

Corporate Social Responsibility Report for SGCC (Brazil)



2021



国家电网有限公司
STATE GRID
CORPORATION OF CHINA

INDEX

- 3 Message from the Chairmen**
- 6 Presentation of the Report**
- 7 About SGCC**
 - Corporate culture
 - New deals
- 17 Corporate governance**
 - Ethics and compliance
- 21 Sustainability management**
- 24 Health and safety**
 - Prevention against COVID-19
- 29 Environment**
 - Emissions and climate change
 - Waste
 - Biodiversity
- 37 Technology and innovation**
 - NARI Brasil
 - CET Brazil
- 42 Valuing people**
- 44 Communities**
 - CPFL nos Hospitais
 - CPFL Jovem Geração
 - CPFL Brazil-China Exchange
 - Maré do Amanhã Orchestra
 - Athlon Institute
 - Valongo Pier
- 52 Financial performance**
 - SGBH performance
 - CPFL Energia performance
- 55 GRI benchmarking**
 - CPFL Energia
 - SGBH

MESSAGE FROM

THE CHAIR MEN

It is with great satisfaction that we are publishing, for the fourth consecutive year, State Grid's Corporate Social Responsibility Report (CSR) in Brazil. This publication is crucial to highlight the positive impact on the entire electricity sector and on Brazilian society of the investments made by the largest energy company in the world, with CPFL Energia and State Grid Brazil Holding (SGBH) standing as pillars of sustainable growth and long-term value creation.

In 2021, two main factors had decisive impacts on business: the second wave of COVID-19 and a historic and severe drought in Brazil. These challenging conditions required management skills and a focus on operational efficiency to achieve the economic and social & environmental results established in the strategic plans of each business.

Life and safety first

The lives, safety and health of employees and all people come first. With COVID-19, prevention and control actions were further strengthened in 2021, aiming at protecting teams and the continuity of business operations.

At CPFL Energia, COVID-19 tests were organized for front-line workers at regular intervals, and medical support and family care were offered to infected employees, in addition to engaging all staff to participate in the government vaccination plan. SGBH established a permanent monitoring committee with the participation of senior management, a routine of biweekly tests for preliminary identification of contaminated and created a “vaccinometer” and communication pieces, in various formats, to help clarify the employees.

Along with the focus on controlling the pandemic, the companies continued to focus on occupational safety programs and actions. The activities and investments were associated with the Year of Safety program, with the

aim of strengthening education on the subject and increasing security controls, contributing to the integration of the Global Security program with comprehensive improvement.

Business development

At both SGBH and CPFL Energia, 2021 was marked by the conquest of new projects aligned with the strategic plans of each business. These are strategic investments, which strengthen the capacity for long-term growth and the formation of strategic partnerships with Brazilian society, benefiting the infrastructure of the national electricity sector.

SGBH, through its subsidiary STE, was awarded the lot for the construction of a new transmission line and substation between the municipalities of Silvânia and Trindade, in the state of Goiás, Brazil. The concession agreement has a term of 30 years, and the start-up is scheduled for the year 2025.

CPFL Energia was also strengthened in the energy transmission segment, with the acquisition of controlling interest in CEEE-T, a company privatized by the state government of Rio Grande do Sul. The success of the 100-day integration program ensured that all acquired transmission operations could operate satisfactorily.

The company also celebrated the completion of the works and the entry into commercial operation of the Gameleira Wind Complex 27 months ahead of the schedule stipulated in the concession agreement.

Innovation and technology

Digital transformation and innovation are driving the transformation of the electricity sector towards efficient use of energy, improving customer relationships and increasing operational efficiency. The investment by State Grid companies aims to achieve the best operational levels in the sector by introducing more cutting-edge technologies while strengthening local cooperation and technological exchange.

CPFL Energia adopted many measures to deepen the digital transformation, including the adoption of a new digital solution for customer service, the launch of smart systems for monitoring networks, and the creation of the data analysis center, in addition to establishing a department for the SAP upgrade project.

At SGBH, the only company in Brazil with transmission lines in ± 800 kV Ultra-High-Voltage Direct Current (UHVDC) technology, the main focuses are on operational performance excellence, business expansion, win-win cooperation with local partners, projects that demand cutting-edge technology, and social responsibility with sustainable development.

Sustainability and development

Currently, climate change has become the main global challenge. The world's largest economies are actively working on the "peak carbon" and "carbon neutrality" fronts in order to reduce greenhouse gas emissions and mitigate the impact of climate change.

Sustainability has taken on greater dimensions each year. Things could not be any different in our activities, which leads us to a reflection of the environmental risk scenario in which we live and drives us to sustainable development practices, seeking a better quality of life for living beings and the improvement of their relationship with the natural environment.

In the Brazilian energy sector, due to intense market competition and the uncertainty regarding the macro-environment, greater challenges and requirements have arisen that test operations, particularly in the construction of the greenfield project and in M&A (merge and acquisitions) activities. As a utility company, we are responsible for providing high-quality service to customers, continually meeting regulatory requirements and balancing investments while ensuring necessary progress and improvement.

Using the best available practices, we seek to identify the environmental factors that are likely to trigger repercussions at all stages of the project and work on defining a matrix where impacts are typified by their nature, duration, intensity, adversity, reversibility, and importance.

Valuing people

Business development with innovation, efficiency and quality relies on professionals with technical and behavioral skills that are aligned with State Grid's corporate values. Leadership development, with a focus on managing teams and people, is essential for attracting and retaining employees who are connected to the purpose of generating value with sustainable development and building citizen values.

We will be making greater efforts to create a diverse and inclusive work environment, continually provide opportunities for employee growth, and enhance a sense of belonging and identity, reinforcing corporate cohesion and standing on a solid foundation for the healthy, high-quality development of the company in the long run.

Wen Bo
President of the Board
of Directors of CPFL Energia

Chang Zhongjiao
Chairman of SGBH

PRESENTATION OF THE RE PORT

This is the fourth Corporate Social Responsibility Report of the State Grid Corporation of China (SGCC) in Brazil. The purpose of the publication is to gather information on the performance of the companies invested in in Brazil, in particular State Grid Brazil Holding (SGBH) and CPFL Energia, which are SGCC's growth and innovation levers in the country. Information from NARI Brasil and CET Brazil is also included in this publication.

SGBH and CPFL Energia disclose detailed information about their businesses in their respective annual reports, including the adoption of guidelines and parameters established by the Global Reporting Initiative (GRI). Stakeholders can access these documents to gain a better understanding of the challenges and strategies of each of these companies.

The data presented refer to the period between January 1 and December 31, 2021. Any questions, comments and suggestions regarding the CSR Report can be sent to the email comunicacao@stategrid.com.br.



Click here
to view the
SGBH report



STATE GRID
BRAZIL HOLDING S.A.
国家电网巴西控股公司



Click here
to view the
CPFL Energia report





ABOUT SGCC

The State Grid Corporation of China (SGCC) is the world's largest energy company. The company, based in China, ranks second among the 500 largest companies in the world in terms of revenue, on the rankings compiled by Fortune magazine, reaching annual revenues of US\$386.6 billion.

In China, SGCC serves a population of over 1.1 billion people with energy transmission and distribution services, covering 88% of the country's territory. Worldwide, the company invests in 9 different countries and regions, covering four continents and totaling almost 1.6 million employees.

CPFL
Energia's
field
operation

In Brazil, SGCC's investments cover the entire electricity sector. Through CPFL Energia, the company operates in the generation, transmission, distribution, commercialization and provision of electricity services. With SGBH, the company employs the most modern technologies in projects for energy transmission over long distances.

In addition to these two companies, SGCC's structure includes CET Brazil, a company specializing in ±800 kV Ultra-High-Voltage Direct Current (UHVDC) technology and provides services for project development, construction, assembly, and acquisition of equipment for transmission networks. NARI Brasil, a supplier of electricity network equipment, complements the integrated structure of operations.

4
continents

1.6 million
employees

9
countries
and regions

19,000
foreign
employees

2ND
largest
company in
the Fortune
Global 500
rankings

Covers
88%
of Chinese
territory, serving
1.1 billion
people



CORPORATE CULTURE



国家电网有限公司
STATE GRID
CORPORATION OF CHINA

STRATEGIC GOAL

Building a world-leading energy internet company with Chinese Characteristics.

OUR TENET

A power utility by the people and for the people.

OUR MISSION

Power your beautiful life, empower our beautiful China.

CORPORATE SPIRIT

In search of excellence, in pursuit of out-performance.

DEVELOPMENT STRATEGY

Core Business
Manufacturing
Overseas Business
Emerging Business
Finance.



MISSION

We provide sustainable, accessible and reliable energy to all walks of life, and enhance a safer, healthier and prosperous life of people in regions where we operate.

We propel our business growth in a more strategic and competitive way, keep its dynamics and vitality, and create a more standardized, diversified and international corporate culture, while nurturing its legacy.

We protect the level playing field for each employee's growth and attract all talents to join CPFL.

VISION

We pursue to be the leading power utility in South America that supplies reliable electric energy and credible services.

We pledge to forge the prolonged strength in developing business and innovation as well as culture.

VALUES

For us, **safety** is a nonnegotiable commitment.

Our strength comes from **collaboration** among people.

We **innovate** to deliver the best solutions to our customers.

We strive to evolve always in the pursuit of **excellence**.

We are ethical and responsible in all we do to deliver **sustainable** results.



STATE GRID
BRAZIL HOLDING S.A.
国家电网巴西控股公司

MISSION

To seek to be an outstanding and competitive company in the electricity sector.

