Neoenergia

Tax Transparency Report

Financial year 2023

1. Letter from the president

We are pleased to present our 2023 Tax Transparency Report voluntarily as part of our commitment to transparency, ethical principles and good corporate governance.

The report details the contributions made by Neoenergia to the three taxing entities in Brazil: federal, state and municipal. Charges are divided between our own taxes, which directly affect our activities, and collected taxes, which we collect on behalf of the consumer.

In 2023, we did an excellent job of meeting our tax obligations. We collected R$ 13.7 billion in taxes, 11% more than in 2022. This amount is three times the Company's net income and 32% of its net operating income, which totaled R$ 44.3 billion.

For the third year in a row, we received the Transparency Trophy from the National Association of Finance, Administration, and Accounting Executives (Anefac). This award recognizes companies that maintain high standards of integrity and accountability, reflecting our commitment to fiscal responsibility.

Since the report's first publication in 2021, Neoenergia has paid approximately R$ 40 billion in taxes, playing a crucial role in promoting a fairer and more equitable society and contributing to the economic and social development of the regions where we operate.

Our tax policy is based on the principle that taxes collected from our operations support public spending and contribute to achieving the Sustainable Development Goals (SDGs), specifically SDG 8 - Decent work and economic growth.

We are committed to good practices and maintain a transparent, respectful and professional relationship with tax authorities based on loyalty, trust, reciprocity, and good faith.

We have participated in the Brazilian Federal Revenue Service's Cooperative Tax Compliance Program (Confia) since its inception. The program aims to establish a cooperative and trustworthy relationship between taxpayers and tax administrations. We believe that this program will yield positive results for both taxpayers and the federal tax administration.

In 2023, the Tax Reform was approved, another important milestone that initiated the long-awaited modernization of our complex tax system. This reform simplified taxation on consumption while also boosting the competitiveness of the Brazilian economy.

Finally, we are reaffirming our commitment to promoting sustainable development based on ethical principles, good corporate governance and fiscal transparency to ensure the generation of value.

Eduardo Capelastegui

CEO, Neoenergia S.A.

Chafariz Wind Complex

2. Relevant aspects of the 2023 financial year, with an impact on the group's tax contribution

End of reduction in ICMS rates

Lower volume of PIS/Cofins credit offsetting

The changes in the Brazilian tax legislation that occurred in the previous year had the opposite effect in 2023: they had a significant impact on the increase in the payment of taxes and contributions in the electricity sector, as described below:

ICMS

Complementary Law No. 194/2022, published in the Federal Official Gazette Extra Edition of June 23, 2022, established important changes to the Tax on the Circulation of Goods and Services (ICMS) by limiting the rate to the floor (17% or 18%) for essential products and services, including electricity transactions. This change contributed to a reduction in tax payments in 2022 compared to 2021.

However, in 2023 the rates returned to their previous levels in some states, which led to our tax collection increasing by 10.8% compared to 2022.

PIS/Cofins judicial credit offsetting

The judicial credits resulting from the favorable Supreme Federal Court (STF) decision in 2017, when it was determined that ICMS should not be part of the PIS/Cofins calculation base, had a lower offsetting capacity in 2023 when compared to 2022. This was due to the fact that they were used up by Neoenergia Elektro and Neoenergia Brasília. In 2023, offsetting credits amounted to R$ 1.6 billion (R$ 1.9 billion in 2022).

Transmission tower

3. Neoenergia in 2023

R$ 10.6 billion in adjusted EBITDA, 10% higher than in 2022

Investment of R$ 8.9 billion, 53% of which in distribution

30 ESG targets (environmental, social and governance)

Progress in renewables and transmission projects

We are an energy solutions company operating in three strategic segments of the electricity sector: Networks (distribution and transmission); Renewables (wind, hydro and solar generation) and Liberalized (energy trading, energy products and solutions, and thermal generation). We are a holding company, with a majority stake in companies dedicated to business activities. We are a private, publicly traded company, with shares traded on B3 - Brasil, Bolsa, Balcão in Brazil and Latibex in Spain, controlled by the Spanish group Iberdrola, which holds 53.5% of our share capital.

We are present in 18 states and the Federal District. Our five distributors serve 16.4 million customers in the states of São Paulo, Mato Grosso do Sul, Bahia, Pernambuco, Rio Grande do Norte and the Federal District. We ended 2023 with ten transmission companies in operation, totaling 2,438 kilometers of lines, and eight more under construction. We have installed power generation capacity of 4,394 MW, 88% of which is renewable (hydro, wind and solar). We also sell energy and services, offer green industrial solutions and are developing green hydrogen projects.

In 2023, we maintained our strategy of sustainable growth, with investments totaling R$ 8.9 billion, concentrated in our distribution (53% of the total) and transmission (39%) networks, as well as renewable energy generation projects and smart energy solutions.

Net revenue for the year reached R$ 42.4 billion, 4% higher than in 2022, while cash EBITDA grew by 10% to R$ 10.6 billion. The result was driven by the start-up of new transmission and generation businesses, tariff revisions for three of our distributors and market growth, which accelerated in the last half of the year.

Also noteworthy was our spending discipline: it kept the growth in operating expenses to just 2%, thus below inflation in the period and absorbing the increase in the business portfolio.

Net profit was R$ 4.5 billion, down 5% on the previous year, mainly due to positive non-recurring events in 2022.

We ended 2023 with 15,693 own employees, 29,787 outsourced employees and 530 trainees, totaling 46,010 people.

ESG Commitments 2030

Throughout the year, we increased our environmental, social, and governance (ESG) performance targets from 16 to 30. We announced our first commitments in 2022. The additional targets aim to reinforce our pledge to building a healthier and more accessible electricity model collaboratively, every day. We also revised some targets that we achieved ahead of schedule, such as increasing the representation of women and people of color in leadership positions.

