRI-Standards), and with the basis of preparation developed by the Company.

Rio de Janeiro, April 28, 2022

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Eliane Kihara
Contadora CRC 1SP212496/O-5



Appendixes



CACTI IN XINGÓ (SE)

The appendixes present Chesf's commitment to EESG themes through company targets related to Sustainable Development Goals (SDGs) and linked to its PNG 2021-2025.

Appendix 1

Indicators and projects of the 2030 Agenda

SDGs		Indicators associated with SDGs	Projects associated with SDGs		
			Name	Objectives	2021 Result Analysis
7	Affordable and Clean Energy	Energy saved in corporate buildings	Energy Management System in Corporate Buildings	Working group created to develop and implement the Energy Management System in Corporate Buildings as established in the provisions of Decree 10.779 of August 25, 2021, and to leverage the EESISBRAS indicator (energy saved in corporate buildings).	Guidance campaigns for public agents and outsourced employees to boost energy saving in the workplace;
		Share of clean energy sources			Preparation of automated routine to reduce electricity consumption in computer equipment and airconditioning system.
8	Decent employment and economic growth	Frequency of accidents (with lost time – own employees)	Prevenir + Project	Implementation of the Occupational Health and Safety Management System (SGSSO) in the 12 Chesf plants, which will also serve as an evaluation mechanism for OHS.	In 2021, SGSSO was implemented at the Paulo Afonso IV and Xingó plants under ISO 45001:2018. The scope of certification covers all processes: operations, mechanical, electrical, civil and support maintenance in hydroelectric plants. This means it encompasses employees, outsourced personnel and visitors working in the two plants.
		Frequency of accidents (with lost time – third parties)			
		Work Accident Severity Rate– own employees			
		Work Accident Severity Rate– outsourced employees			

SDGs		Indicators associated with SDGs	Projects associated with SDGs		
			Name	Objectives	2021 Result Analysis
9	Industry, innovation and structure	Investment in R&D+I/ ROL	R&D+I Project: Use of solar energy in HPP reservoir	Implementation of a complementary solar power generation system of 1 MWp of power using photovoltaic panels mounted on floating platforms installed in the reservoir of the Sobradinho HPP (BA).	Completed in 2021.
		Automation Rate – Percentage of Automated Processes among all Processes	R&D+I Project: From idea to market	Develop and implement an innovation method for Chesf to ensure systematic and continuous value generation, increasing the efficiency of R&D+I projects. The main product developed in this project was the Intelligent Innovation Management System (Sigi).	Completed. The main product, Intelligent Innovation Management System (Sigi), is responsible for monitoring R&D+I projects from conception to execution.