To provide sustainable and reliable service to power grid and transmit clean energy. To promote the social and economic development to the area of business.

VISION

To be one of the largest and most influential power transmission companies in South America, providing reliable transmission services through cutting-edge technologies to our customers and being highly recognized by stakeholders.

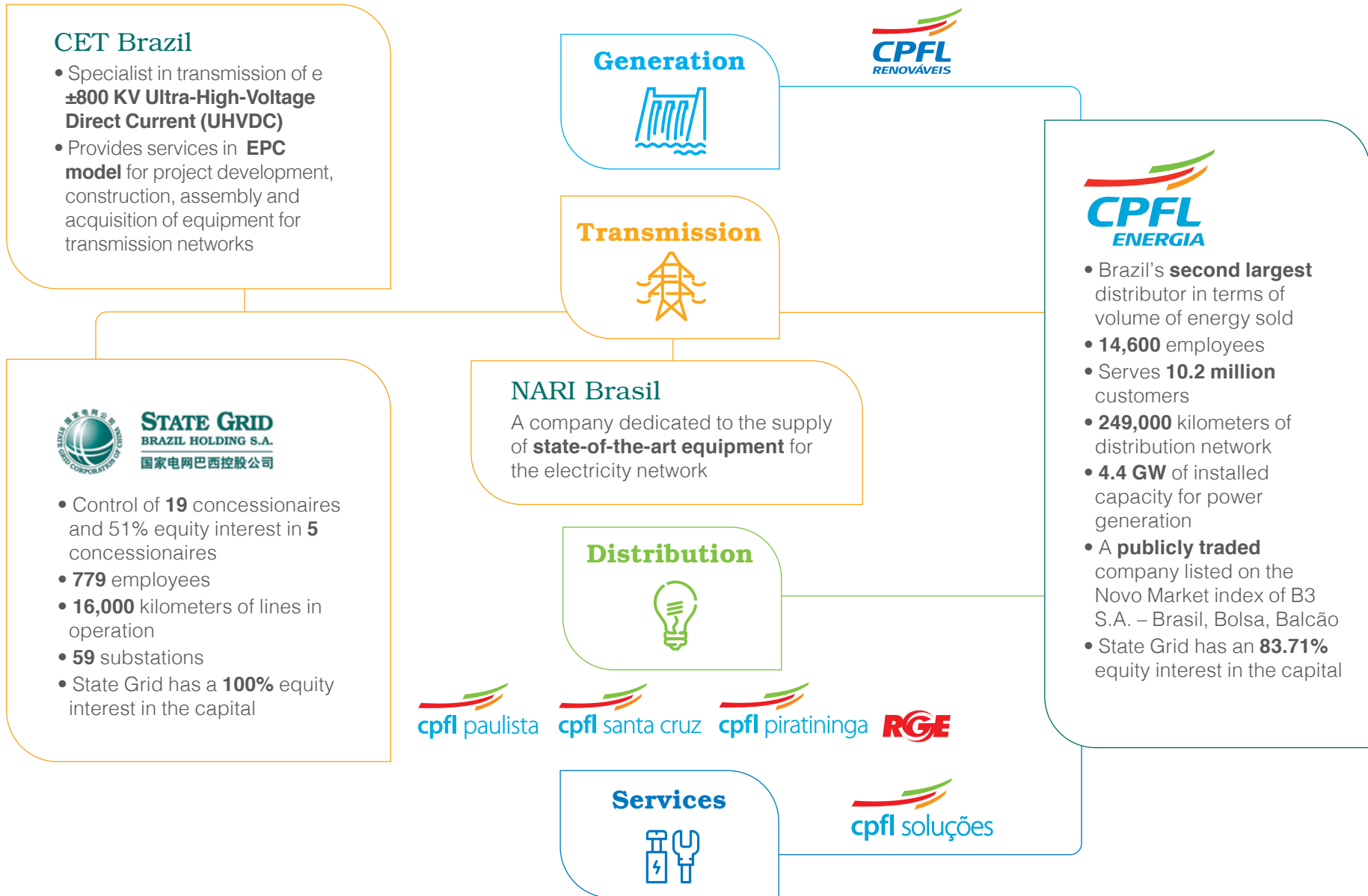
VALUES

Safety
Commitment
Innovation
Quality service
Ethics and transparency
Sustainability
Social responsibility