Our targets are also aligned with the 2030 Agenda of the Sustainable Development Goals (SDGs) of the United Nations (UN). Our 30 goals are:

Environmental

- Reduce greenhouse gas (GHG) emissions to 20 gCO2/kWh of energy generated, with a commitment to zero emissions by 2050.
- 90% of high and medium-voltage networks digitalized.
- 50% electrification of light vehicles in its own fleet.
- 100% sustainable fleet (flex, hybrid or electric)[1]
- 10 million liters of installed reuse water capacity [1]
- 100% of assets with biodiversity impact assessment and impact positive plan[1]

Social

- 35% women in important positions[2]
- 40% women in leadership positions[2]
- 35% female graduates from electrician schools
- 12% of women in electrician jobs
- 40% black and brown people in leadership positions[2]
- 4,700 people in corporate volunteering[2]
- 60% of own employees based at ISO 45001 certified sites[2]
- < 0.39 rate of occupational accidents recorded with and without time off for own employees
- 70 hours average per three years for training employees and professionals from the communities in the area of operation
- > 85% of relevant suppliers classified as sustainable
- > 90% of purchases from local suppliers[1]
- 95.1% digital customers (human and digital transactions)[1]
- 22 new inclusion and diversity solutions for customer service (by 2025)[1]
- 8.44 hours Equivalent Duration of Power Interruptions per consumer unit[1]
- 412,000 annual beneficiaries of the Neoenergia Institute programs[1]
- Ongoing review of human rights due diligence procedures[1]
- Expand stakeholder engagement through various mechanisms and channels[1]
- 316 annual cybersecurity assessments[1]
- 13,100 hours of annual cybersecurity training[1]

Governance

- 33% of variable remuneration for long-term incentives linked to ESG
- Maintaining best corporate governance practices
- Obtain/maintain independent external certification of the Compliance system[1]

Financial

- Annual review and update of the company's green financing framework
- > 75% of new financial contracts with ESG/green rating[1]

[1] Targets set for 2023.
[2] Targets launched in 2022 and revised in 2023

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4. Tax guidelines and strategy

Our tax strategy is defined by our Tax Policy

Excellence and commitment to applying good practices

Taxes are the main contribution to sustaining public charges

We have a Corporate Tax Policy that defines our tax strategy based on guaranteeing compliance with current tax rules, excellence and a commitment to applying good tax practices, appropriate to the group's corporate structure and governance. Created in 2018 and last updated in December 2022, the Tax Policy is part of the Governance and Sustainability System which establishes the rules and principles governing the organization, operation and relations of the company. All policies are public and can be consulted on our website, under corporate governance.

Our Governance and Sustainability System is based on three pillars:

- Governance and compliance standards and policies, including the Corporate Tax Policy
- Environmental performance and the fight against climate change, through environmental policies
- Social commitment, manifested in social policies

The Board of Directors, which is the company's highest governance body, approves the Corporate Tax Policy. This body also validates the tax strategy and approves investments or operations that have special tax relevance due to their characteristics or the amounts involved. The Policy applies to all subsidiaries and affiliated companies not part of the group over which we have management influence, within the legally established limits.

Our tax strategy aims to comply with applicable tax laws and rules while coordinating tax practices across all group companies. We consider our social responsibility and strive to avoid tax risks and inefficiencies in business decisions with a long-term strategy.

To this end, we consider all the legitimate interests of the groups that interact with us. Hence, the taxes collected at all our operating sites represent our main support to public spending. They also represent one of our contributions to society and the specific achievement of the eighth Sustainable Development Goal (SDG), which establishes a commitment to decent work and economic growth.

Basic principles

Our companies must ensure compliance with tax obligations and relations with the tax authorities based on five basic principles of action:

a) COMPLY with federal tax legislation and regulations and those of the various states and municipalities in which they operate by paying the taxes that are due in accordance with the legal system;

b) ADOPT decisions on tax matters based on a reasonable interpretation of the applicable legislation and rules, in close connection with the activity;

c) PREVENT and reduce significant tax risks, ensuring that taxation is properly related to the structure and location of activities, human and material resources and business risks;

d) ENHANCE the relationship with the authorities in tax matters, based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity and good faith, without prejudice to the legitimate controversies that, respecting the above principles and in defense of the social interest, may be generated with said authorities around the interpretation of the applicable legislation and rules; and

e) INFORM the management bodies of the main tax implications of the operations or matters submitted for approval when they constitute a relevant factor in forming a decision.

Good tax practices

In applying the basic principles, good tax practices must be followed, which requires strict compliance with regulations, the reduction of tax risks and the avoidance of all conduct that could mean incurring these risks.

To this end, the companies must ensure:

- NO USE of artificial structures, unrelated to the group's own activities, for the sole purpose of reducing the tax burden
- AVOIDANCE OF STRUCTURES that are not fully transparent with regard to the intended tax purposes. This includes structures designed to prevent the tax authorities from knowing who is ultimately responsible for the activities or the ultimate owner of the assets or rights involved.
- NO ESTABLISHMENT or acquiring of companies based in tax havens, except when obliged to do so because it is an indirect acquisition in which the company based in a tax haven is part of a group of companies being acquired.
- COLLABORATION with the tax authorities in the detection and search for solutions in relation to fraudulent tax practices of which the company is aware that may occur in the markets in which the group is present.
- PROVISION of the information and documentation requested by the competent tax authorities as soon as possible and with the appropriate scope.
- UNDERSTANDING and adequate discussion with the tax authorities of all relevant factual issues of which it is aware in order to instruct, in its case, the files in question and to maximize, as far as reasonably possible and without neglecting good business management, agreements and compliance in the course of inspection procedures.
- AVAILABILITY to anyone who wishes to do so the necessary complaint channels to report conduct that may involve any irregularity or any act contrary to the law, the Governance and Sustainability System, including the rules for action set out in the Code of Ethics and, consequently, for action in tax matters.

