PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved.]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this annual report. The risks described below are not the only ones we face. Our business, results of operations or financial condition could be harmed if any of these risks materialize.

Risks Relating to our Privatization

- Our Proposed Privatization is subject to a corporate reorganization and various other conditions precedent. If we are not able to comply with these steps or if there is not sufficient market interest in our Global Offering and we are not able to achieve our Proposed Privatization, our future prospects and ADR prices may be adversely affected.
- The grant of certain generation concessions within respect to our Proposed Privatization exposes us to certain risks that could adversely affect our business.
- As a condition precedent to our Proposed Privatization, we will need to conduct a corporate reorganization.
- If our Proposed Privatization is consummated, the Brazilian Government will no longer be our controlling shareholder, which could allow the holders of our international bonds and/or debentures to require us to repurchase their bonds and/or debentures upon a change of control that results in a ratings downgrade.
- If our Proposed Privatization is consummated, our current shareholders will experience immediate and substantial dilution after the Global Offering and our bylaws will contain provisions that limit the voting rights of all shareholders, including non-Brazilian shareholders, which could prevent or delay transactions that holders of our shares or ADRs may favor.
- Our Proposed Privatization may be challenged, which could delay or prevent its consummation, as well as complicate our ability to maintain our market share. In addition, there is speculation that certain politicians may propose to reverse the Proposed Privatization, if consummated.

Risks Relating to our Company

- Transactions with related parties, including as part of our Proposed Privatization, may not be properly identified and managed, which could expose us to lawsuits and affect our financial results.
- Our financial and operating performance may be adversely affected by epidemics, natural disasters, and catastrophes, such as the recent outbreak of COVID-19, and climate events.

- If we do not remedy the material weakness in our internal controls, the reliability of our financial statements may be materially affected.
- An arbitral award against Furnas and other equity holders of the Santo Antônio Plant could result in Furnas acquiring majority control over MESA, or a breach of SAESA's financial covenants which could trigger significant obligations for us as we guarantee much of their debt.
- Our operational and consolidated financial results are dependent on the results of the subsidiaries and SPEs in which we invest.
- We guarantee several projects that are structured through SPEs. Our financial condition may be adversely affected if the loans related to these projects are not repaid.
- We may not receive the full value of receivables from the CCC Account transferred to us during the sale process of our distribution companies.
- We may not receive all the debt that Amazonas D owes to us and our subsidiary, Eletronorte.
- We are exposed to mismanagement claims for managing certain sectoral funds and governmental programs.
- Indemnification payments for investments in concessions renewed pursuant to Law No. 12,783/2013, which were not yet amortized or depreciated, may not be sufficient to cover those investments.
- Under the current rules for the tariff review for generation and transmission concessions, we might not receive the full compensation for costs incurred in the operation and maintenance of these concessions and any expenses in relation to these assets.
- If our Proposed Privatization is not consummated, there are no guarantees that our existing concession agreements will be renewed and, if so, on what terms.
- Every five years the assured energy of our hydroelectric plants can be adjusted, and we may incur additional costs to purchase energy to comply with existing agreements.
- We have substantial financial liabilities, which could make it difficult to obtain financing for our planned investments and may expose us to liquidity constraints.
- We may not be able to prevent, detect, and timely implement corrective measures in relation to the unlawful conduct in our supply chain.
- We are subject to certain covenants, which in case of non-compliance may allow the lenders under the relevant facilities to accelerate our obligations to them.
- We are subject to rules limiting the acquisition of loans by state-controlled companies.
- We are subject to the inspection of the Federal Court of Accounts, which may result in the imposition of penalties and/or sanctions on us and our management to the extent irregularities are proven.
- If any of our assets are deemed assets dedicated to providing an essential public service, they will not be available for liquidation and will not be subject to attachment to secure a judgment. Moreover, if the Proposed Privatization is consummated, we will no longer be a state-controlled company and will be subject to the Brazilian Bankruptcy Law.
- We may be indirectly liable for damages related to accidents involving our subsidiary Eletronuclear.
- We may incur substantial financial liabilities as well as unexpected expenses until we complete the construction of the Angra 3 nuclear power plant.
- We may incur losses and spend time and money defending pending litigation and administrative proceedings.
- We may incur losses in legal proceedings relating to compulsory loans made in the period between 1962 and 1993.
- We are, have been, and may again be party to U.S. proceedings relating to disclosures surrounding our compulsory loan credits and bearer bonds.
- We and our subsidiaries may be required to make substantial contributions to the pension plans of our current and former employees which we sponsor.
- Our insurance policies may be insufficient to cover potential losses.
- We do not have alternative supply sources for the key raw materials that the thermal and nuclear plants use.
- Strikes, work stoppages or labor unrest by our employees or by the employees of our suppliers or contractors could adversely affect our business.

Risks Relating to Brazil

- We are controlled by the Brazilian Government, the policies and priorities of which directly affect our operations and may conflict with the interests of our investors.
- Brazil's economy is vulnerable to external and internal shocks, which may have an adverse effect on Brazil's economic growth and on the trading markets for securities.

- The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy, which can have a direct impact on our business.
- Political uncertainty may lead to an economic slowdown and volatility in securities issued by Brazilian companies.
- The volatility of the Brazilian real and of the inflation rates may impact our operations and cashflows.
- Changes in tax or accounting laws, tax incentives, and benefits or differing interpretations of tax or accounting laws may adversely affect us.
- Any further downgrading of Brazil's credit rating could adversely affect the price of the ADS and our cost of funding in the capital markets.

Risks Relating to the Brazilian Power Industry

- Our business may be impacted by political events, war, terrorism and other geopolitical uncertainties, such as the ongoing military conflict between Russia and Ukraine.
- We are subject to impacts related to hydrological conditions that may result in lower generation of hydroelectric power and adversely affect our business.
- Failure to comply with, obtain, or renew the licenses required of the plants where we develop our activities may have an adverse effect on us.
- We can be held responsible for the social and environmental impacts of accidents involving the dams at our hydroelectric plants.
- We might be held responsible for impacts on our own workforce, on the population and the environment, due to accidents related to our transmission systems and facilities.
- We may be subject to penalties, administrative intervention or loss of our concessions for public service if we provide our services in an inadequate manner or violate contractual obligations.
- Our generation and transmission activities are regulated and supervised by ANEEL. Our business could be adversely affected by regulatory changes or by termination of the concessions prior to their expiration dates, and any indemnity payments for the early terminations may be less than the full amount of our investments.
- Certain of our subsidiaries adhered to installments programs for tax debts and must comply with special rules, otherwise, these installments programs may be terminated and the benefits may be cancelled.
- Failures in our information technology systems, information security systems, and telecommunications systems may adversely impact us.
- We are subject to risks associated with failure to comply with the applicable data protection laws, and we may be adversely affected by the imposition of fines and other types of sanctions.
- Our failure to protect our intellectual property may adversely impact us.
- We are exposed to environmental risks due to impact and non-compliance with laws and regulations related to our operations, which may lead to accidents, losses and administrative proceedings and legal liabilities. In addition, laws and regulations may become more stringent in the future and lead to us not obtaining or losing our licenses.
- Given the nature of our generation and transmission activities, we are subject to risks related to human rights violations.
- Climate change can have significant impacts on our generation and transmission activities.
- If we fail to address issues related to the health and safety at work of our employees and the facilities where we conduct our activities, we may be adversely affected.
- We cannot predict on what terms the Itaipu Treaty will be revised, which may adversely affect the amounts of energy available in the Brazilian electricity sector.

Risks Relating to our Shares and ADS

- If you hold our preferred shares, you will have limited voting rights.
- Exercise of voting rights with respect to common and preferred shares involves additional procedural steps.
- If we issue new shares or our shareholders sell shares in the future, the market price of your ADS may be reduced.
- Political, economic and social events as well as the perception of risk in Brazil and in other countries, including the United States, European Union and emerging countries, may affect the market prices for securities in Brazil, including our shares.
- Exchange controls and restrictions on remittances abroad may adversely affect holders of ADS.
- Exchanging ADS for the underlying shares may have unfavorable consequences.
- You may not receive dividend payments if we incur net losses, or our net income does not reach certain levels.
- You may not be able to exercise preemptive rights with respect to the preferred or common shares.

- We may need to raise additional funds in the future and may issue additional common shares, which may result in a dilution of your interest in our common shares underlying the ADSs. In addition, a dilution of your interest in our common shares underlying the ADSs may occur in the event of our merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.
- International judgments may not be enforceable when considering our directors or officers' status of residency.
- Judgments of Brazilian courts with respect to our common shares may be payable only in reais.
- Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares or ADS.

Risks Relating to our Privatization

Our Proposed Privatization is subject to a corporate reorganization and various other conditions precedent. If we are not able to comply with these steps or if there is not sufficient market interest in our Global Offering and we are not able to achieve our Proposed Privatization, our future prospects and ADR prices may be adversely affected.

On July 12, 2021, Law No. 14,182 was enacted, establishing the guidelines for our Proposed Privatization. Subsequently, certain CPPI and CNPE resolutions set out the following principal conditions precedent for our Proposed Privatization:

(i) payment to the Brazilian Government for the granting of new contracts as a replacement for certain of our existing generation concessions to be made from the net proceeds of the proposed Global Offering of shares and ADRs;
(ii) a corporate restructuring, in order for the Brazilian Government to maintain its direct or indirect control over Eletronuclear and Itaipu;
(iii) continued payment of membership contributions to Cepel, for six years from the settlement date of the Global Offering;
(iv) approval, by our shareholders, of projects to revitalize water resources and reduce power generation costs; and
(v) amendments to our bylaws to prevent any shareholder or group of shareholders (including ADR holders) from exercising voting rights with respect to more than 10% of our voting shares, as well as the inclusion of a golden share to be issued to the Brazilian Government to allow it to veto any changes to these new provisions of our bylaws.

See "Item 4.A. History and Development—Proposed Privatization" for further information about our Proposed Privatization.

If we are not able to fulfil these conditions precedent or, if at the time, we launch our Global Offering of shares and ADRs, there is not sufficient investor demand to dilute the interest of the Brazilian Government, we will not be able to complete our Proposed Privatization, and then our future prospects and our share and ADR prices may be adversely affected. In addition, we would have already incurred considerable costs in relation to advisers, legal counsels, independent auditors, and others as part of this process.

The grant of certain generation concessions within respect to our Proposed Privatization exposes us to certain risks that could adversely affect our business.

Pursuant to the Eletrobras Privatization Law, if our Proposed Privatization is consummated, we will be entitled to enter into new concession agreements for the plants Itumbiara, Sobradinho, Tucuruí, Mascarenhas de Moraes, and Curuá-Una, as well as for 17 other plants, which are currently operating under a "quota regime." The law also provides that most of these concessions will be phased into the "independent power production regime" over a five-year term. Under this regime, we will have to assume and manage all hydrological risks and related costs for a thirty-year term.

Also, as consideration for the new concession agreements, our subsidiaries must pay a concession bonus equivalent to part of the additional economic benefits we will receive as a result of these new contracts. According to the CNPE, this benefit totals R$67.1 billion. The concession bonus was stipulated as R$25.4 billion, which we must pay to the Brazilian Government after the settlement of our Global Offering. Additionally, we will have to pay R$32.1 billion to the CDE Account, with a R$5.0 billion payment becoming due within 30 days of signing the new concession agreements and the remainder being paid over a twenty five-year period. Further, over a ten-year period, we will have to contribute R$8.8 billion for the continuing revitalization of the São Francisco and Parnaíba rivers basins, to reduce energy generation costs in the Brazilian territory known as the "Legal Amazon" and for certain projects in the areas surrounding the plants of our subsidiary Furnas. As established in the Eletrobras Privatization Law, we will be waiving the right to receive indemnification payments related to our current concession agreements when we execute the new concession agreements. If our further privatization is not consummated, it is unclear if, how and when we will receive such indemnification payments. See "—Risks Relating to our Company—Indemnification payments for investments in concessions renewed pursuant to Law No. 12,783/2013, which were not yet amortized or depreciated, may not be sufficient to cover those investments" for further details.

The macroeconomic and industry-specific assumptions used by the Brazilian Government to calculate the concession bonus may not be correct or accurately reflect actual conditions in the coming years. In addition, the cash flows from our operations or our available credit lines may not be sufficient to honor each of our capital obligations under the terms of our Proposed Privatization and we may incur significant indebtedness, which may impair our ability to raise funds in the future.

According to the applicable law, the execution of the new concession contracts will be notified by ANEEL, and we will have up to 15 days to sign the contracts. However, it is currently unclear when ANEEL will summon us to sign the new concession agreements, which may adversely affect us.

In April 2022, the MME approved a change to the draft concession agreements to be entered into if our Proposed Privatization is consummated, pursuant to Administrative Proceeding No. 48330.000034/2022-11. The new draft was prepared considering TCU's recommendation (Decision No. 296/2022) and CNPE's Resolution No. 30/2021. Under the new terms we will be subject to two additional obligations: (i) to prepare and submit to ANEEL technical and economic feasibility studies in order to identify the optimal exploitation of hydropower plants potential ("*aproveitamento ótimo do potencial hidrelétrico*"), within 36 months of the execution date of the new concession agreements; and (ii) to implement the optimal exploitation of hydropower plants potential, if economically feasible, within 136 months from the execution date of the new concession agreements. These new obligations may result in additional costs to be borne by us and, any potential non-compliance, may result in the forfeiture of the new concessions.

As a condition precedent to our Proposed Privatization, we will need to conduct a corporate reorganization.

As a further condition to our Proposed Privatization, we are required to transfer our controlling interests in Eletronuclear and Itaipu to ENBPar, a newly formed entity controlled by the Brazilian Government, since both entities must remain under the direct or indirect control of the Brazilian Government. This corporate restructure will decrease our total installed generation capacity by 8,990 MW. With respect to Eletronuclear, we will also be required to capitalize credits to be received by us as dividends and AFACs of R$2.7 billion and R$3.5 billion, respectively. Following this corporate reorganization, we will hold 68% of Eletronuclear's equity interest, but will retain only 36% of its voting capital.

Despite the fact that we will no longer be the controlling shareholder of Eletronuclear, the law governing our Proposed Privatization provides that we must continue to guarantee all existing obligations of Eletronuclear with respect to the development of the Angra 3 nuclear plant, in the amount of R$6.38 billion. In addition, by the date of consummation of our Proposed Privatization, we will have to enter into various agreements with ENBPar. These agreements include an investment agreement for the continued development of the Angra 3 nuclear plant. Under this agreement, we will commit to raise funds and grant guarantees in proportion to our participation in the voting capital of Eletronuclear. ENBPar will be responsible for obtaining any remaining funds and guarantees. We cannot assure you that we will obtain the funds necessary to meet our investment obligations or that ENBPar will be able to obtain all the necessary funds and guarantees, which could adversely affect the completion of the project as well as our ability to leverage and guarantee new projects. We may also be adversely affected if third parties seek to enforce their rights against Eletronuclear or ENBPar through the filing of claims against us.

Eletronuclear's reorganization was structured assuming a certain tariff to be charged for energy to be produced by the Angra 3 nuclear plant upon its completion. We cannot guarantee that this tariff will achieve its purpose of guaranteeing the economic-financial balance (considering a present value of the project equal to zero), while also considering a reasonable tariff. If the actual tariff is lower than the tariff required to reach break-even, or if there is a further delay in the start of the commercial operation of Angra 3, the viability of this project could be severely impacted, which in turn could have an adverse effect on our financial condition. For further information, see "—Risks Relating to our Company—We may incur substantial financial liabilities until we complete the construction of the Angra 3 nuclear power plant."

The Eletrobras Privatization Law also provides that ENBPar will be responsible for the government programs that we currently manage, such as PROINFA, *Luz para Todos, Mais Luz para Amazônia* and Procel. There will be a one-year transitional period from the date of settlement of the Global Offering during which we will retain liability for the management of these programs Any claims that arise against us in relation to our liability during the transitional period may adversely affect us. Furthermore, there can no assurance that we will receive the applicable compensation for the management of such programs on a timely basis, if at all.

During this one-year transitional period, we will need to negotiate the terms for the complete transition of the management of these programs, which should include our obligation to provide support and mentoring to EBRPar with respect to the management and use of the data systems required for the management of these government programs. However, as of the date of this annual report, it is unclear when ENBPar will be able to assume their management or if it will have sufficient resources to manage the programs. As a result, we are unable to determine if an extension to this transitional period might be required, which is not provided for in the regulations. If we are required to manage these programs for an extended time, we will continue to be exposed to potential claims regarding their potential mismanagement. See "—Risks Relating to our Company—We are exposed to mismanagement claims for managing certain sectoral funds and governmental programs" for further details.

