Furnas 2020 Annual Report

Eletrobras
Furnas

Cover photo:
Funil HPP

Furnas
2020 Annual Report

Table of contents

Introduction 03
Message from management 04
Highlights 06
Panorama 2020 07
About the report 09
Materiality 12

EESG JOURNEY 16

GOVERNANCE 18
Furnas
Sustainability management
Integrity and ethics
Risks and opportunities
Strategy

PROSPERITY 40
Economic performance
Operational performance
R&D and Innovation
Supplier management
Customers and consumers
Social value creation

PEOPLE 58
2020 and the challenge of the pandemic
People development
Health and safety
Human rights

PLANET 69
Environmental management
Water
Biodiversity
Climate change and emissions

GRI CONTENT INDEX 79
SASB sector indicators

ASSURANCE REPORT 100
ANNEXES 102
Partner and supported organizations
Credits

Introduction

Welcome to the 2020 Annual Report of Furnas, which covers information about our performance, results, achievements and goals in 2020. This report is aligned with the reports published by the other companies in the Eletrobras group, of which we are proud to be a part of. We prioritize the most relevant topics for our audiences, provide transparency on impacts, and explain the value-creation of our business. To see more about how we created this report, please go to the "About the Report" chapter.

Welcome!

Message from management

GRI 102-14

Pedro Brito, Furnas's CEO

In the unpredictable and challenging year of 2020, Furnas and its employees came together to strengthen the company's culture. We created a coordinated and efficient response to the Covid-19 pandemic, caring for people and supporting their actions in society, always in line with the guidelines of our parent company, Eletrobras.

We standardized processes and approved policies in record time to put in place health and safety protocols based on best practices and scientific criteria. We conducted 20,000 tests on employees and contracted parties. We had 60% of our employees working from home, in a productive way, with the essential teams maintained with safety in the field.

The pandemic has precipitated a major digital turnaround, from working from home to implementing measures to monitor the health of employees through apps using Artificial Intelligence solutions, or software with biological data intelligence, unprecedented solutions in the energy sector. These and other actions ensured the correct monitoring of the contagion and allowed assertive decisions to be made during the pandemic, as well as provided the highest standard in integrated health management. You will see more about these initiatives in the People chapter.

In the unpredictable and challenging year of 2020, Furnas and its employees came together to strengthen the company's culture.

We moved the company's headquarters to a single building in downtown Rio de Janeiro and cut office expenses by 60%. With effective planning and everyone's help, we deployed around 1,500 people in an organized and safe manner in this process, without any mapped cases of contagion.

By strengthening our social commitment, we worked even more closely with the communities, involving volunteer employees to map out the needs of the populations living around the company's projects and distributing hygiene kits and masks.

Furnas donated BRL 8.75 million to the project Salvando Vidas (Saving Lives), a matchfunding set up by the Brazilian Development Bank (BNDES) in partnership with Sitawi, a pioneer organization in social impact finance solutions.

In 2020, we will undoubtedly enter a new era of sustainability in the company by incorporating the Sustainability 4.0 Program under the highest recommendations of the World Economic Forum. We have reaffirmed our compliance with the Sustainable Development Goals (SDGs), as signatories of the Global Compact since 2003, and under the new governance we fall under the "participant" category. We have broken down our long-term vision into strategies in the new Business and Management Plan 2020-2024, in alignment with Eletrobras' Business and Management Master Plan 2020-2024 .

With an eye on energy transition, Furnas' energy matrix is already approximately 97% clean*.

With an eye on energy transition, Furnas' energy matrix is already approximately 97% clean*. We continue investing in Research and Development + Innovation to expand our value generation, guiding business decisions towards renewable alternatives, motivated by market demand and in awareness of our co-responsibility in caring for the planet.

One of the R&D+I projects proposes the use of blockchain technology, well known in digital currency transactions, to enable secure auditing of billing meters for generators and transmitters in the electricity sector. This and other examples, created in partnership or in our own company, such as Inova Furnas (Furnas Innovate) or the National Innovation Olympics 2020, can be found in the Prosperity chapter.

We celebrated the launch of our 1st Auction for the purchase of Solar Energy, enabling the implementation of about 1,000 MW of clean and renewable energy through the viability of projects in the free market, which is already a reality and also a trend for the future. Our intention is to do good business with the resale of energy and to help broaden the electricity sector, even without being directly involved in the construction of new projects.

We were awarded the Renewable Energy Certificate, from the international platform I-REC Standart, in three projects. Additionally, in 2021, we will begin selling the certificates to other Eletrobras companies, energy traders, and end consumers, opening a new and promising business front.

Despite the difficulties brought on by a repressed market and postponed auctions, we realized 80% of the investment budget planned for 2020, and grew 8% as compared to 2019. We are a company, a legal entity but we know our immense human potential and the strong influence we have on the community and the environment. We are ready and full of energy to build the future.

Have an enjoyable read!

Pedro Eduardo Fernandes Brito
CEO

*Considers renewable sources, such as water and wind.

Highlights

PROSPERITY

BRL 4.60 billion
EBITDA (CVM criteria)

BRL 2.57 million of profit

BRL 807 million
in investments

Tariff Review - 28%
in transmission, exceeding targets by BRL 1.3 billion/year (2020-2023)

BRL 4.1 billion
in investments contracted in the 1st Solar Energy Purchase Auction (1,000 MW)

BRL 5.1 million
in benefits generated by Inova Furnas

PEOPLE

2,827 employees

3,136 suppliers

279,316 training hours

Approximately 870
participants in the 1st National Internal Occupational Accident Prevention Week (Sipat)

PLANET

3,480 MW in certified plants for sale of I-RECs (renewable energy seal)

Approximately 270 hectares of reforestation,

BRL 10.4 million invested in environmental preservation and conservation

557 people
trained in the Environmental Policy of Eletrobras Companies

Panorama 2020

The coronavirus pandemic took over all the 2020 scenarios and directly influenced the generation of positive and negative impacts in all the businesses, processes and operations of Eletrobras' companies.

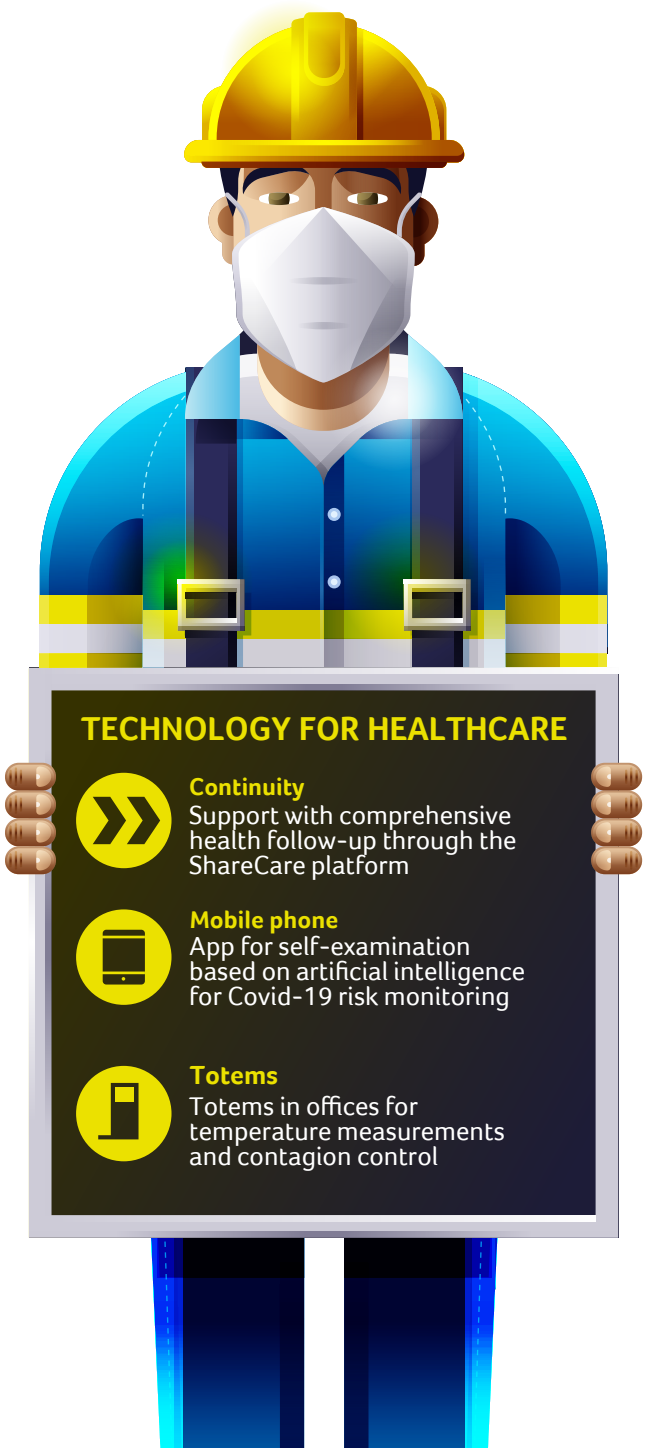
The company's reaction at the start of the pandemic was swift, thanks to earlier technological preparation. Crisis committees were immediately set up with all the company CEOs, as well as in each sector. This allowed us to streamline important integration processes, develop operating protocols, employee protection strategies, and approve social responsibility actions.

In regard to the macroeconomic environment, interest rates dropped significantly, reaching all-time lows, and the real underwent strong depreciation. Eletrobras' companies were not overly impacted since most of their debt is in local currency. The Specific Purpose Companies, that we have a stake in, benefited from a six-month temporary cut in interest rates by BNDES, which had a positive impact on the companies' cash flow and led to savings of around R$2.5 billion.

Inflation remained within the expected target, with a sharp inflationary rise at the end of the year. Another thing that boosted the results of the period was the measure put in place by the Mining & Energy Ministry and known as Conta-Covid (Covid Account). This was created to dilute the energy tariff adjustment for the consumer and give liquidity to distributors, which brought relief to the companies in the electric sector. This initiative made lending to distributors easier, enabling them able to honor the payments for energy contracted with the generators. Another factor that contributed to the financial result was the transfer related to the tariff revision at Aneel (read more about this in Economic Performance).

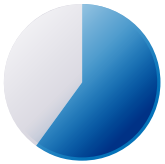
We streamline important integration processes, develop protocols of operation, strategies to protect employees and develop social responsibility actions.

As we take stock of this atypical year, we cannot fail to mention the three deaths of Furnas employees caused by Covid-19 at the end of 2020. Even though losses are inevitable and unpredictable, we continue with 2,827 employees working from home, or in the field with strict safety protocols, so our consumers' energy supply never wavers.



FURNAS' ACTIONS
DURING THE PANDEMIC

CONTRIBUTORS



60%
of employees in remote work

Creation of a permanent work-from-home policy

- Ongoing changes made to work schedules and business hours
- Development of comprehensive and effective security protocols (benchmark result in the Mining & Energy Ministry)
- Psychological and nutritional care via telephone and electronic scheduling, and online workouts (MovimentaFurnas.com)
- Application of 20,000 free tests for employees and contractors

SUPPLIERS

- Prevention protocols and guidance training
- Tablets with self-exam app and temperature measurement totems
- Application of tests for suppliers that perfom activities with Furnas

DONATIONS

BRL 8.75 million
SAVING LIVES CAMPAIGN

Acquisition of input and equipment for the personal protection of healthcare professionals on the frontline at:

46 Healthcare institutions

32 Municipalities in 9 States and the Fed. District

Actions for the COMMUNITY

- 4,200 food baskets for the Kaingang people of the Queimadas Indigenous Land
- More then 50,000 face masks and 4,500 hygiene kits for vulnerable families in the surrounding communities

About the report

GRI 102-46, 102-47

The information contained in this report is for the year starting January 1 and ending December 31, 2020, and focuses on economic, environmental, social and corporate governance (EESG) aspects. In line with the Global Reporting Initiative (GRI) Standards, Furnas has again adhered to the "Core" option.