Governance and Sustainability System applied to the tax area

Our Governance and Sustainability System meets the highest international standards in this field, and the Corporate Tax Policy is part of this set of rules. In accordance with our corporate and governance structures, the implementation of the Tax Policy and tax strategy is established on two levels:

1. In the parent company

Neoenergia's Board of Directors and Executive Board are responsible for promoting the monitoring and control of good tax practices in companies whose activities have a significant impact on the tax sphere.

2. In subsidiaries and associated companies

Subsidiary companies must comply with their tax obligations and respect the principles and good tax practices set out in the Corporate Tax Policy and the criteria established by the company. It is the responsibility of the Boards of Directors of the different companies to ensure compliance with the Corporate Tax Policy and to follow the principles and good tax practices contained therein and the criteria established for them, if applicable.

Monitoring and control

- Monitoring and control is carried out on three levels:
- The Tax Superintendency approves and periodically reviews guidelines for assessing and managing tax risk. The guidelines are applicable to all the group's companies and include objective criteria for classifying operations per their individual tax risks, and the use of different procedures for approvals. In sync with the Compliance Superintendency, the Tax Superintendency proactively and independently ensures compliance with tax regulations, as well as the principles and good practices covered in the Tax Policy.
- Neoenergia's Audit Committee must ensure that the tax criteria are applied. It is informed annually by the Tax Superintendency of the degree of compliance with the Corporate Tax Policy. In February 2024, it was validated for the 2023 financial year.
- Neoenergia's Board of Directors is kept abreast by the Audit Committee regarding the tax policies and criteria applied during the year, especially the degree of compliance with the group's Corporate Tax Policy. Tax operations or matters submitted for approval by the Board of Directors must include information on any relevant tax consequences generated.

Permanent review

Tax aspects undergo recurrent revisions in the three spheres in which taxes are levied on the companies (federal, state and municipal), prompting us to constantly monitor updates on these aspects. Hence, our Corporate Tax Policy includes an ongoing review process to continuously incorporate best practices, adapting to the tax demands and the same fiscal excellence we impose on ourselves to meet the highest standards of transparency.

The Tax Superintendency is responsible for periodically reviewing the tax risk assessment and management guidelines applicable to all the group's companies. Based on these analyses and on improvements to our Governance and Sustainability System, the Tax Policy update is approved by the Board of Directors, as is the case with the other policies that guide the group's operations.


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5. Responsible taxation

Commitment to ethics, governance and transparency

Dividends distributed to shareholders and society

Our tax model is based on our commitment to ethical principles, good corporate governance and transparency. And it is inspired by our Purpose of "Continuing to collaboratively build a more accessible and sustainable electricity model every day" and our Values:

Sustainable energy: because we always seek to be a model of inspiration, creating economic, social and environmental value all around us and considering the future.

Integrating force: because we have great strength and major responsibility, we work together, combining talents for a purpose that is by everyone and for everyone.

Driving force: because we make small and big changes, we are efficient and demanding, always seeking continuous improvement.

We understand that good fiscal governance requires responsible taxation, a commitment to society and transparency. These elements inspire the implementation of the Corporate Tax Policy and demonstrate that it is possible to maintain a balance with the different and legitimate expectations of our eight stakeholders (staff, shareholders and the financial community, customers, suppliers, regulatory bodies, society in general, the media and the environment).

Adherence to these principles was recognized, for the third year running, with the Transparency Trophy 2023, awarded by the National Association of Finance, Administration and Accounting Executives (Anefac). We won the Trophy for the quality of our financial information, as well as for the consistency of the management report and compliance with accounting principles.

The Office of the Comptroller General (CGU) recognized us for the fifth time with the Pro-Ethics Company seal, which it awards to companies that actively combat corruption and strive to implement effective integrity programs. Our Integrity Program is applicable to all Neoenergia companies. It is coordinated by the Compliance Superintendency, which is responsible for planning, designing, executing, maintaining and evaluating the program. In addition, the area develops and reviews codes of conduct, integrity policies and related procedures, and works to identify, assess and mitigate risks of non-compliance

We are also part of the main corporate sustainability indices, with the ISE from B3 - Bolsa, Brasil Balcão; the FTSE4Good Index Series, measured by the Financial Times Stock Exchange in London; and The Sustainability Yearbook, a ranking of the best performing companies in the electricity sector in the yearbook drawn up by S&P Global ESG.

Economic and social dividend

We consider the obligation to maximize the economic return for our shareholders to be legitimate, guaranteeing the maximum possible benefit and increasing the profitability of the business, but always within strict legality and with respect for the expectations of our different stakeholders.

We understand that the economic dividend is one more component of the social dividend, conceived as the contribution of value that our activities provide for all stakeholders. One of our commitments is to maximize the social dividend, combining the creation of value for our shareholders with the improvement of the quality of life of the communities adjoining our operations, with the safety of people and the energy supply, with care for the environment and with a focus on quality of service and customer orientation.

The social dividend distributed to stakeholders is one of the basic premises of our business project and is based on the 17 Sustainable Development Goals (SDGs) approved by the UN as part of the 2030 Agenda. For us, two SDGs are a priority because they align with our business strategy: goals 7 and 13, which refer to universal access to clean and affordable electricity and the fight against climate change.

This way, the social dividend generated by our strategy and business model translates into an increase in the value of the company itself, which in turn feeds back into the value creation cycle, effectively linking business operations and our capital.