Our Proposed Privatization is also conditioned upon the transfer of our 50% interest in Itaipu to ENBPar in exchange for R$1.2 billion, to be paid over 240 months. This payment and timetable, as well as the methodology used to calculate this amount, may also be questioned by shareholders and third parties. Applicable law also provides for a transitional period of up to 180 days from the date of the settlement of our Global Offering, during which we will provide remunerated support and advisory services for Itaipu's energy trading activities. As such, we will remain liable for the management of Itaipu's trading operations and could be subject to claims as a result of any difficulties we encounter during this transitional period.

If ENBPar is not able to assume the management of the commercialization of the energy generated by Itaipu or does not have sufficient resources to effectively manage the commercialization of such energy, over the long-term, we may be required to extend this transitional period, which is not provided for in the regulations and may adversely impact our business.

Accordingly, the corporate reorganization of Eletronuclear and Itaipu and the transfer of the government programs could expose us to significant risks that could negatively impact our cash flows, leverage ratios and financial condition, as well as negatively impact our ability to raise funds in the future.

If our Proposed Privatization is consummated, the Brazilian Government will no longer be our controlling shareholder, which could allow the holders of our international bonds and/or debentures to require us to repurchase their bonds and/or debentures upon a change of control that results in a ratings downgrade.

We have issued dollar-denominated bonds in the international capital markets and *real*-denominated debentures in the Brazilian capital markets. As of December 31, 2021, the outstanding balance of these bonds and debentures totaled US$1.33 billion and R$11.6 billion, respectively. Our international bonds and debentures contain a change of control provision that allows the holders to require us to repurchase their bonds or debentures upon a change of control that results in a ratings downgrade. If we are required to repurchase our international bonds and/or debentures, we would have to finance the repurchase of any holders deciding to exercise their put rights, which could have an adverse effect on our cash flows and financial condition. We may also be unable to obtain such funds, which may result in a default under the terms of the trust deeds governing these bonds and debentures, which may, in turn, result in the acceleration of their outstanding balance. The realization of any of these risks would adversely affect us. See "Item 4.B. Business Overview—Lending and Financing Activities—Material Financial Agreements" for further information about our international bonds and other financial agreements.

If our Proposed Privatization is consummated, our current shareholders will experience immediate and substantial dilution after the Global Offering and our bylaws will contain provisions that limit the voting rights of all shareholders, including non-Brazilian shareholders, which could prevent or delay transactions that holders of our shares or ADRs may favor.

If our Proposed Privatization is consummated, our shareholders will experience immediate and substantial dilution after the Global Offering to the extent the offering price per ADR is greater than the book value per share of our common shares.

In addition, our bylaws will be amended to include provisions that have the effect of avoiding the concentration of more than 10% of our common voting shares in the hands of one or a small group of shareholders. See "Item 4.A. History and Development—Proposed Privatization" for further information on any restrictions on your voting rights.

The absence of a single, controlling shareholder or group of controlling shareholders may create difficulties for our shareholders to approve certain transactions, because, among other things, the minimum quorum required by law for the approval of certain matters may not be reached. We and our shareholders may not be afforded the same protections provided by the Brazilian Corporate Law against abusive measures taken by other shareholders and, as a result, may not be compensated for any losses incurred. Any sudden and unexpected changes in our management, changes in our corporate policies or strategic direction, takeover attempts or any disputes among shareholders regarding their respective rights may adversely affect our business and results of operations.

Our Proposed Privatization may be challenged, which could delay or prevent its consummation, as well as complicate our ability to maintain our market share. In addition, there is speculation that certain politicians may propose to reverse the Proposed Privatization, if consummated.

The model and other aspects of our Proposed Privatization, such as the corporate restructuring described above, as well as the legislative proceeding that resulted in the enactment of Law No 14,182/2021, could be challenged by regulatory bodies, consumer groups, or others or be suspended by Brazilian courts, which could delay or even prevent the completion of our Global Offering and have adverse legal and reputational effects on us. The corporate restructuring, especially the change of control of Eletronuclear, may be challenged in court. Accordingly, the Brazilian courts or regulatory bodies may require us to make additional adjustments to the structure of our Proposed Privatization, which may impede or delay our Proposed Privatization. Up to this moment, there are twenty-one ongoing lawsuits challenging in court the model of our Proposed Privatization litigations. See "Item 4.A. History and Development—Proposed Privatization" as well as "Item 8.A. Consolidated Financial Statements and Other Information—Litigation—Legal Proceedings Relating to Our Privatization Process" for further information about legal proceedings related to our Proposed Privatization.

In addition, the Brazilian Government's decision to proceed with our Proposed Privatization may be affected by market conditions and political decisions, which could adversely impact our Global Offering and business. Potential presidential candidates, as well as other politicians, are campaigning against our Proposed Privatization. As a result, if our Proposed Privatization is consummated, the Proposed Privatization could be challenged by opposition parties as a result of the upcoming elections and the Brazilian Government could regain voting control over us. If our Proposed Privatization is not consummated or subsequently challenged, we may struggle to raise capital and maintain our investments and our current market share.

Risks Relating to our Company

Transactions with related parties, including as part of our Proposed Privatization, may not be properly identified and managed, which could expose us to lawsuits and affect our financial results.

We are a state-controlled company and, in certain circumstances, transactions that we enter into with Brazilian state-controlled companies or governmental entities have no comparable market terms available, and we cannot guarantee that these related party transactions have been or will be done on arm's length basis. This risk will remain even after the consummation of our Proposed Privatization because the Brazilian Government will remain our significant shareholder.

In connection with our Proposed Privatization, we are required to enter into several transactions with related parties as a condition for our Proposed Privatization. The transactions include the transfer of our controlling interests in Eletronuclear and Itaipu to ENBPar, a newly formed entity controlled by the Brazilian Government, since both entities must remain under the direct or indirect control of the Brazilian Government. We are also required to enter into an investment agreement with ENBPar to further finance of the construction of the Angra 3 nuclear plant. In addition, our Proposed Privatization is conditioned on us entering into new concession agreements for certain existing generation plants in consideration for us making certain payments to Brazilian Government and the CDE

Account, including payments that will be made from the net proceeds of the Global Offering. See “Item 4.A. History and Development—Proposed Privatization” for further information about our Proposed Privatization.

Third parties may question the assessment of the calculation for the value of the new electric power generation contracts and/or the price and structure of the transfer of our interests in Eletronuclear and Itaipu. See “—Risks Relating to our Privatization,” for further details.

Furthermore, we must comply with Brazilian antitrust and competition regulations, as well as with the disclosure requirements of the CVM, the SEC, and the stock exchanges on which our securities are listed. Any noncompliance with applicable requirements relating to related party transactions could adversely affect our financial condition, may result in lead to regulatory penalties and may expose us to lawsuits from third parties.

Our financial and operating performance may be adversely affected by epidemics, natural disasters, and catastrophes, such as the recent outbreak of COVID-19, and climate events.

Our operations may be negatively impacted by epidemics, natural disasters, or other catastrophes such as the current COVID-19 pandemic. More than two years after the World Health Organization declared the COVID-19 outbreak a global pandemic on March 11, 2020, it continues, through new strains and variants, to challenge health authorities and result in global economic uncertainty. The emergence of new variants, such as the gamma variant at the beginning of 2021 and the omicron variant in November 2021, forced many countries to adopt measures of varying severity in order to contain the accelerated spread of the COVID-19 virus and to avoid hospitals being overwhelmed with COVID-19 cases.

Uncertainties still remain regarding the possible impacts of measures intended to contain the spread of new variants and it is not possible to predict whether the major world economies will be able to sustainably recover in 2022 and onwards.

Our revenues from power generation are derived from sales on (i) the Regulated Market, including plants that operate under the quota regime, (ii) the Free Market, and (iii) the spot market. We cannot guarantee that the demand for energy will remain stable or grow in the future. In particular, there can be no assurance that the price of energy we sell in the Free Market will not decrease below the price at which we obtain energy (as a result of a decrease in demand or otherwise). To the extent the sales price of the energy we sell in the Free Market decreases below the price at which we obtain energy, our margins and results of operations may be adversely affected.

If the pandemic maintains its intensity, we cannot assure you that distribution companies will not experience an increase in consumer defaults. In addition, the amortization by the distribution companies of the loans entered into in connection with the “COVID Account” may still result in increased energy tariffs in 2022. Consumer defaults may negatively impact distribution companies and lead to impacts on the revenues of our generation companies. As a result, any of these factors could affect our revenues.

Our revenues from power transmission are derived from fixed tariffs established by ANEEL (through the RAP), which are reviewed periodically in accordance with applicable regulations. These revenues depend on the availability of our transmission assets in the Interconnected System and not on the flow of energy transmitted.

However, as some of our planned transmission lines are still under development, we may still experience delays in their construction if future restrictions are imposed. These restrictions can cause us or our contractors operational delays in the delivery of equipment or other inputs purchased abroad, delays in connecting new users to the Interconnected System, and in maintenance on our infrastructure, resulting in missed deadlines.

Regarding our workforce, due to the COVID-19 pandemic, the risk to the health of our employees has increased significantly.

Given the uncertainties regarding the future impacts or duration of the COVID-19 pandemic, the Brazilian electricity sector may still be subject to the adverse effects of the COVID-19 pandemic. Accordingly, we cannot predict the duration of potential restrictions on economic activity or what impacts they will have on our business. We are also unable to predict what actions or policies the Brazilian Government will take in response to the COVID-19 pandemic or how they will impact our operating performance, financial results, and cash flows.

Further, our operations are largely dependent on climate events, particularly those that could affect the volume of rainfall. Our energy matrix is mostly supported by hydroelectric power plants and a significant impact on water flow could interrupt our generation

and transmission activities and materially adversely affect our results of operations. See "—Climate change can have significant impacts on our generation and transmission activities" for further details.

If we do not remedy the material weakness in our internal controls, the reliability of our financial statements may be materially affected.

During the 2021 audit certification process, we and our independent auditor conducted independent tests and identified deficiencies in our internal controls, which resulted in two material weaknesses included in our annual report for the year ended December 31, 2021. See "Item 15—Controls and Procedures" for further details with respect to material weaknesses in our internal controls.

These control deficiencies, specifically the material weakness in internal controls over financial reporting, could result in misstatements of accounts and disclosures that could result in a failure to prevent or detect material misstatements in our consolidated financial statements. Accordingly, our management has determined that these control deficiencies constitute material weaknesses.

Our internal controls department is responsible for overseeing the implementation of action plans and reports periodically to the Board of Directors and the Audit and Risk Committee. If our future efforts are not sufficient to remedy all the inconsistencies identified, we could continue to experience material weaknesses in our internal controls in the future. Any such material weaknesses could adversely affect our ability to accurately prepare our financial statements, which may result in a restatement of our historical financial statements or in misstatements in our future financial statements and, consequently, adversely affect our business and financial condition.

An arbitral award against Furnas and other equity holders of the Santo Antônio Plant could result in Furnas acquiring majority control over MESA, or a breach of SAESA's financial covenants which could trigger significant obligations for us as we guarantee much of their debt.

Through our subsidiary Furnas, we own 43.06% of the capital stock of MESA, the wholly owned parent of SAESA, which, in turn, holds the concession to operate Santo Antônio Plant. As of March 31, 2022, the other shareholders of MESA were: (i) Novonor (18.25%); (ii) FIP (19.63%); (iii) SAAG (10.53%); and (iv) CEMIG (8.53%). MESA's shareholders entered into the MESA Shareholders' Agreement, that provides for a mutual obligation for all shareholders to participate in any capital increase of MESA in connection with an arbitral proceeding described in "Item 8—Financial Information—Litigation—Arbitration Relating to Santo Antônio." The International Chamber of Commerce ("ICC") decided in favor of a number of construction companies led by Novonor and ordered SAESA to pay the construction companies and other parties R$1,563 billion (based on the value from October 2021).

MESA held an extraordinary shareholders' meeting on April 29, 2022, where the shareholders approved the following matters, among others, (i) the Capital Increase in order to enable the payment of the arbitral award determined in the SAESA Arbitration, and (ii) a preemptive rights period of 30 days, within which MESA's shareholders will decide whether to subscribe for their respective portion of the newly issued common shares under the Capital Increase and to subscribe for any other common shares not subscribed by the other shareholders by such date. The capitalization is expected to be consummated within 30 days. Depending on whether other shareholders decide to participate in the Capital Increase, there is a possibility that Furnas will own a majority of the shares of SAESA following consummation of the Capital Increase. As a result, Furnas might be required to consolidate the results of MESA in the second quarter of 2022.

MESA's shareholders entered into the following agreements which all confer capital support obligations on the shareholders to participate in any capital increase of MESA: (i) a supplemental equity support agreement that obliges the shareholders to increase MESA's capital stock for any increase in relation to the project costs of the Santo Antônio Plant, (ii) a loan agreement entered into by the shareholders, SAESA and BNDES in the ambit of MESA's debt reprofiling which obliges the shareholders to participate in any capital increase in SAESA's capital stock to satisfy an arbitral award under the SAESA Arbitration, and (iii) the MESA Shareholders' Agreement which includes a general obligation of the shareholders to ensure that the Santo Antônio Plant is concluded.

Since it is expected that not all of MESA's shareholders will participate in the Capital Increase, the failure of all shareholders to participate (even if the other shareholders subscribe for the remainder of the Capital Increase) could result in a breach of the capital support obligations, which could be considered by SAESA's creditors as an event of default under SAESA's loan agreements and debentures. If those loan obligations are not met, we and / or Furnas could owe up to R$7 billion in guarantees of those obligations. A default of Furnas or us (with respect to our guarantees) could result in cross-defaults with respect to our other debt obligations.

SAESA's loan agreements and debentures also contain change of control protections for the lenders which could be triggered if there is a change in the control of MESA as a result of the Capital Increase potentially leading to an event of default capable of accelerating the maturity date of the debt. As to Furnas' creditors, certain agreements provide that any capital increase motivated by creditors would result in the non-automatic early termination of such agreements. Additionally, prior approval/notification by regulators such as *Secretaria de Coordenação e Governança das Empresas Estatais* (SEST), ANEEL and CADE is expected to be required in the event of a change of control of MESA. As one of the shareholders is currently subject to a judicial reorganization plan, it is unclear if there could be any adverse effects as a result of this.

In the event Furnas ultimately acquires a majority interest in MESA, we may need to consolidate MESA into our financial statements. MESA has relatively high levels of debt and has incurred losses in recent years and consolidating their results would further increase our hydroelectric generation assets and further expose us to the risk of weak hydrology, which we have experienced recently in Brazil. Alternatively, if the shareholders do not comply with their obligations to contribute capital to allow SAESA to meet its obligations under the arbitral award, this could trigger a default in SAESA's and Furnas' financing agreements, which could trigger a default under SAESA's debt obligations. Furnas and we together guarantee R$7 billion of that debt, and a payment default under those guarantees could cross default our other debt obligations. If this were to occur, it could materially negatively impact our financial condition and result of operations.

Our operational and consolidated financial results are dependent on the results of the subsidiaries and SPEs in which we invest.

We conduct our business mainly through our generation and transmission operating subsidiaries. In addition, we and our subsidiaries conduct some of our business through SPEs, which are created specifically to participate in public auctions for new enterprises in the generation and transmission segments. Our SPEs are typically structured in partnership with other companies to exploit new energy sources and transmission lines. Also, we have an equity interest in 25 affiliates that explore generation, transmission, and distribution activities. Therefore, our revenues and ability to meet our financial obligations is related, in part, to the cash flow generated by, and earnings of, our subsidiaries and SPEs, and the distribution or other transfers of earnings to us in the form of dividends, loans or other advances and payments.

As we generally do not control the SPEs they are not government-controlled entities, meaning that they are not required to follow operational and financial processes applicable to government-controlled entities. As a result, we account for them under the equity method of accounting and their accounting practices may not be fully aligned with ours.

Additionally, as the SPEs and the affiliates are separate legal entities, any right we may have to receive assets of any SPE or other payments upon their liquidation or reorganization will be effectively subordinated to the claims of the creditors of that SPE (including tax authorities and trade creditors). In the event we are unable to receive such assets or other payments, our financial condition and results of operations may be materially adversely affected.

We guarantee several projects that are structured through SPEs. Our financial condition may be adversely affected if the loans related to these projects are not repaid.

Over the past few years, we have acted as guarantor in respect of several SPE projects in which our subsidiaries were minority shareholders to support the construction of these projects.

As of December 31, 2021, the aggregate value of these guarantees was R$29.9 billion. Among the SPEs for which we currently provide guarantees are Norte Energia, Santo Antônio, Teles Pires, São Manoel, and Jirau. If the loans related to these guarantees are not repaid, we may suffer adverse financial impacts.