Furnas HPP

Integrated methodology

The goal of adopting the EESG model is to systematize and incorporate already existing standards, such as global and sector-based best practices applied to this report:

- GRI Standards
- Integrated Reporting Guidelines - International Integrated Reporting Council (IIRC)
- Material Sector Topics - Sustainability Accounting Standards Board (SASB)
- Recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), new in 2020
- Sustainable Development Goals (SDGs) and
- Principles of the United Nations (UN) Global Compact.

Other references used in the preparation of this document are the "Manual for the Preparation of Annual Reports on Social and Environmental Responsibility of Electrical Power Utilities" of the National Electrical Power Agency (Aneel), and the "Management Report: guide for the preparation of an Integrated Report" of the Federal Audit Court (TCU).

Institutional transparency

Transparency documents, such as the Management Report and the Financial Statements, are available on the Furnas website. The **Transparency and Accountability portal** has information about the company's planning and management, corporate integrity, operational and economic performance, and the main programs, projects, actions, works and activities developed.

Stakeholder engagement

GRI 102-42

The identification and selection of stakeholders for engagement is done in Furnas' Strategic Plan in line with the Value Creation Template, the Code of Ethics and Conduct of Eletrobras companies and other documents required to guide the business of Eletrobras Companies.

In the Policy for Communication and Engagement with Stakeholders of Eletrobras Companies, the definition of stakeholders is an extension of that established by the strategic planning and by the commitment of the companies of the group with sustainable development and encourages dialogue and involvement with its audiences.

This policy, of which the third version includes aspects of accessibility, was approved in May 2019 by the Board of Directors, and is complemented by the Spokespersons Policy of Eletrobras Companies, established in November 2018 and updated in November 2020.

The follow table shows a few of the ways Furnas interacts with its stakeholders.

The icons used in this report

To make this document easier to read and understand, the following contents will be identified on the pages:

- material topics
- GRI content
- the capitals (of the Integrated Report)*
- and the SDGs

*the capitals presented by the IIRC are a set of resources and competencies through which an organization creates value. They are:

Natural capital
natural resources used

Financial capital
financial resources

Manufactured capital
buildings, equipment and infrastructure used for the business

Human capital
skills and competencies of the people in the organization

Social and relationship capital
relationships inside and outside the company

Intellectual capital
generated knowledge

STAKEHOLDER ENGAGEMENT GRI 102-42, 102-43

Public	Forms of engagement	Frequency
Collaborators	Research, training, technical and awareness events, courses, and campaigns focused on engagement.	Periodicals
	News about Furnas and the electricity sector and reports of interest to employees sent by email and available on the intranet.	Daily
	Due Diligence *Form* for Employees.	Annual
Investors, shareholders and market analysts	Eletrobras Investor Relations website (disclosure of the General and Special Shareholders' Meetings).	Permanent
	New "Transparency and Accountability" portal required by the Federal Audit Court and published on the Furnas website - collects and reports information of public interest about the company.	Permanent
	Report to Investors.	Quarterly

STAKEHOLDER ENGAGEMENT GRI 102-42, 102-43

Public	Forms of engagement	Frequency
Investors, shareholders and market analysts	Responses to questions from investors or shareholders addressed to Eletrobras' IR.	On demand
Communities	Engagement in the planning, execution, and follow-up stages of local and national projects and actions (project details on pg.54).	Periodicals
	Saving Lives Project - partnership with BNDES (project details on pg. 54).	Emergency in 2020, extending into 2021 due to pandemic
Press and trendsetters	Agenda notices and releases on topics related to Furnas' activities, project launches and follow-up on strategic notices.	Whenever necessary
	Invitation to journalists specialized in culture to follow the cultural projects sponsored by Furnas; invitation to the local and regional press for news articles and launches.	According to launch schedule
Partners, sponsors and suppliers	National Meeting of Suppliers of Eletrobras Companies (details on pg.52).	Annual
	Public bids for sponsorship of cultural and sporting events (Eletrobras public bids).	Annual
	Public bids for social actions and support for the Childhood and Adolescence Fund.	Biannual
Local governments	Relationship during project implementation and when there are issues or impacts related to the operation at the site.	On demand
Governments, parliamentarians, and regulatory entities	Participation in Aneel public bids of relevance to Furnas, presentation of contributions, due diligence for the challenging of actions.	According to Aneel's agenda
	Furnas installations inspection.	According to Aneel's agenda
	Tariff review meetings (more than 50 held online, impacting good results and agreements in 2020).	According to Aneel's agenda
	Participation in programs and public policies of the Federal Government (Public Administration, Mining & Energy Ministry).	Government timeline
Customers	Integrated Customer Satisfaction Survey for Eletrobras companies.	Biannual

Materiality

GRI 102-21, 102-44, 102-46, 102-47, 103-1

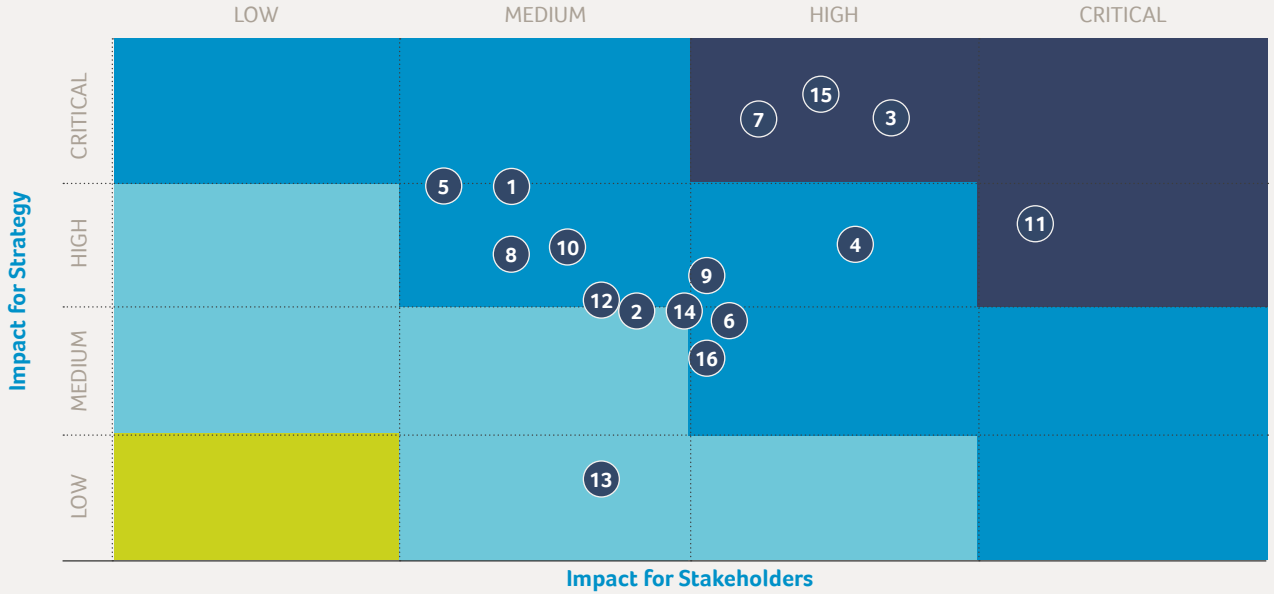
The content of this annual report was defined with basis on the selection of material topics and was coordinated by the parent company, with the involvement of Eletrobras companies.

The process, which took place in 2019, had the following stages: research and interviews with stakeholders; materiality workshop ; calibration of non-prioritized topics; and analysis of the most relevant topics, in the assessment of the audiences consulted, regarding adherence and the subsidiaries' strategy.

Twelve topics were selected and submitted to the Board of Directors of the parent company, which decided to include one more topic: Corporate governance. In 2020, due to the Covid-19 pandemic, three more were included, common to all subsidiaries: **Health, safety and welfare; Relationship with suppliers and Relationship with communities**. The new materiality matrix was presented to the board members for final approval.

GRI 103-47

MATERIALITY MATRIX OF ELETROBRAS COMPANIES



Material topics

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

**Topics included in 2020.*

Material topics and their limits

The limits of the topics that make up the materiality matrix determine where and which audiences are impacted by our activities, as well as the respective capitals to which they refer, based on the concept proposed by the International Integrated Reporting Council (IIRC), and the SDGs to which they are related, in the process of creating value by Eletrobras companies. The following table details these relationships.

GRI 102-44, 102-46

CAPITALS

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

Material topic	Where it occurs	SDG	Capitals	Connection to other frameworks	Stakeholders
Research & Development + Innovation	Internally	7 8 9	Intellectual	TCU	Customers, Suppliers, Government, Investors, and Society
Relationship with suppliers*	Internally and externally	8 10 16	Human, Social and relationship	TCU DJSI ISE	Suppliers
Water	Externally	6 12 13 14	Natural	TCU SASB DJSI ISE	Communities, Government, Society
Social-environmental aspects in decision making	Internally and externally	7 8 9 13 16	Not associated with capital, but with governance, which permeates and guides the value-creating activities	TCU SASB DJSI ISE	Customers, Suppliers, Government, Investors, and Society
Cybersecurity	Internally and externally	7 8 9 11 13	Intellectual, Manufactured	TCU SASB DJSI ISE	All
Digital transformation	Internally	9	Intellectual, Manufactured	TCU	Employees, Suppliers
Human Rights	Internally and externally	8 9 10 16	Social and relationship	TCU DJSI ISE	Employees, Communities, Suppliers, Government, Society

**New topics reported in 2020.*

Risk and crisis management	Internally	3 7 9 10 13 14 15		TCU DJSI ISE	All
People management and development	Internally	3 4 8 9 10 12		TCU DJSI ISE	Employees, Investors
Climate changes	Externally	3 7 8 9 11 12 13 14 15		TCU SASB TCFD	Customers, Communities, Suppliers, Government, Investors, and Society
Energy transition	Internally	3 7 8 9 11 12 13 14 15		TCU SASB TCFC	Government, Investors, Society
Corruption and ethics management	Internally	16		TCU ProEtica DJSI ISE Pacto Global	All
Corporate governance	Internally	16	Not associated with capital, but with governance, which permeates and guides the value-creating activities	TCU ProEtica ISE DJSI	All
Relationship with communities*	Externally	7 10 16		TCU DJSI ISE	Communities
Power supply	Externally	3 7 8 9 11 13	One of the activities through which the company transforms inputs into values	TCU SASB	Customers, Government, Investors, Society
Financial result	Internally	8 9 16		TCU ISE DJSI	Employees, Suppliers, Government, Investors
Health, safety and well-being*	Internally and externally	3 6 7 8		TCU SASB ISE	Employees, Communities, Suppliers

*New topics reported in 2020.

Assurance GRI 102-56

The non-financial information published in this report was ensured by an independent third party as requested by the Executive Board and the Board of Directors and in accordance with international verification parameters. In this cycle, the assurance work was conducted by PwC.

This report includes, besides this full version, another shorter version and a more specific version that incorporates the indicators of the Brazilian Electrical Power Agency (Aneel). It is the accountability document that represents the Annual Report of Socio-Environmental and Economic-Financial Responsibility of Electrical Power Utilities.