We act to maximize our economic and social profitability. This involves absolute compliance with our tax obligations, meeting the highest standards required by legislation and good tax practices. Thus, based on transparency, we are also committed to providing the information necessary for all stakeholders to assess our effective contribution to public finances. In 2023, the largest share of the distribution of our added value (50.7%) was related to taxes, fees and contributions. These include taxes on profit (income tax and social contribution), intra-sectoral obligations, ICMS, PIS and Cofins, INSS on payroll, among others. In other words, almost half of the R$ 33.1 billion we created in wealth during the year from our activities went to governments at federal, state and municipal level.

Every year, we invest large sums to maintain activities that use the most advanced technologies and guarantee environmental protection, which represents a very significant direct, indirect and induced impact on society. These investments give us access to regional tax incentives that are designed to promote sustainable development in conjunction with business development that will contribute to the generation of wealth and employment, in accordance with the parameters defined by the regulations in each case.

Nature of taxes paid

The taxes we pay are of two kinds:

1) Own taxes, which are company expenses and directly impact our results;

2) Collected taxes are also known as indirect taxes, and we fulfill the position of tax collectors. In this method, we collect the tax charged to the client from the municipal, state, and federal governments. This process is largely used by energy distributors in the Brazilian electrical industry to collect the Tax on Goods Circulation (ICMS), payments to the Social Integration Program (PIS), and the Social Security Financing Contribution (Cofins). The distributors then transfer these sums to the federal (PIS/Cofins) and state (ICMS) governments..

That is why we recognize the need of informing our stakeholders about the taxes collected on our operations and providing transparency so that they may assess our effective contribution to public finances. Only in this manner will our stakeholders have an accurate picture of reality, preventing biased information from distorting the role we play in our fiscal contribution.

Toward this end, it is necessary to emphasize that:

1. Corporate Income Tax accounted for 60.5% of own taxes in 2023

The Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) are the main taxes we pay. In addition to income taxes, we are responsible for other taxes, contributions and fees established by the various levels of government: property taxes (IPVA and IPTU), payroll taxes (INSS, FGTS, SAT, Sesi, Sebrae, Incra) and operating fees and licenses (CIM, TLF, Rent, Occupancy), among others.

IRPJ totaled R$ 769 million in 2023, accounting for 60.5% of our own taxes paid that year. Contributions on salaries was R$ 438 million, accounting for 34.4%.

2. Taxes withheld

We also collect other compulsory taxes (various types of taxes, fees and contributions) that are levied on our energy generation, transmission, marketing and distribution activities and are established by the different levels of public administrations (federal, state, regional). These are:

ICMS – Tax on the Circulation of Goods and Services (state). ICMS is the largest tax levied on energy bills and can represent up to 27% of the amount paid by the consumer.

PIS/Pasep/Cofins – The Social Integration Program, the Public Servant Equity Formation Program and the Social Security Financing Contribution are federal taxes that are intended to cover the government's social programs.

CIP or Cosip Public Lighting Contribution or Contribution to the Cost of the Public Lighting Service (municipal). Municipalities charge the CIP or Cosip related to the design, implementation, maintenance and expansion of public networks.

Taxes withheld at source – These are taxes collected by the source of payment, i.e. the person who makes the payment, in place of the actual taxpayer. They mainly refer to those levied on payroll and services contracted from legal entities.

Consumption taxes (ICMS, PIS and Cofins and similar) represented 93.8% of the taxes we collected in 2023 and 90.7% of the total taxes paid.

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6. Neoenergia and international taxation: OECD

Good practices against international vulnerabilities

Alignment with OCD Base Erosion Profit Shifting

Globalization and the digitalization of the economy have increased the vulnerabilities of the international corporate tax system. This is due to the right to pay these taxes in the countries where companies locate their headquarters. This situation opens up space for profits to be transferred to low-tax countries – tax havens – which weakens the economies of the countries where the business operations actually take place.

We are aligned with the principles and actions recommended by the Organization for Economic Cooperation and Development (OECD) and the G20 in a multilateral effort to tackle this distortion. The recommendations are set out in the Base Erosion Profit Shifting (BEPS) plan, published in 2015, which is a basic instrument in the fight against tax fraud on an international scale. In 2020, Iberdrola, our parent company, made an explicit commitment to the OECD guidelines for multinational companies in the tax area. Thus, Iberdrola and Neoenergia undertake to:

- Comply in a timely manner with our tax obligations in the various jurisdictions in which we operate;
- Not use aggressive tax planning mechanisms, but rather always interpret the rules in a reasonable manner;
- Avoid presence in tax havens.

In addition to these aspects included in the scope of the BEPS Plan, several countries have adopted unilateral and disorganized measures to tax these profits. In the case of digital services, some countries have created the Digital Services Tax (DST), increasing disputes and uncertainties in the field of international taxation.

Following the instructions of the BEPS Plan:

- We have no digital presence in the economy of any country;
- We do not use legal structures that are considered hybrid entities for tax purposes, nor are there any assumptions in its subsidiaries that there is no tax residency. Nor do we fraudulently use other hybrid mechanisms;
- We do not use low-value companies to artificially benefit from tax relief schemes. All the benefits we enjoy are generated in accordance with current regulations;
- We do not use intra-group loans and credits artificially and with the aim of eroding tax bases;
- We respect and prudently apply the regulations that limit the deduction of financial expenses;
- We grant the benefits of tax agreements only in cases where the entities involved have a real right to their application and the operations covered by them are due to real commercial reasons.

Brazil and the OECD

Brazil is not a member of the OECD, which includes 38 of the world's richest countries. Since 2007, Brazil has been considered a "key partner" of the organization, but not a full member. This classification also includes China, India, Indonesia and South Africa. As key partners, countries can participate in different OECD bodies, adhere to legal instruments, integrate into statistical reports and peer reviews of specific sectors of the organization that aim to promote the development and economic stability of members.