If any of the SPEs default on their obligations, the guarantees we provided may be called upon, impacting our financial position. Even if a default occurs with only one lender, any such default may trigger cross default clauses in the financing contracts of other SPEs, which could lead to other creditors requesting the acceleration of their loans. Any such cross acceleration would impact the enforcement of the guarantees provided by us and could adversely affect our financial condition.

We may not receive the full value of receivables from the CCC Account transferred to us during the sale process of our distribution companies.

In connection with the sale of our six distribution companies (Amazonas D, Ceron, Eletroacre, Cepisa, Ceal and Boa Vista Energia) certain receivables due to the distribution companies from the CCC Account were transferred to us. As of December 31, 2021,

these receivables totaled (i) R$2.8 billion to be paid by the CCC and CDE Accounts to us in 60 monthly installments, to be updated by the IPCA index; and (ii) R$2.9 billion related to credits due to economic efficiency disallowances ("inefficiency"), to be deducted from the added value of the new concessions to be granted to us under our Proposed Privatization, according to item II, paragraph 1º, article 5º of Law No. 14,182/2021.

With respect to the R$2.8 billion, we already received the amount of R$ 187.9 million. However, we are uncertain if we will continue to receive the further payments on a monthly basis. Further, in respect of R$2.9 billion, if our Proposed Privatization is not consummated, we cannot guarantee that we will receive the "inefficiency" credits to be paid by the Brazilian Government, which are to be used to reduce the amount we pay for the concession bonus.

In addition, we are entitled to receive from Amazonas D R$442.4 million recorded as loans and financings in accordance with the terms of the reimbursement agreement entered into with Amazonas D, which is still subject to a grace period for the payment of the principal. We also recognized a provision of R$340.1 million in the third quarter of 2021 for the current credits of Ceron, Eletroacre and Boa Vista Energia (credits realized before the transfer of the right to us, must be returned to us) since the agreements have not yet been executed with these distribution companies for the reimbursement of that amount. There can be no assurance that we will receive any amounts due to us after the amounts and payment conditions have been determined and the relevant agreements are executed.

Any failure to recover the full amount of the receivables owed to us may adversely affect our results of operations and financial condition.

We may not receive all the debt that Amazonas D owes to us and our subsidiary, Eletronorte.

In April 2019, we completed the transfer of control of our former subsidiary Amazonas D. At that time, Amazonas D owed us R$3.9 billion. Additionally, as of the same date, Amazonas D also owed R$0.4 billion to Amazonas GT in respect of the purchase of energy, totaling approximately R$4.3 billion of exposure to our economic group.

Between September 2019 and June 2021, Amazonas GT and Amazonas D entered into four debt confirmation agreements ("CCDs") in the total amount of R$2.3 billion in order to renegotiate the debts. As of December 31, 2021, Amazonas D's total debt with Eletronorte (which incorporated Amazonas GT in July 2021) was R$1.5 billion.

The original debt that Amazonas D owed us continues to be R$3.9 billion as of the date of this annual report. In October 2021, we entered into a new agreement with Amazonas D for R$435 million relating to fixed assets in progress (AIC). ANEEL recognized this agreement as part of Amazonas D's remuneration structure, as well as approved the revised tariff in November 2020, which was not considered in the valuation of Amazonas D during the sales process. As a result, Amazonas D's debt with us as of December 31, 2021, amounted to R$4 billion.

As of December 2021, Amazonas D stopped paying interest and principal on the contracts that renegotiated its debts, which ended the grace period. Accordingly, as of December 31, 2021, Amazonas D has not paid us the monthly installments due of approximately R$50 million, of which R$28 million represents interest and R$22 million represents principal. These amounts are outstanding as of the date of this annual report.

Accordingly, our exposure to Amazonas D increased to R$6.2 billion as of December 31, 2021 from the R$4 billion originally owed. This significant increase in the debt is due to the non-payment of interest and principal on the financings, the non-payment of the installments under the CCDs and the existing energy debts owed to Eletronorte.

Considering Amazonas D's recent default to us and Eletronorte, and the current amount of its debt with us, there is a possibility that it will not be able to honor all of its debt obligations to us under current conditions. As of December 31, 2021, we recorded provisions of R$2.2 billion for the possibility of default given the history and current financial condition of Amazonas D, which generally enters into agreements to obtain more energy than it requires and has difficulty reaching the regulatory levels defined by ANEEL. If these provisions are not sufficient or if there are any further delays after renegotiations, our financial condition may be adversely affected.

We are exposed to mismanagement claims for managing certain sectoral funds and governmental programs.

We managed the RGR Fund and sectoral funds such as the CDE Account and CCC Account until April 30, 2017, when the CCEE took over the management of these funds. We are also managers of certain government programs, including *Luz para Todos*, Proinfa, Procel, and *Mais Luz para a Amazônia*. All these programs are subject to regulation by ANEEL, MME, and inspection agencies

For further information, see “Item 4B. Information on the Company--Business Overview--Management of Government Programs” and “Item 8–Financial Information-Litigation” for about pending administrative and judicial proceedings regarding the management of the CCC Account by us.

We receive capital resources associated with the contracts executed to cover the administrative costs incurred in operating the *Luz para Todos* and *Mais Luz para a Amazônia* programs. In respect of the expenses under the Procel program, we are reimbursed through the revenues obtained from this program in accordance with Law No. 13,280/2016 and its annual investment plan (PAR Procel). The repayment to us of the administrative costs we incur will depend on the execution of new agreements regarding the administration of government programs, which could impact our operational results depending on the terms and timing of the new agreements.

If the Brazilian authorities conclude that we mismanaged the funds from these government programs, they may impose fines on us, and we may be subject to criminal and civil liability for any such mismanagement. For instance, in July 2019, ANEEL imposed a fine of R$51.7 million for our non-compliance with the management of the CCC Account (Proceeding No. 48500.001106/2014-20). We appealed to court to cancel this fine and as of the date of this annual report we are awaiting a final decision. See “Item 8–Financial Information-Litigation” for further information about pending administrative and judicial proceedings regarding the management of the CCC Account by us.

If our Proposed Privatization is consummated, the management and operation of the *Luz para Todos*, Proinfa, Procel, and *Mais Luz para a Amazônia* programs will be transferred to ENBPar, which could lead to the risks described in “—Risks Relating to our Privatization—As a condition precedent to our Proposed Privatization, we will need to conduct a corporate reorganization.” See also “Item 4.A. History and Development—Proposed Privatization” for additional information regarding our Proposed Privatization.

Indemnification payments for investments in concessions renewed pursuant to Law No. 12,783/2013, which were not yet amortized or depreciated, may not be sufficient to cover those investments.

Pursuant to Law No. 12,783/2013, by agreeing to the renewal of our generation and transmission concessions which were due to expire between 2015 and 2017, we agreed to receive certain payments as compensation for the unamortized, undepreciated portion of our assets that relate to the renewed concessions. The amount of any payments to be received following the renewal of our transmission concessions may not be sufficient to cover our investments in these concessions, which we made to ensure continuity and modernization of service. Further, we cannot estimate when and on what terms we will receive indemnity payments for our generation concessions or if the amount will be sufficient to cover our investments in these concessions.

We have filed claims with ANEEL for our renewed transmission concessions, the RBSE assets and the RBNI assets. The indemnification relating to the RBNI assets was paid in installments between 2013 and 2015, at a book value of approximately R$8.1 billion, as of December 31, 2012. Between 2015 and 2016, ANEEL approved the indemnity payment in respect of the RBSE’s assets at a book value of approximately R$17.6 billion, as of December 31, 2012. The RBSE amounts were included in the transmission tariff as of July 2017. This amount has been challenged in court, which has delayed the timing of payment to us. As a result, in 2017, part of the compensation was excluded by ANEEL due to judicial injunctions. However, these injunctions were subsequently revoked, and the compensation was included in the revenue of the transmission companies as of 2020.

On April 22, 2021, ANEEL’s executive board approved a proposal for the re-profiling of RBSE’s financial component. This decision assumes a reduction in the payment curve of these amounts between July 2021 and June 2023, and an increase in the flow of payments after July 2023, extending these installments until July 2028. Subsequently, after ANEEL’s decision, users of the transmission system submitted requests for reconsideration, alleging that they identified inconsistencies in the values approved by the agency. If ANEEL decides to grant these requests, there may be negative impacts our transmission revenues. Nonetheless, the new payment scheme had already impacted our short-term cash flows by approximately R$8.0 billion.

Regarding our generation concessions, certain of our subsidiaries filed requests with ANEEL, between 2014 and 2015, in accordance with Decree No. 7,850/2012 and ANEEL Normative Resolution No. 596/2013. We recorded these assets at their historical value, since the form of realization of these components has not yet been defined, in a total amount of approximately R$1.5 billion, as of December 31, 2021.

On August 2, 2021, as a result of Public Hearing 03/2019, ANEEL published Resolution No. 942/2021, amending Resolution No. 596/2013, and establishing a methodology for valuing the residual indemnities, which relates to differences between the basic and the executive project and the deadline for delivering the evaluation reports that should be sent by Chesf, Furnas and Eletronorte. ANEEL will carry out an administrative review process to evaluate the information presented in these reports and, once this process is completed,

the final amount will be ratified. There is still no conclusion regarding the actual reimbursement, which must be concluded through a decision and recognition by the granting authority through a legal act. Additionally, no regulation has been enacted that governs the discounting of amounts relating to investments for improvements (*GAG Melhoria*) from this portion of compensation. This regulation is expected to be enacted at the time of the RAG methodology review, which is expected to take place in 2023. There can be no assurance however, that such review will take place in 2023 or a later date.

If our Proposed Privatization is consummated, most of our generation concessions will be subject to the independent power production regime. According to CNPE Resolution No. 15/2021, the decommissioning percentage will be twenty percent per year, as of January 1, 2023, for a five-year period in respect of the full implementation and establishment of the independent production regime for the quota-holding plants. Energy granted by the Tucuruí, Curuá-Una and Mascarenhas de Moraes hydroelectric plants will be available as of the granting of the new concession agreements and will not be subject to this transitional rule. However, we will no longer be entitled to receive indemnification payments for these plants if we enter into the new concession agreements upon our Proposed Privatization. In the event we do not receive such indemnification payments, our results of operations and financial condition may be materially adversely affected.

Under the current rules for the tariff review for generation and transmission concessions, we might not receive the full compensation for costs incurred in the operation and maintenance of these concessions and any expenses in relation to these assets.

In Brazil, the regulatory model for transmission companies is based on the price/revenue cap model. Under this model, ANEEL establishes the tariffs to be charged by the companies which must consider the reasonable costs of capital, operation and maintenance. These tariffs are adjusted annually by inflation and may also undergo a periodic tariff review process, depending on the relevant contractual provisions. At the time of the tariff review, ANEEL's goal is to recalculate the cost of capital and the costs of the efficient operation and maintenance of the system managed by the transmission company. Currently, ANEEL is reviewing the applicable percentage of efficiency gains and the X Factor under Public Consultation No. 64/2021. See "Item 8–Financial Information-Litigation" for further information about these proceedings. As a result, transmission services revenues may decrease following this review. Transmission services provided under contracts that are awarded at auctions currently do not have a remuneration forecast for investments in small improvements, which are investments in the upgrade of small equipment to maintain the provision of adequate services.

ANEEL is also responsible for determining the tariffs to be charged by generation companies with concession agreements renewed pursuant to Law No. 12,783/2013. The RAG is the amount that generation companies are entitled to receive as consideration for supplying energy produced at hydroelectric plants. As part of our Proposed Privatization, a transitional rule will be applied for the discounting of legacy contracts, pursuant to CNPE Resolution No. 15/2021, amended by CNPE Resolution No. 30/2021 (20% per year during the next five years).

A monetary readjustment is applied to the RAG annually and is subject to review every five years. A change in the calculation methodology could reduce the amount of the RAG, including the *GAG Melhoria*.

ANEEL Resolution No. 874/2020 established the WACC to be applied to the investment in (i) our transmission assets, hydroelectric plants subject to the physical guarantee and quota regime (Law No. 12,783/2013), and (ii) Eletronuclear.

Depending on ANEEL's review of the tariffs to be charged by our generation and transmission companies, we may not be adequately compensated for the costs and expenses of our investments in our generation and transmission assets, which could negatively impact our financial condition and results of operations.

If our Proposed Privatization is not consummated, there are no guarantees that our existing concession agreements will be renewed and, if so, on what terms.

We carry out our transmission and generation activities pursuant to concession agreements entered into with the Brazilian Government through ANEEL. The Brazilian Government may, at its sole discretion, renew any existing transmission concessions that were not renewed pursuant to Law No. 12,783/2013 or Law No. 13,182/2015, for an additional period of thirty years without the need to carry out a new public bidding process.

Pursuant to articles 1, 2 and 5 of Law No. 12,783/2013, the concessions of hydroelectric power generation granted pursuant to article 19 of Law No. 9,074/1995, the concessions for thermal generation and the concessions and authorizations for the use of hydroelectric plants with a potential greater than 5,000 kW (five thousand kilowatts) and less than or equal to 50,000 kW (fifty thousand

kilowatts) may be extended, provided that the concession has not been previously extended and remains in effect at the time of publication of the applicable law. The extension depends on the criteria of the granting authority and the specific framework established by the applicable law.

Hydropower concessions granted between February 14, 1995 and December 11, 2003 may be renewed for up to twenty years pursuant to Law No. 9,074/1995. There is currently no legal basis for renewal of other concessions. If the Brazilian Government decides to renew the concessions, it may offer to do so on less favorable terms.

The Authorization for Permanent Operation of Angra 1 expires in December 2024 and we already presented an initial request for Long Term Operation to extend operations for an additional twenty years. As of the date of this annual report, Eletronuclear has not yet received a response from this request. The Authorization for Permanent Operation of Angra 2 expires in June 2041.

Other generation assets, such as wind, solar and thermal plants, which accounted for 7.7% of our total power generated in the year ended December 31, 2021, are subject to authorization, which may be renewed under the conditions provided for in ANEEL Normative Resolution No. 876/2020. If we do not meet such conditions at the time of renewal, we may not be able to renew our authorizations for wind, solar and thermal plants, which could materially affect our business.

Accordingly, if our Proposed Privatization does not occur, our concessions may not be renewed on similar terms or at all. Given the Brazilian Government's discretion in relation to the renewal of concessions, we may face competition during the renewal process. Consequently, we cannot assure you that we will maintain our concessions if our Proposed Privatization is not consummated.

See "Item 4.A. History and Development—Proposed Privatization" for further information about our Proposed Privatization.

Every five years the assured energy of our hydroelectric plants can be adjusted, and we may incur additional costs to purchase energy to comply with existing agreements.

Decree No. 2,655/1998 establishes that the assured energy in place for hydroelectric plants must have ordinary reviews of every five years. Any potential reduction in the value of the physical guarantee is limited to 10% of the original amount of the concession agreement. In addition, at each review, the reduction of the assured energy of the plant may not exceed 5% in relation to the previous review. The next review is expected to occur in 2023.

MME Ordinance No. 178/2017 specifically revised amounts for assured energy in effect as from 2018. Based on these revised amounts, the assured energy for our plants decreased on average by 4% in relation to the original amount of each plant's assured energy, including those of our plants in respect of which the concessions were renewed pursuant to Law No. 12,783/2013, Itaipu, and some of our SPEs. As there are further review cycles, the amounts attributable to our assured energy may be reduced in the future. With respect to some of our plants, there was no recalculation of their assured energy as part of this ordinary review. However, a recalculation of the assured energy of these plants could occur in the next review cycle.

The reduction of the assured energy could impact our revenues and expenses due to the need to purchase energy to comply with sale and purchase agreements already in effect.

Our Proposed Privatization provides for the entry into new concession agreements for an additional thirty-year period with respect to plants that currently operate under the quota regime, in accordance with Law No. 13,783/2013, as well as for the Itumbiara, Sobradinho, Tucuruí, Mascarenhas de Moraes, and Curuá-Una plants. If these new concession agreements are entered into, these plants will be subject to review of their physical guarantees under the methodology established in the Eletrobras Privatization Law and Resolutions CPPI No. 203 and 221. See "Item 4.A. History and Development—Proposed Privatization" for further information about our proposed privatization.

We have substantial financial liabilities, which could make it difficult to obtain financing for our planned investments and may expose us to liquidity constraints.

Our main sources of funding are capital markets issuances and loans from multilaterals and commercial banks in both the local and international markets. Because there may be liquidity restrictions in the debt market to finance our planned investments and to repay principal and interest under the terms of our existing indebtedness, any difficulty in raising significant amounts of debt capital in the future may adversely affect our results of operations and our ability to fulfill our planned or future investments.

Any further lowering of our or Brazil's credit ratings or adverse macroeconomic factors could have negative consequences on our ability to obtain financing in the market through debt or equity securities, or may impact our cost of financing, also making it more difficult or costly to refinance maturing obligations. The impact on our ability to obtain financing and the cost of financing may adversely affect our results of operations and financial condition. Also, if our Proposed Privatization occurs, the Brazilian Government will no longer control us, which may lead to a reassessment of our credit ratings by rating agencies.