Funil HPP

EESG Journey

The World Economic Forum, with the collaboration of four major international consulting firms, launched in 2020 a proposed framework for corporate sustainability reporting that considers the relationship between economic, environmental, social and corporate governance (EESG) factors. The model proposes to organize reporting under four integrated pillars - **Principles of Governance**, **Prosperity**, **People, and Planet**.

Each pillar should cover a set of metrics and disclosures. This framework systematizes existing reporting standards, such as those of the Global Reporting Initiative (GRI) and Integrated Reporting.

In 2020, Eletrobras companies used the EESG model as a basis to institute the sustainability framework and expand the reporting of results in the four pillars. See more about this on the following pages.

THE ELETROBRAS GROUP SUSTAINABILITY FRAMEWORK

*Adapted from the World Economic Forum Framework

MATERIAL TOPICS

CORPORATE GOVERNANCE
RISK AND CRISIS MANAGEMENT
CORRUPTION AND ETHICS MANAGEMENT

CAPITALS

Peixe Angical HPP

Governance

GOVERNANCE

Governance evolves as the organization defines and incorporates its purpose at the core of its business. It is essential for Furnas to achieve long-term value, aligning and driving financial and social performance, as well as ensuring accountability and legitimacy to stakeholders.

In 2020, Furnas revised its policies, created procedures, unified processes and participated in shared decision-making, both in synergy actions among its areas and with Eletrobras companies. All these steps, combined with the contingency of remote work and virtual connections due to the Covid-19 pandemic, has enabled us to persist and move forward in creating value for our stakeholders.

The year ended with a major revision in Furnas' Articles of Incorporation in line with the document of its parent company. The changes were based on the model established in June 2020 by the Department of Coordination and Governance of State-run Companies (Secretaria de Coordenação e Governança das Empresas Estatais - Sest) of the Economy Ministry. The purpose of the change is to align the status of federal state-run companies with the corporate governance practices set out in the guidelines of the Organization for Economic Cooperation and Development (OECD).

Furnas

GRI 102-16

Mission - We strive to further the sustainable development of society.

Future vision - To be an innovative, clean energy company recognized for its excellence and sustainability.

Values

Respect for people and life: respect differences, diversity, individual and collective rights, and life in all its forms, safely and equitably.

Ethics and transparency: to be upright and honest, faithful to our commitments, aware of our responsibilities, and transparent in our actions and results at all times.

Excellence: pursue excellence, the quality of fund allocation, discipline in execution, a high-performance culture and create value for our stakeholders

Innovation: encourage a culture of innovation to create new ideas and solutions capable of impacting the future of energy and its applications in the organization.

Collaboration and recognition: to value merit, commitment, collaboration, and ongoing learning by creating conditions that foster personal and professional development with a resulting increase in competitiveness.

*To see more, go to the Transparency and Accountability portal available on the Furnas website and read about Planning and Management.

Furnas

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

Furnas Centrais Elétricas S.A. (1957) is a private mixed capital company, with principal place of business at Av. Graça Aranha 26, Centro, Rio de Janeiro.
It is controlled by Centrais Elétricas Brasileiras S.A. - Eletrobras - and operates in the generation, transmission, and sale of electrical energy nationwide. Energy sales are carried out with energy distributors, sellers and free consumers from all over the country.

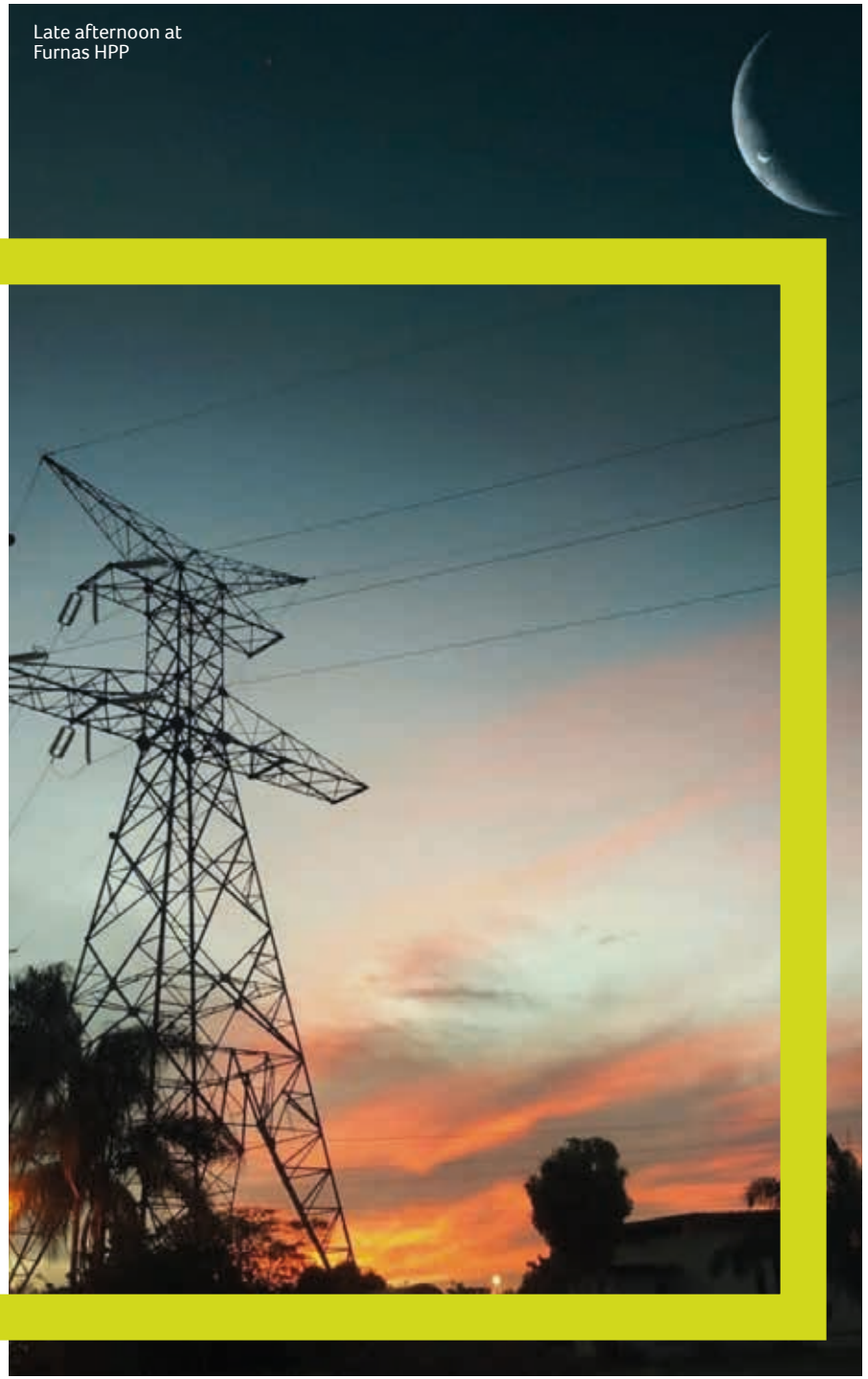
In 2020, we made a major move to the company's new headquarters, now located in the Barão de Mauá building in downtown Rio de Janeiro (RJ). The System Operation and Telecommunications Supervision Centers were also relocated to the Grajaú substation in Rio de Janeiro.

Business model

Our business model, which details the activities and services, as well as the creation of value for stakeholders, is described in the diagram Value Creation Model.

Read more

For detailed corporate information, go to the government portal SIEST (the Information System of State-Run Companies) and search for Furnas.



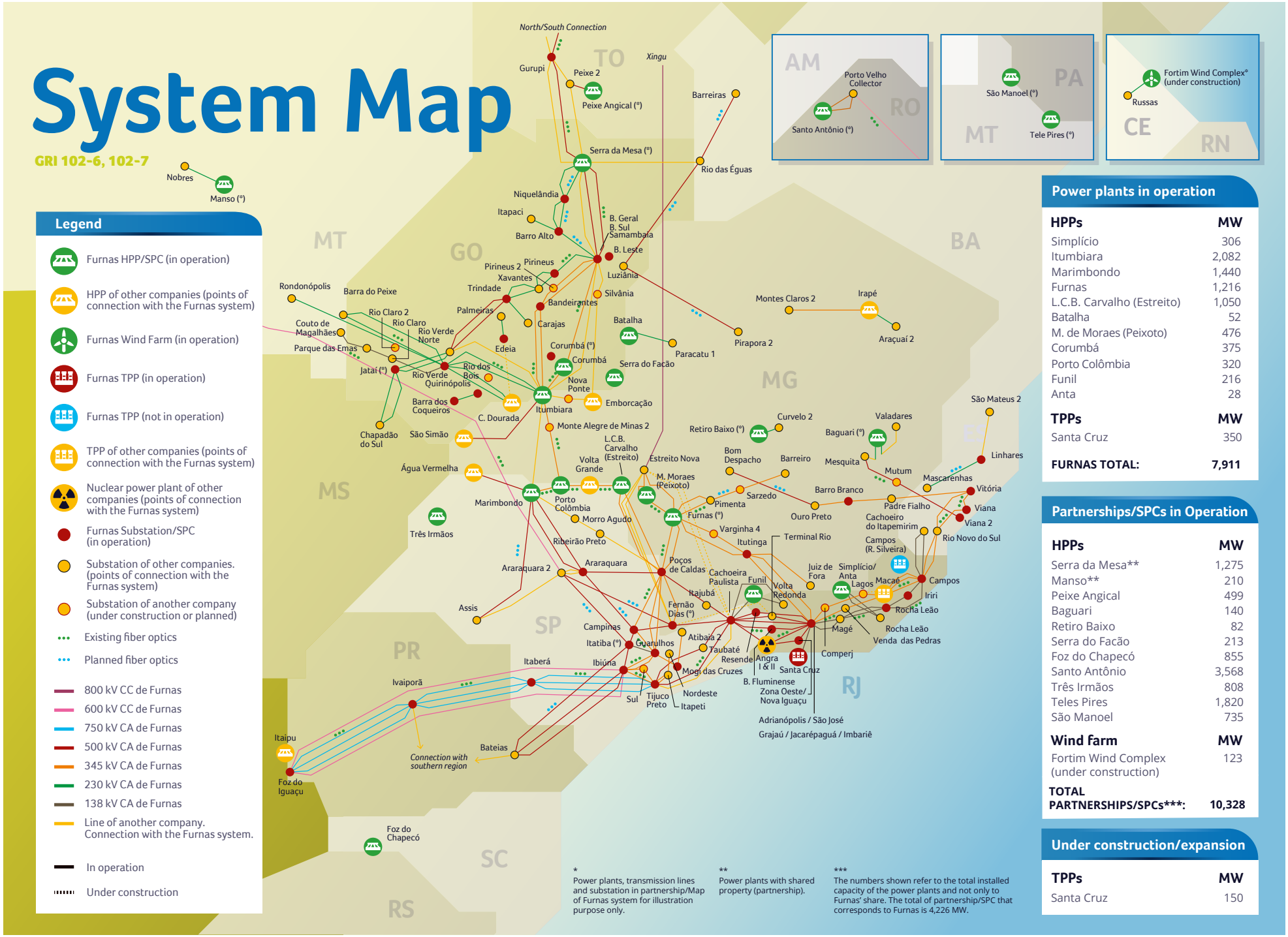
Late afternoon at Furnas HPP

SHAREHOLDER BREAKDOWN

Shareholder	Common share		Preferred share	
	AMOUNT	%	AMOUNT	%
Eletrobras	52,647,326,561	99.83	14,659,406,538	98.62
Other	91,699,606	0.17	205,277,973	1.38