A country's entry into the OECD is perceived as a seal of credibility since there is a standardization of processes and practices aimed at sustainable growth. This could improve regulatory quality and potentially boost the confidence of investors, businesspersons and the financial sector.

Joining the OECD was one of the previous government's foreign policy goals, but it did not come to fruition due to the United States' approval of Argentina's membership in 2019 and Brazil's difficulty in satisfying the conditions. The OECD announced Brazil's Accession Roadmap in June 2022, outlining the organization's entrance requirements. The inaugural memorandum was sent in September 2022, and it evaluates Brazil's legislation, policies, and practices in light of the OECD's legal instruments.

The process of Brazil's accession to the OECD is still being pursued by the government that took office on January 1, 2023, and a working group was created in August 2023 to deal with the issue.

Electric truck

7. Transfer pricing

Transparency and control in transactions with related parties

Sector regulations impact the profitability of the companies

The results and tax bases of our companies cannot be shifted away from the location of their production facilities. This applies to power generation, distribution, and transmission assets and is inherent in the nature of our core business. In addition, the profitability of the companies is heavily influenced by industry regulations, particularly in the electricity distribution business. As a result, related party transactions have little impact on the Group's results of operations.

All our transactions with related parties are established at market prices and in accordance with Brazilian tax legislation, following, where possible, the criteria aligned with the OECD transfer pricing guidelines adapted to the new post-BEPS standards (OECD Base Erosion Profit Shifting (BEPS) Plan, discussed in the previous chapter). On the other hand, all our related operations are duly documented under the terms of the legislation in the established BEPS content.

We have a Policy for Related Party Transactions that establishes the rules to ensure that decisions involving this type of transaction, as well as situations with a potential conflict of interest, adopted through a transparent process and always with our best interests in mind. A Related Parties Committee advises the Board of Directors of the holding company Neoenergia S.A. on matters relating to transactions between related parties. The committee is responsible for analyzing and recommending whether or not to approve contracts and other instruments signed with related parties by the holding company or any of our subsidiaries. The aim is to ensure the equality and transparency of the transactions and to demonstrate that they are entered into under market conditions, preventing one of the parties from benefiting.

As our shares are traded on the stock exchange, we take extra precautions to protect the interests of minority shareholders. For this reason, we make the information and documents provided for in Law No. 6.404, of December 15, 1976 (Brazilian Corporate Law) and CVM Instruction 481, of December 17, 2009 ("ICVM 481") available via the World Wide Web. They can be accessed on our Investor Relations page, at the Brazilian Securities and Exchange Commission (CVM) and at B3 S.A. - Brasil, Bolsa, Balcão or directly at our head office.

In addition, the management bodies of our different subsidiary companies report on compliance with the Corporate Tax Policy to ensure that all Neoenergia companies adopt the necessary control mechanisms to guarantee compliance with tax regulations, principles and good practices, as detailed in chapter 3 (Tax guidelines and strategy).

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8. Tax havens

We do not set up companies in tax havens

We do not adopt tax engineering structures

Our actions are based on a clear commitment to sustainability, ethics and transparency, the exchange of tax information, non-detrimental tax competition and the aim of implementing the minimum standards of the OECD's Base Erosion Profit Shifting (BEPS) project, discussed in Chapter 6.

For this reason, we do not use tax havens, even if we conduct legitimate activities there. Our tax policy states that it is good tax practice "not to establish or acquire companies based in tax havens." The exception is when we are required to do so as part of an indirect acquisition as part of a larger group. We do not include tax haven residents among our portfolio companies.

The formation of our companies is based on objective business criteria and not on tax engineering structures. Good practice reinforces that we should "avoid structures that are not fully transparent for the intended tax purposes."


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9. Administrative cooperation

We collaborate with and provide information to tax authorities

Voluntary participation in Receita's Confia program

Based on the highest standards of tax transparency, we joined the Brazilian Tax Authority's (Receita Federal) program and signed the technical cooperation protocol as a voluntary company, appointing representatives to participate in the Dialogue Forum for the construction of the Brazilian government's Cooperative Tax Compliance Program (Confia) model.

We follow the European Commission's Guidelines for a Model European Taxpayer Code, which encourages the creation of a relationship of cooperation and trust with tax administrations.

To this end, we are committed to:

- Collaborate with tax authorities in detecting and finding solutions to fraudulent tax practices of which we are aware;
- Provide the information and documentation with tax relevance required by the competent tax authorities, in the shortest possible time and with due diligence.

Confia Program

The Cooperative Tax Compliance Program, Confia, is an improvement in the relationship between the tax administration and the taxpayer, focused on voluntary cooperation and mutual trust. It delivers gains in terms of legal certainty and in the business environment that derive from better channels of dialogue between the parties.

By being transparent about their operations and tax planning, taxpayers gain legal certainty, reduce their exposure to risk, and have less need for legal opinions and advice. As a result, the company earns greater trust among its various stakeholders, such as investors, market analysts, clients and society in general. On the other hand, the tax administration promises concrete actions in an environment of confidence; this will effectively enable taxpayers to maintain this transparency. The government also gains from reducing litigation, avoiding the mismatch between actual and potential tax collection and the statute of limitations on tax credits.

The construction of the program formally began in April 2021 after the Tax Authority signed cooperation protocols with the Brazilian Association of Publicly Traded Companies (Abrasca), the Brazilian Federation of Banks (Febraban) and the Applied Tax Studies Group (Getap) and invited some taxpayers to make up this Dialogue Forum. From the outset, we were invited to take part because of Neoenergia's high level of governance and compliance practices. In March 2024, an ordinance was published setting out the rules and deadline for joining the Confia pilot.