We may not be able to prevent, detect, and timely implement corrective measures in relation to the unlawful conduct in our supply chain.

We may not be able to prevent, detect or timely implement corrective measures in relation to any unlawful conduct in our supply chain or the SPEs in which we hold interest in, given the size of our operations and the fact that we do not control most of the SPEs. In the past, we faced investigations against our operations and the obligation to pay fees and penalties in Brazil and the United States as a result of a variety of actions that were not undertaken in compliance with current law. See "Item 4E. Information on the Company—Compliance—Independent Investigation" for further information.

Accordingly, we cannot guarantee that we will not problems related to our subsidiaries, SPEs, and suppliers' conduct in the future. We also cannot guarantee that our stakeholders will not engage in irregular practices.

We are subject to certain covenants, which in case of non-compliance may allow the lenders under the relevant facilities to accelerate our obligations to them.

We are party to several international and Brazilian financing facilities as borrower or guarantor. The bonds we issued in the international capital markets and our existing credit facilities require that we comply with several non-financial covenants, such as negative pledge provisions relating to the pledging of assets, the provision of financial statements by certain deadlines and the provision of an unqualified audit report, among others. These obligations also require us to obtain waivers from the applicable creditors for certain acts, such as actions that result in change of control or the sale of relevant assets.

We, our subsidiaries and SPEs are also subject, in certain local financings, to financial covenants requiring compliance with the following indexes: (i) net debt over EBITDA, with a maximum level dependent on the contracts executed by us and each subsidiary, however generally fewer than four; and (ii) debt service coverage ratios, generally higher than 1.2. See "Item 4B. Business Overview—Lending and Financing Activities" for further information about our financing agreements and status of the waivers required in relation to our Proposed Privatization.

In addition, certain of the financing agreements for the development of our plants, some of which are guaranteed by us, contain acceleration clauses which could be triggered upon default. Any defaults or the acceleration of any financing agreements may also give other lenders the right to accelerate indebtedness owed to them pursuant to cross-default provisions. The acceleration of any financing agreements could adversely affect our results of operations and financial condition.

We are subject to rules limiting the acquisition of loans by state-controlled companies.

Prior to the consummation of our Proposed Privatization, we are subject to certain rules limiting our indebtedness and investments and must submit our proposed annual budgets, including estimates of the amounts of our financing requirements to the Ministry of the Economy and the Brazilian Congress for approval and are subject to inspections conducted by the Federal Court of Accounts that may result in the imposition of sanctions on us and our management. Thus, if the Proposed Privatization does not occur and our operations do not fall within the parameters and conditions established by the Brazilian Government, we may have difficulty in obtaining the necessary financing authorizations, which could create difficulties in raising funds.

If we are unable to obtain approval to increase our funding, our ability to invest may be impacted, which would affect the execution of our growth strategy, particularly our investment in large scale projects, which could materially affect our results of operations and financial condition.

We are subject to the inspection of the Federal Court of Accounts, which may result in the imposition of penalties and/or sanctions on us and our management to the extent irregularities are proven.

As a state-controlled company, prior to the consummation of our Proposed Privatization, our operations are subject to the inspection of the Federal Court of Accounts. Such inspections may result in the imposition of penalties and/or sanctions on us and our

management, to the extent irregularities are proven. Any such penalties and/or sanctions may materially adversely affect our business, results of operations and financial condition. If our Proposed Privatization is consummated, we will no longer be a state-controlled company and, thus, will no longer be subject to the inspection of the Federal Court of Accounts.

If any of our assets are deemed assets dedicated to providing an essential public service, they will not be available for liquidation and will not be subject to attachment to secure a judgment. Moreover, if the Proposed Privatization is consummated, we will no longer be a state-controlled company and will be subject to the Brazilian Bankruptcy Law.

Law No. 11,101/2005, as amended (the "Brazilian Bankruptcy Law") governs judicial recovery, extrajudicial recovery, and liquidation proceedings and replaces the judicial debt reorganization proceeding known as reorganization with judicial and extrajudicial recovery. The law also states that its provisions do not apply to government-controlled and mixed capital companies such as our subsidiaries and us. However, the Brazilian Federal Constitution establishes that mixed capital companies, which operate a commercial business, will be subject to the legal regime applicable to private corporations in respect of civil, commercial, labor and tax matters. Whether the application of the Brazilian Bankruptcy Law would apply to state-controlled companies (including mixed capital companies) is currently subject to an Extraordinary Appeal (case No. 1.249.945/MG) filed before the STF, thus we cannot assure whether the provisions relating to judicial and extrajudicial recovery and liquidation proceedings of the Brazilian Bankruptcy Law would apply to us.

Furthermore, we believe that a substantial portion of our assets, including our generation assets and our transmission network, would be deemed by Brazilian courts to be related to providing an essential public service. Accordingly, these assets would not be available for liquidation or attachment to secure a judgment. In either case, these assets would revert to the Brazilian Government pursuant to Brazilian law and our concession agreements. We cannot assure you that any compensation we receive for such assets would be equal to the market value of the assets and, accordingly, our financial condition may be affected.

If the Proposed Privatization is consummated, we will no longer be a state-controlled company and, in principle, would be subject to the Brazilian Bankruptcy Law. However, we cannot assure you that the Brazilian Bankruptcy Law would apply to our subsidiaries, given that Law No. 12,767/2012 provides that judicial and extrajudicial recovery do not apply to electric power concessionaires until the termination of their concessions.

We may be indirectly liable for damages related to accidents involving our subsidiary Eletronuclear.

Our subsidiary Eletronuclear, as an operator of nuclear power plants, is subject to strict liability under Brazilian law for damages in the event of a nuclear accident caused by the operations of nuclear plants Angra 1 and Angra 2, pursuant to the Vienna Convention on Civil Liability for Nuclear Accidents.

The Angra 1 and Angra 2 plants operate under the supervision of the CNEN, and are subject to periodic inspections by international agencies, such as the International Atomic Energy Agency (IAEA) and the World Association of Nuclear Operators (WANO).

Eletronuclear may fail to receive sufficient amounts, or any amount at all, under insurance policies it has obtained for Angra 1 an Angra 2.

As a result of our equity interest in Eletronuclear either currently or after the Proposed Privatization is consummated, we may still be required to contribute amounts to cover any shortfalls in indemnification or may be found liable for any such shortfalls or damages arising from nuclear accidents under Brazilian law.

A recent decision from Brazilian Court allowed for the inclusion of shareholders as defendants without piercing of the corporate veil in lawsuits seeking compensation for environmental damages. The shareholders were included as defendants along with the company in the lawsuits. The plaintiffs were not required to prove the lack of resources of the company as a condition to seek compensation from the shareholders. This case could have implications for us in the event our subsidiaries or affiliates were accused of environmental damages.

If an accident occurs, we can provide no assurance regarding its impact on us, or if the insurance coverage will be sufficient to cover all associated costs. Since nuclear accidents are usually catastrophic and given that we will maintain a 68% stake in Eletronuclear even if we are privatized, accidents can materially adversely affect our financial condition and reputation, including as a result of criminal liability.

We may incur substantial financial liabilities as well as unexpected expenses until we complete the construction of the Angra 3 nuclear power plant.

In 2009, our subsidiary Eletronuclear started the construction of the nuclear plant, Angra 3. The construction of the plant was suspended during 2015, as Eletronuclear faced difficulties making the capital contributions required by the financing contracts entered into with BNDES. Additionally, in 2015, several investigations commenced to assess potential illegal activities by companies that provided engineering services to Eletronuclear in relation to the Angra 3 project and the TCU determined the suspension of construction due to these allegations. See "Item 4E.Information on the Company—Compliance—Independent Investigation" for further information about these investigations.

The termination of the agreements and/or the suspension of payments to these engineering companies, led civil lawsuits filed by them against Eletronuclear regarding the suspension of construction at Angra 3. See "Item 8.A. Financial Information—Consolidated Financial Statements and Other Information—Litigation" for further information about these lawsuits.

In 2020, we approved a plan to resume the construction of Angra 3, however, no assurance can be made regarding the timely completion of construction on budget. In addition, Eletronuclear is still involved in the lawsuits mentioned above.

As of December 31, 2021, Eletronuclear had completed approximately 66.21% of the original project. The revised budget for Angra 3 now totals R$28.3 billion, of which R$9.3 billion is pending implementation; the forecasted date for operation of Angra 3 is now November 2027. However, due to the several factors, including specific equipment and supplies, which are mostly acquired abroad and other events we cannot control, we may be required to incur further expenses to conclude the work on Angra 3.

Further, if the restructuring of Eletronuclear is not carried out or the construction works at the Angra 3 plant are suspended again, we may be required to prepay a financing granted by BNDES to Eletronuclear (having an outstanding balance of R$3.4 billion as of December 31, 2021) because we are a guarantor of this loan. As we are also the guarantor of a loan to Eletronuclear by Caixa Econômica Federal (having an outstanding balance of R$3.0 billion as of December 31, 2021), we may need to record further impairments in relation this loan if the project does not advance. As of the date of this annual report, we have recorded an aggregate R$4.51 billion of impairments in relation to this project.

Finally, we should also consider that the lawsuits and investigations involving the construction of Angra 3 could result in damage to our reputation.

We may incur losses and spend time and money defending pending litigation and administrative proceedings.

We are currently a party to, and will likely in the future become party to, numerous legal proceedings relating to civil, criminal, administrative, environmental, labor (including claims filed by outsourced workers), tax, and corporate claims filed against us. Members of our Board of Directors are also, and may become in the future, party to legal proceedings. These claims involve substantial amounts of money and other remedies, under judicial and arbitration proceedings. As of December 31, 2021, we provisioned R$33.4 billion in respect of our legal proceedings, of which R$30.6 billion related to civil claims, and R$2.2 billion to labor claims. Any provisions we have recorded in respect of our legal proceedings may be insufficient to mitigate any losses resulting from adverse decisions. Unfavorable outcomes in legal proceedings and criminal investigations could have a material adverse effect on our consolidated financial position, results of operations and cash flows in the future. We cannot guarantee that new material proceedings or investigations will not arise against us, our affiliates, officers, employees, or members of our Board of Directors. See "Item 8.A. Financial Information—Consolidated Financial Statements and Other Information—Litigation" and note 34 to our Consolidated Financial Statements for further information about claims against us.

We are currently party to a labor public civil action filed by the workers unions representing the employees of our former distribution subsidiaries Amazonas D, Ceron, Eletroacre, Ceal, Cepisa, and Boa Vista Energia against such companies and us seeking the annulment of our 170th extraordinary general shareholders' meeting, which approved the privatization of our former distribution companies. Both the trial and the appellate Labor Court ruled the case in favor of the unions and annulled the 170th extraordinary general shareholders' meeting and all the acts carried out as a result of this extraordinary general shareholders meeting, including the privatization of our former distribution subsidiaries. The appeals filed by us and our former subsidiaries against the appellate Labor Court opinion are pending judgment before the Superior Labor Court. In case the ruling in favor of the unions becomes final an unappealable, the claim may result in a material adverse effect on our financial condition.

In addition, unfavorable decisions in lawsuits and administrative proceedings filed against our directors and officers may affect our reputation and business, as well as prevent them from continuing to exercise their functions as our directors or officers.

Moreover, we cannot assure that new material proceedings against its directors and officers, its managers or other senior employees, will not arise or that existing proceedings will not directly affect its business model and expansion plan, which may adversely affect our business and results of operations.

In the event that claims involving a material amount for which we have no provisions were to be decided against us, or in the event that actual losses are significantly greater than the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on our financial condition. Our ability to estimate judicial losses was considered a material weakness as further described in "Item 8—Financial Information—Litigation." In addition, our management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on our core business. Depending on their outcome, certain litigation could restrict our operations and have a material adverse effect on certain of our businesses. Members of our management have in the past been and may in the future become parties to legal proceedings and may also be prevented from serving in their positions as a result of any criminal proceedings brought against them.

In addition, we and certain of our and our subsidiaries' officers and directors (as well as the SPEs and senior employees of the SPEs in which we hold an equity interest) have come or are currently under criminal investigation in respect of certain corruption related investigations. See "Item 4E. Information on the Company—Compliance—Independent Investigation" for further information. Ongoing and any future investigations may (1) distract the attention of our and our subsidiaries' senior management (as well as the senior management of the SPEs in which we hold an equity interest), and (2) result in the filing of formal complaints and proceedings against us and such other persons and parties. In addition, all these factors could impact investor interest in the Global Offering, as well as adversely affect our reputation, business, results of operations and financial condition.

We and our subsidiaries are also parties to administrative and judicial proceedings involving environmental matters. If any of these proceedings are decided against us or them, we may, directly or indirectly, be subject to financial penalties, as well as the suspension or revocation of the relevant environmental license or the suspension of our operations, which could materially adverse effect on our operations and financial condition.

Notwithstanding, we and our subsidiaries can also be held criminally responsible for acts committed by previously controlled companies involving environmental matters. As a result, we can be subject to potential fines and sanctions imposed under the Environmental Crimes Law, together with reputational damage.

We may incur losses in legal proceedings relating to compulsory loans made in the period between 1962 and 1993.

In 1962, Law No. 4,156/1962 established the compulsory loan program for electricity consumption in order to finance the expansion of the Brazilian electricity sector. The first phase of the compulsory loan program took place from 1964 to 1976 and the second phase took place from 1977 to 1993.

As discussed further below, we are party to numerous lawsuits concerning a variety of compulsory loan-related issues. These lawsuits span numerous different jurisdictions within Brazil, and many have been ongoing for several years. The litigation is enormously complex, and plaintiffs together seek significant total damages. Although we believe that the compulsory loan leading cases, decided by the STJ according to Brazil's repetitive appeal regime, are supposed to have binding effect on judges and Courts, it is not possible to predict with the necessary certainty how this litigation will progress or resolve, as courts have in practice reached, and may continue to reach, different or even conflicting conclusions on a number of key issues. Our financial condition and results of operations could be materially adversely impacted in the event of unfavorable judicial decisions.

The provisions we record in respect of compulsory loan litigation require significant judgment, as well as monitoring and analysis of numerous individual lawsuits. These provisions may not be sufficient to cover future losses, including in the event that the future course of the lawsuits differs from our expectations. In addition, we assess our exposure to this litigation on an ongoing basis in light of available judicial authority, and we adjust our provisions from time to time, including, among other things, in response to new judicial decisions. We have in the past modified, and may again in the future modify, our provisions significantly. For example, during the third quarter of 2021, we made a decision to increase our provision for compulsory loan-related litigation by R$8.9 billion, based among other things on our assessment of the evolving judicial landscape. Our financial condition and results of operations could be materially adversely impacted in the event that we are required to record additional provisions in respect of compulsory loan litigation.

Bearer Bonds

During the first phase, the collection of compulsory loans reached several classes of electricity consumers, and the taxpayers' credits resulting from the collections carried out in the period from 1964 to 1976 were embodied in bearer bonds issued by us. Following an administrative decision of the CVM, among other things, we understand that the bearer bonds issued as a result of the compulsory loan program do not constitute securities, are not tradable on any stock exchange and do not have defined prices. Although we believe that most or all of these bearer bonds have already expired and their collection is no longer feasible given the statute of limitations, in light of judicial precedents and administrative decisions of the CVM, we cannot guarantee that all courts will agree with our interpretation. If one or more courts depart from what we believe was decided in the bearer bond leading case – repetitive appeal REsp 1.050.199/RJ– which has been consistently followed by judges and lower court precedents, then providing holders of these bearer bonds with collection rights, this could adversely affect our financial condition and results of operations. In addition, there are a small number of claims that seek to enforce certain bearer bonds that may have been filed before the applicable statute of limitations expired. As of December 31, 2021, we recorded a provision referring to claims for bearer bonds in the amount of R$1.3 million. More generally, any court decision that conflicts with our understanding of the possibility of enforcement of bearer bonds could adversely affect our financial condition and results of operations, in addition to materially affecting our loss estimates. See "Item 8—Financial Information—Litigation—Compulsory Loans—Bearer Bonds" for further information.

Book Entry Credits

In the second phase, in relation to compulsory loans were recorded as book-entry credits by us, for subsequent conversion into our preferred shares.

Over the years numerous lawsuits have been filed against us in relation to the book-entry credits of the compulsory loans. These lawsuits can be subdivided into three main categories of claims. First, there are disputes concerning the criteria and indices adopted for monetary correction (i.e., inflation) levied on the principal amount of the compulsory loan credits, which were determined by the law that governs the compulsory loan program. Second, there are disputes regarding the appropriate period for the accrual of remunerative interest of 6% per year on the amount of monetary correction on the loan principal. And, lastly, there are disputes concerning interest on arrears on the amount of monetary correction on the principal amount and corresponding remunerative interest of 6% per year. We consider claims seeking the application of the remunerative interest rate of 6% on the amount of monetary correction after the relevant shareholders' meeting at which the book-entry credit was converted into preferred shares as presenting a possible risk of loss.