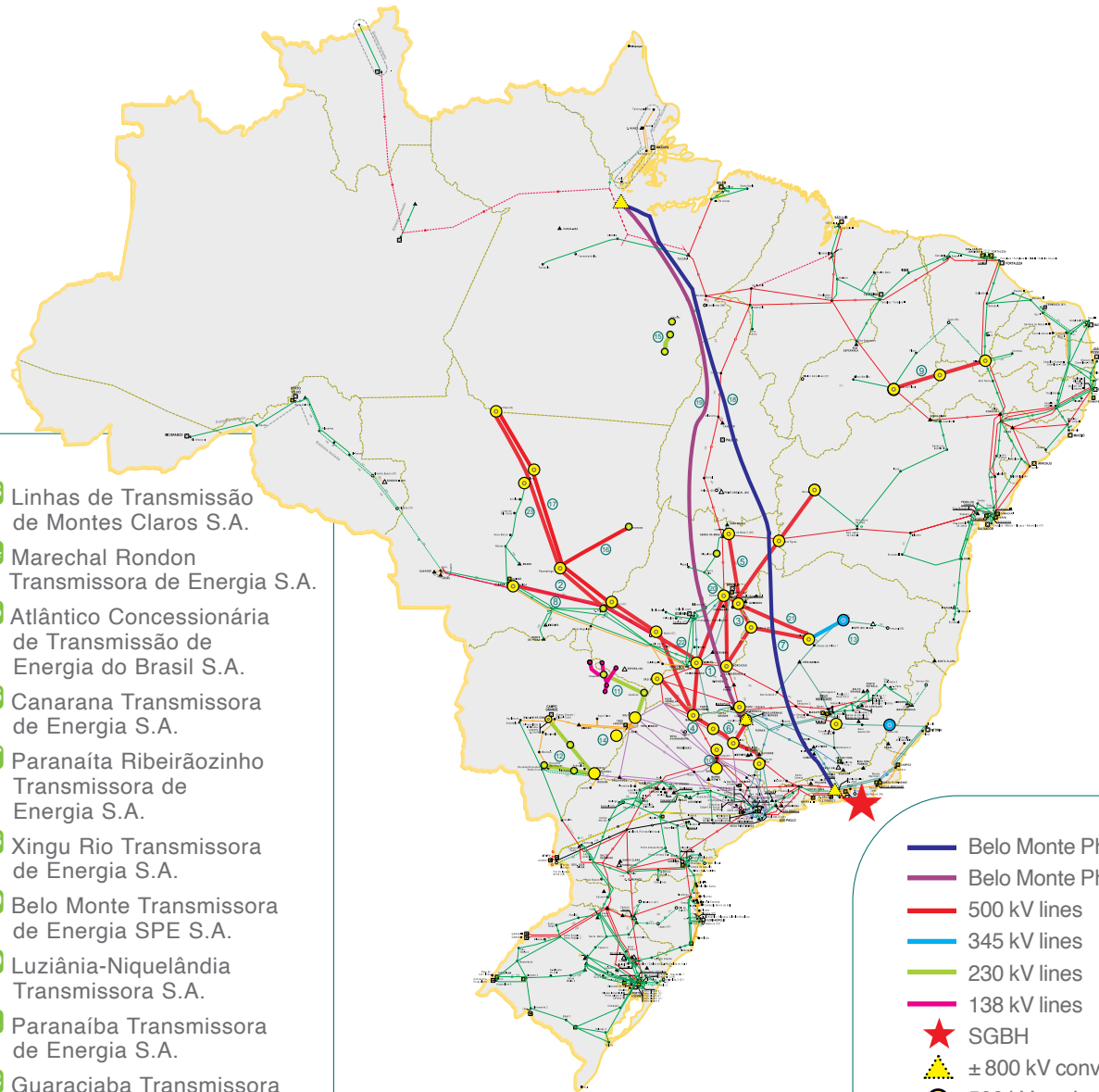


*SGBH's
transmission
line*

OUR BRANDS AND MARKETS



SGBH'S MAP OF OPERATIONS



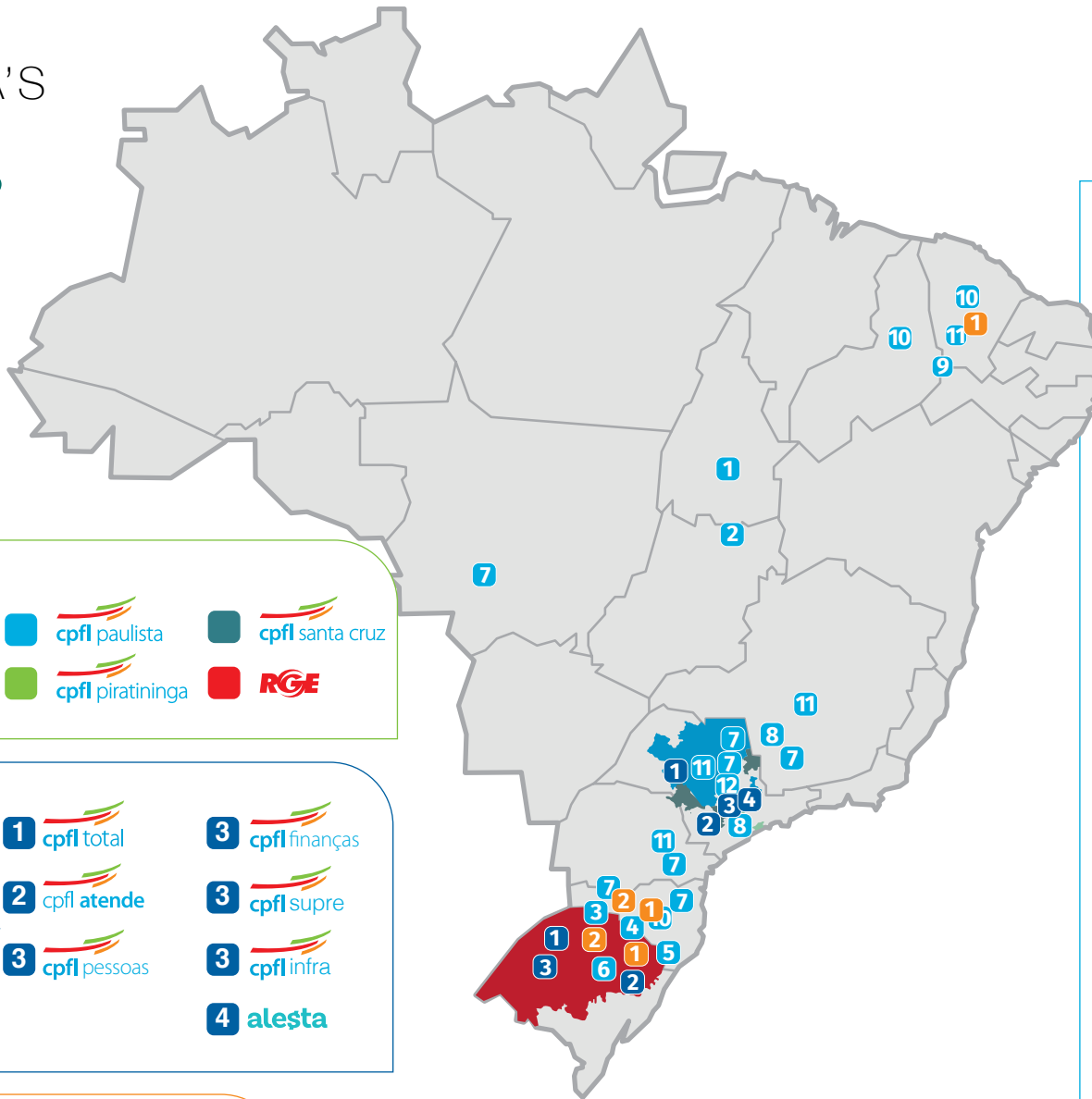
- 1 Expansion Transmissão Itumbiara Marimbondo S.A.
- 2 Itumbiara Transmissora de Energia S.A.
- 3 Expansion Transmissão de Energia Elétrica S.A.
- 4 Ribeirão Preto Transmissora de Energia S.A.
- 5 Serra da Mesa Transmissora de Energia S.A.
- 6 Poços de Caldas Transmissora de Energia S.A.
- 7 Serra Paracatu Transmissora de Energia S.A.
- 8 Catxerê Transmissora de Energia S.A.
- 9 Iracema Transmissora de Energia S.A.
- 10 Araraquara Transmissora de Energia S.A.
- 11 Linhas de Transmissão do Itatim S.A.
- 12 Porto Primavera Transmissora de Energia S.A.

- 13 Linhas de Transmissão de Montes Claros S.A.
- 14 Marechal Rondon Transmissora de Energia S.A.
- 15 Atlântico Concessionária de Transmissão de Energia do Brasil S.A.
- 16 Canarana Transmissora de Energia S.A.
- 17 Paranaíta Ribeirãozinho Transmissora de Energia S.A.
- 18 Xingu Rio Transmissora de Energia S.A.
- 19 Belo Monte Transmissora de Energia SPE S.A.
- 20 Luziânia-Niquelândia Transmissora S.A.
- 21 Paranaíba Transmissora de Energia S.A.
- 22 Guaraciaba Transmissora de Energia S.A.
- 23 Matrinchã Transmissora de Energia S.A.
- 24 Silvânia Transmissora de Energia SA

- Belo Monte Phase II – 800 kV
- Belo Monte Phase I – 800 kV
- 500 kV lines
- 345 kV lines
- 230 kV lines
- 138 kV lines
- ★ SGBH
- ▲ ± 800 kV conversion stations
- 500 kV stations (30 in total)
- 440 kV stations (6 in total)
- 345 kV stations (2 in total)
- 230 kV stations (12 in total)
- 138 kV stations (5 in total)

Some lines and substations have coincident geographical locations, not all of them are reflected.

CPFL ENERGIA'S MAP OF OPERATIONS



DISTRIBUTION

- cpfl paulista
- cpfl santa cruz
- cpfl piratininga
- RGE

SERVICES

The Group's support companies invest in technology and process innovation

- cpfl total
- cpfl atende
- cpfl pessoas
- cpfl finanças
- cpfl supre
- cpfl infra
- alesta

TRANSMISSION

- 69 substations
- 121 transmission lines

HPP - Hydroelectric Power Plant
SHPP - Small Hydroelectric Power Plant
HGP - Hydroelectric Generating Plants
TPP - Thermolectric Power Plant
PV - Photovoltaic Plant

GENERATION

- 1 Luís Eduardo Magalhães HPP
- 2 Serra da Mesa HPP*
**51.54% of the availability of power and energy at the Serra da Mesa HPP, referring to the Energy Supply Agreement between CPFL Renováveis and Furnas.*
- 3 Foz do Chapecó HPP
- 4 Campos Novos HPP
- 5 Barra Grande HPP
- 6 Ceran Complex
HPP Monte Claro HPP
HPP Castro Alves HPP
14 de Julho HPP
- 7 45 SHPPs
22 (SP), 10 (MG), 4 (RS),
6 (SC), 2 (MT), 1 (PR)
- 8 6 HGPs 4 (SP), 2 (MG)
- 9 TPPs – Termoparaíba and Termonordeste
- 10 49 Wind Farms
12 (CE), 33 (RN), 4 (RS)
- 11 8 TPPs (Biomass)
5 (SP), 1 (RN), 1 (MG), 1 (PR)
- 12 Tanquinho Photovoltaic Solar Plant (PV)

7 Substations
2 (SP), 1 (CE), 1 (SC), 3 (RS)

5 Transmission lines
2 (SC), 3 (RS)

NEW DEALS

In 2021, both CPFL Energia and SGBH expanded the reach of their businesses, with investments to acquire new assets.



Gameleira Wind Complex

CPFL Renováveis, one of the companies that make up the CPFL Energia holding company, completed the works and started operating the four wind farms at the Gameleira Complex, in Rio Grande do Norte. The completion of the project took place 27 months prior to the deadline stipulated by the concession contract, which makes it possible to increase the generation of value through the sale of energy in advance on the free market.

The Gameleira Wind Complex has an installed capacity of 81.65 MW, including 23 wind turbines, and is connected to the National Interconnected System (SIN) through 21 kilometers of transmission lines.

CPFL Transmission

CPFL Energia won the privatization auction for the power transmission company Companhia Estadual de Transmissão de Energia Elétrica (CEE-T), in the state of Rio Grande do Sul. The investment in this operation was R\$2.7 billion, which provided CPFL Energia with the guarantee to acquire the majority shareholding (66%) that the state government owned in the company.

With 6,000 kilometers of lines and 15,700 structures – now managed under the CPFL Transmissão brand – the asset positions CPFL Energia as the fourth largest private transmission company in Brazil in terms of line length, with a 4% market share in this regard.



STE Transmission

In 2021, SGBH was declared the winner of the lot for the construction of 177 kilometers of 500 kV transmission lines, between the municipalities of Silvânia and Trindade, in Goiás, as well as a substation, in the city of Silvânia. The auction was promoted by the Brazilian Electricity Regulatory Agency (ANEEL) in December 2020. The concession agreement has a term of 30 years, after the start of operations, scheduled in the agreement to take place in 2025.

A man in a grey suit and white shirt is standing in profile, writing on a whiteboard with a marker. The whiteboard is covered with colorful sticky notes. The background is a blurred office environment with windows and ceiling lights.

CORPORATE GOVERNANCE

SGCC's business in Brazil is conducted in accordance with the best practices and following the principles of ethics and transparency. Each of the investees has its own corporate governance structure and establishes its growth strategy guided by the corporate principles and philosophy.