SDGs		Indicators associated with SDGs	Projects associated with SDGs		
			Name	Objectives	2021 Result Analysis
10	Reducing inequalities	Management positions held by women	Lagos do São Francisco Social Responsibility Project	Stimulate the sustainable development of rural communities around the dams of the Complexo de Paulo Afonso and the hydroelectric plants of Itaparica (Luiz Gonzaga) and Xingó, on the São Francisco River, benefiting about four thousand family farms, residents of twelve municipalities in the states of Alagoas (Piranhas, Olho D'Água do Casado, Delmiro Gouveia and Pariconha), Bahia (Paulo Afonso, Glória and Rodelas), Pernambuco (Jatobá and Petrolândia) and Sergipe (Canindé de São Francisco, Poço Redondo and Nossa Senhora da Glória).	With the vaccination of technicians and farmers and the gradual opening of municipalities, Embrapa resumed some face-to-face actions in the second half of 2021, concluding so far eight action plans within the established deadline. Implementation of seven Technological Learning Fields on Fruit Trees in Irrigated Areas (mango, banana, coconut and guava). The key objective is to pass on alternative technologies to minimize the negative impacts of conventional production, such as reducing the use of pesticides, avoiding soil and water contamination and increasing product quality. In Environmental Preservation, the project has already implemented three Technological Learning Fields in the municipalities of Delmiro Gouveia (AL), Poço Redondo (SE) and Canindé do São Francisco (SE). The key objectives are the preservation of springs, recovery of degraded areas and the repopulation of the Caatinga with native species. The work is carried out in cooperation with producers: they help to select the species to be inserted in the target areas. Embrapa offers training, makes the seedlings available and monitors them, indicating the best time for planting and performing soil analysis.
		Weighted index of the wage ratio between women and men at multiple levels			
		Beneficiaries (people) assisted in social projects			
11	Sustainable Cities and Communities	Reduction of Scope 1 + 2 emissions, without transmission losses	Implementation of Emergency Action Plans (EAP)	Effectiveness of action in the event of an emergency situation that endangers the safety of dam structures.	The following were completed: project planning and structuring, technical studies with suppliers and teams, emergency plan in dams and internal emergency training.
		Total GHG Emissions/ROL	Dam Safety Periodic Review Project (RPSB)	Diagnose the general safety status of the dams, considering technological advances, updated hydrological information in the respective river basin, design criteria and conditions of use and occupation of the soil upstream and downstream of the plant. Project completed in December 2021 in all Chesf hydroelectric plants.	Action plans reflected the agricultural, economic and environmental diversity of the region, including activities such as honey, fruit and vegetable production, animal husbandry, environmental preservation and recovery of riparian vegetation. Project completed in December 2021 in all Chesf hydroelectric plants.

SDGs		Indicators associated with SDGs	Projects associated with SDGs		
			Name	Objectives	2021 Result Analysis
12	Sustainable consumption and production	Suppliers subjected to ESG Due Diligence assessment	Integrated Supplier Management	Implement improvements in governance and supplier management in Eletrobras companies' supply chain, fostering ESG and corporate risk management.	The database of prequalified/accredited suppliers of Eletrobras companies is now structured; the methodology promoting ESG themes in the supplier management process has been implemented; the implementation of the ESG due diligence process in SAP is now completed.
13	Combating climate change	Reduction of Scope 1 + 2 emissions, without transmission losses	Conta Zero Program	Micro and miniphotovoltaic projects to be installed in Chesf units (SPEs and CRESP Project) taking advantage of their own area and connection.	Until 2021, 2,700 kW of the PCZ photovoltaic plants were in full operation, generating annual savings in electricity bills of around R\$4 million through SCEE. The remaining plants will be completed in 2022, bringing considerable savings in electricity bills in all states where Chesf has facilities.
		Total GHG Emissions/ ROL			
15	Terrestrial life	NA	Voluntary reforestation	Based on the Chesf Forest Replacement Program, the project adds a voluntary margin to the mandatory forest replacement projects, taking advantage of the physical and budgetary structure implemented for the mandatory fraction of reforestation. The objective is to promote the recovery of areas with the planting of seedlings of native species, contributing to the conservation of biodiversity.	Dunas do Natal State Park – Planting and maintenance services of native species in progress; other areas already defined for replacement and with terms of cooperation in progress.
16	Peace, justice and strong institutions	Employees trained in Integrity Program anti-corruption policies (compliance)	Human Rights and Citizenship Program	Promote actions aimed at developing the theme of Human Rights in relationships with the various stakeholders of Eletrobras companies, with emphasis on employees, suppliers and partners, and communities in the territories where the Eletrobras companies operate.	Training activities and qualification actions resulted in 1,595 employees trained in 2021, including outsourced workers.
		Due diligence of suppliers exposed to the risk of fraud and corruption			
		Employees trained in Human Rights			