These matters, among others, have been addressed in decisions handed down by the STJ. See "Item 8 – Financial Information—Litigation—Compulsory Loans—Book Entry Credits" for further details about the relevant case law. As of December 31, 2021, we recorded a provision of R$25.7 billion in light of the relevant precedents and on-going judicial decisions. However, if one or more courts decide differently from precedents that we believe to be favorable on such matters, or otherwise render unfavorable decisions against us, this could adversely affect our financial condition and results of operations.

If any of the present claims are decided against us, any further appeals by us are unsuccessful, and/or the STJ issues a final decision definitely reinstating the STJ Decision of June 2019 (Case Roma) (as defined and discussed further in "Item 8—Financial Information—Litigation—Compulsory Loans—Book Entry Credits."), we may have to significantly increase our provisions for such claims. For example, we estimate, based on information available as of the date of this annual report, that the increase could be approximately R$12.1 billion (currently classified as a possible risk of loss) if the STJ Decision of June 2019 (as discussed further below) were reinstated on appeal.

Regarding the calculation methodology, in addition to the final term of application of remunerative interest, there are still additional discussions in the legal proceedings concerning differences in the monetary restatement of the compulsory loans. For further details regarding these legal proceedings, see "Item 8—Financial Information—Litigation—Compulsory Loans—Book Entry Credits."

These proceedings also discuss, among other issues, the incidence of monetary restatement of the principal between December 31 of the year prior to the date of the general shareholders' meeting at which such credits were converted into preferred shares ("Conversion Meeting") and the date of ratification of the relevant Conversion Meeting, as well as the imputation (rebate order) of payments made by us within the scope of legal proceedings, in the total estimated amount of R$565 million. Based on the currently available information, we have classified the probabilities of loss in these types of claims as remote and possible, respectively. Accordingly, we have not recorded any provision in connection with such proceedings. If our assessment of the ongoing claims and their exposure is incorrect, we may have to increase our provisions for such claims.

In general, and with certain specific exceptions, we have not recorded any provision in relation to lawsuits aimed at collecting book-entry credits of compulsory loans that are initiated by third parties other than the legal holders of these credits, who have already transferred these claims to third parties and/or who are claiming the enforcement of these credits by entities not specified in the initial petition, as required by Brazilian law. Although case law has generally ruled in our favor on this subject, there was at least one recent case with an unfavorable judgement. Nevertheless, based on existing precedents and our understanding of current regulations, we continue to believe that the courts ought to follow the prior judgments that have ruled that branches of companies are not able to enforce court orders on this subject on behalf of the parent company when the branch was not included in the initial petition.

Moreover, if the totality of the credits related to the four Conversion Meetings that are not linked, to the best of our knowledge, to any proceedings already filed, are considered enforceable in legal proceedings, regardless of the plaintiff identified in the initial petition and the time limit, we believe that we would have to make an additional provision.

In addition, based on other developments in case law related to the book-entry credits of the compulsory loans, we decided in 2021 to increase our existing provisions, as reflected in our Consolidated Financial Statements. Previously, we understood that the holders of book-entry credits had five years after the date that they received the remunerative interest rate (*i.e.* July of each year during the grace period) to file a claim seeking reflexive remunerative interest (interest on the unpaid portion of the monetary adjustment applied to the principal amount of the compulsory loans). However, the consolidated jurisprudence summarized in a recent STJ judgment of June 2021 is more favorable to the plaintiffs argument that conceives five years from the date of the applicable Conversion Meeting to claim this interest.

The result of the June 2021 STJ judgment reinforced (i) the adoption of the understanding that, for purposes of counting the statute of limitations period for reflexive remuneration interest, the initial milestone is the Conversion Meeting for credits into our preferred shares, not applying the limitation of Precedent 85 of the STJ, that is, shielding from the statute of limitations all credits converted at the meeting pursued by the creditor to assess the entire period of reflexive remuneration interest, Accordingly, it is deemed sufficient that the creditor file the lawsuit within five years of the Conversion Meeting; (ii) the appeal dealt with the divergence brought by us, given the leading cases, in Embargoes of Divergence No. 1, 251,194/PR; and (iii) the appeal was decided unanimously, with the votes of five of the ten Justices, including the President of the Section, who now make up the 1st Section of the STJ, which is responsible for ruling on Divergence Motions No. 1,251,194/PR, with the President voting only in the event of a tie.

As a result, despite the position defended by us, considering the developments and consolidation of case law, , we revised the prognosis of loss in these legal proceedings from remote to probable, since the lawsuits were filed within five years from the Conversion Meeting, representing an amount of R$5.3 million provisioned as of December 31, 2021. See “Item 8–Financial Information–Litigation–Compulsory Loans–Book Entry Credits” for further information.

We cannot guarantee that we will not be required to record further provisions in respect of any of the claims mentioned above or other claims related to unconverted credits, which, as of the date of this annual report, amounts to R$496 million.

We cannot guarantee that new lawsuits will not be filed or that new judicial decisions (including by higher courts) on compulsory loan-related issues will not be adverse to us. The aggregate cost of unfavorable lawsuits or decisions may have a material adverse effect on our financial condition and operating results. For a detailed description of our compulsory loan related litigation, see “Item 8–Financial Information–Litigation–Compulsory Loans.”

We are, have been, and may again be party to U.S. proceedings relating to disclosures surrounding our compulsory loan credits and bearer bonds.

Our disclosures surrounding compulsory loan book-entry credits and bearer bonds have been, and in some instances remain, the subject of litigation and investigation in the United States.

On October 9, 2019, Eagle Equity Funds, LLC, along with two other plaintiffs, filed a lawsuit against us and two members of our senior management in the United States District Court for the Southern District of New York. The plaintiffs alleged, among other things, that we made false or misleading statements or omissions in documents filed with the SEC with respect to alleged liabilities related to bearer bonds issued approximately in the first phase between 1964 and 1976 and compulsory loan book-entry credits issued in the second phase between 1977 and 1993. In particular, the plaintiffs claimed that our disclosures to the SEC with respect to these liabilities were inadequate, as they allegedly contained misleading information about the status or impact of certain lawsuits and court decisions in Brazil relating to bearer bonds and compulsory loan book-entry.

The plaintiffs claimed to be holders of bearer bonds and American Depositary Receipts (ADRs) issued by us. Among other relief, the plaintiffs sought an injunction to prevent us from (i) making false or misleading statements or omissions with respect to liabilities related to bearer bonds and compulsory loan credits, (ii) making SEC filings containing false statements or misleading or omissions with respect to any potential privatization process that we may undergo; and (iii) make any filings with the SEC until we correct any alleged false or misleading statements or omissions with respect to liabilities related to bearer bonds and compulsory loan credits. The plaintiffs did not specify the number of damages claimed.

On February 3, 2021, the District Court issued a decision dismissing the lawsuit in its entirety. On March 3, 2021, the plaintiffs initiated an appeal against the decision with the United States Court of Appeals for the Second Circuit. Subsequently, the plaintiffs filed a stipulation, dated April 13, 2021, voluntarily withdrawing the appeal.

It is important to emphasize that the dismissal of this lawsuit in the United States does not eliminate or change our exposure to the lawsuits in Brazil with respect to bearer bonds and book-entry credits of compulsory loans. We believe that our prior disclosures about such proceedings and our exposure to them were and continue to be accurate, based on the information available at the time they were made. We also believe that the provisions recorded for these matters are reasonable and appropriate in view of the various contingencies faced by us.

There is considerable uncertainty inherent in any ongoing litigation and especially in proceedings relating to bearer bonds and book-entry compulsory loan claims, which together comprise a complex topic. Several of these lawsuits have been ongoing in Brazil for several years, and the status and provisions/liabilities with respect to such proceedings have evolved considerably, and often unpredictably, over time, due to an ever-evolving judicial landscape that has included, among other developments, the issuance of new contradicting court decisions. Our disclosures are subject to change over time as new information becomes available. Thus, we cannot predict with certainty the results of the processes, and we cannot give any guarantee on the course of ongoing and future actions.

Additionally, on April 20, 2021, we received a request for information from the SEC (Division of Enforcement) regarding an investigation by the SEC related to the compulsory loan program and related litigation made on our Forms 20-F. We are cooperating with the investigation, have provided documents in response to the SEC's information request, and may provide additional documents or other information in the future. We are also continually assessing whether, based on the investigation and ongoing developments in legal proceedings in Brazil, any changes to our disclosures or provisions are appropriate.

We and our subsidiaries may be required to make substantial contributions to the pension plans of our current and former employees which we sponsor.

We and our subsidiaries may be required to make contributions to the pension plans of our current and former employees. If there is a mismatch in the reserves of the pension plans and the amount of resources available to the plans, in case these plans are defined benefit plans, we (as sponsors) and the pension plan beneficiaries may be required to contribute to the pension plan to top-up the balance to reach the required amount, as provided by the specific regulations established by the regulatory body National Superintendency of Complementary Pensions (*Superintendência Nacional de Previdência Complementar*).

Additionally, we may need to recognize material actuarial liabilities if the equity in the pension funds that we and our subsidiaries sponsor fluctuates because of a decrease in economic activity and its impact on the financial and capital markets.

As of December 31, 2021, we recorded a deficit of R$5.8 billion in our and our subsidiaries' pension plans. In the same period, we and our subsidiaries made contributions of R$294 million to our respective pension plans. The implementation of a remediation plan may result in the payment of extraordinary contributions by the participants and sponsors, to restore the balance of the plan. These amounts could be subject to litigation by the participants, due to a possible disagreement regarding the amounts. The making of such payments could have a material adverse effect on our cash flows and financial condition.

Our insurance policies may be insufficient to cover potential losses.

Our business is generally subject to several risks, including operational accidents, labor disputes, occupational accidents, unexpected geological and hydrological conditions, changes in the regulatory framework, environmental hazards and weather, and other natural phenomena. Additionally, we and our subsidiaries are liable to third parties for losses and damages caused by any failure to provide generation and transmission services.

Our insurance policies cover only part of the losses that we may incur. If we are unable to eventually renew our insurance policies from time to time or losses or other liabilities occur that are not covered by insurance or that exceed our insurance limits, we could be subject to significant unexpected losses, which may adversely impact our results of operations and financial condition. Currently, the Candiota 3 plant does not have an operational risk insurance in place and, as a result, if any operational damage event occurs, the cost will not be covered by any insurance.

Also, according to Sections 8 and 8.2 of our D&O insurance policy, it is necessary to notify the insurer regarding the public offer of assets and specially the changes on our control to make an endorsement to balance the insured risk and, subsequently, pay an additional premium within 60 days of the public offer announcement. Our business and financial conditions may be adversely affected in the event we fail to timely notify our insurers.

We do not have alternative supply sources for the key raw materials that the thermal and nuclear plants use.

Our thermal plants operate on coal, natural gas and/or oil and Eletronuclear's nuclear plants rely on processed uranium. In each case, we are entirely dependent on third parties, sometimes monopolies, for the provision of these raw materials. If supplies of these raw materials become unavailable or may not be purchased on reasonable terms for any reason, such as significant increases in price due to inflation, we do not have alternative supply sources and, therefore, the ability of our thermal and/or nuclear plants, as applicable, to generate electricity would be adversely affected, which may impact our results of operations and financial condition.

With respect to uranium, Eletronuclear's has a single supplier, Indústrias Nucleares do Brasil S.A., which faces operational and financial challenges.

With respect to coal, we have two suppliers, Companhia Riograndense de Mineração, which also faces financial challenges, and Seival Sul Mineração, which does not have the installed capacity to meet the plant's demand. If any of these suppliers are not able to comply with their contracts with us, or have their production processes interrupted, totally or partially, our thermal and nuclear plants could be adversely affected.

Strikes, work stoppages or labor unrest by our employees or by the employees of our suppliers or contractors could adversely affect our business.

As of the date of this annual report, all our employees were represented by labor unions as determined by law. We face strikes and work stoppages from time to time. Disagreements on issues involving our privatization, divestments or changes in our business strategy, reductions in our personnel, as well as potential employee contributions and benefits, could lead to further labor unrest. For example, in the first quarter of 2022, there was a strike organized by our employee's union relating to health care coverage and the profit-sharing payments to employees in 2018, which adversely affected our administrative operations. We cannot ensure that future strikes will not affect our operations or administrative routines or that such strikes will not affect the success of our Proposed Privatization.

Strikes, work stoppages, or other forms of labor unrest at our company, our subsidiaries or SPES or any of our major suppliers, contractors or their facilities could impair our ability to operate our business, complete major projects and adversely impact the results of our operations, financial condition, and ability to achieve our long-term objectives. For further information regarding strikes and work stoppages, see "Item 4.B. Business Overview—Operating Process—Types of Plants —Shutdowns and strikes in the last three fiscal years."

Risks Relating to Brazil

We are controlled by the Brazilian Government, the policies and priorities of which directly affect our operations and may conflict with the interests of our investors.

The Brazilian Government, as our controlling shareholder, exercises substantial influence on the strategy of our business. The Brazilian Government also has the power to appoint eight out of the eleven members of our Board of Directors and, through them, influence the selection of most of the executive officers responsible for our day-to-day management.

Additionally, the Brazilian Government holds the majority of our voting shares. Consequently, the Brazilian Government has the majority of votes at our shareholders' meetings, which empowers it to approve most matters prescribed by law, including the following: (i) the partial or total sale of the shares of our subsidiaries and affiliates; (ii) increase our capital stock (which could dilute

the Brazilian Government's interest); (iii) determine our dividend distribution policy, as long as it complies with the minimum dividend distribution regulated by law; (iv) issuances of securities in the domestic market and internationally; (v) corporate spin-offs and mergers; (vi) swaps of our shares or other securities; and (vii) the redemption of different classes of our shares, independent from approval by holders of the shares and classes that are subject to redemption. If our Proposed Privatization is consummated, the direct and indirect interest of the Brazilian Government will be diluted to at most 45% and the exercise of its voting rights will be limited to only 10% of our voting shares.

Our operations impact the commercial, industrial, and social development policies promoted by the Brazilian Government, and the Brazilian Government may pursue some of its macroeconomic and social objectives through us. Therefore, we may, subject to legal and bylaws limitations, engage in activities that give preference to the objectives of the Brazilian Government rather than to our own economic and business objectives, which may incur costs or engage in transactions that may not necessarily meet the interest of our other investors.

Brazil's economy is vulnerable to external and internal shocks, which may have an adverse effect on Brazil's economic growth and on the trading markets for securities.

Brazil's economy is vulnerable to external shocks, including adverse economic and financial developments in other countries. For example, an increase in interest rates in the international financial markets may adversely affect the trading markets for securities of Brazilian issuers. In addition, a drop in the price of commodities produced in Brazil could adversely affect the Brazilian economy. A decline in the demand for exports of any of Brazil's major trading partners could also have a negative impact on Brazil's exports and adversely affect Brazil's economic growth.

In addition, because international investors' reactions to the events occurring in one emerging market country sometimes produce a "contagion" effect, Brazil could be adversely affected by negative economic or financial developments in other countries. Brazil has been affected by such effects on several occasions, including the debt crises in emerging countries during the 1990s and the 2008 global economic crisis. We cannot assure you that any situations like those described above will not negatively affect investors' confidence in emerging markets or the economies of Latin America, including Brazil.

Further, the military action by Russian forces in Ukraine in February 2022 has escalated tensions between Russia and the United States, the North Atlantic Treaty Organization, the European Union and the UK. The United States and other countries have imposed, and are likely to impose, financial and economic sanctions and export controls against certain Russian organizations and/or individuals, with similar actions either implemented or planned to be administered by the EU, the UK and other jurisdictions. See "—Our business may be impacted by political events, war, terrorism and other geopolitical uncertainties, such as the ongoing military conflict between Russia and Ukraine" for further details about the impacts of the military conflict between Russia and Ukraine.

Brazil's economy is also subject to risks arising from several domestic macroeconomic factors. These include general economic and business conditions of the country, the level of consumer demand, the confidence in the political conditions, present and future exchange rates, the level of domestic debt, inflation, interest rates, the ability of the Brazilian Government to generate budget surpluses and the level of foreign direct and portfolio investment.

Our operating conditions have been, and will continue to be, affected by the growth rate of GDP in Brazil, because of the correlation between GDP growth and energy demand. Therefore, any change in the level of economic activity may adversely affect the liquidity of, and the market for, our securities and consequently our financial condition and the results of our operations.

The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy, which can have a direct impact on our business.