2021
Building the Confia structure
International webinar, establishment of dialogue forum, election of members, creation of three thematic chambers

2022
Working together to build Confia
Definition and approval of the Code of Good Practices and Tax Governance. Testing of simplified procedures

2023
Definition of structuring rules and sanctions
Results of tests on entry and exit rules and application of sanctions, draft PL and reformulation of the dialogue forum

2024
Approval of the law and start of the pilot
Approval of the law, drafting of the IN, opening of a pilot project and search for improvements through the Dialogue Forum and Model

Confia follows the guidelines of the Organization for Economic Cooperation and Development (OECD), which in 2008 already suggested improving the relationship through trust and cooperation between tax authorities and taxpayers. As of July 2013, it began to be disseminated under the name of Cooperative Compliance – Tax Conformity Cooperative (OECD, 2013, p. 11 and 14), and has already been adopted in several countries, including Spain, Portugal, France, the United States and Australia.

The foundations of Confia:

- Voluntary adherence to the program
- Transparency in relations to build understanding
- Trust justified by concrete actions on both sides
- Reciprocal gains that support and justify the new model

The main gains offered by Confia are:

- Focal point - communication, relationship and solution of various demands;
- Treatment of possible inconsistencies and doubts through dialog;
- Differentiated treatment in relation to the application of sanctions;
- Removal of liability/criminalization of administrators;
- Easier renewal of the CND, Tax Clearance Certificate;
- Security that the taxpayer will not be surprised by inspections;
- Tax compliance bonus: 1% to 3% discount on the Social Contribution on Net Profits (CSLL);
- Compliance seal; and
- Priorities and preferences: Electronic Request for Refund, Reimbursement or Reimbursement and Declaration of Compensation (PER/DCOMP); solution of consultation; deliberation in Judgment Offices (DRJ); bids, participation in forums, demands before the federal public administration.

Abradee Award 2003: Neoenergia Cosern elected best distributor in Brazil and Neonergia Elektro came in second

10. Ongoing checks and tax litigation

We seek reasonable interpretations of tax regulations

We maintain critical accounting judgment in identifying uncertainties

Permanent changes to tax rules implemented by tax authorities have resulted in a high level of tax litigation in Brazil, affecting all three levels of tax, fees, and contribution collection. As a result, a number of enforcement actions are underway, and taxpayers are going to court to challenge legal interpretations.

For this reason, all our relevant tax decisions are analyzed by internal and outside consultants. In this way, we seek to ensure that the measures adopted are in line with current legislation and are based on reasonable interpretations of tax regulations. Hence, and based on precedents and reasonable interpretations of the rules, we believe that it is likely that we will obtain favorable decisions in most of the discussions we currently have entered into with public authorities.

Tax litigation

We make critical accounting judgments to identify uncertainties in relation to tax positions on profit that may impact our financial statements. These uncertainties represent the risks that the tax authority will not accept a certain tax treatment that we have applied in the calculation of taxes, leading to disputes over the interpretation of applicable laws and regulations. We therefore estimate the likelihood of the tax authority accepting the uncertain tax treatment based on technical assessments by our legal advisors. To this end, we consider case law that is well-founded and applicable to current tax legislation.

Among the disputes existing at the end of 2023, the following stood out:

- The deductibility of goodwill amortization expenses in the bases for calculating Income Tax (both in its IRPJ and Social Contribution on Net Profits-CSLL) by certain affiliated companies;
- The failure to withhold income tax on the payment of interest on equity between entities in the same group;
- The questioning of tax credits in the area of Goods Circulation Tax (ICMS) in its subsidiaries;
- The consideration by the tax authority that profit-sharing, social security, medical assistance and life insurance payments should be subject to social security contributions;
- The questioning of municipalities about the Public Lighting Contribution (CIP) or the Contribution to Fund the Public Lighting Service (Cosip).

HPP Baixo Iguaçu

11. Tax governance

Council monitors and evaluates good tax practices

Proper monitoring of compliance and performance

Good fiscal governance – corporate governance structure

Our governance model sets us apart and is a hallmark of our commitment to sustainability, ethics and transparency. The system is built on regulatory compliance, robustness, coordination and acceptance of responsibilities at all levels. In the specific monitoring and reporting of tax issues, we observe the following aspects:

Board of Directors and Fiscal Council

1. Our Board of Directors and Board of Auditors evaluate and monitor the principles and good tax practices expressed in the Governance and Sustainability System, in general, and in the Corporate Tax Policy, in particular. The members of the Board of Directors are responsible for coordinating our strategies and general business management guidelines. The chairman of the Board of Directors and the company's directors are responsible for organizing and coordinating the companies, disseminating, implementing and following up on the strategy and general policies established.

2. Audit Committee

Among other things, our Audit Committee is responsible for the following tax matters:

- Submission of an annual report to the Board of Directors on the degree of compliance with the Corporate Tax Policy and the tax criteria applied.
- Evaluating, monitoring and reviewing our internal policies and procedures to check their effectiveness in preventing inappropriate conduct. It must also recommend to the Board of Directors the correction or improvement of internal policies so that they are more effective in promoting the highest ethical standards. In particular, it should inform the Board of Directors of proposals to approve and amend the Regulations of the Compliance Superintendency.

3. Executive Board

The Executive Board, with the support of the Board of Directors, is responsible for promoting the application of the principles and good tax practices set out in the Corporate Tax Policy in our companies whose activities have a significant impact on the tax sphere.

4. Subsidiaries

The subsidiary companies of the Neoenergia holding company must comply with their tax obligations, respecting the principles and good practices described in the Corporate Tax Policy, as well as the criteria we have established. The Boards of Directors of these companies are responsible for ensuring compliance with the Policy in the development of their respective businesses, ensuring respect for the corporate autonomy of the subsidiaries of these companies and their own responsibility in fulfilling their tax obligations.

The Boards must also ensure that the information facilitates the company's compliance with its tax obligations, the applicable tax regulations, as well as the principles and rules established in the Tax Policy. This information will be developed taking into account the criteria set by each company, considering the procedures that establish the tax guidelines of the country and/or business.