System Map

GRI 102-6, 102-7



Legend

- Furnas HPP/SPC (in operation)
- HPP of other companies (points of connection with the Furnas system)
- Furnas Wind Farm (in operation)
- Furnas TPP (in operation)
- Furnas TPP (not in operation)
- TPP of other companies (points of connection with the Furnas system)
- Nuclear power plant of other companies (points of connection with the Furnas system)
- Furnas Substation/SPC (in operation)
- Substation of other companies. (points of connection with the Furnas system)
- Substation of another company (under construction or planned)
- Existing fiber optics
- Planned fiber optics
- 800 kV CC de Furnas
- 600 kV CC de Furnas
- 750 kV CA de Furnas
- 500 kV CA de Furnas
- 345 kV CA de Furnas
- 230 kV CA de Furnas
- 138 kV CA de Furnas
- Line of another company. Connection with the Furnas system.
- In operation
- Under construction

Power plants in operation

HPPs	MW
Simplício	306
Itumbiara	2,082
Marimbondo	1,440
Furnas	1,216
L.C.B. Carvalho (Estreito)	1,050
Batalha	52
M. de Moraes (Peixoto)	476
Corumbá	375
Porto Colômbia	320
Funil	216
Anta	28
TPPs	**MW**
Santa Cruz	350
FURNAS TOTAL:	**7,911**

Partnerships/SPCs in Operation

HPPs	MW
Serra da Mesa**	1,275
Manso**	210
Peixe Angical	499
Baguari	140
Retiro Baixo	82
Serra do Facão	213
Foz do Chapecó	855
Santo Antônio	3,568
Três Irmãos	808
Teles Pires	1,820
São Manoel	735
Wind farm	**MW**
Fortim Wind Complex (under construction)	123
TOTAL PARTNERSHIPS/SPCs*:**	**10,328**

Under construction/expansion

TPPs	MW
Santa Cruz	150

* Power plants, transmission lines and substation in partnership/Map of Furnas system for illustration purpose only.

** Power plants with shared property (partnership).

*** The numbers shown refer to the total installed capacity of the power plants and not only to Furnas' share. The total of partnership/SPC that corresponds to Furnas is 4,226 MW.

PRESENCE OF FURNAS

GRI 102-6, 102-7, G4-EU1, G4-EU4

Considering own hydroelectric, thermoelectric, and wind power plants and substations, and the weighted totals of equity (special purpose companies - SPE - and other arrangements).

15 states + Federal District

28 power plants (HPPs, TPPs and EOLs)

72 substations

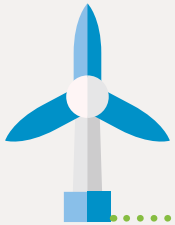
GENERATION CAPACITY

97%
of the generation matrix in operation from clean energy

12,162.32MW
installed capacity in operation

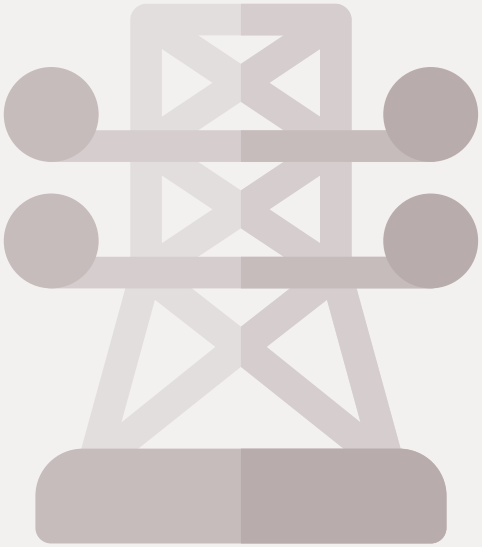
96%
hydroelectric (renewable)

3%
thermoelectric (non-renewable)



1%
wind source (renewable)

TRANSMISSION



25,897.42 km
of lines in operation (all voltage levels)

83.8% wholly-owned
(21,701.20 km)

16.2%
ownership interest in SPCs
(4,196.22 km)

Corporate governance

GRI 102- 18, 102-22

Furnas has a robust corporate governance model, guided by ethics and transparency in accountability. It operates in accordance with the Business Corporation Act (Law no. 6404/1976) and the requirements of the Sarbanes-Oxley Act (SOx), and the good practices of the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange and the Corporate Sustainability Index of the São Paulo Stock Exchange (ISE-B3), a portfolio which includes the shares of the parent company.

The company's corporate governance management is supported by a Computer System of Support for Executive Decisions and an expert team, which undergoes periodic governance training to ensure continuous improvement.

Board of Directors

GRI 102-24, 102-26, 102-27

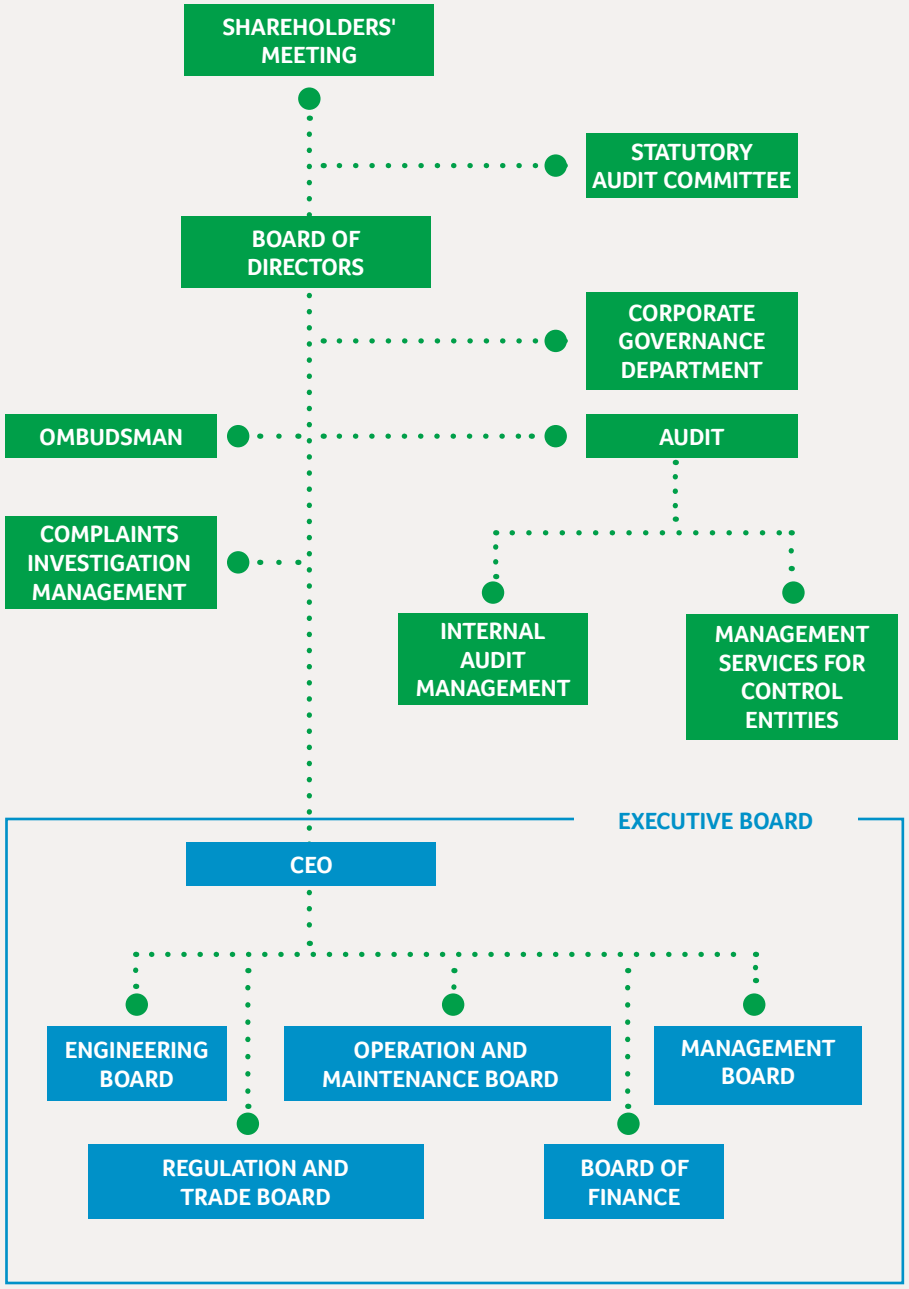
The company's highest management body, the Board of Directors (BD), is responsible for approving strategic and business plans, aligned to its purposes and values. It is also in charge of the Business Targets and Performance Agreement (Contrato de Metas de Desempenho Empresarial - CMDE), the Variable Remuneration of Administrators (Remuneração Variável dos Administradores - RVA) program, the Annual Sustainability Report, and the Management Report, among other strategic and transparency documents.

The board members are selected and appointed in a process that involves the participation of stakeholders, including shareholders, and includes diversity criteria. One nomination is made by the Economy Ministry and the other representative is appointed via an employee election.

Read more

Access the Furnas site to see more details about the structure of each governance body and access the Annual Activity Reports of the Internal Audit committee Details about the Governance Structure can also be found on the website, in the Head People List available in the Transparency and Accountability portal.

GOVERNANCE STRUCTURE




Itumbiara HPP

The selection and appointment process for the Board of Directors involves the participation of stakeholders, including shareholders, and includes diversity criteria.

The attributes required to be a Furnas board member, as well as the assessment process of its members (coordinated by Eletrobras and conducted by an independent assessment), are set forth in the Furnas Articles of Incorporation.

To deliberate on different matters, the board members receive input by means of presentations by technicians and specialists, in addition to periodic targeted training. The BD is supported by two advisory committees: the Audit and Statutory Risk Committee (CAE) and the Management, Personnel and Eligibility Committee.

Governance management

GRI 102-19, 103-2

Furnas' corporate governance is assured by internal processes and relationships with the top management, composed of the General Shareholders' Meeting, the Board of Directors (BD), the Executive Board, the Statutory Audit and the Internal Audit Committees.

The policies and practices of corporate governance focus on the transparency of management, on a respectful relationship with all its stakeholders, on equal treatment and a clear and objective accountability of its performance. They are aligned with the Code of Ethical Conduct and Integrity of Eletrobras Companies. Improvement is ensured by a management structure, practices, and instruments that follow the recommendations of the Company's Organization Manual. The following items are included in it:

- the Articles of Incorporation,
- the By-laws,
- the Organizational Policies and Rules,
- the guidelines of the actions of the Internal Committees that support the Executive Board,
- the descriptions of attributions of all the formal units of the organizational structure.

The Business and Management Plan (PNG) is the reference document for the management of the business, approved by the highest governance levels - the Executive Board, Furnas' Board of Directors, Internal Auditing and Eletrobras - see more on page 39.

Remuneration policies

GRI 102-28, 102-35, 102-36, 102-37

- The salary of the members of the Board of Directors and the Statutory Audit Committee cannot exceed 10% of the average monthly remuneration of the Officers, according to the federal public company and mixed-capital corporation law.

- The members of the Board of Directors do not receive additional remuneration for participating in committees and/or advisory committees of the board, except for the members of the Audit Committee, who may have a differentiated remuneration due to their workload.

- The monthly remuneration of the Executive Board is approved by the General Shareholders' Meeting, following the guidelines of the Department of Coordination and Governance of State-Run Companies (Sest).