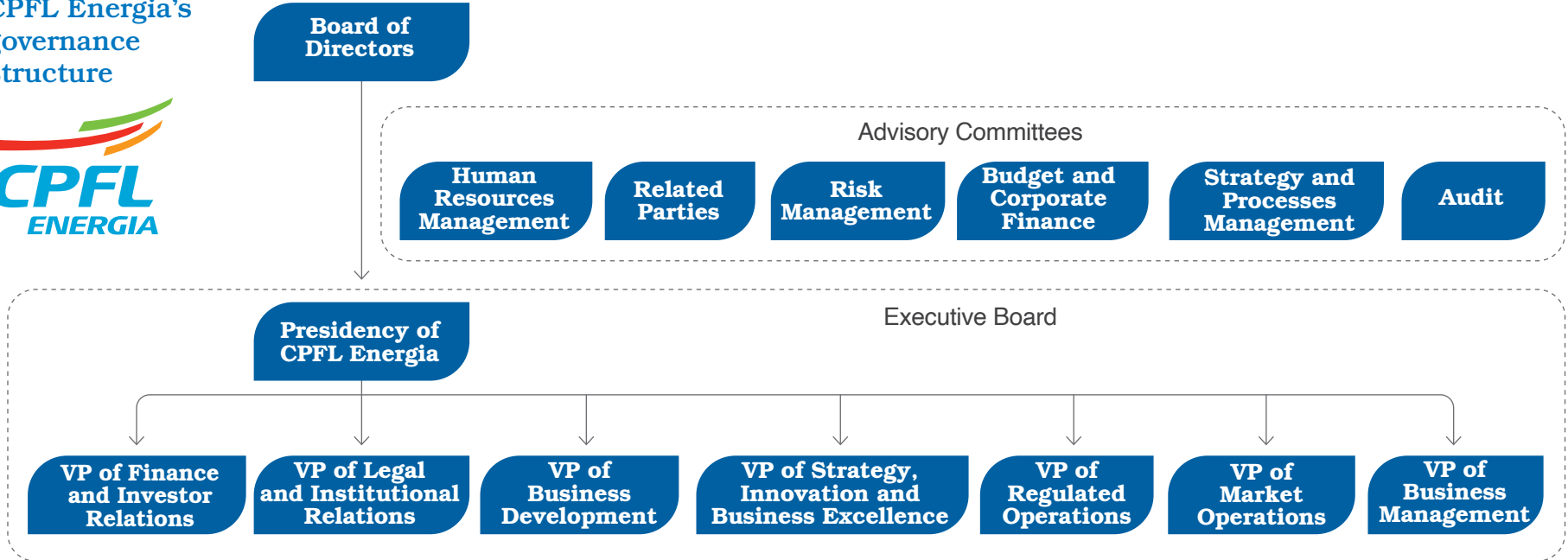
CPFL
Energia's
headquarters
in Campinas
(SP)



CPFL Energia is a publicly traded company, with shares (CPFE3) traded on B3 – Brasil, Bolsa, Balcão S.A., the São Paulo Stock Exchange. The shares are listed in the Novo Mercado (“New Market”) segment, which establishes the highest standards of corporate governance and the adoption of good practices that privilege transparency, independence, diversity, and accountability.

Within CPFL Energia’s corporate governance structure, the Board of Directors (BOD) is responsible for the strategic direction of the business and for decisions with the greatest impact on stakeholders. To ensure the quality of its decisions, the Board of Directors is supported by six Advisory Committees – the most recent of which is the Audit Committee, established in 2021.

**CPFL Energia’s
governance
structure**





Facade of
SGCC Rio
Tower, SGBH
headquarters in
Rio de Janeiro
(RJ)

SGBH is a privately held company, 100% controlled by SGCC. Its governance is conducted by the Senior Management Committee (SMC), composed of Chinese and Brazilian executives with recognized experience in the electricity sector. The work of the SMC is supported by seven committees specializing in strategic topics: Safety; Risk Management, Compliance and Internal Audit; Planning and Budget; Technical; Confidentiality; Human Resources; and Ethics.

SGBH's governance structure



Senior Management Committee (SMC)

| | |
|----------------------------------|----------------|
| Lyu Shirong | Chairman |
| Chang Zhongjiao* | CEO |
| Wang Yusheng** | Vice-President |
| Ramon Haddad | Vice-President |

*In April 2022, the position of Chairman was transferred to Chang Zhongjiao.

**As of April 2021.

Expert committees

| | |
|---|------------------------|
| Safety | Technical |
| Risk Management, Compliance and Internal Audit | Confidentiality |
| Planning and Budget | Human Resources |
| | Ethics |

ETHICS AND **COMPLIANCE**

Commitment to ethics and compliance with legislation is present in all business activities developed by SGCC. Through their own compliance management structures, the companies ensure the alignment of their practices with the values and principles expressed in the Codes of Ethics, aimed at building long-term and integral relationships with all stakeholders.

In 2021, CPFL Energia's Integrity Program was awarded with the seal of the Pro-Ethics Company Program – 2020/2021 edition, granted by the Brazilian Ministry of Transparency and General Controllershship of the Federal Government (CGU). The company makes the Ethics Channel available to all audiences, providing a platform for the receipt of reports on attitudes or situations that are in disagreement with the legislation or corporate values. The Channel is managed by an external and independent company, following the best market practices.

At SGBH, since 2021, ethics and compliance management has been carried out by a specific corporate board. The company also has a Reporting Channel, which allows employees and external audiences to report conduct that is in disagreement with the values and policies or with the legislation itself.