Subsidiaries must adopt control mechanisms that guarantee compliance with legislation, tax rules and the principles of good tax practice within the framework of appropriate business management, allocating adequate and sufficiently qualified human and material resources for these purposes, in addition to informing Neoenergia of the degree of compliance with the Policy. Likewise, the audit committees or bodies that assume this responsibility in each subsidiary of the group must inform Neoenergia's Audit Committee of the degree of compliance with the Policy.

Likewise, when operations or tax matters are submitted to the Board of Directors for approval, the tax consequences that constitute a relevant factor must be reported.

5. Tax Superintendency

Our Tax Superintendency is responsible for coordinating and periodically reviewing guidelines for assessing and managing tax risk, applicable to all the group's companies. The guidelines include objective criteria for classifying operations according to their tax risk, as well as different approval procedures. It is also responsible, in line with the Compliance Department, for complying with the company's tax obligations, proactively and independently ensuring compliance with tax regulations and the principles and good practices established by the Corporate Tax Policy.

Statement of non-financial information —

Annual Sustainability Report

The transparency of the consolidated non-financial information we disclose on a regular basis is a key element of our strategy. To allow stakeholders to learn about our social, environmental and governance practices, as well as the generation of the social dividend, we publish an annual non-financial information report (Annual Sustainability Report) which is available on our Investor Relations/Sustainability website.

The document for 2023 was published on February 7, 2024. It follows the GRI 2021 Standards from the Global Reporting Initiative, as well as the GRI supplement for companies in the electricity sector. It also complies with the guidelines of the International Integrated Reporting Council (IIRC), the accounting metrics of the Sustainability Accounting Standards Board (SASB) for the electricity sector, the requirements of the Dow Jones Sustainability Index (DJSI) and the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD).

Our Non-Financial Disclosure Policy defines an orderly process for preparing this information, applicable to all our companies, designed to ensure that the process is structured with standardized information. We thus seek to ensure that this information reflects, in all material respects and in a reasonable and balanced manner, our environmental, social and corporate governance performance within the scope defined by law and in accordance with international standards.

This process involves the Innovation, Sustainability, Climate Change and Social Responsibility and Internal Controls Superintendencies, the Regulation, Institutional and Sustainability Board, the Sustainability Committee and the Audit Committee, which advise the Board of Directors.

With particular regard to tax information, the Annual Sustainability Report complies with GRI Standard 207 that covers content on how to manage tax aspects and specific content, with quantitative data on the taxes we pay.

Complaint channels

We have established a Complaint Channel which receives any reports of concerns about tax-related behavior, as well as questions about compliance with laws, the Code of Ethics and our integrity standards. Reports can be filed 7 days a week, 24 hours a day, also by e-mail (neoenergia@canaldedenuncia.com.br) or by calling 0800 591 0857.

The channel, accessible to all our stakeholders, is operated by a specialized and independent company that guarantees the anonymity and confidentiality of complaints. These mechanisms for detecting and/or monitoring non-conformities allow us to verify the effectiveness of our control and prevention activities.

Every complaint generates a protocol number and a password so that the complainant can track the process through the channel, via the Internet or by telephone. The Compliance Superintendency publishes the progress of the investigation of complaints on this channel, as well as the response at the end of the investigation process.

After checking the scope and classification of the complaints, the reports are forwarded to the Compliance Superintendency for investigation. A specific procedure governs this process and involves analyzing the complaint, classifying its risk, the investigation plan, collecting documents, hearing witnesses and the accused, issuing a report and recommendations.

Well-founded and partially well-founded complaints result in appropriate remedial measures, which can be verbal or written warnings, suspensions and even dismissals of employees in cases considered serious, or improvements to processes to avoid future problems.

Calango wind farm

12. Tax contribuition

R$ 39.1 billion in taxes paid in 3 years

Total tax contribution in 2023: R$ 13.7 billion

Own taxes

Own taxes amounted to R$ 1.271 billion in fiscal year 2023, equivalent to 235 million euros.

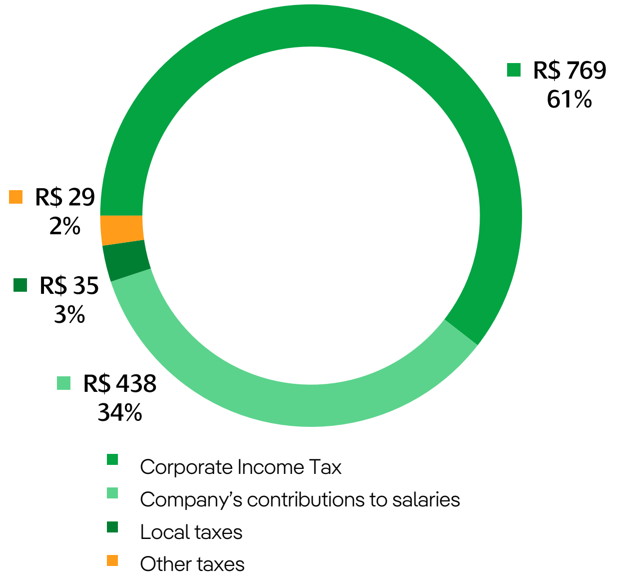
Of particular note were the amounts paid in Corporate Income Tax (IRPJ), equivalent to 61% of the total, and contributions on salaries paid to employees (34%).