- The Annual Variable Remuneration Program (RVA), agreed upon in 2020 between Furnas and the parent company and approved by Sest, may involve up to eight management compensations and is structured with basis on targets for result indicators, including EESG.

Read more

Go to our website to see the Furnas' Articles of Incorporation, By-laws and other regulatory acts.

Sustainability management

GRI 102-20, 102-29

The Sustainability Management System of Eletrobras companies is based on five pillars.

1. Sustainability Policy of Eletrobras Companies

The Sustainability Policy sets down guidelines for the promotion of corporate sustainability to ensure business perpetuity and sustainable development. The document, which was revised in 2019, reached its tenth year of existence in 2020.

2. Executive Committee for Sustainability Management

This committee, which is managed by the parent company and includes the sustainability leaders of every Eletrobras company, is the entity in charge of disseminating sustainability actions. It is coordinated by the three other pillars of the Management System: IGS System, Integrated Reporting and the Value Creation Model. In Furnas, it is coordinated by the strategy and sustainability area and reports directly to the Executive Board.

3. Corporate Sustainability Management Indicators System (IGS System)

Developed by the Center for Research in Electrical Energy (Centro de Pesquisas em Energia Elétrica - Cepel), this is a strategic tool for managing sustainability indicators. It received a new version in 2020, after it completed its tenth year, now including environmental indicators.

4. Integrated Reporting

This is a cohesive approach to communication used by the company to show how it creates value for its stakeholders. Furnas and the other Eletrobras companies adopted this form of reporting in 2018, as a complement to the Global Reporting Initiative (GRI) methodology. As such, it offers tangible and intangible information about financial, manufactured, intellectual, human, social & relationship, and natural capitals.

5. Value Creation Model

Updated in 2019 and aligned with Eletrobras companies, the model shows how sustainability is present in all of Furnas' business processes. It is this perspective, allied to the company's integrated action, which allows the development of best practices and business continuity, and, as a consequence, greater value creation for all our stakeholders. Our current Value Creation Model pinpoints 30 expectations of value creation, their relationship with each of our stakeholders, and how they meet the 17 Sustainable Development Goals (SDGs), in particular the priority SDGs: 7, 8, 9, 10, 11, 12, 13, 15 and 16.

Reforestation seedling nursery

VALUE CREATION MODEL

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

MAIN INPUTS

- Equipment and facilities
- Stakeholders
- Manufactured capital
- Financial resources
- Financial capital
- Social capital
- Research and knowledge
- Natural resources
- Intellectual capital
- Workforce
- Human capital
- Natural capital

PURPOSE

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

VISION

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

VALUES

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

VALUE CREATION ASPIRATIONS

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

STAKEHOLDERS

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

Strategy integration

GRI 102-31, 103-2, 103-3

Sustainability management is transversal at Furnas and is integrated to the main strategic document that guides all Eletrobras companies: the Strategic Plan.

The Strategic Plan presents a long-term vision (2020-2035), aiming to establish the strategic guidelines that will drive business development.

One of its developments is the Master Business and Management Plan (PDNG in Portuguese) which offers a map of trends, guidelines, indicators, value, and impact for the next 5 years (2020-2024). It refers to the Sustainable Development Goals (SDGs), a commitment to UN's 2030 Agenda voluntarily undertaken by Eletrobras companies. There are 9 SDGs related to PDNG actions, connected to projects linked to business or to a commitment to society. Watch the institutional video about the connection between the strategy, the SDGs, and PDNG.

Sunset outside the Furnas HPP

The **Sustainability 4.0** Program, composed of 12 projects linked to social, environmental, governmental, and financial aspects, is part of PDNG and was created from scenario analysis and requirements based on sustainability indexes and investors. The program was created in 2019 and was fully incorporated into Furnas' strategic plan in 2020. EESG Journey was also launched this year, adding indicators to improve the reporting of information related to corporate sustainability.

Agenda 2030 and SDGs

In regard to our socio-environmental performance, we prioritize actions and projects that further UN's Agenda 2030, and the Sustainable Development Goals (SDGs). There are 5 priority SDGs included in this report:

SDG 7 8 9 13 16

New SDGs prioritized in 2020

Based on the results of a survey involving 224 respondents, including experts in topics related to corporate sustainability from all Eletrobras companies, the Eletrobras Executive Board and the Board of Directors approved the prioritization of 4 more SDGs (10, 11, 12 and 15) for the 2020-2035 Strategic Plan, bringing the total to 9.

SDG 10 11 12 15

PROJECTS OF THE SUSTAINABILITY 4.0 PROGRAM

Projects	Strategic Guidelines of PDNG 2020-2024	Priority SDGs
Leveraging Human Capital	Culture and People	8 9
Synergy with Industry 4.0	Innovation and Digital Transformation	7 8 9 16
Engaging Value Chain Stakeholders to Raise Awareness of about the Human Rights Issue	Governance	8 9 16
Sustainable Management of Suppliers	Management	8 13 16
Commitment to Dialogue and Transparency with Stakeholders	Governance	13 16
Sustainable Performance/Agenda 2030	Value and Investment	7 8 9 13 16
Enhancement of Corporate Governance Practices	Governance	16
Enhancing the Qualification of Socio-environmental Factors in Risk Management	Governance	7 9 13 16
Energy Transition	G&T Expansion	7 9 13 16
Offsetting GHG Emissions and Environmental Protection	G&T Expansion	7 8 9 13
Certification of Energy from Clean Sources	New Business	7 9 13
Sustainable Management of Financial Capital	Value and Investment, G&T Efficiency, Management	8 9 16

We encourage the engagement of the workforce in the fulfillment of our strategic objectives by means of competence-based management tools.

Performance monitoring

GRI 102-28

At Furnas, the progress of the relevant initiatives and programs is monitored, analyzed and reported to top management - including those linked to the PNG and the managers' annual variable remuneration - which allows the identification of possible adjustments and remedial actions or even a revision of the plans. We make the partial results available quarterly in our internal portal.

The Business Targets and Performance Agreement is the main one, undersigned by Furnas and all Eletrobras companies since 2010. The document is aligned to the business and management plans and contains trend and result indicators from the financial, operational, socio-environmental, and management, integrity, and people standpoint.

The company's performance demonstrates the degree of convergence with the strategy of the parent company and impacts the variable annual remuneration of officers and the profit sharing of the workforce, including managers. The results also subsidize the performance assessment of all professionals, including board members.

Fortim Wind Farm

Performance and SDGs

Some of the performance indicators refer to the commitment undertaken with Eletrobras' priority SDGs. They are addressed throughout the report and, in consolidated form, relate to the indicators monitored by Furnas in the GRI table.

One of the indexes reflected in the Managers' Annual Variable Remuneration Program is the SDG Alignment Index (SAI), which derives from the weighted outcome of a set of strategic indexes found in Agenda 2030 that show the degree of adherence of Eletrobras' companies to their commitments.

As a result of the reprioritization of the SDGs, two more indicators were included in the SAI in 2021, one of which is the SDG 10 index (Weighted Index of Wage Ratio between women and men at multiple levels) and another being the SDG 12 (Suppliers submitted to Due Diligence from the EESG standpoint) and an increase in the range of the accident frequency index, to include outsourced employees.

Breakdown of SAI in 2021-2025

SDG	
13 7	Energy saved in Eletrobras' office buildings
8	Frequency rate of accidents with injuries involving leaves of absence for own or outsourced employees
9	Investment in R&D+I/Regulatory ROL
16	Due Diligence of Supplier exposed to fraud and corruption risk
10	Weighted Index of wage ratio between women and men at multiple levels
12	Critical suppliers submitted to Due Diligence from the EESG standpoint

SDG 16

Integrity and ethics

GRI 102-17, 205-1

Eletrobras 5 Dimensions is the Integrity Program (Compliance) of all Eletrobras companies based on the guidelines of the Brazilian Comptroller General (Controladoria Geral da União - CGU). It is aligned with Agenda 2030 and its decisions are approved by the Executive Board and the Board of Directors. This is a continuous flow of actions to ensure compliance with the laws and regulations in our industry, as well as to implement a culture of integrity in Furnas aimed at strengthening the company's business processes based on the ethical principles and values we uphold.

Policies, codes of ethics and integrity

The Eletrobras 2020 Code of Ethical Conduct and Integrity and all other documents are available online in the company's website.

SCORECARD

Dimensions of the Strategic Scorecard	Strategic guidelines	RVA of leaders	PPR for employees and managers	Associated SDG
Prosperity	**G&T Expansion** Consolidate leadership in G&T, with a focus on clean energy. **G&T Efficiency:** Create value by increasing the efficiency of G&T assets **Trade:** Achieve trade leadership, with attractive margins and efficient risk management **New Business:** Invest in new business with an emphasis on energy, participating in the consolidation of the sector (M&A) **Value and Investment:** Multiply value generation and expand the company's investment capacity **Management:** Focus the company's management on generating value and boosting competitiveness	52%	69%	7 8 9 10 11 12
Planet	**Innovation and Digital Transformation** Play a leading role in innovation and promote the digital transformation of business and management processes	3%	6%	7 9 11 12 13 15
People	**Culture and People:** Develop a culture of high performance and excellence in people management, with meritocracy	5%	7%	8 10
Governance	**Governance:** Achieve excellence in Governance, Risk Management and Internal Controls (GRC)	40%	18%	12 16

Note: As an additional aspect of governance and compliance, the variable remuneration of officers and managers is subject to a potential deflator of up to 10% in the event of failure to comply in a timely manner with recommendations from internal audit and control bodies.

THE FIVE DIMENSIONS OF THE INTEGRITY PROGRAM OF ELETROBRAS' COMPANIES

GRI 103-2, 103-3

Development of the management environment of the Integrity Program

This program unequivocally supports the culture of ethics and integrity, demonstrated by the full boards of governance through actions that uphold such positioning.

Periodic risk analysis

This consists of identifying, assessing, handling and monitoring the vulnerabilities and risk factors for fraud and corruption in Eletrobras companies.

Structuring and implementation of the policies and procedures of the Integrity Program

Provides for the creation and implementation of the basis for disseminating knowledge about the culture of ethics and integrity at Eletrobras' companies by creating, implementing and complying with policies and other regulations that address the subject in the day-to-day of the companies, depending on their applicability.

Communication and training

Dissemination of the Eletrobras 5 Dimensions Program by means of communication and training actions adapted to every type of audience.

Program monitoring, remediation measures and enforcement of penalties

Continuous monitoring of the program, through internal audit, controls implemented in ProERP (SAP) and SOx controls testing.

Main actions of the Integrity Program in 2020

• **Web series Eletrobras 5 Dimensions:** an awareness campaign for employees and third parties of all Eletrobras companies, composed of 6 short animated videos about the main guidelines.

• **Online training and internal awareness events** addressing conflict of interest issues, mandatory integrity and risk management training for all managers.

• **2nd edition of the Traveling Integrity Project:** webinar about the Corporate Integrity Project, addressing the topic using theatrical sketches and meetings with managers from 5 regional units.

• Awareness-raising actions, regulatory adjustments, and training on the subject of the **General Data Protection Law**, extending to all employees. Project launched at the end of 2019 and that will run through 2021.

• **"Integrity Week and Ethical Culture"**, an annual event held in 2020 in honor of the International Anti-Corruption Day, with lectures by internal and external experts on governance, ethics and integrity, risks and compliance.