The Brazilian Government frequently intervenes in the country's economy and occasionally makes significant changes to monetary, credit, exchange, fiscal, regulatory, and other policies to influence Brazil's economy. For example, the Brazilian Government's actions in the past to control inflation have included wage and price controls, depreciation of the *real*, controls over remittances of funds abroad and, intervention by the Central Bank to affect interest rates.

Recessions can result in a material decrease in Brazil's fiscal revenues and may require stimulus measures from the government. A significant depreciation of the real could affect Brazil's debt/Brazilian GDP ratio, which could have an adverse effect on public finances and on the market price of our securities. The continuation of the current economic scenario may lead the Brazilian Government

to adopt countercyclical policies to attempt to reestablish the country's growth. We cannot assure investors when Brazil's economy will recover a stable growth.

Our business and financial condition may be adversely affected by changes in government policies. Additionally, actions taken or not by the Brazilian Government in response to crises or situations of social or economic instability, such as the current COVID-19 pandemic, may cause changes, for example, in labor legislation or in the rules applicable to the Brazilian electricity sector. These may include other political, diplomatic, social, and economic developments which may affect Brazil or the international markets, liquidity of the domestic markets for capital and loans, and limits on international trade.

We have no control over and cannot predict what measures or policies the Brazilian Government may take in the future. Uncertainty on whether the Brazilian Government will make changes in policy or regulation may contribute to the economic uncertainty in Brazil and to greater volatility of the Brazilian securities markets and the markets for securities issued outside Brazil by companies, adversely affecting our business, the results of our operations and financial condition.

In particular, as one of our principal shareholders, the Brazilian Government exerts (and will continue to exert) significant influence over the selection, nomination, appointment and removal of the members of our Board of Directors and our principal executive officers, and may use its voting power to select, nominate and appoint board members and executive officers whose interests are not aligned with those of our other shareholders or to remove board members and executive officers whose interests are aligned with those of our other shareholders (including as a result of the election of a new presidential administration). Accordingly, the potential election of a new president following general elections in Brazil in 2022 may result in significant changes to our senior management and affect our business strategies and policies, which may adversely affect our business, results of operations and financial condition.

Political uncertainty may lead to an economic slowdown and volatility in securities issued by Brazilian companies.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises affect the confidence of investors and the general public, which may lead to economic deceleration and heightened volatility in the securities issued by Brazilian companies. This risk has increased due to the upcoming presidential election in Brazil, in the second half of 2022.

Brazil has experienced amplified economic and political instability, as well as heightened volatility, as a result of various corruption investigations. In addition, certain foreign regulators, such as the U.S. Department of Justice and the SEC, have also conducted their own investigations. These investigations have negatively impacted the Brazilian economy and political environment and have contributed to a decline in market confidence in Brazil. In addition, they may lead to further allegations and charges against Brazilian federal and state government officials and senior management of Brazilian industry.

The potential outcome of corruption investigations is uncertain, and they have an adverse impact on the perception of the Brazilian economy, political environment and the Brazilian capital markets. We have no control over and cannot predict whether such investigations or allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future or will adversely affect us.

Brazil will hold presidential, federal, and state legislative elections in October 2022. There can be no assurance that these elections will not cause further instability in the Brazilian economy, the capital markets or the trading price of our shares and ADSs.

These uncertainties and volatility could harm our business, results of operations, and financial condition.

The volatility of the Brazilian real and of the inflation rates may impact our operations and cashflows.

In the past years, the Brazilian *real* has been very volatile compared to other major currencies. During 2021, the *real* further depreciated by 7.4%, ending the year at an exchange rate of R$5.5805 per U.S.$1.00. There is no guarantee that the *real* will not depreciate, or appreciate, in relation to the U.S. dollar in the future. The U.S. dollar/*real* exchange rate has experienced significant depreciation in 2022 through the date of the annual report.

A depreciation of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates. Any depreciation of the *real* may generally restrict access to the international capital markets and reduce the U.S. dollar value of our results of operations. Restrictive macroeconomic policies could reduce the stability of the Brazilian economy and harm our results of operations and profitability. In addition, domestic and international

reactions to restrictive economic policies could have a negative impact on the Brazilian economy. These policies and any reactions to them may harm us by curtailing access to foreign financial markets and prompting further government intervention.

On the other hand, an appreciation of the Brazilian *real* relative to the U.S. dollar and other foreign currencies may deteriorate the Brazilian foreign exchange current accounts. We and certain of our suppliers purchase services from countries outside Brazil, and thus changes in the value of the U.S. dollar compared to other currencies may affect the costs of services that we purchase. Depending on the circumstances, the depreciation or appreciation of the *real* relative to the U.S. dollar and other foreign currencies could restrict the growth of the Brazilian economy, as well as our business, results of operations and profitability.

The uncertainty of the factors that impact the exchange rate makes it difficult to predict future movements in the exchange rate. In addition, the Brazilian Government may change its foreign currency policy. Any governmental interference, or the implementation of exchange control mechanisms or remittance of debt, could influence the exchange rate and the investments in the country. The different exchange rate scenarios may have adverse effects on us as they may affect (i) the value of our receivables from Itaipu, which are denominated in U.S. dollars; (ii) the development of the Angra 3 nuclear plant, whose equipment is largely acquired abroad and was purchased under contracts denominated in Euros; (iii) certain sales of energy by Eletronorte which are tagged to dollar-denominated commodities; and (iv) any of our indebtedness denominated in U.S. dollars.

As of December 31, 2021, 17.4% of our total consolidated financing, loans, and debentures of R$44,016 million was denominated in foreign currencies and our total consolidated indebtedness denominated in foreign currencies was R$8,320 million. As of December 31, 2020, 24.4% of our total consolidated financing, loans, and debentures of R$47,002 million was denominated in foreign currencies and our total consolidated indebtedness denominated in foreign currencies was R$11,459 million. As of December 31, 2019, 18% of our total consolidated financing and loans of R$47,900 million was denominated in foreign currencies and our total consolidated indebtedness denominated in foreign currencies was R$8,606 million.

In Brazil, inflation has increased in the past years. Brazil’s annual rates of inflation, measured in accordance with the variation of the IPCA index, were 10.06% in 2021, 4.52% in 2020 and 4.31% in 2019. The Brazilian Government has been raising the basic SELIC interest rate to elevated levels, and public speculation about possible future government actions is having significant negative effects on the Brazilian economy. If Brazil experiences substantial inflation in the future, and the Brazilian Government adopts inflation control policies like those adopted in the past, our costs may increase faster than our revenues, our operating and net margins may decrease and, if investor confidence lags, the price of our shares may fall.

Changes in tax or accounting laws, tax incentives, and benefits or differing interpretations of tax or accounting laws may adversely affect us.

The Brazilian tax authorities have frequently implemented changes to tax regimes that may affect us and ultimately the demand of our customers for the products we sell. These measures include changes in prevailing tax rates and enactment of taxes, both temporary and permanent. Some of these changes may increase our tax burden, which may increase the prices we charge for the products we sell, restrict our ability to do business in our existing markets and, therefore, adversely affect our profitability. There can be no assurance that we will be able to maintain our projected cash flow and profitability following any increases in Brazilian taxes that apply to us and our operations. While we currently receive certain tax benefits there can be no assurance that these benefits will be maintained or renewed.

Also, given the current Brazilian political and economic environment, there can be no assurance that the tax benefits we receive will not be judicially challenged as unconstitutional. If we are unable to renew our tax benefits, those benefits may be modified, limited, suspended, or revoked, which may adversely affect us. Moreover, certain tax laws may be subject to controversial interpretation by tax authorities. If tax authorities interpret tax laws in a manner that is inconsistent with our interpretations, we may be adversely affected. Additionally, changes in accounting policies as the adoption of new standards under IFRS may lead to incomparability of financial statements or to potential adverse effects on our financial results.

Changes in Brazilian tax legislation are frequent and increase during periods of economic instability. Currently, there are different bills under consideration by the Brazilian Congress seeking to implement tax reforms, including proposals to modify the consumption taxation system in its entirety. One proposed law, Law No. 3,887/2020, would end three federal taxes: the federal tax on manufactured products (*Imposto sobre Produtos Industrializados*, or “IPI”), PIS and COFIN, in addition to the State Value Added Tax (*Imposto sobre Circulação de Mercadorias e Serviços* or “ICMS”) at the state level, and Municipal Tax on Services (*Imposto sobre Operações com Bens e Serviços* or “ISS”) at the municipal level, in favor of a new tax on goods and services (*Imposto sobre Operações com Bens e Serviços*, or “IBS”). Another proposal would create a social contribution on transactions that involve goods and services (*Contribuição Social sobre Operações com Bens e Serviços*, or “CBS”), which would substitute PIS and COFINS at a 12% rate on

consumption. Additional bills may also consider such wide-ranging tax reforms envisaged by the Brazilian government. More recently, the proposed Law No. 2,337/2021, was approved by Brazilian Chamber of Deputies, and will soon be voted on by the Brazilian senate. This law introduces a comprehensive reform of income tax rules, mainly seeking to revoke the income tax exemption on the distribution of dividends by Brazilian companies (and impose a 15% tax rate) and also ends the possibility of deducting expenses on the payment of equity interest, extends the minimum term for the amortization of intangibles, changes the income tax rules related to investments in Brazilian investment funds and reducing the tax rate of corporate tax (*Imposto de Renda de Pessoa Jurídica*) and social contribution on net profit (*Contribuição Social sobre o Lucro Líquido*), among other changes. Any such changes could have adverse effects on our results and operations, as well as on the taxation of the dividends distributed from our Brazilian subsidiaries. Tax reforms or any change in the laws and regulations that affect our taxes or tax incentives may directly or indirectly adversely affect our business and results of operations.

Moreover, as a result of the economic impact of the COVID-19 pandemic, tax revenues in Brazil were temporarily reduced, while government spending on public health and other key sectors has increased and may continue to increase. In this scenario, federal, state and municipal governments may enact legislation, permanently or temporarily, that increases the tax burden on our activities, which would have an adverse effect on our business and results of operations.

In addition, we benefit from tax incentives under a program called SUDENE (*Superintendência do Desenvolvimento do Nordeste*) and SUDAM (*Superintendência do Desenvolvimento da Amazônia*), which reduce our income tax burden on our operating profits by 75%. We cannot assure you that these tax incentives will be maintained or renewed or that we will be able to obtain new tax incentives. To guarantee the continuity of these tax incentives during their applicable terms, we must comply with several requirements that can be challenged in courts.

If we lose our existing tax incentives, due to our noncompliance with current obligations and future requirements or if the current tax programs and agreements from which we benefit are modified, suspended, cancelled or not renewed, we could be materially and adversely affected.

Furthermore, we may be subject to investigations by tax authorities at the federal, state and municipal levels. As a result of such investigations, our tax positions may be challenged. We cannot guarantee that the provisions for such proceedings will be correct, that no additional tax exposure will be identified, and that we will not be required to constitute additional tax reserves for any tax exposure. Any increases in the amount of taxation as a result of challenges to our tax positions may adversely affect us.

Any judicial and administrative proceedings related to tax matters before the courts, including CARF and state and municipal administrative courts, may adversely affect us.

Any further downgrading of Brazil's credit rating could adversely affect the price of the ADS and our cost of funding in the capital markets.

Credit ratings affect investor perception of risk and, as a result, the trading value of securities and yields required on future issuances in the capital markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on several factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the prospect of changes in any of these factors. Rating agencies reviewed Brazil's sovereign credit ratings in September 2015 and consequently, Brazil lost its investment grade condition by the three main rating agencies, which adversely affected the trading prices of debt and equity securities issued by Brazilian issuers. As of the date of this annual report, Brazil's sovereign rating was BB-/B (having been revised as stable in April 2022), Ba2 (stable) and BB- (negative) by Standard & Poor's, Moody's and Fitch, respectively.

A prolongation of the Brazilian Government inability to gather the required support in the Brazilian congress to pass additional specific reforms, along with further economic slowdown and/or the inability to effectively contain the COVID-19 outbreak could lead to further ratings downgrades. Any further downgrade of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, negatively affect our ratings, which are aligned to the sovereign ratings. This may increase our future cost of issuances in the capital markets and adversely affect the price of our ADS.

Our business may be impacted by political events, war, terrorism and other geopolitical uncertainties, such as the ongoing military conflict between Russia and Ukraine.

War, terrorism, and other geopolitical uncertainties have caused and could cause damage or disruption to the economy and commerce on a global or regional basis, which could have a material adverse effect on our business, our customers, and the companies with which we do business.

For instance, the global markets are currently operating in a period of economic uncertainty, volatility, and disruption following Russia's full-scale invasion of Ukraine on February 24, 2022. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine and any other geopolitical tensions could have an adverse effect on the economy and business activity globally and lead to:

- credit and capital market disruptions;
- significant volatility in commodity prices;
- increased costs of resources (such as energy, natural gas and coal) for our operations;
- potential appreciation of the U.S. dollar;
- increase in interest rates and inflation in the markets in which we operate, which may contribute to further increases in the prices of energy, oil and other commodities; and
- lower or negative global growth.

Eletronuclear has entered into a non-binding memorandum of understanding with Russian state-controlled company Rosatom for the exchange of information in respect of new large scale nuclear projects without any monetary compensation. The current conflict does expose us to the macroeconomic risks set out above, which could lead to an increase in our costs, which could adversely affect our business if we are not able to pass such increased costs onto our customers.

Additionally, Russia's prior annexation of Crimea, recent recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military interventions in Ukraine have led to sanctions and other penalties being levied by the United States, European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, and the so-called Luhansk People's Republic, including the agreement to remove certain Russian financial institutions from the Society for Worldwide Interbank Financial Telecommunication, or SWIFT, payment system. Additional potential sanctions and penalties have also been proposed and/or threatened. Russian military actions, the resulting sanctions and Russian counter measures or retaliatory actions (including cyberattacks and espionage) could adversely affect the global economy and financial markets and lead to further instability and lack of liquidity in capital markets. The impact of these measures is currently unknown and current and future measures could adversely affect our business, financial condition, and results of operations.

Geopolitical and economic risks have also increased over the past few years as a result of trade tensions between the United States and China, Brexit, and the rise of populism. Growing tensions may lead, among others, to a deglobalization of the world economy, an increase in protectionism or barriers to immigration, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could adversely affect our business.

Risks Relating to the Brazilian Power Industry

We are subject to impacts related to hydrological conditions that may result in lower generation of hydroelectric power and adversely affect our business.

The main source of electric power generation in Brazil is hydroelectric plants, which are a renewable resource and avoid substantial expenditures on fuels needed for thermal generation plants. However, as hydroelectric plants depend on the flow of water, we are subject to substantial seasonal variations in monthly and annual flows, which depend fundamentally on the volume of rainfall during the rainy season. In 2021 and prior years, especially in 2014/2015, adverse hydrological conditions caused several droughts and water scarcity across several Brazilian states, negatively affecting the operations of our hydroelectric plants.

The operation of the Brazilian electricity system is coordinated by the ONS, whose primary function is to achieve optimal operation of the resources available, minimizing operational cost, and the risks of shortage of electricity. However, these mechanisms are not able to absorb all the adverse consequences of a prolonged hydrological shortage, which means we are exposed to hydrological risks. When the total energy generated by the entire hydroelectric system is below the aggregate supply (assured energy) of all the hydroelectric plants, the MRE is triggered and a GSF is applied to all the plants in the system. In this event, energy companies must liquidate the negative balance of their contractual positions in the spot market at the current PLD at the CCEE. The PLD is considered a short-term market price, which can be highly volatile, varying mainly depending on changes in hydrological conditions and on the levels of reservoirs of the hydroelectric plants of the Interconnected System.

In recent years, adverse hydrological conditions at hydroelectric plants have resulted in a material reduction of the GSF, affecting agents with allocated energy lower than their sales contracts, exposing them to the volatility of the PLD. In 2015, to reduce exposures, ANEEL reduced the PLD threshold by more than 50%. This reduction was insufficient to balance the deficiencies, creating a significant increase in defaults at the CCEE.

This led to judicial claims by the affected parties, including our subsidiaries, to minimize the losses with GSF degradation, which led to the publication of Law No. 13,203/2015, establishing the conditions for renegotiation of the hydrological risk. The conditions are different for assured energy installments granted for contracts on the Regulated Market and those negotiated on the Free Market.

For the instalments contracted on the Regulated Market, the renegotiation of the hydrological risk was permitted to be passed through to consumers in exchange for the payment of a risk premium by generation companies who adhered to the renegotiations. For the Free Market, there is the possibility of renegotiation in consideration for contracting a hedge. Our subsidiaries have adhered to the renegotiation of hydrological risk on the Regulated Market, except for Chesf due to certain characteristics of its Sobradinho plant. We opted not renegotiate the risk on the Free Market.