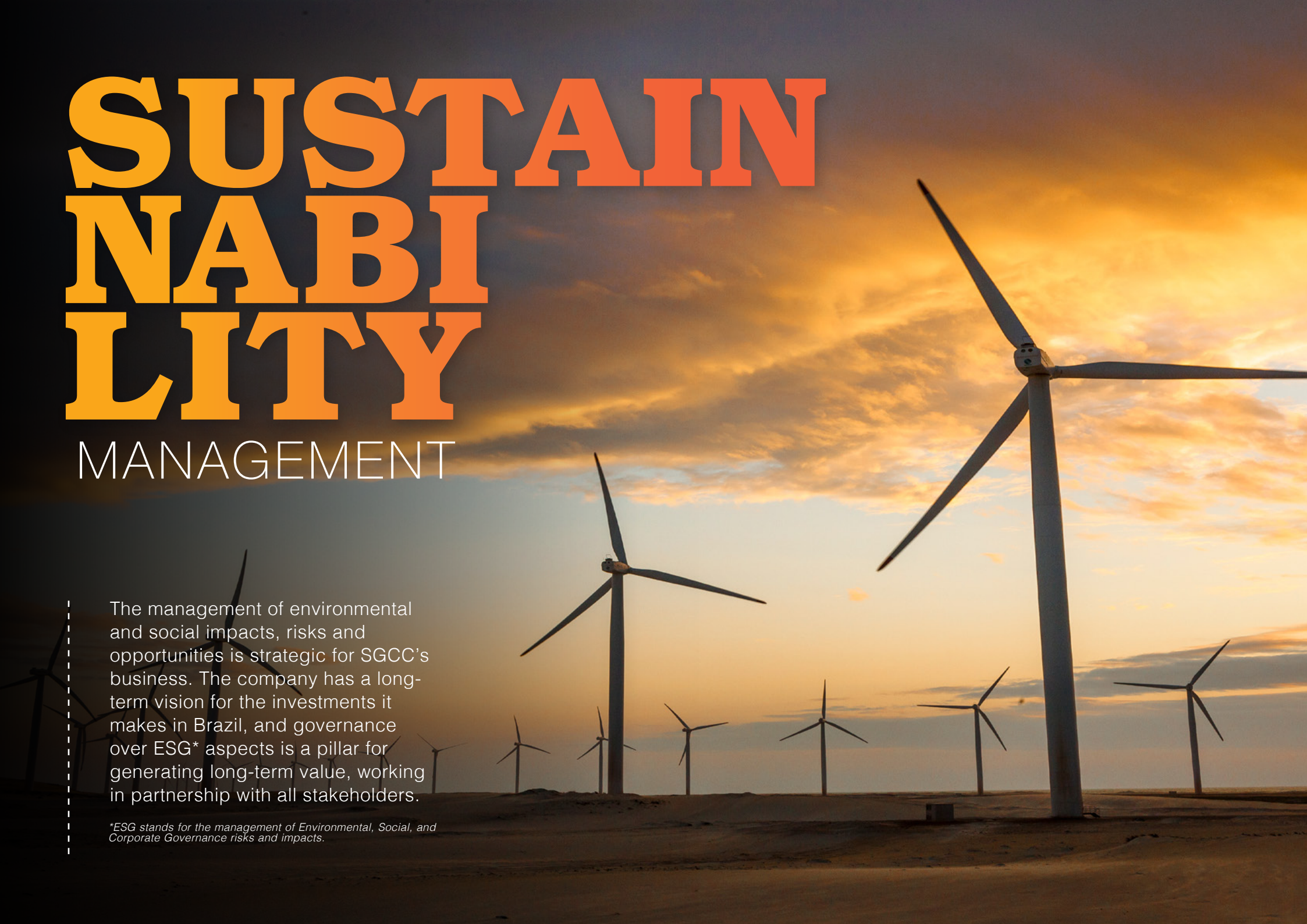
SGBH's
employees

SUSTAIN NABI LITY

MANAGEMENT

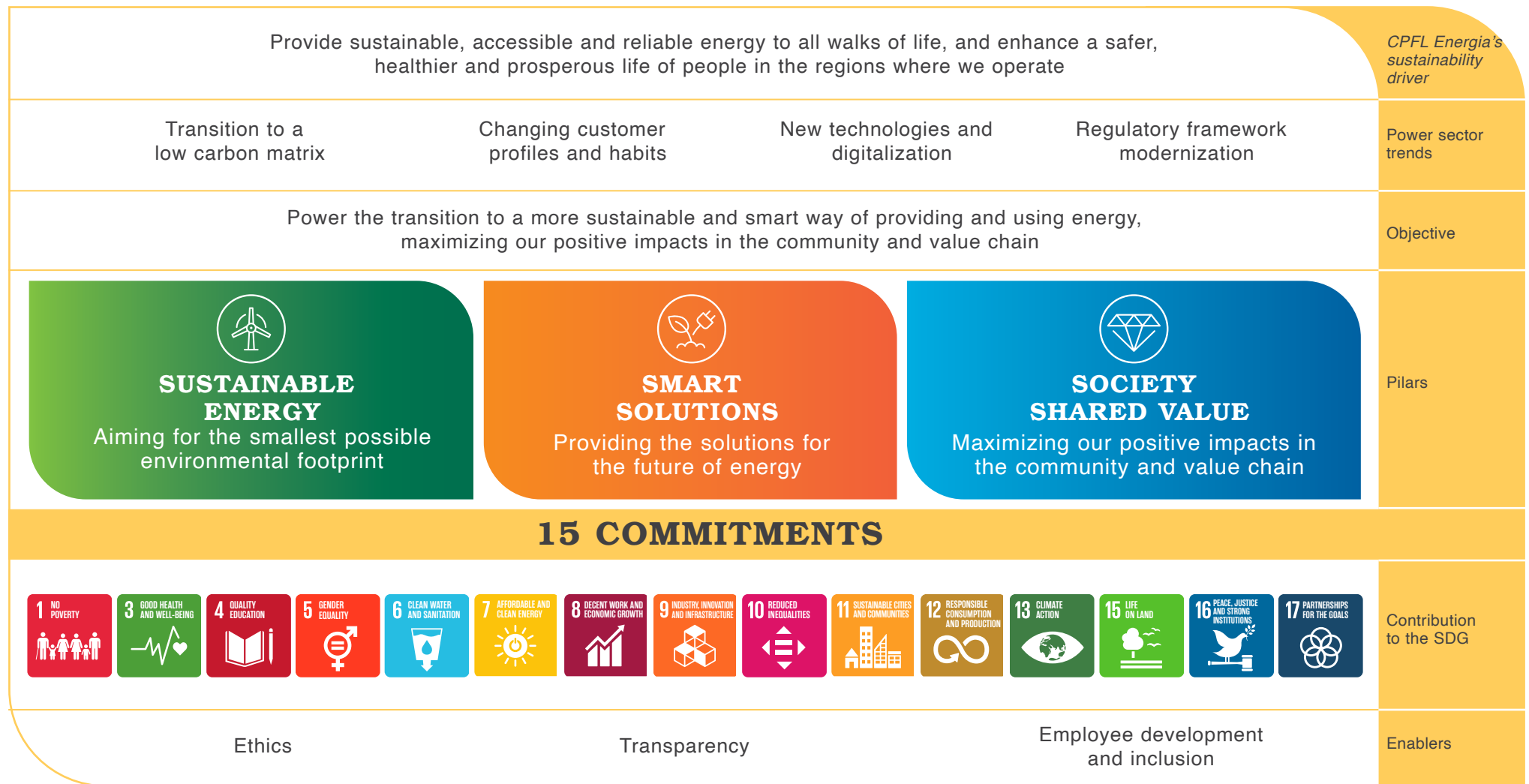
The management of environmental and social impacts, risks and opportunities is strategic for SGCC's business. The company has a long-term vision for the investments it makes in Brazil, and governance over ESG* aspects is a pillar for generating long-term value, working in partnership with all stakeholders.

*ESG stands for the management of Environmental, Social, and Corporate Governance risks and impacts.



With this objective in mind, since 2019, CPFL Energia has been guided by its Sustainability Plan 2020-2024, which connects the company's investments to the Sustainable Development Goals (SDGs) and the main transformation trends in the electricity sector. The Plan also presents 15 public commitments divided into three strategic pillars – Sustainable Energy, Intelligent Solutions, and Shared Value.

Sustainability Plan 2020-2024 of CPFL Energia



SGBH's
transmission
line



In 2021, SGBH approved new policies, strengthening its corporate culture

With over ten years of operation in Brazil, SGBH has structured a new strategic plan for the growth and diversification of its business. After a cycle of accelerated growth in the transmission sector, the company established new processes for mapping opportunities for organic growth and acquisitions, assessing the competitive scenario in Brazil and Latin America, potential for innovation in new businesses, and a more in-depth approach to ESG aspects.

In this context, in 2021, SGBH approved new corporate policies and strengthened the culture, engagement and leadership training programs, in addition to structuring its first materiality matrix (learn more on page 55).

Structure of normative instruments

| SGBH Policies | Approval Date |
|--------------------------------------|---------------|
| Corporate Document Management Policy | 6/12/2019 |
| Safety Policy | 8/12/2020 |
| Ethics and Conduct Policy | 9/16/2020 |
| Information Security Policy | 6/10/2021 |
| Privacy and Data Protection Policy | 7/31/2021 |
| Committee Management Policy | 10/28/2021 |
| Communication Policy | 11/11/2021 |
| Environmental Policy | 2/11/2022 |





HEALTH AND **SAFETY**

Safety in operations and care for people's health are key values for SGCC and are placed first in the conduct of our business. The companies develop their safety programs in compliance the best practices for identifying risks, structuring protective barriers, and strengthening the safety culture.



Construction
of SGBH'
substation

At SGBH, the Occupational Health and Safety (OHS) management model covers 100% of operations at wholly-owned concessionaires. This approach concentrates all procedures for risk assessment, prevention actions, recording and monitoring of incidents and accidents, and monitoring of medical examinations and health conditions of professionals. To strengthen safety and culture in its operations, the company develops the Behavioral Safety Program (PSC) and the Vital Award*.

The same safety policies and procedures are applied both to daily operation and management activities and the implementation of greenfield projects. Agreements signed with suppliers provide for continuous OHS inspections in field activities and audits by the corporate Health and Safety team.

**SGBH internal award that aims to develop a safety culture by recognizing outstanding employees, representing the example to be followed.*

SGBH's health and safety model covers 100% of the concessionaires, both operation and greenfield projects

CPFL Energia's
employee and
material from
Guardian of Life
campaign

CPFL Energia works with the support of the Health and Safety Management System (HSMS), which covers all the company's activities, assets, and employees, as well as third parties. The HSMS guidelines were developed based on the best international standards and practices, in particular ISO 45001.

One of the main actions carried out by CPFL Energia on this front is the Guardião da Vida ("Guardian of Life") action, which promotes knowledge and compliance with safety standards, empowering all employees to act inside and outside the company. In addition, it encourages the population to have safe attitudes and avoid accidents with the electrical network. In 2021, more than 23 million people were impacted by the initiative in the concession areas.



Key figures in 2021

99,543
inspections, audits,
observations and IPS1
carried out with a
focus on security

110
operating units
without accidents
with leave for more
than 10 years

177,995
hours of training for
employees focusing
on health and safety
in 2021

PREVENTION **AGAINST COVID-19**



Team of
SGBH's
employees

In 2021, the SGCC companies in Brazil maintained the security protocols and procedures against COVID-19 established in the previous year. The continuation of the high contamination rate in early 2021 led to the structuring of specific actions to protect people and maintain the operation of essential businesses for society.

Since 2020, all employees in administrative areas have begun to work from home, and special protocols have been structured to minimize the risk to professionals who remained in face-to-face activities. The occupational health structures were dedicated to monitoring employees and following up on confirmed cases.

SGBH and CPFL Energia have their operations considered an essential service, so a portion of the employees had to maintain their on-site activities. All care was taken in the adoption of safety and distancing protocols to ensure the health and safety of these employees. Other preventive measures, such as testing the teams, were also adopted by the two companies.

SGBH and CPFL Energia's actions to combat the pandemic included measures to protect employees and donations to support civil society

With the start of vaccination, both SGBH and CPFL Energia began to encourage the immunization of employees. Communication campaigns, lectures with experts and other initiatives were implemented to highlight the importance of immunization and healthcare.

The companies also undertook to structuring and strengthening assistance and psychological support programs. CPFL Energia kept the Health cell in operation, with medical assistance, guidance and assistance to employees, as well as the COVID-19 monitoring center, throughout the year, with installations in Campinas, Sorocaba, and Santos, in the state of São Paulo, and in São Leopoldo, Santa Maria, Santa Rosa, and Caxias do Sul, in the state of Rio Grande do Sul.

At SGBH, access to the premises of the SGCC Rio Tower, in Rio de Janeiro, is now authorized for specific situations. Under these conditions, the company instituted regulations so that travel could be carried out only by taxis or ridesharing services, and meals were offered at the workplace, with costs covered by SGBH itself, in order to minimize the risk of exposure to



Inspection in SGBH' substation

coronavirus in collective transport and restaurants in the city of Rio de Janeiro. Access to the company's facilities at the headquarters, whether by employees or third parties, was allowed only with the presentation of a recent test with a negative result, in order to minimize the risk of contamination.

Throughout the year, SGBH also supported vaccination in the municipality of Paracambi, in Rio de Janeiro (RJ), adhering to the Unidos pela Vacina ("United for the Vaccine") movement, and actions to prevent and combat the pandemic in Ribeirãozinho, in Mato Grosso (MT), through the donation of personal protective equipment and an ambulance.

ENVIRONMENT

Responsible management of environmental impacts is a guideline established by SGCC for all of its businesses, aimed at developing processes and tools for identifying and mitigating the potential impacts of activities related to each operating segment.



CPFL
Energia
hydropower
plant

With a diversified portfolio of businesses, CPFL Energia has an Environmental Management System (EMS) certified in accordance with ISO 14001. The EMS covers the policies and procedures necessary to ensure compliance with the legislation relevant to each type of business (generation, transmission, distribution, and services), compliance with the obligations and conditions imposed by the various environmental licenses, respect in the relationship with local stakeholders, attention to opportunities for operational gains, continuous improvement, and the preventive management of the different associated risks.