Cases of discrimination

This topic is identified and monitored through the same reporting channels of the Ethics Commission and through the unified channel of the Eletrobras Companies. For internal complaints, Furnas has a formal system which goes through a manager, who has the prerogative of issuing verbal and written warnings that are included in the accused employee's file. After receiving the information, the Ombudsman, Ethics Committee, and Complaint Verification Management areas manage the issue, assessing the number of cases and the remedial measures taken, as well as offer more training if necessary. As a preventive measure, guidelines are published via the Intranet. No case of discrimination was filed in 2020.

A total of 77 third parties integrity assessments were conducted in 2020.

Training and assessment

GRI 205-2

All our employees undergo online training on ethics and integrity every year. The guidelines of the Integrity Program and the Code of Ethical Conduct are addressed. Specific training is also given based on the professional's business area. Eletrobras' Board Members, Directors, and those of its controlled, affiliated or partner companies also receive the content by means of the Improvement Program.

For third parties and suppliers, Furnas uses assessment mechanisms related to integrity, not only at the beginning of the contract, but periodically.

In 2020, the integrity assessment processes of third parties had no negative impact.

COMMUNICATIONS AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

Public	2019		2020	
	Communicated	Trained	Communicated	Trained
Members of the governance bodies	16 (100%)	11 (68.75%)	14 (100%)	14 (100%)
Employees				
Managerial Level	208 (100%)	204 (98.08%)	205 (100%)	205 (100%)
Higher education	1,073 (100%)	1,012 (94.32%)	921 (85.67%)	921 (85.67%)
Without higher education	1,551 (100%)	1,396 (90.01%)	1,280 (82.74%)	1,280 (82.74%)

**Furnas presents this indicator in a consolidated manner and not by region as suggested by the GRI.*

Relationship channels

GRI 103-2, 103-3, 102-25

We also have an independent company that receives complaints regarding infringements of our standards or unethical conduct. The consulting company receives the complaints, registers them in the Reporting Channel and sends them to the General Ombudsman. The General Ombudsman classifies them according to priority and topic, and forwards them to the Executive Secretarial Department of CSI. After receipt, the Secretarial Department sends the reports to the Report Assessment Coordinator for Eletrobras companies, which in turn launches an investigation and handles it accordingly.

Furnas carries out actions to prevent discrimination with an emphasis on a pedagogical and educational nature. Such includes training courses that cover the Code of Ethical Conduct and Integrity of Eletrobras Companies, of mandatory acceptance and compliance by employees and third parties.

Ethical communications in Furnas

GRI 102-17

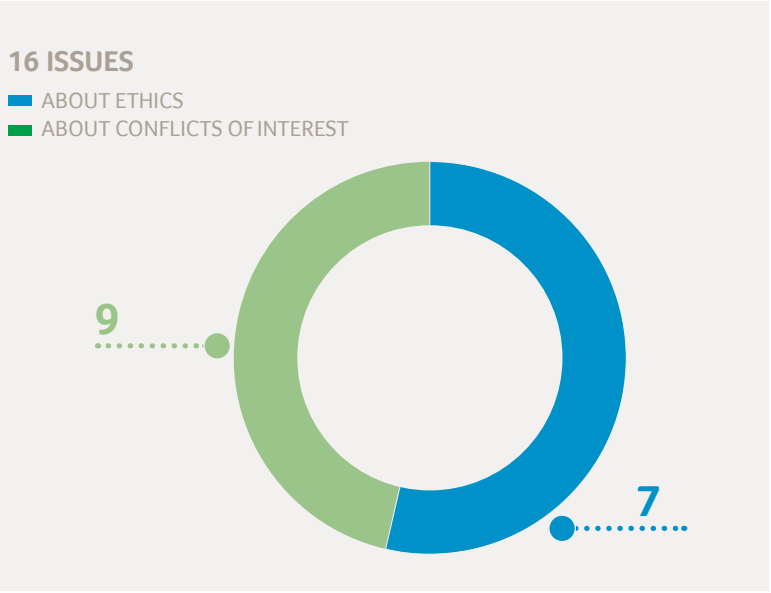
Seventeen processes have been initiated, of which 13 have been resolved and 4 are in progress (76.5% resolution). Regarding the 16 consultations, 100% were resolved (details in the chart).

Our channels

Furnas Ombudsman: ouvidoria@furnas.com.br
www.furnas.com.br/ouvidoria
(21) 2528-3815
Av. Graça Aranha, 26
Center, Rio de Janeiro / RJ
ZIP CODE: 20030-000

Furnas Ethics Commission: etica@furnas.com.br
Av. Graça Aranha, 26
Center, Rio de Janeiro / RJ
ZIP CODE: 20030-000

Unified Reporting Channel of Eletrobras Companies
0800 377 8037
www.canaldedenuncias.com.br/eletrobras



Risks and opportunities

GRI 102-11, 102-15, 102-30, 102-33, 103-2, 103-3

The 2020-2021 Corporate Risk Matrix identifies and consolidates the strategic business, operational, financial, and compliance risks to which the company is exposed to, for subsequent assessment, treatment, and monitoring, in addition to clear and objective communication to all stakeholders.

Our matrix is aligned with that of the parent company, revised in 2020 and approved by the Boards of Directors of Eletrobras and Furnas. The preparation/revision process of the Corporate Risk Matrix is conducted by the Risk Management area of the parent company and is then discussed within the scope of the Risks Committee of Eletrobras Companies - Corisco, composed of representatives from all of the concessionaires.

The Business and Management Master Plan (PDNG) and the Strategic Plan make an analysis of the external and internal context and its influence on the Furnas Risk Management process, based on strengths and weaknesses. Analyzes the main risk factors that may impact Furnas' business environment and the set of guidelines and assumptions.

Entrance portico of Furnas HPP

The 2020-2021 Corporate Risk Matrix and the Prioritized Risk Events are based on the strategic objectives of the company.

Main risks

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

For the 2020-2021 cycle, 13 risk events have been identified, namely:

1. Accounting and Financial Statements (emphasis on mitigation of material weaknesses)

2. Information Security

3. Industry Regulation in Generation

4. Industry Regulation in Transmission

5. Energy Sales

6. O&M in Generation

7. O&M in Transmission

8. Socio-environmental Management of Projects

9. Human Rights

10. Business Management of SPEs (Special Purpose Companies)

11. Litigation Formation and Management (emphasis on compulsory energy loan process)

12. Fraud and Corruption

13. Works on Generation Assets

Corporate Risk Management is directly related to sustainable growth, to Furnas' profitability and to creating value for its shareholders, and this process includes the identification not only of threats but also of business opportunities, in addition to risk-based decision making.

SDG 16

Management of impacts and critical concerns

GRI 102-29, 102-30, 102-33, 102-34

The Board of Directors, in accordance with the Articles of Incorporation, defines an annual meeting schedule and an annual activity plan. It also requests periodic reports on risk management, compliance and conformity, covering EESG topics, from representatives of the respective areas that deal with these topics. It also takes into account the reports of stakeholders for decision making, reporting, and opinions.

Furnas' compliance area, which is subordinate to the Executive Committee, is in charge of the company's management of compliance with anti-corruption laws and standards, integrity and ethics, corporate risk management, including social-environmental, and environmental management of internal controls. It reports directly to the Board of Directors under the integrity program. In cases where there is suspicion of involvement of the CEO, the matter is handled by the parent company and the Statutory Audit Committee.

CGU 2020 Audit

A comprehensive audit was conducted by the Brazilian Comptroller General (CGU) on the topic of risk management based on two main topics: Risks of Fraud in Contracts, focused on the supply and engineering areas; and Risks of Unavailability in the transmission system, encompassing the Operation and Maintenance and Engineering areas. CGU's opinion was favorable regarding the internal risk management processes.

RISK MANAGEMENT MODEL

GRI 103-2, 103-3

Identification
Survey, classification and prioritization of the risks to which the Company is or may be exposed to in the future

Monitoring
Monitoring the progress of the risks and the implementation and effectiveness of the predefined mitigation measures

Communication
Clear and objective reporting of all risk management steps and results to all parties involved in the process

Assessment
Perform qualitative and quantitative analyses to define the Company's degree of exposure to the risks identified

Treatment
Decision to either accept, transfer, mitigate or avoid the risks to which the Company is exposed, and if mitigation is chosen, define the action plans to be adopted

Main risks

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

BUSINESS

Generation
- New Business in Generation
- Generation asset projects
- Operation and Maintenance (O&M) of Generation
- Sector-based Regulation in Generation
- Dam Safety
- Extension of concessions

Transmission
- New business in Transmission
- Transmission asset projects
- Operation and Maintenance (O&M) of Transmission
- Sector-based Regulation in Transmission

Energy market
- Energy Sales
- Climate changes

Partnerships
- Business Management of SPEs

Management & Innovation
- R&D + I management
- Information Security

FINANCIAL

Liquidity
- Cash Flow

Market
- Market risk

Credit
- Counterparts
- Indebtedness/ Leverage
- Taxes
- Fiscal-Tax management

Budget
- Budget Management

Assets
- Regulatory Asset Pricing

OPERATIONAL

Socioenvironmental
- Socio-environmental project management
- Human rights

ITC
- Availability and performance of ITC systems

Legal
- Formation and management of litigation

People
- People Management
- Occupational Health and Safety
- Pension Funds

Supplies
- Supply chain management

Security
- Property security

COMPLIANCE

Laws and standards
- Fraud and Corruption
- Adherence to rules

Report
- Accounting and Financial Statements

Our impact

GRI 102-29

NATURAL CAPITAL

INPUTS	PROJECT	IMPACT
Water	Hydroelectric power plants	**POSITIVE** Multiple uses of the reservoir; Regularization of cascade flows. **NEGATIVE** Change in water quality; Proliferation of Macrophytes; Change in ecosystems/habitat; Involuntary displacement; Decrease in diversity of flora and fauna.
Soil (occupation)	Hydroelectric, thermal power plants and wind farms	**POSITIVE** Creation of Protected Areas. **NEGATIVE** Loss of vegetation cover; Forest fragmentation; Erosive processes; Sedimentation.
Natural Gas	Thermoelectric power plants	**POSITIVE** Improvement in air quality compared to conventional fossil fuel sources (e.g. coal, diesel oil). **NEGATIVE** GHG emissions (climate change).
Wind	Wind farms	**NEGATIVE** Interference in *migratory routes* and collision with birds; Decrease in migratory bird populations; Visual and noise pollution.