Accordingly, we are exposed to the hydrological risk for concessions which were not renewed pursuant to Law No. 12,783/2013.

If our Proposed Privatization is consummated, the New Concessions Agreements we expect to enter into will be phased into the “independent power production regime” over a five-year term, gradually increasing our exposure to the hydrological risk, and requiring us expand additional funds to manage this risk, which could have an adverse impact on our results of operations.

Failure to comply with, obtain, or renew the licenses required of the plants where we develop our activities may have an adverse effect on us.

Our activities depend on several registrations, authorizations, licenses, certificates and permits, at federal, state, and municipal levels, including Inspection Records issued by the Fire Department (*Auto de Vistoria do Corpo de Bombeiros*), certificate of occupancy (*Habite-se*) of the buildings and operating licenses issued by the respective municipalities and licenses and certificates issued by the Brazilian Army (*Exército Brasileiro*), the Federal Police Department (*Departamento da Polícia Federal*) and/or the respective State Police Department (*Departamento da Polícia Estadual*), to carry out operations, including activities related with controlled chemical products. Most of these documents are subject to expiration and must be timely renewed and may require the payment of renewal fees. In addition, holders of licenses are subject to certain obligations that must be satisfied on a timely basis and in full. Any failure to satisfy these obligations may result in penalties or the suspension, as described below.

In addition, any irregularities or alterations to buildings on the properties on which we operate may also have an effect on the maintenance of such licenses. The expansion of our operations and/or changes in applicable legislation may also require us to obtain new licenses, grants, authorizations, permits and/or registrations from the competent authorities.

We cannot assure that such licenses have been or will be obtained with respect to each plant we operate or that they have been or will be regularly maintained in force or timely renewed. Also, we are aware that some of the licenses were not obtained or timely renewed (e.g., environmental licenses, and licenses and certificates issued by the Brazilian Army, by the Federal Police Department and/or by the respective State Police Department), and, regarding this topic, we are seeking to regularize the situation and remain in constant communication with the relevant governmental agencies. Failure to comply with, obtain or renew such licenses may, on a case-by-case basis, (i) result in infraction notices, (ii) subject us to the payment of fines, (iii) prevent us from opening and operating the establishments, (iv) result in the interdiction or closure of our establishments, (v) expose us to additional risks in the event that a safety and security accident, or similar event, adversely affects such establishment while a license is pending; (vi) result in the application of

other penalties, such as warning and seizure of products, in accordance with the specific applicable legislation (federal, state and municipal); and (vii) result in the imposition of criminal sanctions and the duty to repair or indemnify possible environmental damages. Any failure to remedy any irregularities in our licensing in a manner that avoids an interruption or suspension of our operations or that would require us to make significant and unexpected investments, could adversely affect our business, results of operations, and financial condition. Also, we may incur unexpected costs due to the reallocation of establishments, in the event we are unable to obtain or renew licenses. The occurrence of any of these risks could adversely affect our business.

Accordingly, in the event of a failure to obtain or maintain the applicable environmental licenses or to comply with the conditions of the respective licenses, we may be subject to administrative and criminal sanctions, including fines from R$500 to R$10 million regardless of the occurrence of any damage since environmental licensing of potentially polluting activities and uses of natural resources is mandatory. In addition to fines, we may also be required to pay for any damage caused to the environment and may be subject to other criminal and administrative penalties, such as suspension of activities, deactivation and demolition, among others. Further, the lack of environmental license and/or the failure to fulfill its conditions may also represent a breach of certain covenants provided for in financing agreement, which may cause the suspension of financing resources or the acceleration of the financing agreements, which may materially affect us. See "—Risks Relating to our Company—We are subject to environmental risks in our operations, which may lead to accidents, losses, administrative proceedings and legal liabilities. We are also subject to strict environmental laws and regulations, which may become more stringent in the future and lead to us not obtaining or losing our licenses".

We can be held responsible for the social and environmental impacts of accidents involving the dams at our hydroelectric plants.

Our generation plants have large structures such as dams and floodgates that are used for water storage and reservoir level control. Such structures contain complex engineering works that must comply with several technical and safety standards. Specific laws and regulations provide safety guidelines for these structures, such as Law No. 12,334/2010, which established the National Dams Safety Policy (*Política Nacional de Segurança de Barragens*), and ANEEL Resolution No. 696/2015, which establishes the methodology for risk classification of the dams, the safety standards, and annual inspections of dams.

In addition, Law No. 12,334/2010 was updated by Law No. 14,066/2020, which, among other things, increased obligations related to dam security. These additional obligations may impose new financial risks since companies have to adapt to the new regulation.

Any accident with respect to our subsidiaries' dams or related structures consequences for the surrounding environment, including the population living near or around dams. Any accident could materially affect our results of operations, as well as our financial condition and reputation. It could also lead to the acceleration of financings to which we are a party as borrower or guarantor. Furthermore, a court could find a parent entity, such as us, liable for environmental damages without needing to demonstrate a lack of resources at the subsidiary level, which could also materially affect our results of operations and financial condition.

We might be held responsible for impacts on our own workforce, on the population and the environment, due to accidents related to our transmission systems and facilities.

Our operations, especially those related to transmission lines, present risks that may lead to accidents, such as electrocutions, explosions and fires. These accidents may be caused by natural occurrences, human errors, technical failures and other factors. As a significant part of our operations is conducted in urban areas, the population is a factor to be constantly considered. Any incident that occurs on our facilities or in human occupied areas, whether regularly or irregularly, can result in serious damages such as human losses, environmental and material damage, loss of production and liability in civil, criminal and environmental lawsuits. These events may also result in reputational damage, financial compensation, penalties for us and our officers and directors, and difficulties in obtaining or maintaining concession contracts and operating licenses.

We may be subject to penalties, administrative intervention or loss of our concessions for public service if we provide our services in an inadequate manner or violate contractual obligations.

Law No. 12,767/2012 permits ANEEL to intervene in electric power concessions under which there is a rendering of public services to guarantee adequate levels of service as well as compliance with the terms and conditions under the concession contract, regulations, and other relevant legal obligations. Also, ANEEL Resolution No. 846/2019 provides for penalties, including, among others, warnings, substantial fines (up to 2.0% of the ROL for the fiscal year immediately preceding the evaluation), restrictions on the concessionaire's operations, intervention, or termination of the concession.

For instances, in 2020 our subsidiary CGT Eletrosul was required to pay a contractual penalty in the amount of R$50 million for unavailability of its Candiota 3 thermal plant.

If ANEEL were to intervene in concessions as part of an administrative procedure, we would have to present a recovery plan to correct any violations and failures that gave rise to the intervention. If the recovery plan is dismissed or not presented within the timelines stipulated by the regulations, ANEEL may, among other things, recommend to the MME the expropriation and the concession loss, reallocate our assets or adopt measures which may alter our shareholding structure, including possible changes in the shareholding control of the companies involved.

If the holders of our concessions are subject to an administrative intervention, we and our subsidiaries may be subject to an internal reorganization in accordance with the recovery plan presented by management, which may adversely affect us. In addition, if the recovery plan is rejected by the administrative authorities, ANEEL would be able to use its powers as described above. Our request for new licenses and our participation in public biddings may be subject to more stringent scrutiny by ANEEL.

We cannot guarantee that we will not be penalized by ANEEL for a future violation of our concession agreements or that our concession agreements will not be terminated in the future, which could have an adverse impact on our financial condition and the results of our operations.

Our generation and transmission activities are regulated and supervised by ANEEL. Our business could be adversely affected by regulatory changes or by termination of the concessions prior to their expiration dates, and any indemnity payments for the early terminations may be less than the full amount of our investments.

Pursuant to Brazilian law, ANEEL has the authority to regulate and supervise the generation and transmission activities of energy concessionaries, including investments, additional expenses, tariffs, and the passing of costs to customers, among other matters. Regulatory changes in the energy sector are hard to predict and may have an adverse impact on our business.

Concessions may be terminated early through expropriation, forfeiture, or mandatory transfer of control by the concessionaire. Granting authorities may expropriate concessions in the interest of the public as expressly provided for by law, in which case granting authorities carry out the service during the concession period. A granting authority may declare the forfeiture of concessions after ANEEL and/or the MME conduct an administrative procedure and declare that the concessionaire (i) did not provide proper service or failed to comply with the applicable law or regulation; (ii) lost the technical, financial, or economic conditions required to provide the service properly; and/or (iii) did not make payment in respect of fines charged by the granting authority. Law No. 13,360/2016 sets forth that the concessionaire can submit a change of control plan as an alternative to the termination of the concession.

On October 29, 2019, a working group established by the MME to modernize the energy sector released a report on modernization measures that should be adopted or studied. These measures include pricing, market opening, capacity market coverage and energy separation, implementation of new technologies, enhancement of the Reallocation of Energy Mechanism, and sustainability of transmission. The changes under study may require legal or regulatory modifications. In 2020, the Brazilian Government enacted Law No. 14,120/2021, seeking to strengthen the opening of the Free Market for the sale of electricity and, among other measures, introducing significant improvements in the efforts to modernize the electricity sector led by the Brazilian Government. Any of these changes could materially affect our financial condition and results of operations.

Further, ANEEL analyzes in the context of request for new licenses, the background of the interested party and its economic group regarding its conduct and penalties imposed in connection with other projects (authorizations and concessions), pursuant to Article 16 of ANEEL Normative Resolution No. 876/2020. The accreditation requirements generally provided for in public bidding auctions, which may hinder the participation of agents that have a history of (i) delays in construction milestones/penalties applied for this reason in previous years and (ii) forfeiture of concession agreements, due to the non-compliance to the legislation. Given the existence of administrative proceedings involving the revocation of concession agreements and the execution of performance bonds (against PCH Santo Cristo and CGT Eletrosul).

Also, there is no specific regulation issued by ANEEL regarding nuclear power plants, which are currently subject to

authorization by the CNEN only. The subject is currently under analysis by ANEEL. In the event ANEEL enacts specific regulation for nuclear power generation, such regulation may require additional investment or operational adjustments by us or Eletronuclear to comply with such new regulation, which may affect our financial results.

Certain of our subsidiaries adhered to installments programs for tax debts and must comply with special rules, otherwise, these installments programs may be terminated and the benefits may be cancelled.

Our subsidiaries Furnas, Eletronorte and Eletronuclear are subject to installments programs promoted by tax authorities in respect of certain debts. If they do not comply with these programs, the installments programs may be terminated and, therefore, the benefits may be cancelled. Some installments programs have specific conditions and requirements, including the regularity of payments regarding the installments. If any of these companies do not comply with the rules, the installments programs may be terminated. In this situation, the tax debts could be charged by the tax authorities, with legal increases pursuant to the legislation applicable at the time of the triggering events. This could have an adverse impact on our results and financial condition.

Failures in our information technology systems, information security systems, and telecommunications systems may adversely impact us.

Our operations are heavily dependent on information technology and telecommunication systems and services. We also use information technology to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we depend on information technology for electronic communications between our facilities, personnel, customers and suppliers. We also process personal data of our employees and customers (business-to-business).

Interruptions in these systems, caused by obsolescence, technical failures intentional acts or discontinuity in the implementation, maintenance, and evolution of technological solutions, can disrupt or even paralyze our business and adversely affect our operations and our reputation. In addition, security failures related to sensitive information could occur due to intentional or unintentional actions, such as cyberterrorism, or internal actions, including negligence or misconduct of our employees.

We have observed an increase in cybersecurity attacks worldwide in recent years. In particular, Eletronuclear suffered a ransomware attack in 2021, and we cannot assure that we will be able to address future attacks successfully. Also, the remote working arrangements implemented due to the COVID-19 pandemic have increased our dependence on information technology systems and infrastructure, and they may further expand our vulnerability to this risk. In the event of such actions, we, our customers, and other third parties may be exposed to potential liability, litigation, and regulatory or other government action, damage to brand and reputation and other financial loss. In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, or suppliers. The cost and operational consequences of responding to cybersecurity incidents and implementing remediation measures may be significant and may not be covered by insurance. Our cybersecurity risk also depends on factors such as the actions, practices and investments of customers, contractors, business partners, vendors and other third parties.

The regulatory environment regarding cybersecurity, privacy and data protection issues is increasingly complex and may have impacts on our business, including increased risk, costs and expanded compliance obligations. The potential costs of compliance with or imposed by new or existing regulations and policies that are applicable to us may affect our business and could have a material adverse effect on our results of operations.

Also, unauthorized disclosures or security breaches affecting personal data may subject us to judicial proceedings and administrative penalties that affect our financial condition and reputation. Moreover, any remediation efforts we implement could result in interruptions, delays or cessation of services that may impede our critical functions. Any material costs that we might incur due to of failures in our information technology systems, information security systems, and telecommunications systems may materially affect our results of operations, financial condition and reputation.

We are subject to risks associated with failure to comply with the applicable data protection laws, and we may be adversely affected by the imposition of fines and other types of sanctions.

We cannot guarantee that our operations will be compliant data protection laws (including the LGPD in Brazil) and that our personal data processing activities will be secure, and consequently that, we will not be subject to fines and other types of sanctions.

The LGPD came into effect on September 18, 2020. The LGPD changed the way the protection of personal data is regulated in Brazil. It establishes a new legal framework to be observed in personal data processing operations and provides, among other things, for the rights of the owners of personal data, the legal bases applicable to the protection of personal data, the requirements for obtaining consent, obligations, requirements regarding security incidents, leaks and data transfers, as well as the creation of the Brazilian National Data Protection Authority, or the ANPD.

In addition, in 2021 we had three non-critical incidents involving personal data in our subsidiaries, two of them in CGT Eletrosul and the other one in Furnas.

If we do not comply with the LGPD or any other data protection laws to which we are subject, both we and our subsidiaries may be subject to sanctions, either individually or cumulatively, including warnings, obligations to disclose incidents, temporary blocking or deletion of personal data, and penalties of up to 2% of our revenue or the revenue of our group. In addition, we may be held liable for material, moral, individual, or collective damages caused by us, and may be held jointly and severally liable for material, moral, individual or collective damages caused by our subsidiaries.

Failure to protect personal data processed by us and our subsidiaries, as well as the failure to adjust to the applicable legislation, may result in significant fines for us and our subsidiaries, disclosure of any incidents in the media, the deletion of personal data from our database, and the suspension of our activities, which could adversely affect our reputation, business, results of operations and financial condition.

Our failure to protect our intellectual property may adversely impact us.

We rely on a combination of trademark, patent, copyright, software and trade secret laws in Brazil, as well as license agreements, to protect our intellectual property assets. We also rely on a number of registered and unregistered trademarks to protect our brands. On the date of this annual report, we held several registered trademarks and trademark applications in Brazil. See “Item 5C. Research and Development, Patents and Licenses--Trademarks, Patents and Licenses” for further information about our intellectual property.

Unauthorized parties may copy or otherwise obtain and use our assets. In addition, if we intend to maintain international operations, copyright, trademark, software, patent and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could adversely affect our business or our ability to compete. Furthermore, competitor companies may own large numbers of patents, software, copyrights and trademarks and may frequently threaten our rights, which could require us to expend substantial amounts in legal costs to protect our intellectual property rights.

We are exposed to environmental risks due to impact and non-compliance with laws and regulations related to our operations, which may lead to accidents, losses and administrative proceedings and legal liabilities. In addition, laws and regulations may become more stringent in the future and lead to us not obtaining or losing our licenses.

Our activities expose us to substantial environmental risks, especially during the construction of our generation plants and transmission lines. Further, the dams for our hydroelectric plants expose us to the risk of dam failure, due to factors that may be internal or external to the structure (such as, for example, failure of a dam upstream from the site). These events can occur due to technical failures, human errors, or natural disasters, among other factors. Accordingly, the scale, and nature, of the risk is not entirely predictable and its occurrence may result in health impacts on our workforce and/or surrounding communities, fatalities and environmental damage. A dam failure can also cause material damage, production losses, financial losses and, in certain circumstances, liability in civil, labor, criminal, environmental and administrative proceedings. As a result, we may incur expenses related to the mitigation, recovery and/or compensation for the damages caused.

Our generation and transmission activities are regulated by federal, state, and local environmental legislation. We also are subject to the supervision of government agencies responsible for implementing these laws.

The National Environmental Policy defines a polluter as, the individual or legal entity, under public or private law, responsible, directly or indirectly, for an activity that causes environmental damage, i.e., the agent that causes the damage is liable for repairing it or paying indemnification for the damages caused to the environment and affected third parties regardless of fault. Civil liability is applicable to the agents that direct and indirectly caused the environmental damage. Accordingly, environmental damage caused by third parties engaged by us may subject us to the obligation of repairing this damage.