At SGBH, the management of operating licenses and asset constraints is the starting point for mitigating negative environmental impacts and ensuring the legal compliance of operations. The licensing process takes place in three phases, covering the entire life cycle of assets. Preliminary and installation licenses are obtained during the planning and implementation phases of the projects. In the operational phase, operating licenses have deadlines for their renewal, with the continuous assessment of compliance with the established conditions. Currently, the company manages at the corporate level 26 operating licenses related to the 18 concessionaires 100% controlled by SGBH.

CPFL Energia and SGBH ensure that their operations comply with the requirements of environmental licensing, a process adopted in Brazil to identify and mitigate socio-environmental impacts associated with any type of business activity

In 2021, the company obtained the preliminary license from STE, awarded in the auction of the Brazilian Electricity Regulatory Agency (ANEEL) in December 2020. Additionally, the investment in the development of the LAST Portal (Environmental Licensing of Transmission Systems) within the scope of ANEEL's Research & Development (R&D) program (learn more on page 39) was worthy of mention.

The licensing rite

- 1** Basic project, public hearings, and environmental impact study (EIA-RIMA)
- 2** Prior license (implementation planning)
- 3** Engineering design and basic environmental plan
- 4** Installation license (start of works)
- 5** Development of environmental programs
- 6** Operation license (start-up)



Wildlife rescue in an area managed by SGBH

EMISSIONS AND **CLIMATE CHANGE**



CPFL
Energia's
wind
complex

Climate change is one of the main factors influencing the development of the electricity sector worldwide. The growing demand for renewable energy drives investment in wind farms and solar plants, which require new transmission lines to ensure the flow of energy produced.

Conversely, the effects of climate change may present risks to infrastructure and operational capacity itself. Longer periods of drought may impact hydropower generation, for example, while heavier rainfall have the potential to damage distribution and transmission networks.

To face this scenario and prepare its different businesses, CPFL Energia has prepared a management model for climate change that identifies the risks and opportunities related to climate change, procedures for quantifying greenhouse gas emissions, and value chain engagement actions.

The company has ensured transparency of information relating to this governance in the publication “Nossa Jornada contra as Mudanças Climáticas” (“Our Journey against Climate Change”), one of the public commitments assumed in the Sustainability Plan. [Click here](#) to see the document in full.

Another company practice is the preparation of the Annual Emissions Inventory, with the accounting of greenhouse gas (GHG) emissions in its operations

in accordance with the guidelines of the Brazilian GHG Protocol Program. The inventory makes it possible to identify opportunities for reducing emissions through improvement initiatives, such as the use of biofuels or electric vehicles in fleets and planning to reduce plant suppression in the construction of transmission and distribution lines.

SGBH does not yet have mechanisms to quantify emissions, but will develop its first emissions inventory in 2022.

In 2022, SGBH will develop its first emissions inventory



CPFL
Energia
solar plant

CPFL Energia's
Equipment
Reformer

WASTE

The generation and disposal of waste are two fundamental environmental aspects for the management of assets. In line with the SGCC guidelines, companies work to promote a circular economy in their operations, reducing the amount of discarded materials and maximizing reuse or recycling.

On this front, CPFL Energia is one of the benchmark companies in the electricity sector. The company has the Equipment Reformer, from CPFL Soluções, which promotes the recovery of transformers and voltage regulators, allowing their reuse in distribution networks. Materials that cannot be reused – such as copper wires, poles and current insulators – are sent to recycling companies, adding value to reverse logistics.

In 2021, the Reformer expanded its scope of operations and started to serve other distributors in addition to those controlled by CPFL Energia.

At SGBH, the Solid Waste and Effluent Management Program (PGRSE) also seeks to reduce waste generation, adequate waste segregation and forwarding, and maximize shipment for recycling, reuse or



other methods of reinserting materials into recycling cycles. Last year, the company allocated 76.4% of the total waste to treatments such as re-refining, allowing its reinsertion into other production chains.

**SGBH and CPFL Energia
prioritize methods that allow
the reuse of waste generated
in their operations**

BIODIVERSITY



*SGBH's
plant
suppression
activity*

The impacts on biodiversity are more prevalent in the phases of construction of assets, especially in the generation and transmission of energy. Through management systems and compliance with the conditions established in the environmental licensing, SGCC companies contribute to the mitigation of these aspects and the preservation of Brazilian biomes.

In the implementation of projects, the impact is minimized by planning the tracing of the lines through an integrated vision, in order to reduce impacts on protected areas of high social & environmental value and by restricting the suppression to the minimum necessary level for the service lanes and tower stations approved in the licensing. In the operational phase, SGBH adopts the practice of selective cutting, in which only tree species that pose risks to the assets or the surrounding population are removed.

The company also complies with the Environmental Offset Commitment Agreements (TCCAs), which comprise public policy instruments in which regulatory agencies stipulate financial amounts to be allocated to offset social & environmental impacts resulting from the installation of projects. These values are, necessarily, intended for conservation units.

The Forest Replacement Projects are another instrument for offsetting environmental impacts. Through these planting and management initiatives, SGBH promotes the conservation and growth of natural habitats in the Amazon, Caatinga, Cerrado and Atlantic Forest biomes.

CPFL Energia also works in partnership with environmental agencies to optimize its offsetting processes. The company works to strengthen the Surplus Legal Reserve instrument, as provided in Federal Act 12,651/2012 of Brazil. This form of compensation prioritizes the maintenance of forest remnants and biodiversity that exceed the mandatory percentage and contribute to preserving areas of interest for biodiversity.

The company has also promoted, since 2015, the Arborização + Segura (“Safer Afforestation”) Program, aimed at replacing large trees with species that are more suitable for interaction and coexistence with electricity distribution networks in urban centers. Vegetation replacement is also carried out with the aim of increasing the vegetation cover: for each tree replaced, five seedlings are planted.



CPFL
Energia'
seedling
nursery

**R\$ 33
million**

were allocated by SGBH concessionaires to comply with TCCAs between 2019 and 2021

**632.5
hectares**


maintained and monitored in SGBH's Forest Replacement Projects

**1,300
hectares**

were recognized as Surplus Legal Reserves by CPFL Energia

20,000

tree seedlings have been donated and planted since 2015 in the Arborização + Segura Program



TECHNOLOGY AND **INNO VATION**

New technologies and digitalization are transforming the electricity sector. CPFL Energia and SGBH's investments are aimed at the continuous improvement of the efficiency of operations, with quality and safety for employees, communities, and customers. Innovation projects are also connected with the sector's decarbonization and digital transformation trends.

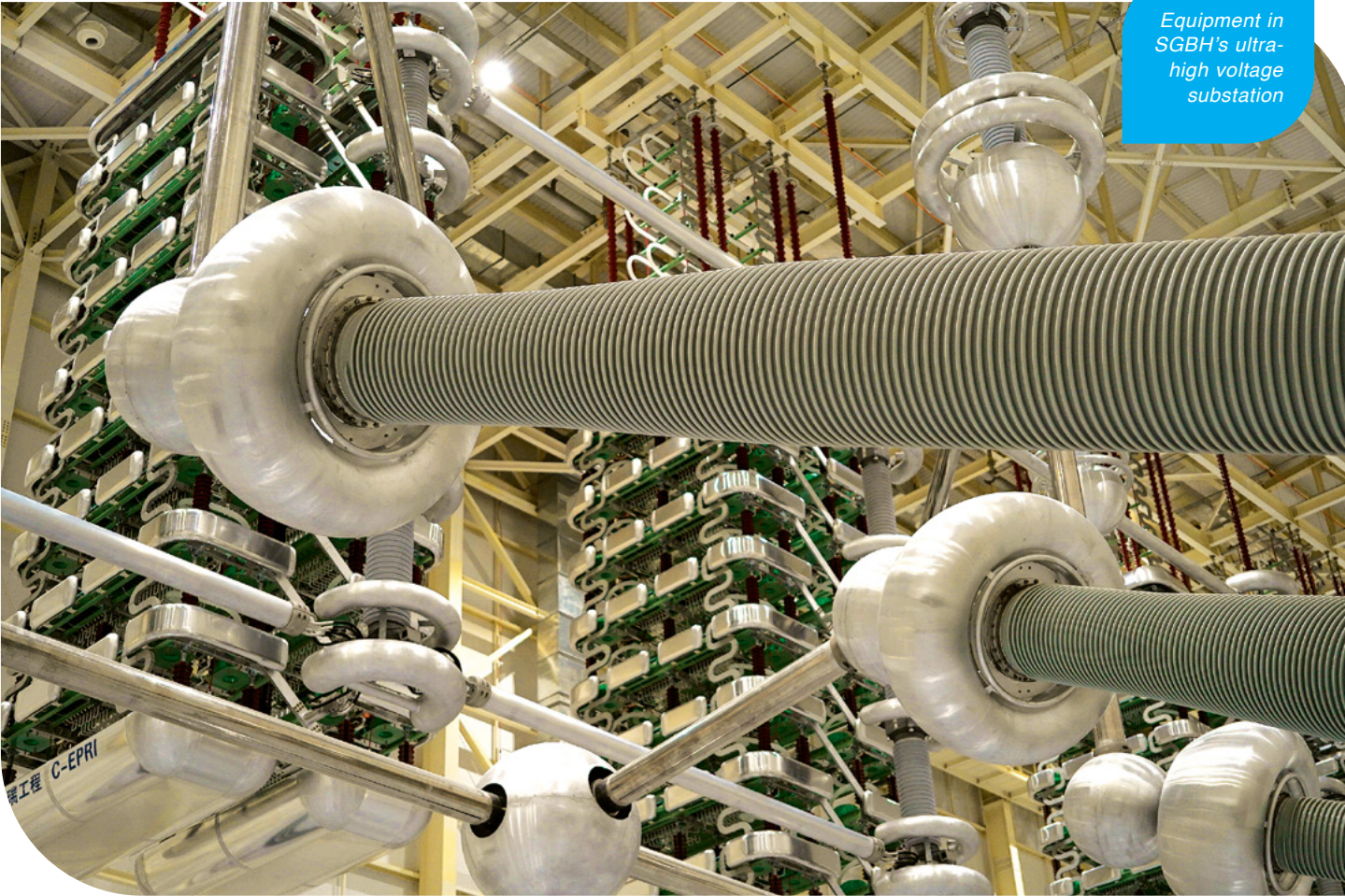
In Brazil, companies in the electricity sector are part of the Research & Development (R&D) Program of the Brazilian Electricity Regulatory Agency (ANEEL). Within the scope of this sectoral initiative, all companies must allocate a minimum percentage of their net operating revenue to R&D projects, in accordance with the requirements of the ANEEL R&D Program Manual.