SOCIAL AND RELATIONSHIP CAPITAL

INPUTS	IMPACT
Sponsorships, social networks and advertising campaigns	**POSITIVE** Value culture, the promotion and exchange of knowledge; Image of the Organization **NEGATIVE** Risk of conflict of interest
Social communication, Code of Ethics and integrity, corporate policies and volunteering	**POSITIVE** Improved business reputation; Improved institutional relations; Improved organizational culture; Corporate alignment and integrity; Positive brand perception; Decrease in lawsuits; Contribution to public policies
Relationship processes and channels with different stakeholders and Ombudsman	**POSITIVE** Transparency; Access to information
Social and environmental programs	**POSITIVE** Greater contribution in public policies; Conflict reduction; Impact mitigation; Social transformation
Corporate reporting	**POSITIVE** Transparency, communication and accountability
Institutional relations	**POSITIVE** Increased market value; Credibility
Reputation survey	**POSITIVE** Brand value

FINANCIAL CAPITAL

INPUTS	IMPACT
Equity - Cash Revenue	**POSITIVE** Investment capacity
Equity - Capitalization of revenue	**POSITIVE** Liquidity
Third parties - loans/financing	**POSITIVE** Market expansion **NEGATIVE** Changes in the exchange and interest rate scenario
Return on investment	**POSITIVE** Project feasibility
Shares and debentures	**POSITIVE AND NEGATIVE** Direct impact on other capitals

HUMAN CAPITAL

INPUTS	IMPACT
Own employees	**POSITIVE** Generation of employment and income
Training, qualification and motivational processes, programs and procedures	**POSITIVE** Intellectual Capital Development
Knowledge Management	**POSITIVE** Retention and transfer of knowledge over time

INTELLECTUAL CAPITAL

INPUTS	IMPACT
Research & Development + Innovation	**POSITIVE** Technological innovation; Development of academic and scientific research; Development of startup activities
Cybersecurity	**POSITIVE** Business integrity; Company, employee and customer data security
Patents, Intellectual Property and Copyright	**POSITIVE** Guarantee of invention monopoly; Protection against undue use; Improvement and new products and services; Increased efficiency of production process; Sustainability for the organization; Competitive advantage; Preservation of the organization's intelligence

MANUFACTURED CAPITAL

INPUTS	IMPACT
Generation - hydroelectric, thermoelectric, wind and photovoltaic power plants	**POSITIVE** Generation of revenue; Generation of employment; Availability of energy
Transmission lines and substations	**NEGATIVE** Involuntary displacement; Visual and noise pollution
Administrative buildings, facilities and IT structure	**POSITIVE** Technological know-how **NEGATIVE** Generation of administrative waste

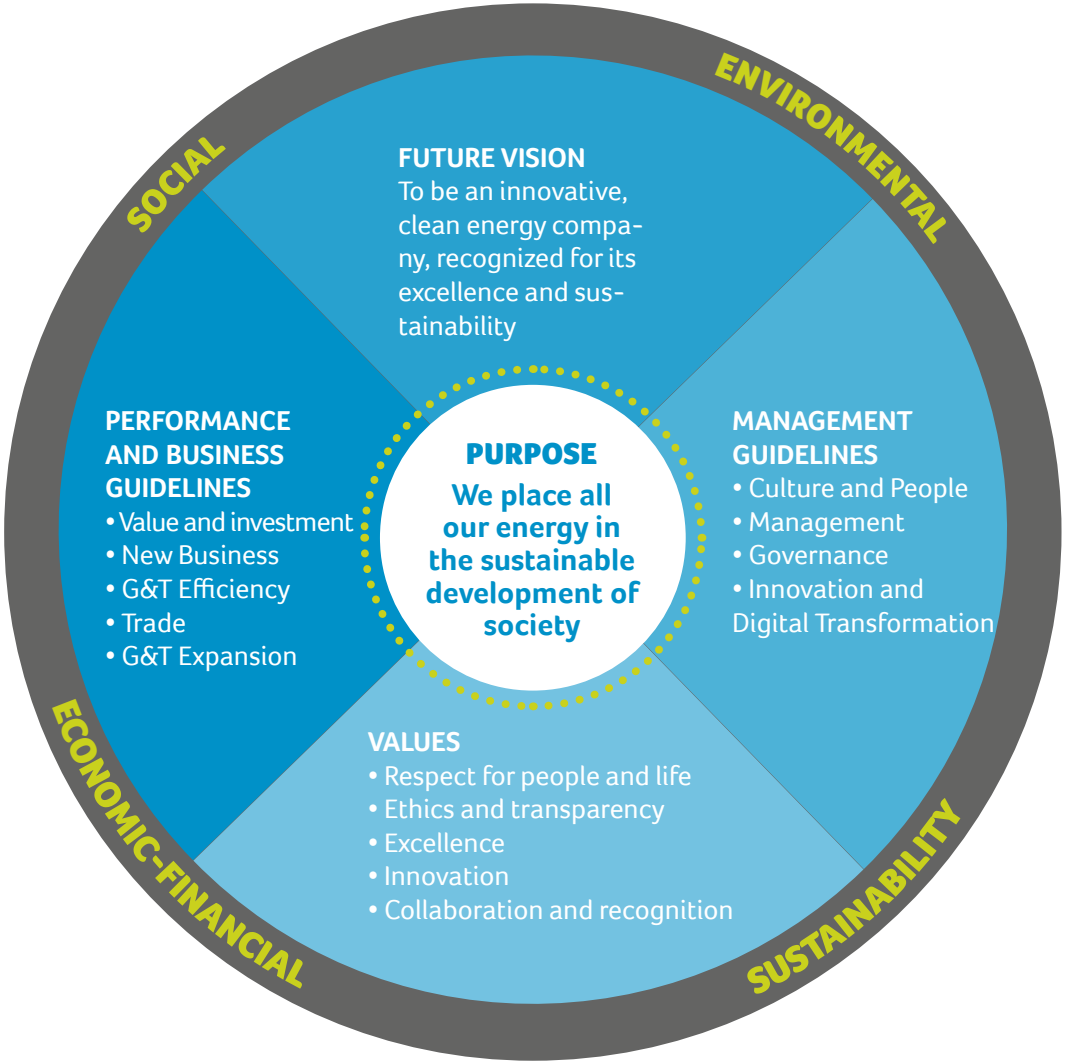
SDG 7 9 16

Strategy

GRI 102-16, 102-31

To be an increasingly more profitable and sustainable company and contribute towards preventing an energy shortage in Brazil. In order to achieve this vision, we are guided by the **Business and Management Master Plan (PDNG)** , which is a short/medium term five-year plan that defines the projects that will be developed by Eletrobras' companies, with the purpose of attaining the strategic objectives, targets, and related SDGs. See more about the details of Eletrobras' 2020-2024 PDNG in the website.

Another fundamental document that guides the company is the **Furnas Business and Management Plan (PNG).** The PNG contains projections and establishes the goals and the specific projects of Furnas that will be carried out over the next five years. To ensure its achievement, the PNG is monitored quarterly.



2020-2024 PDNG

Approved in early 2020 by Eletrobras' Board of Directors, the 2020-2024 PDNG was developed with sustainability as its principle, a premise that defines Furnas' guidelines and a topic that transverses all processes and businesses.

See its guiding principles - Purpose, Future Vision, and Values - and the main Business Performance and Management Guidelines in the chart above.

Read more

In the Transparency and Accountability portal available in the Furnas website.

MATERIAL TOPICS

CAPITALS

CYBERSECURITY AND DIGITAL TRANSFORMATION

ENERGY SUPPLY

RESEARCH AND DEVELOPMENT + INNOVATION

RELATIONSHIP WITH SUPPLIERS

FINANCIAL RESULT

ENERGY TRANSITION

Prosperity

Foz do Iguaçu Substation

PROSPERITY

What we all should strive to achieve for all human beings: a prosperous and full life, and for economic, social and technological progress to occur in harmony with nature. The UN combines with this concept economic growth with equality, with sustainable production and consumption based on decent work, a true increase in income, social protection, and access to financial services for all. It also adds the importance of innovation and transformation for business models to create shared value.

SDG 8 16

Economic performance

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

Despite the slowdown in the country's economic activity and the forecast of a scenario of reduced energy consumption, Furnas has managed to maintain a balance from the economic-financial aspect. Revenues were not significantly affected nor were any defaults recorded in representative amounts.

In order to measure and disclose data referring to economic performance, Furnas relies on an integrated business management system. With the help of the Digital Transformation area, the company has automated several activities, such as the monitoring of relevant legal proceedings, the management of default and account transfers.

The quarterly Financial Statements, which include results from all its subsidiaries (Transenergia Goiás S.A. and Brasil Ventos Energia S.A) and Specific Purpose Companies (SPEs), were completed on time. The complete financial results for 2020 are available and can be accessed at the Furnas website.

In acknowledgment of the importance of taxes as sources of government revenue, its role in tax policy and in creating public policies, as well as for macro-economic stability, Furnas makes a point of always paying its taxes on time.

Compliance with the tax laws reinforces the organization's respect towards its stakeholders besides its compliance with good tax practices and is an important tool to fight tax evasion.

Future prospects

For 2021, the Business and Management Plan (PNG) was approved with a projection of a corporate investment of BRL1 billion and financial investments of BRL1.1 billion.

Furnas was able to shrink its net debt by BRL1 billion and it now stands at BRL 6.4 billion.

The strategy is to focus on improving processes and productivity, increasing efficiency, and anticipating future risks.

On the subject of electricity sector regulation, the trend points towards more openness and growth in the consumer's choice of energy supplier.

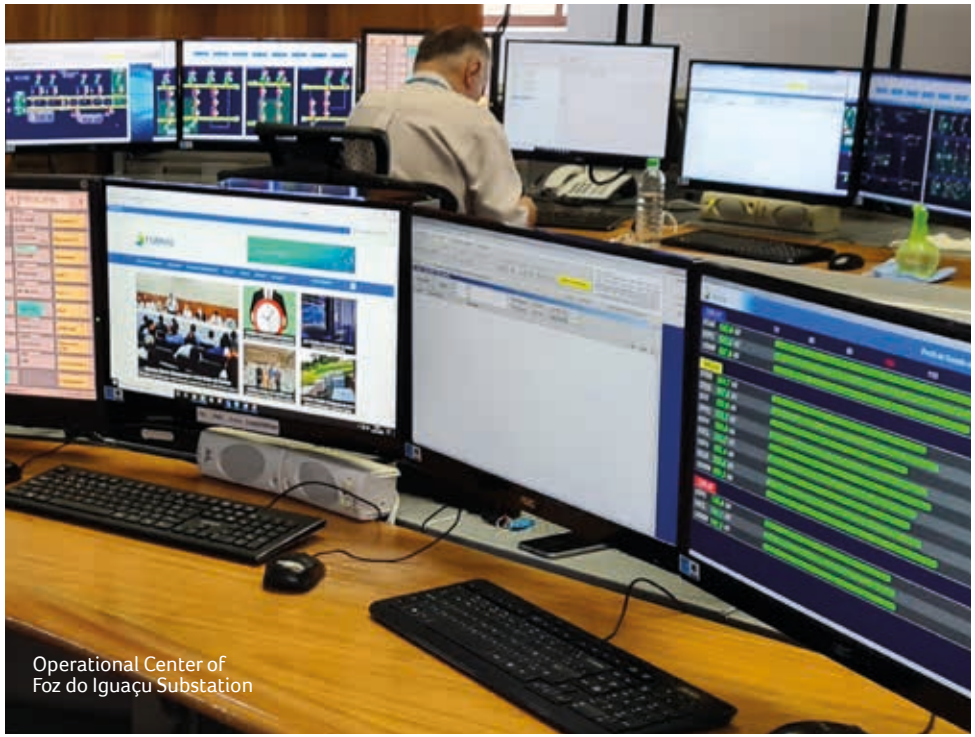
Financial Highlights 2020

BRL 2.57 billion
Net Profit
(BRL 3.79 billion in 2019)

BRL 807 million
Investment (61% of budget realized)

BRL 4.6 billion
Ebitda CVM criteria
(BRL 5.3 billion in 2019)

BRL 10.8 billion
Net operating revenue
(BRL 9.83 billion in 2019)



Operational Center of Foz do Iguaçu Substation

We are diversifying our portfolio, opening new markets based on energy transition, and preparing to serve new customers.

EESG in the financial strategy

The priorities assigned to social and environmental issues are aligned with the economic-financial strategies of Furnas. The income and expense flows are adapted to the prioritized socio-environmental requirements.

One example is green bonds, which Furnas can now issue after being certified by the Climate Bonds Initiative with the support from Vigeo Eiris. The bonds create the possibility of raising funds for projects and assets that have environmental and/or climate benefits, increasing the positive impacts on the company's profitability and on society.