The non-compliance with environmental laws and regulations and/or failures in the use of materials and disposal of solid waste, contamination, our usage of water resources, possible impacts caused on protected areas, the suppression of vegetation without previous authorization, the breach of any requirement set forth in environmental licenses, may lead us to significant penalties, such as, the shutdown of a plant and its consequent unavailability to the system, payment of fines, and to reputational damage and civil, administrative, and, in certain cases, criminal liability.

Furthermore, we may also be subject to material reputational risks related to the way we address traditional communities' rights and resettlements. Generally, these matters are addressed through mitigation and compensation measures as part of the the environmental licensing process. However, since several of our projects predate the environmental licensing legislation, there are some ongoing discussions as to the need for additional measures. In addition, the sufficiency of certain mitigation and compensation measures as part of the environmental licensing proceedings are also under discussion, as well as the sufficiency of the Free, Prior and Informed Consent ("FPIC") of the traditional communities. The process of FPIC, although enshrined in the Brazilian Constitution, is yet to be thoroughly regulated in Brazilian legislation, thus posing procedural uncertainty, potential risks and controversies to recent and future projects that were/are supposed to undertake FPIC with indigenous and traditional communities (i.e., when those stakeholders are estimated to be impacted). Non-compliance with any of the rules that regulate those issues, may result in financial and operational losses.

The failure to comply with these environmental laws and regulations can result in administrative and criminal penalties, irrespective of the recovery of damages or indemnification payments for irreversible damages in the context of civil proceedings. Administrative penalties may include summons, fines, temporary or permanent bans, the suspension of subsidies by public bodies and the temporary or permanent shutdown of commercial activities. With regard to criminal liability, individual transgressors are subject to the following criminal sanctions: (i) custodial sentence (imprisonment or confinement); (ii) temporary interdiction of rights; and (iii) fines. The sanctions imposed on legal entities are: (a) temporary interdiction of rights; (b) fines; and (c) rendering of services to the community. The penalties relating to the temporary interdiction of rights applicable to legal entities can correspond to the partial or total interruption of activities, the temporary shutdown of establishment, construction work or activity and the prohibition of contracting with governmental authorities and obtaining governmental subsidies, incentives or donations. In addition, the failure to comply with environmental laws and regulations can also cause damage to our reputation and image. See "Item 8.A. Consolidated Financial Statements and Other Information—Litigation" for further details about the environmental proceedings we are a party to. We and our subsidiaries are parties to administrative and judicial proceedings involving environmental matters. Any unfavorable decision in these proceedings may lead to financial penalties, as well as suspension or revocation of environmental licenses and/or activities which can cause us material adverse effects. We are aware that some of the environmental licenses were not obtained or timely renewed.

Further, the occurrence of environmental damage or failure to comply with environmental legislation or agency requirements may also represent a breach of certain covenants provided for in our financing agreements, which may cause the suspension of financing resources or the acceleration of any financing agreements that required compliance with these environmental requirements, which may materially affect us.

Given the nature of our generation and transmission activities, we are subject to risks related to human rights violations.

In performing our core activities, whether in the construction or operational phase, as well as in our administrative activities and partnerships with suppliers and other agents, we may be directly or indirectly connected to human rights violations due to factors such as: (i) logistical challenges involved in the monitoring and conduct of due diligence of our wide range of suppliers and partners; (ii) direct and indirect operations taking place in areas of political instability, socioeconomic vulnerability and lack of robust public policies for social security and human rights protections; (iii) projects (such as large hydroelectric dams) that may involve the delicate process of relocating local communities; (iv) interactions with vulnerable groups around our operations; and (v) corporate demographic profile and organizational culture that do not emphasize diversity and equality.

Moreover, our projects may directly and indirectly impact local communities, such as, for example, through housing displacement. They may also affect the economic outputs of the local communities, lead to the loss of cultural identity or increase demand for government services.

In 2020, our exposure to this risk was evidenced by the Government Pension Fund Global of Norway's decision to disinvest in us by selling its shares due mainly to alleged human rights violations at Belo Monte hydropower plant, a joint venture in which we hold a 49.98% stake.

We may not be able to avoid certain financial and reputational impacts derived from indirect human rights violations. Acts or perceived violations of human rights could materially negatively impact our results of operations and financial condition.

Climate change can have significant impacts on our generation and transmission activities.

The effects of climate change, including the change in rainfall, flow and wind patterns, the increase in the frequency and intensity of extreme climate events, and regulatory changes can directly affect our generation and transmission activities, which can lead to financial impacts, loss of competitiveness, risk of divestment and reputational damage.

According to the 16th Global Risks Report published by the World Economic Forum in January 2021, risks related to climate change are considered the most concerning for the world in the next 10 years. The 2021 United Nations Climate Change Conference (COP26) in Glasgow brought together governments, businesses and civil society to discuss the climate agenda. The United Nations took a range of decisions in the collective effort to limit the rise in global temperature to 1.5 degrees Celsius. New financial pledges to support developing countries in achieving this goal were made. Additionally, new rules for international carbon trading mechanisms (Article 6) agreed upon at COP26 will support adaptation funding. New agreements for market mechanisms, essentially supporting the transfer of emission reductions between countries while also incentivizing the private sector to invest in climate-friendly solutions. This set of rules lays out how countries are held accountable for delivering their climate action promises and self-set targets under their Nationally Determined Contributions (NDCs).

Having this context in mind, the main risks to our business that we have identified with respect to climate change relate to the changes in rainfall, which may affect the water flow. These changes may adversely affect our costs and results of operations, including by raising the price of electricity as a result of long periods of drought. We may fail to effectively implement programs or have proper environmental, or sustainability certifications related to reducing our exposure to climate change, which may adversely affect our business and results of operations in the future. In addition, we may be required to expend significantly amounts to comply with these regulations.

Further, we do not have insurance coverage for some of these risks related to certain weather conditions or manmade or natural disasters.

If we fail to adapt or experience delays in adapting to this new global scenario, our operations and financial results may be adversely affected.

If we fail to address issues related to the health and safety at work of our employees and the facilities where we conduct our activities, we may be adversely affected.

Our operations are subject to comprehensive federal, state, and local health and safety legislation, the implementation of which is supervised by Brazilian Government agencies. The failure to comply with these laws and regulations can result in administrative and criminal penalties, irrespective of the recovery of damages or indemnification payments for irreversible damages in the context of civil and labor proceedings.

Considering the risks inherent in power generation and transmission in an electric power system that uses high voltage lines and equipment, which makes any accident by direct contact or proximity to energized systems possibly fatal or capable of serious injury, there is a real possibility of accidents if the technical and legal recommendations are not properly adopted by us, our employees and outsourced service providers.

Specifically, we are also required to meet a quota for people with disabilities, which ranges from 2% to 5% depending on the total number of employees, as well as to adapt our facilities to offer accessibility and reasonable accommodations for these employees. If we fail to fulfil the quota, fines will be applied by the competent authority, as per the Brazilian Law on the Inclusion of Persons with Disabilities (Law No. 13,146/2015).

In addition, since March 2020, the COVID-19 pandemic has greatly increased the risk to the health of employees of all companies.

The monitoring of the health of our employees was reinforced during this period through Occupational Health and Safety protocols to reduce the risk of spread of COVID-19. If these measures are not observed by all members or if the measures are not sufficient, the risk and the number of contaminated employees in the same operating unit may increase, our operations and financial results may be adversely affected.

We cannot predict on what terms the Itaipu Treaty will be revised, which may adversely affect the amounts of energy available in the Brazilian electricity sector.

The Itaipu Treaty between the governments of Brazil and Paraguay regulates the activities of the Itaipu hydroelectric plant. Annex C of the Itaipu Treaty, which regulates the financial arrangement of the plant, will be revised in 2023. Paraguay has signaled its intention to propose changes to the Itaipu Treaty, which could happen at the same time as the Annex C revision. The treaty provides that both countries have priority in purchasing the portion of energy produced and not consumed by the other party. The treaty also

defines the payment of royalties, the payment of capital income, the cost of energy produced, and the conditions and amounts of energy to be transferred. Any changes to the amounts of energy to be sold to Brazil could adversely affect the amounts of energy available in the Brazilian electricity sector, which may adversely affect our operational results, as we are currently responsible for the commercialization of the portion of energy produced by Itaipu that belongs to Brazil, as well as of the surpluses assigned by Paraguay.

However, as part of our Proposed Privatization, Itaipu and its operations will be transferred to ENBPar. In addition, we will not continue to trade energy produced by Itaipu. See "Item 4.A. History and Development—Proposed Privatization" for further information about our Proposed Privatization.

If our Proposed Privatization is not consummated, Itaipu and its operations will not be transferred to ENBPar. In this scenario, we cannot guarantee on what terms the treaty will be renegotiated by the two governments and there is no certainty as to the terms of the sale of energy for the Brazilian market.

Risks Relating to our Shares and ADS

If you hold our preferred shares, you will have limited voting rights.

In accordance with the Brazilian Corporate Law and our bylaws, holders of the preferred shares, and, by extension, holders of the ADS representing them, are not entitled to vote at our shareholders' meetings, except in very limited circumstances. This means, among other things, that a preferred shareholder is not entitled to vote on corporate transactions, including mergers or consolidations with other companies, and systems of the CVM. Our principal shareholder, who holds the majority of common shares with voting rights and controls us, is therefore able to approve corporate measures without the approval of holders of our preferred shares. The approval of such measures by our principal shareholder may prejudice corporate measures that are of importance to holders of our preferred shares and therefore materially adversely affect the trading price of such shares. Accordingly, an investment in our preferred shares is not suitable for you if voting rights are an important consideration in your investment decision.

Exercise of voting rights with respect to common and preferred shares involves additional procedural steps.

When holders of common shares are entitled to vote, and in the limited circumstances where the holders of preferred shares are able to vote, holders may exercise voting rights with respect to the shares represented by ADS only in accordance with the provisions of the deposit agreements relating to the ADS. There are no provisions under Brazilian law or under our bylaws that limit ADS holders' ability to exercise their voting rights through the depositary bank with respect to the underlying shares. However, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, in addition to the legally mandated publication of notices in newspapers and on CVM's system, holders of our shares will receive notice and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy or also voting at distance through a voting bulletin. ADS holders, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreements, we will provide the notice to the depositary bank, which will in turn, as soon as practicably possible thereafter, mail to holders of ADS the notice of such meeting and a statement as to the way instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary bank how to vote their shares. Because of this extra procedural step involving the depositary bank, the process for exercising voting rights will take longer for ADS holders than for holders of shares. ADS for which the depositary bank does not receive timely voting instructions will not be voted at any meeting.

If we issue new shares or our shareholders sell shares in the future, the market price of your ADS may be reduced.

Sales of a substantial number of shares, or the belief that this may occur, could decrease the prevailing market price of our common and preferred shares and ADS by decreasing the shares' value, such as the offering related to our Proposed Privatization. If we issue new shares or our existing shareholders sell their shares, the market price of our common and preferred shares, and of the ADS, may decrease significantly. Such issuances and sales also might make it more difficult for us to issue shares or ADS in the future at a time and a price that we deem appropriate and for you to sell your securities at or above the price you paid for them. Our controlling shareholder, the Brazilian Government, may decide to capitalize us for a variety of reasons therefore diluting existing shareholders and ADS holders.

Political, economic and social events as well as the perception of risk in Brazil and in other countries, including the United States, European Union and emerging countries, may affect the market prices for securities in Brazil, including our shares.

The Brazilian securities market is influenced by economic and market conditions in Brazil, as well as in other countries, including the United States, European Union and emerging countries, such as the conflict between Russia and Ukraine. Despite the significant different economic conjecture between these countries and Brazil, investors' reactions to events in these countries may have a relevant adverse effect on the market value of Brazilian securities, especially those listed on the stock exchange. Crises in the United States, European Union or emerging countries may reduce investors' interest in Brazilian companies, including us. For example, the prices of shares listed on the B3 have been historically affected by fluctuations of the American interest rate as well as the variations of the main indexes for North-American shares. Events in other countries and capital markets may adversely affect the market price of our shares to the extent that, in the future, it could difficult or prevent access to capital markets and investment financing on acceptable terms.

Exchange controls and restrictions on remittances abroad may adversely affect holders of ADS.

You may be adversely affected by the imposition of restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and the conversion of *reais* into foreign currencies. The Brazilian Government imposed remittance restrictions for approximately three months in late 1989 and early 1990. Restrictions like these would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of our shares, as the case may be, from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. We cannot assure you that the Brazilian Government will not take similar measures in the future, including as a result of the ongoing military conflict between Russia and Ukraine.

Exchanging ADS for the underlying shares may have unfavorable consequences.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our shares underlying the ADS in Brazil, which permits the custodian to convert dividends and other distributions with respect to the shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADS and withdraw shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the shares unless you obtain your own electronic certificate of foreign capital registration, or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration, you would not be able to remit abroad non-Brazilian currency. In addition, if you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

You may not receive dividend payments if we incur net losses, or our net income does not reach certain levels.

Under Brazilian Corporate Law and our bylaws, we must pay our shareholders a mandatory distribution equal to at least 25% of our adjusted net income for the preceding fiscal year, with holders of preferred shares having priority of payment. Our bylaws require us to prioritize payments to holders of our preferred shares of annual dividends equal to the lessor of 8% (in the case of our class "A" preferred shares subscribed up to June 23, 1969) and 6% (in the case of our class "B" preferred shares subscribed after June 24, 1969), calculated by reference to the capital stock portion of each type and class of stock.

If we record a net income in an amount sufficient to make dividend payments, as a rule, at least the mandatory dividend is payable to holders of our preferred and common shares. However, we may not pay mandatory dividends, even in the case of profits, if we declare an inability to pay, as occurred for the year ended December 31, 2018. In this case, mandatory dividends must be retained in a special reserve and paid as soon as our financial situation permits. Excluding the mandatory dividend, we can retain profits as statutory profit reserves for investments or capital reserves. If we incur net losses or record net income in an amount insufficient to make dividend payments, including the mandatory dividend, our management may recommend that dividend payments be made using the statutory profit reserve after accounting for the net losses for the year and any losses carried forward from previous years, although it is an option and not an obligation. In the event that we are able to declare dividends, our management may nevertheless decide to defer payment of dividends or, in limited circumstances, not to declare dividends at all. We cannot make dividend payments from our reserves in certain circumstances established by Brazilian Corporate Law.

Additionally, in accordance with the Brazilian Corporate Law, if we post net income for the year which is characterized, in whole or in part, as not having been financially unrealized, according to the parameters defined in this law, management may choose to create a reserve of unrealized profits. Any amounts remaining after absorption of losses will be distributed as a dividend when the profit which is subject to this retention is financially realized and such dividend payment will be added to any dividend payment made in the year in which such profit is realized.

You may not be able to exercise preemptive rights with respect to the preferred or common shares.

You may not be able to exercise the preemptive rights relating to the preferred or common shares underlying your ADS unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse and accordingly your ownership position relating to the preferred or common shares will be diluted.

We may need to raise additional funds in the future and may issue additional common shares, which may result in a dilution of your interest in our common shares underlying the ADSs. In addition, a dilution of your interest in our common shares underlying the ADSs may occur in the event of our merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.

We may have to raise additional funds (in order to finance, for example, capital expenditures and consideration due in connection with new concessions) in the future through private or public offerings of shares or other securities convertible into shares issued by us. The funds we raise through the public distribution of shares or securities converted into shares may be obtained with the exclusion of right of first refusal of our existing shareholders, including investors in our common shares underlying the ADSs, as provided by the Brazilian Corporate Law, which may dilute the interest of our then-existing investors. In addition, a dilution of your interest in our common shares underlying the ADSs may occur in the event of merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.

International judgments may not be enforceable when considering our directors or officers' status of residency.

All our directors and officers named in this annual report reside in Brazil. We, our directors and officers and the members of our Audit and Risks Committee have not agreed to receive service in the United States. Substantially all of our and our director and officers' assets are located in Brazil. As a result, it may not be possible to file service within the United States or other jurisdictions outside of Brazil to such persons, pledge their assets, or enforce decisions under civil liability or securities laws of the United States or the laws of other jurisdictions against them or us in the courts of the United States, or in the courts of other jurisdictions outside of Brazil.

Judgments of Brazilian courts with respect to our common shares may be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of the common shares, we may not be required to discharge our obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the exchange rate, as determined by the Central Bank of Brazil, in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are commenced. The then prevailing exchange may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under the common shares or the common shares represented by ADRs.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares or ADS.

Law No. 10,833 of December 29, 2003, provides that the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. This provision results in the imposition of withholding income tax on the gains arising from a disposition of our common or preferred shares by a non-resident of Brazil to another non-resident of Brazil. There is no judicial guidance as to the application of Law No. 10,833 and, accordingly, we are unable to predict whether Brazilian courts may decide that it applies to dispositions of our ADS between non-residents of Brazil. However, in the event that the disposition of assets is interpreted to include a disposition of our ADS, this tax law