In 2021, CPFL Energia developed a technological roadmap process, with the aim of materializing the company's vision of the future and strategic territories in innovation for the next ten years, as well as supporting the definition of projects that received R&D resources. The company also maintained its startup acceleration program, CPFL Inova, and initiatives to promote an internal culture of innovation.

*SGBH's
Center of
Operations*

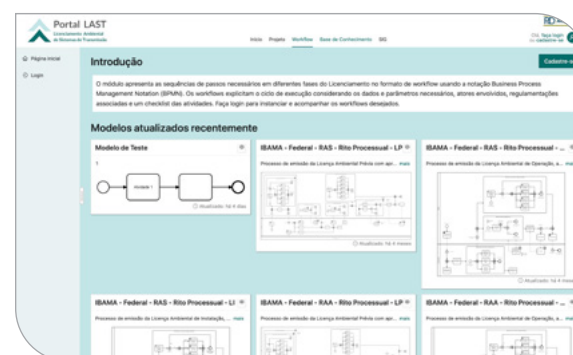
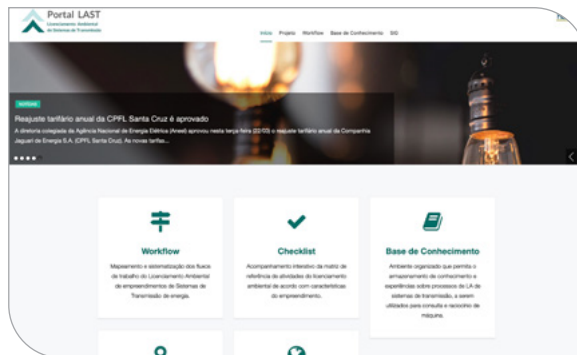


**SGBH and
CPFL Energia allocate
funds provided for by the
Research & Development
Program of the National
Electric Energy Agency**



Equipment in SGBH's ultra-high voltage substation

At SGBH, the R&D Program is under the responsibility of the engineering and technical standards area, with the goal of bringing the development of studies and solutions closer to the needs of the Brazilian transmission sector. Projects are evaluated and selected by a Technical Committee, based on criteria that consider originality, applicability, relevance, and reasonableness of costs. In 2021, one of the highlights was the LAST Portal (Environmental Licensing of Transmission Systems), an innovative model that facilitates the identification of routes that minimize the environmental impact of projects, the anticipation of challenges in each area of implementation of transmission lines, and the optimization of the database and documentation related to the licensing process. With the investment of R\$2.7 million in the context of the Research & Development (R&D) program, the platform seeks to expedite the licensing of transmission lines.



Investment in R&D in 2021

R\$ 85.4 million
by CPFL Energia

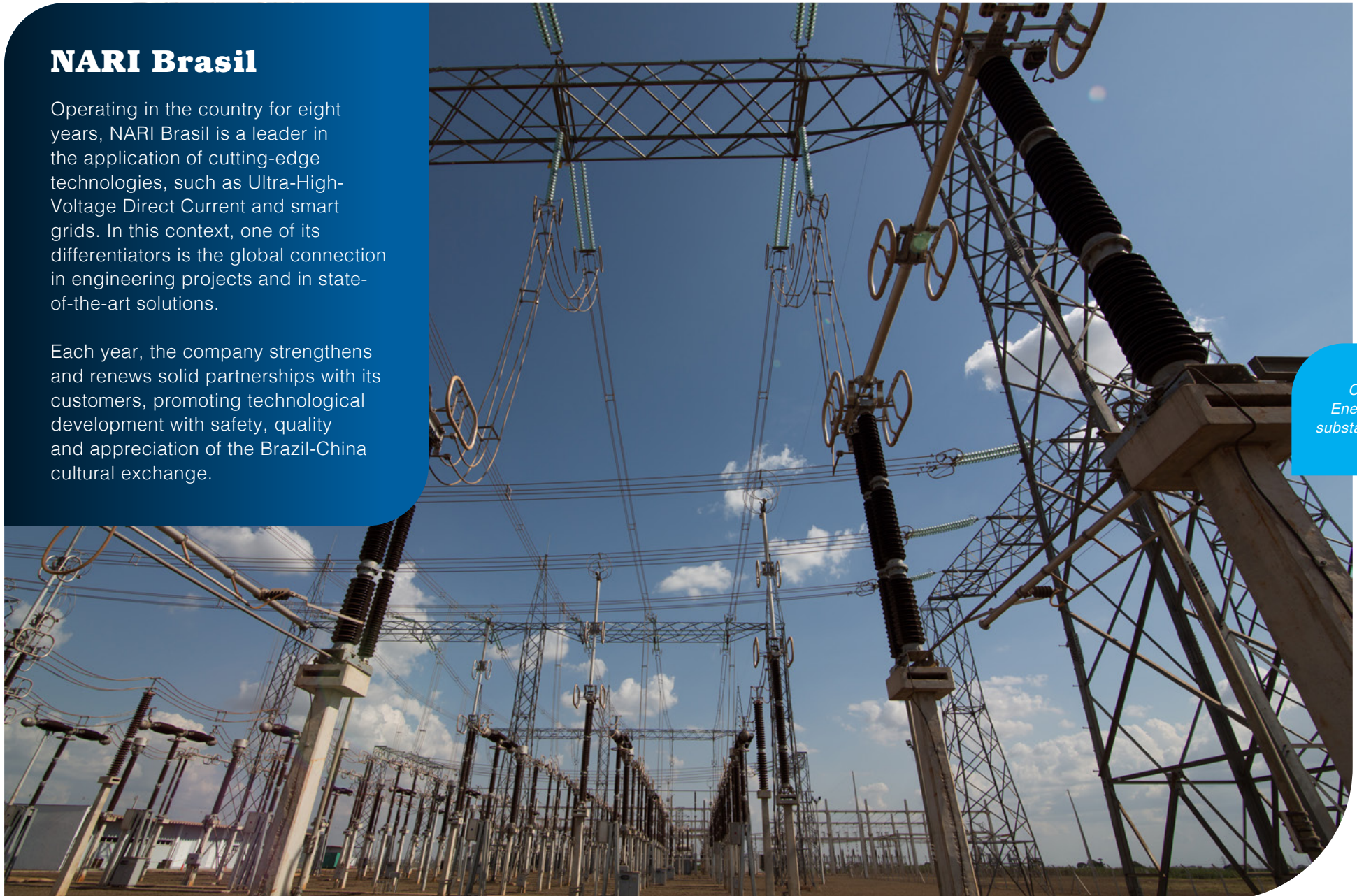
R\$ 10.7 million
by SGBH

NARI Brasil

Operating in the country for eight years, NARI Brasil is a leader in the application of cutting-edge technologies, such as Ultra-High-Voltage Direct Current and smart grids. In this context, one of its differentiators is the global connection in engineering projects and in state-of-the-art solutions.

Each year, the company strengthens and renews solid partnerships with its customers, promoting technological development with safety, quality and appreciation of the Brazil-China cultural exchange.

CPFL
Energia'
substation





SGBH
substation

CET Brazil

CET Brazil is the company in charge of the State Grid EPC (Engineering, Procurement and Construction) platform, providing services in this mode. Its main business consists of carrying out the construction of electricity grid infrastructure and transnational interconnection projects between regions. The company was responsible for the implementation of two converter units, located in the Xingu and Rio Terminal Substations of the second bipole of UHVDC project, which connected the hydropower plant installed in the state of Pará to the consumer center in the Brazilian Southeast.

In 2021, CET was awarded three new projects in the power transmission sector: (i) the project for the construction of the STE substation; (ii) the Miracles II expansion project; and (iii) the TCP 138kV GIS project, located in the Port of Paranaguá.

A photograph of a business meeting in an office. In the foreground, two men are looking at a tablet together. The man on the left is wearing a pink shirt and smiling, while the man on the right is wearing a blue shirt and looking at the tablet. In the background, other people are visible, including a man in a purple shirt and a woman in a dark suit. The office has large windows with blinds.

VALUING

PEOPLE

Employees of investee companies materialize the company's purpose and reinforce the values and ethical principles of doing business. People development is one of the pillars for the growth and consolidation of SGCC in Brazil.