Appendix 2

PNG Goals and Results 2021-2025

Indicator Name	Unit	History		2021 Results	Targets		Analysis of 2021 results
		2019	2020		2021	2022	
Beneficiaries (people) assisted in social projects	%	NA	NA	288,8	80	80	Exceeded target.
Management positions held by women	%	20.3	20.6	21.9	21	21	Exceeded target The company intensified actions to value diversity. More women are qualified for leadership roles; they have been recognized and are being increasingly appointed to management positions.
Employees trained in human rights	%	NA	NA	21.3	50	75	Did not achieve target. There was a delay in Human Rights training, but we did carry out some training activities and capacity building related to this theme, totaling 1,595 employees trained in 2021.
Employees trained in Integrity Program anti-corruption policies	%	89.8	98.4	92.0	98	98	Did not achieve target. The integrity and ethics course was made available to all employees in the last quarter, but until 12/31/2021 (closing date of the calculation) it was not possible to reach the target number of participants. The course was extended to February 2022, but for reporting purposes, this indicator considers the position on 12/31/2021.
Shutdown per every 100 km of TL	index	NA	1.13	0.95	1.03	1.03	Target achieved. Some factors that contributed to the result: effectiveness of inspections; campaigns against burn clearing; and control of vegetation suppression in right of way easements.
Relative Generation Availability - DISPGR	index	1.13	1.12	1.13	1.00	1.00	Exceeded target. Factors that contributed to this: compatibilization of interventions; and improvements implemented in the plants.
Operational Availability of Transmission Lines - DISPOLT	%	99.97	99.96	99.95	99.91	99.91	Exceeded target. Measures that contributed to the result: compatibilization of interventions; effectiveness of maintenance programs; careful inspections; and improvements in the transmission system.

Indicator Name	Unit	History		2021 Results	Targets		Analysis of 2021 results
		2019	2020		2021	2022	
Operational availability of transformers - DISPOTR	%	99.96	99.90	99.92	99.89	99.89	Exceeded target. Measures that contributed to the result: compatibilization of interventions; effectiveness of maintenance programs; implemented improvements; monitoring of operating conditions.
Due diligence of suppliers exposed to the risk of fraud and corruption	%	100	100	100	100	100	Target achieved. Integrity due diligence procedures of critical suppliers were implemented in 2018; today they are well consolidated, aligned between the areas of integrity and supplies, and always part of the procurement notices.
Scope 1 + 2 emissions, no transmission losses/ MWh	kgCO ₂ e/ MWh	1.03	0.37	0.35	1	1	Target achieved.
Total GHG Emissions / RoI	tCO ₂	0.032	0.017	0.033	0.029	0.029	Did not achieve target. In 2021, scope 2 emissions, i.e., those associated with energy consumption and transmission losses (accounting for more than 90% of Chesf's total emissions) were significantly impacted by the increase in the grid emission factor due to more frequent dispatch of thermal power plants during the year, even though energy consumption decreased and transmission losses remained virtually at the same level.
Suppliers subjected to ESG Due Diligence assessment	%	NA	NA	61.96	60	80	Target achieved. ESG due diligence procedures of critical suppliers were implemented in September 2021.
Training hours / Number of employees	numerical/ fractional index	31.45	19.45	49.27	35	35	Exceeded Target. Achievement well above 2020 figures. Many of the educational actions placed on hold during the Covid-19 pandemic were resumed, especially the initiatives with greater workload.
SDG Alignment Index	index	NA	3.3	1	1	1	Target achieved.
Global Indicator (Generation + Marketing)	index	1.03	1,06	1.2	1	1	Exceeded target.
Weighted Index ratio of pay for women and men at multiple levels	absolute number	NA	NA	0.87	1	1	Did not achieve target. New indicator (no measurement prior to 2021).
Generation and Transmission Performance Index	%	55.32	63.58	NA	100	100	The indicator was subdivided in two from 2021.