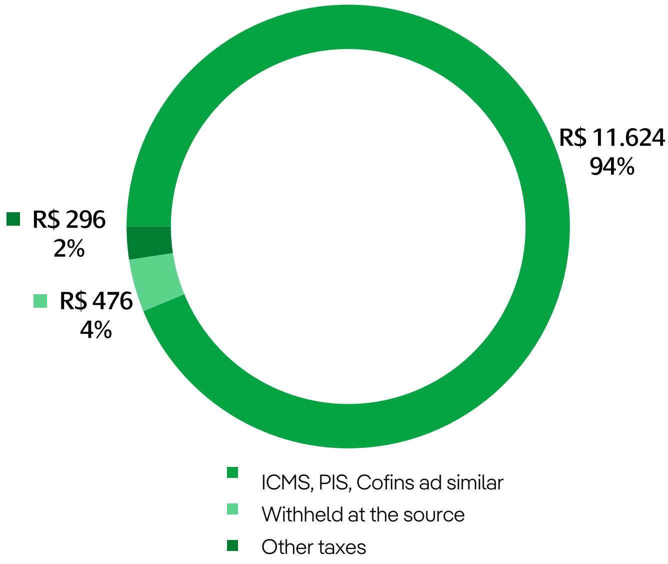
Taxes collected

Taxes collected in fiscal year 2023 totaled R$ 12.396 billion, equivalent to 2.294 billion euros.

Of particular note were consumption taxes (ICMS, PIS, Cofins and similar), which accounted for 94% of the total.

BCE exchange rate: €1.00 = R$ 5.4031 (December 31, 2023)





Taxes paid in 2023 were 10.8% higher than the previous year

In 2023, the total contribution of taxes paid reached R$ 13.7 billion (2.5 billion euros), 10.8% more than in 2022 (R$ 12.3 billion). The increase is mainly due to the ICMS due to the rise in the rate and a lower volume of PIS/Cofins credits offset in 2023, since they were depleted in the Neoenergia Elektro and Neoenergia Brasília companies. Taxes were distributed among the following categories:

Taxes paid in 2023

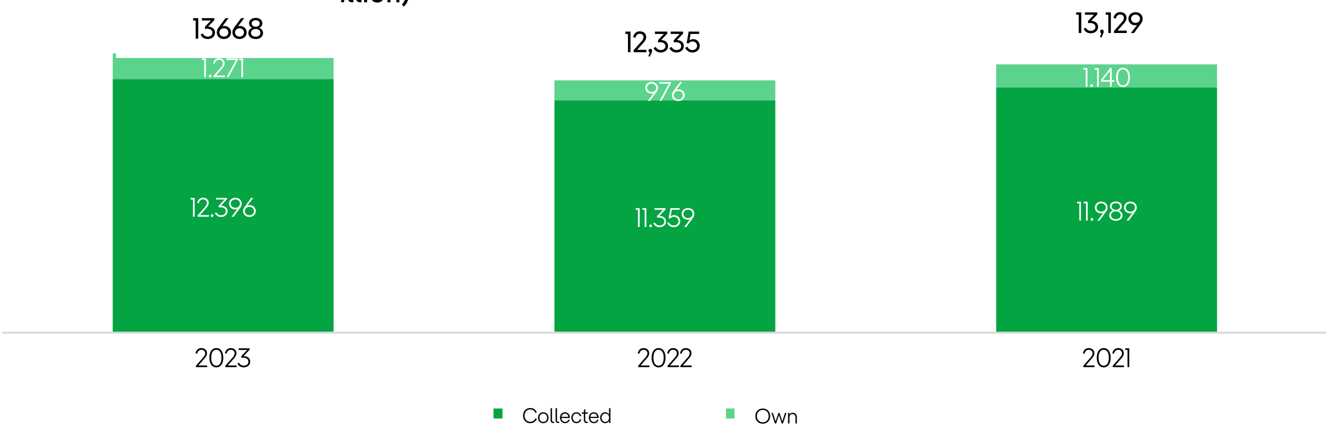
R$ million

Own taxes	**1,271**
Corporate Income Tax	769
Company contributions on salaries	438
Local taxes	35
Other taxes	29
Taxes collected	**12,396**
Consumption taxes (ICMS, PIS, Cofins and similar)	11,624
Withholding taxes	476
Other taxes	296
Total	**13,668**

Taxes paid to the public treasury
Summary table of the total tax contribution (R$ million)

	Own taxes			Taxes collected			Total		
R$ million	2023	2022	2021	2023	2022	2021	2023	2022	2021
Total Neoenergia	1,271	976	1,140	12,396	11,359	11,989	13,668	12,335	13,129

TAXES PAID INTO THE PUBLIC TREASURY (R$ million)



Luzia Solar Park

13. Tax reform

Change reduces the complexity of the system and simplifies consumption taxation

In December 2023, the National Congress approved tax reform in Brazil, concluding a process that had been under discussion for decades. The reform is expected to reduce the complexity of the Brazilian tax system, simplify taxation on consumption, increase legal certainty and reduce disputes between taxpayers and the tax authorities, resulting in a decrease in litigation.

The main changes are:

- The creation of the Contribution on Goods and Services (CBS), which unifies and replaces the federal taxes on the Social Integration Program (PIS/Pasep) and the Social Security Financing Contribution (Cofins);
- The creation of the Tax on Goods and Services (IBS), which replaces the main state and municipal taxes, the Tax on the Circulation of Goods and Services (ICMS) and the Tax on Services (ISS);
- The creation of the Selective Tax (IS), which aims to partially offset the Tax on Industrialized Products (IPI). It will be a kind of surcharge on the production, sale or import of goods and services that are harmful to health or the environment, such as cigarettes, alcoholic drinks and crop protection products.

Regulations will be published throughout 2024 and 2025 to effectively regulate the reform. A seven-year transition period is expected between 2026 and 2032 for the unification of taxes. Finally, from 2033 onwards, the current taxes will be abolished. The transition was planned so that there would be no loss of revenue for states and municipalities. The CBS is expected take effect in 2026, the IS in 2027 and the IBS in full in 2033.