SGBH's
employees



At both CPFL Energia and SGBH, the integration between Brazilian and Chinese professionals is continually stimulated and encouraged. Since 2020, CPFL Energia has been developing the Cultural Transformation Program (CCIP), a platform that integrates corporate cultures, aiming at achieving excellent performance on several fronts.

On December 6, the Chinese Enterprise Global Image Summit 2021 was held in Beijing. In it, initiatives by Chinese companies that contribute to building the country's image were highlighted. CPFL Energia's CCIP was selected among the ten best cases in the Chinese Enterprise International Image Building category.

Through the CPFL + Diversa Program, the company has also encouraged inclusion and diversity in its workforce. The initiative develops actions for the integration, inclusion and appreciation of five specific social groups:

- Generations
- LGBTQIAP+
- Women
- Persons with disabilities
- Black people

In 2021, SGBH conducted its first employee engagement survey, using the criteria of the Great Place to Work Institute (GPTW), which includes one of the most recognized methodologies for assessing work environments. The company achieved an average of 73% of positive responses from employees, an index that guaranteed the GPTW certification.

**Employees
by gender**



SGBH

614

165

CPFL Energia 11,862

2,768

COMMUNITIES

In its strategic vision, SGCC values building solid, long-term relationships with society in the countries where it is present. This means being part of the movement for sustainable development and helping local communities to reach new levels of economic and social prosperity.



The social investments made by the investees are levers to drive this development and are carried out in a structured manner both at CPFL Energia and at SGBH, following their own corporate policies and programs.

Instituto CPFL is the platform for social investment and integration with cultural, social and sports programs supported with the goal of contributing to the socioeconomic development of communities. Since 2020, Instituto CPFL has strengthened its activities with a focus on social development, directing resources and efforts to the CPFL Jovem Geração (“Young Generation”) programs, which bring together initiatives aimed at the future of new generations, and CPFL nos Hospitais (“CPFL in Hospitals”), which supports humanization and improvement projects in public hospitals.

At SGBH, through the application of internal and incentivized resources, investments benefit communities by carrying out projects that promote culture, sports and education in the locations where the energy transmission assets are present. One of the main initiatives supported is the Maré do Amanhã Orchestra project, which operates in the city of Rio de Janeiro.

R\$ 4.25
million

was invested
by SGBH

R\$ 31.37
million

was invested by
CPFL Energia



Cultural
initiative
supported by
CPFL Energia



CPFL nos Hospitais

The CPFL nos Hospitais Program is an integrated action to promote energy efficiency and improve service to the population. The initiative works on three fronts to support health institutions:

- Energy efficiency: With resources from the Energy Efficiency Program, regulated by ANEEL, hospitals benefit from different efficiency actions.
- Social actions: Instituto CPFL conducts initiatives aimed at humanizing patient care, through performing arts, games, and recreational activities.
- Financial collections: The Hospitais com + Saúde (“Hospitals with More Health”) initiative offers the opportunity for customers to make donations to hospitals through their energy bills.

In 2021, CPFL nos Hospitais was selected to compose the SDG Good Practices international panel. This recognition is promoted by the UN in the exchange of positive experiences of initiatives that connect to the Sustainable Development Goals and can be replicated in other countries.

R\$ 155
million
invested

204
hospitals
benefited
since 2019

121
projects
in progress



CPFL Jovem Geração

The program was present in 61 institutions including NGOs and schools, developing social projects through culture and sport aimed at reducing levels of social vulnerability among children and young people in the communities. Part of this front is the Carreta Literária (“Literature Truck”) project, which circulated through six different cities with actions to access and encourage reading, and the support for the Municipal Funds for Children and Adolescents through projects carried out after school hours.

CPFL Brazil-China Exchange

In 2021, the front held the fifth consecutive edition of the Brazil-China festival. The actions took place 100% virtually, due to the COVID-19 pandemic. In total, the initiative reached an audience of 285,000 people online.

Maré do Amanhã Orchestra

The Maré do Amanhã Orchestra promotes the musical education of children and adolescents in vulnerable situations, aged between 4 and 19 years old, in the Maré community, in Rio de Janeiro. Approximately 4,000 beneficiaries have classrooms, a community space, and a theater.





Athlon Institute

Founded in 2011, the institute is a non-governmental, non-profit organization that provides physical, tactical and technical preparation for 70 high-performance athletes, of all genders, with disabilities (physical, visual, intellectual). Para-athletes, aged between 12 and 46, receive the best conditions to train and improve their technical and fitness levels. Currently, the entity has more than 130 athletes and develops nine Paralympic sports: Paralympic athletics, Paralympic swimming, goalball, sitting volleyball, para-badminton, karate, chess, judo, and paracycling.

Valongo Pier

The historic site, located in the city of Rio de Janeiro, preserves the memory of colonial Brazil and the time when enslaved Africans arrived there. The project aims to preserve the historical context and urban revitalization, with the recovery of the surrounding area and provision of information to visitors. The investment is directed towards the implementation of guardrails, lighting fixtures, signage, exhibition boards, and a heritage education project. In 2021, updates were made to the technical, digital communication and institutional management projects to obtain licenses from the City of Rio de Janeiro and the National Historical and Artistic Heritage Institute (IPHAN).



An aerial photograph of a power line tower situated in a dense, green forest. A worker wearing a white hard hat, a grey uniform with yellow reflective stripes, and a safety harness is positioned on the tower, working on the equipment. The tower is a lattice structure with a central vertical stack of insulators. Several power lines extend from the tower across the forest. The overall scene is captured from a high angle, looking down at the worker and the surrounding trees.

FINANCIAL

**PER
FOR
MANANCE**

SGBH PERFORMANCE

In 2021, the devaluation of the Brazilian real against the U.S. dollar impacted the financial result of SGBH's concessionaires, which had U.S. dollar-denominated debt, due to intercompany loans raised with State Grid International Development (SGID) for investment in assets.

Given this scenario, in September 2021, SGBH assumed these dollarized debts to concentrate SGID's loans in the holding company – the total transaction value was R\$656.4 million. There is no need to contract foreign exchange hedging instruments, as the gains and losses arising from changes in exchange rates are consolidated in the Group.



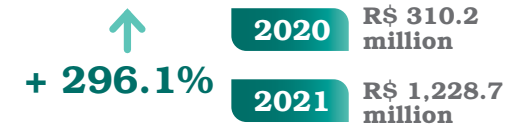
Net operating revenue



General and administrative expenses



Net profit



Total assets



Gross third-party debt



CPFL ENERGIA

PERFORMANCE

For CPFL Energia, 2021 was once again a challenging year. The worsening of the COVID-19 pandemic at the beginning of the year, its impacts on the economy, and the subsequent increase in delinquency added to a highly unfavorable hydrological scenario in the second semester, which put pressure on costs and tariffs. Nevertheless, the gradual resumption of energy consumption, actions to control default and efficient cash management ensured the company's financial health.



CPFL
Energia's
hydropower
plant

Net operating revenue



Electricity costs



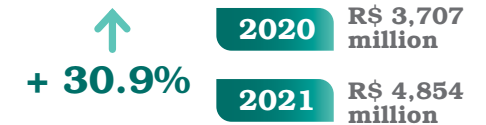
Costs and expenses



EBITDA



Net profit



Financial results for 2021 include CEEE-T.

BENCHMARKING GRI



For more than 20 years, CPFL Energia has valued transparency in its accountability to society, preparing its Annual Report in line with the guidelines and, more recently, the Global Reporting Initiative (GRI) Standards. The document also considers the guidelines of the Value Reporting Foundation (Integrated Reporting) and highlights the company's main contributions to the Sustainable Development Goals (SDG) of the 2030 Agenda. The report is guided by the materiality matrix, prepared every two years. The last materiality cycle was conducted in 2020, with the receipt of 784 responses to an online questionnaire, consultation with 40 entities and institutions and analysis of 20 internal and external documents, in addition to sectoral benchmarking.



Click here
to access the
CPFL Energia 2021
Annual Report



STATE GRID
BRAZIL HOLDING S.A.
国家电网巴西控股公司

State Grid Brazil Holding published its first Annual Report in 2021, strengthening the commitment to ethical and responsible action that it has practiced since its foundation, more than ten years ago. The publication was prepared in accordance with the GRI Standards, its content being guided by the first materiality matrix prepared by the company. The materiality process, conducted in 2021, received 107 responses to an online questionnaire and involved the analysis of benchmarking, sectoral studies, and sustainability benchmarks.



Click here
to access the
SGBH 2021
Annual Report

Material topics

ENVIRONMENTAL

Energy efficiency and efficiency in the use of resources



Climate change



Biodiversity management and mitigation of environmental impacts



Circular economy and eco-efficiency



SOCIAL

Community relations and development



People management and development



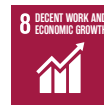
Health, safety and quality of life



Diversity and Inclusion



Human rights



GOVERNANCE

Operational excellence and financial performance



Customer relationship and satisfaction



Corporate governance



Innovation and new technologies



Ethical conduct and transparency



Decarbonization and promotion of renewable energies



Sustainable supply management



Material topics



ENVIRONMENTAL

Biodiversity



Energy transition



Environmental management



SOCIAL

Safety in operations



Social investment



Local communities



GOVERNANCE

Resilient infrastructure



Ethics and compliance



Technology and innovation



SGBH's
substation

CREDITS

Overall coordination

State Grid Brazil Holding

Content, consulting and design

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Photos

SGBH and CPFL Energia collection

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