Indicator Name	Unit	History		2021 Results	Targets		Analysis of 2021 results
		2019	2020		2021	2022	
Generation Expansion Achievement Index	index	NA	NA	1.04	1	1	Exceeded target
Transmission Expansion Achievement Index	index	NA	NA	0.73	1	1	Achieved 73% of the target. The result was impacted by restrictions on equipment shutdowns during a water crisis, contractor performance below expectations and frustrated bidding processes due to economic instability.
Strategic Project Portfolio Success Index – ISCPE	index	NA	NA	1.19	1	1	Exceeded target.
Investment in R&D+I/ROL	%	1.11	1.14	1.43	1.2	1.4	Exceeded target.
Investment in training by employee	numerical/fractional index	0.95	0.77	1.49	1.67	1.74	Did not reach target. Chesf invested R\$1.49 thousand per employee, given the budgetary limit of R\$1.33 thousand per employee established for the Corporate Education Plan.
Variable Portion PV	index	1.42	1.14	1.15	1.8	1.8	Exceeded target. Factors that contributed to the result: compatibility of interventions, effectiveness of maintenance programs, improvements implemented, training of teams, dissemination and internalization of regulation.
Share of clean energy sources (solar, wind, hydraulic, nuclear) in the company's electrical matrix	%	100	100	100	100	100	Target achieved. Chesf generation (wind and hydraulic) comes from clean energy sources, both in corporate plants and in SPEs.
Remediation of Significant Deficiencies and Material Weaknesses	%	81.8	65.6	NA	100	100	This indicator is calculated annually after SOX Certification (for the 2021 cycle, the calculation will take place in May/2022, when the external auditors issue their final report). It covers the gaps in SOX tests that were classified by the external auditors as significant deficiencies (SD) and material weaknesses (MW). In this SOX 2021 cycle, Chesf has 37 gaps in indicator scope, of which 34 MW and 3 SD; remediation has been finalized for all of them.

Indicator Name	Unit	History		2021 Results	Targets		Analysis of 2021 results
		2019	2020		2021	2022	
Employee Satisfaction (Favorability Index)	index	75.31	78.87	78.87	75	NA	Exceeded Target. The climate survey is conducted biannually. The last edition took place at the end of 2020. The result exceeded the target set for the period, with an increase of 4.73% over the previous edition, which had reached 75.31%. It is noteworthy that this was a challenging period: the head count had been reduced in 2019 through the Consensual Dismissal Plan PDC and the company was additionally impacted by the Covid-19 pandemic in 2020. Still, the result was above expectation.
Highly critical audit requests not met on time	numerical	NA	NA	0	0	0	Target achieved.
Automation Rate -- Percentage of automated processes within the universe of automatizable internal control processes	% automated processes	NA	NA	100	70	100	Exceeded target.
Accident Frequency Rate (lost time) – own employees	number of accidents per million hours of risk exposure	1.93	2.42	3.57	2.59	2.33	Did not achieve target. Result above tolerable limit. Two major projects in development this year are expected to improve the performance of Chesf's Occupational Safety and Health (OHS): the Chesf Prevenir+ Project, which aims to establish an Occupational Health and Safety Management System based on International Standard ISO 45001; and the Energy, Safety and Occupational Health Program for all Eletrobras companies, with DuPont advisory support, aimed at improving the culture of health and safety at work.
Accident Frequency Rate (with lost time) – third parties	number of accidents per million hours of risk exposure	NA	NA	0.69	3.9	3.51	Achieved Target. Result well below the tolerable limit thanks to constant inspections and safety audits.
Accident severity rate (own employees)	numerical	43	23	89.00	118	106	Achieved Target. Value below the tolerable limit thanks to the risk mitigation actions taken at company facilities.



Indicator Name	Unit	History		2021 Results	Targets		Analysis of 2021 results
		2019	2020		2021	2022	
Accident severity rate (third parties)	numerical	NA	NA	7	177	159	Achieved Target. Result well below the tolerable limit thanks to constant inspections and safety audits.

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Photos*

Chesf collection (pages 5, 20, 29, 83, 87, 96 and 99)
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Ari Soares (page 73)
Carlos José de Souza (page 13)
Damião Melo (page 34)
Eduardo Vilaça (pages 55, 58 and 69)
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Filipe Rocha (page 19)

* Photos in which people appear without masks were taken before the pandemic.

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