DIRECT ECONOMIC VALUE GENERATED (BRL THOUSAND) GRI 102-7, 201-1

Generated	2019	2020
Revenue from energy sales	11,534,231	12,560,610
Economic value distributed		
Distributed	**2019**	**2020**
Operating costs	1,660,971	1,900,661
Work remuneration	1,143,603	1,063,392
Shareholder remuneration	763,318	510,744
Government (taxes and contributions)	1,724,327	2,556,079
Financial charges and monetary variation	930,409	709,523
Industry charges	561,017	577,370
Total	**6,783,797**	**7,317,769**
Economic value withheld	**4,750,434**	**5,242,841**

Favorable agreement concludes lawsuit with Light

In 2020, Furnas reached an agreement with Light on the subject of the revision of the amounts paid by the company as energy supply tariffs in 1986. The value of the agreement was BRL 496 million, to be paid by Furnas in three installments. The payment of the first part, BRL 336 million, was included in the year's cash flow and took place in December 2020.

MATERIAL TOPICS

POWER SUPPLY

CAPITALS

SDG 7 8 9 16

Photovoltaic plant (PVP) in Simplício

Operational performance

GRI 102-7

The health crisis has caused all companies to reassess their projects, operations, and investments. Furnas, committed to overcoming adversity and continuing to provide its excellent services, which are considered essential, has not failed to serve customers or locations.

Through the Pandemic, experiences were exchanged, protocols were created and approved and adjusted to the reality of each station and substation with the help of the local managers.

With the successful transition to working from home, it was possible to disentangle bureaucratic processes and speed up the management of more than 160 documents, including valid licenses, authorizations, and grants, related to the generation and transmission of energy projects.

Generation

GRI G4-EU1, EU2

Furnas' power generation comes from its complex of 28 plants (27 in operation, except for the Campos TPP) at the end of 2020: hydroelectric power plants (HPP), thermopower plants (TPP) and wind farms (EOL). They are:

- 4 corporate HPPs (100% Furnas) not renewed*
- 6 HPPs corporate renewed - affected by Law 12.783/2013*** or under the O&M regime
- 2 HPPs in partnership with the private sector not renewed (shared property)
- 2 corporate TPPs not renewed
- 9 HPPs under SPC regime
- 5 EOLs under SPE regime, 100% Furnas.

**Considers the Itumbiara hydroelectric power plant that is under renovation, in accordance with Law no. 13.182 of 03/11/2015 and ANEEL dispatch no. 3.108 of 03/11/2020.*

**** Law 12783/2013 made it possible for Furnas to renew or not renew its concessions as its concession contracts expired, as long as it adhered to certain conditions. To see more about renewals, see the timeline in the Management Reports on the Furnas website.*

Advancements in 2020

- Energizing of the Fortim Wind Farm in Ceará, adding another 123 MW to the National Power Grid (Sistema Interligado Nacional - SIN). Five wind farms occupy 2,365 hectares, with 41 wind turbines of 3MW each.

- Implementation of four solar photovoltaic plants****, three of which in the Anta/Simplício region and one in the Campos TPP area.

- Renewal of the Operation License of the Serra da Mesa HPP.

- Advances in the implementation of the combined cycle at TPP Santa Cruz, which will increase the plant's generation capacity by 150 MW. We have reached 90% of the project and its completion is scheduled for 2021.

Regarding the Tabajara HPP, with an estimated installed capacity of 400 MW, Ibama's Public Tender has been suspended by a court decision. Furnas expects it to resume in 2021 so the licensing stage can be finalized and, subsequently, the conditions for the auction of the undertaking can be set up. Furnas is part of the consortium that conducted the feasibility studies for HPP Tabajara.

*****The solar power units are not in operation; therefore, are not included in the installed capacity of the company.*

In 2020, the average generation availability factor of the system was 94.37%.

GRI G4-EU30

Energy production

GRI G4-EU2

In 2020, we generated 66,265,919.65 MWh, 0.77% less than the previous year. Of this total, 50.03% came from corporate or shared property power plants and 49.97% from plants in SPEs*.

Availability and reliability

GRI G4-EU30

In order to define new investments in generation, Eletrobras has a committee to assess new generation projects, composed of managers from the subsidiary companies. The committee analyzes and prioritizes investments seeking to maximize the availability and reliability of power generation in the short and long term. The availability factor is the indicator that is associated with the time that a plant is available to generate energy.

**Refers to the total amount generated by the projects. If considering the share of Furnas, the total is 43,985,375.59 MWh generated in 2020, of which 71% are company-owned (corporate) or shared property power plants and 29% are in SPCs.*

Hydrological situation of Furnas' reservoirs

The year of 2020 was characterized by a stable storage situation in the Company's largest accumulation reservoirs as compared to the previous year. At the end of the year, the storage levels stood at approximately:

16.76% in the Furnas HPP reservoir,

10.51% at HPP Itumbiara,

56.33% at HPP Funil,

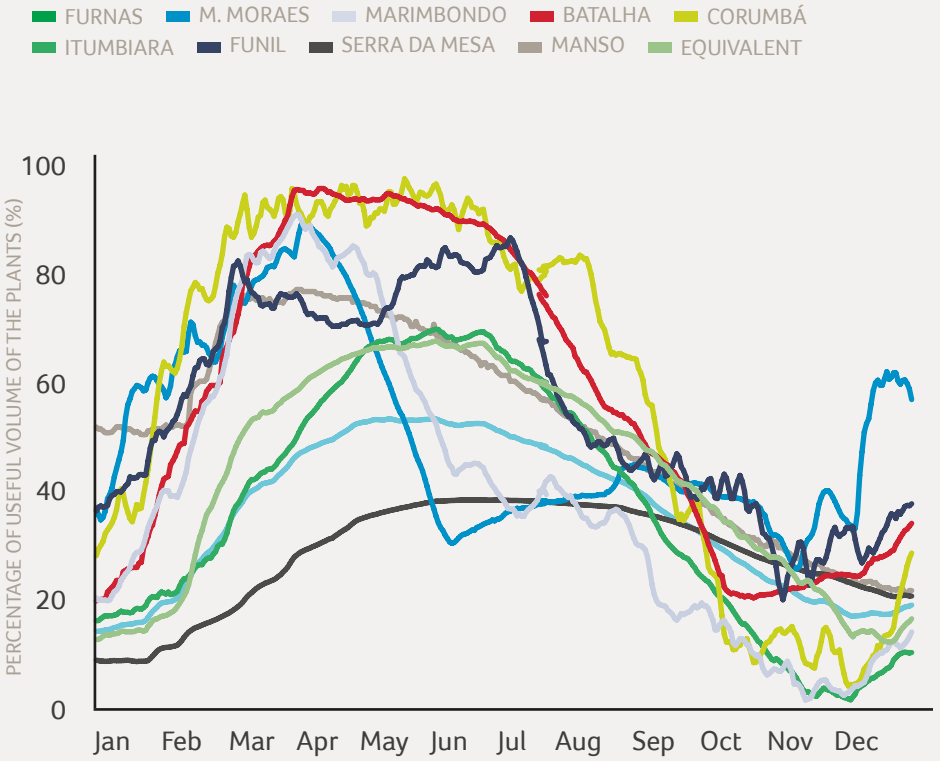
21.02% at HPP Serra da Mesa, and

22.03% at HPP Manso.

The equivalent reservoir, which is the representation of the total volume of water stored in the reservoirs of Furnas' hydroelectric power plants, ended the period with 19.30% capacity, slightly above the 14.61% registered at the end of 2019.

The Furnas, Itumbiara, Funil, Serra da Mesa and Manso HPP reservoirs are regulated annually and operate by storing water during the rainy season (November to April) for use during the dry season (May to October).

RESERVOIR STORAGE 2020



NET ENERGY GENERATION (IN MWH)

Power sources	Total		Total by interest*	
	2020	2019	2020	2019
HPP**	32,225,119.00	28,555,709.42	30,317,198.45	26,923,437.12
TPP (Gas)	926,923.54	2,002,857.84	926,923.54	2,002,857.84
Wind farm in SPC	129,626.35	0	129,626.35	0
HPP in SPC	32,984,250.76	36,218,408.39	12,611,627.25	13,687,153.40
Total net energy generated	**66,265,919.65**	**66,776,975.65**	**43,985,375.59**	**42,613,448.36**

**Refers to the percentage of ownership interest of Furnas in the SPCs and the power plants with shared property (partnerships). **Includes the corporate plants and those with shared property.*

SDG 7 9

FURNAS INSTALLED CAPACITY (IN MW) GRI G4-EU1

Power Sources	Total 2020	Total by stake*
HPP**	9,046.20	8,326.07
HPP in SPC	8,719.77	3,338.25
TPP	375***	375
Wind farm in SPC	123****	123
Total	**18,263.97**	**12,162.32**

**Refers to the percentage of ownership interest of Furnas within the SPCs and the power plants with shared property (partnerships).*

***Includes the corporate plants and those with shared property.*

****The 25 MW Roberto Silveira TPP (Campos) is out of commercial operation, as stated in Aneel Order 708/2019.*

*****Parent company Brasil Ventos Energia S.A. is responsible for the management of the wind farms. Furnas' stake in Brasil Ventos Energia S.A is 100%.*

GRI G4-EU30

Power Plant	Availability factor*	Hours of unavailabity*
HPPs**	95.14%	20,812.33
HPPs SPCs	95.46%	28,531.54
TPPs	73.86%	451.28
Wind Farms	71.19%	7,582.22

**Consider the planned and unplanned downtime.*

***Includes the corporate power plants and those with shared property.*

This enables the plants to produce the required amount of electricity all year round and provides water for other downstream plants to operate as well.

In the case of hydroelectric plants, the reservoir level and the energy dispatched are defined by ONS, which operates the set of Brazilian reservoirs in an integrated way with the purpose of ensuring energy security at a lower cost.

Transmission

GRI 102-7, G4-EU4

In 2020, our network of transmission lines reached a total of approximately 25,897 km, of which 83.8% wholly-owned (21,701.20 km) and 16.2% interest in SPCs (4,196.22 km). A total of 72 substations, of which 76% are wholly-owned.

Debate about reservoir levels

Throughout the year, several meetings and public hearings were held to bring together sector representatives (Aneel, the National Water Agency - ANA, the Mining & Energy Ministry, ONS and the Furnas Lake Municipalities' Association) and our company, to discuss the establishment of water levels in the reservoirs, in particular the Furnas HPP (MG).

The discussions included the possibilities of establishing a minimum quota that would preserve energy generation and other uses and would make reservoir recovery feasible. The group also discussed the impact of reducing energy production capacity on tariffs and on the operation of the other hydroelectric power plants. Furnas upheld its social commitment and gave transparency to its position of compliance with ONS determinations on water use, and with the ANA Resolution that establishes operating conditions.

START UP

Enterprise	Total extension (km)	Ownership interest of Furnas (%)
TL 230 kV Jandaia - Russas II C1	68.76 km	100%
TL 500 kV Itatiba - Bateias C1	414.26 km	49.90%
TL 500 kV Araraquara 2 - Itatiba C1	222.59 km	49.90%
TL 500 kV Araraquara 2 - Fernão Dias C1	249.60 km	49.90%
SS Jandaia	-	100%
SS Fernão Dias	-	49.90%


Furnas Lake

Extension of the Transmission Lines in Operation

• **Corporate:** 21,701.20 km*
• **SPC:** 13,293.89 km
(x participation = 4,196.22 km)
Total = 34,995.09 km
(x participation = 25,897.42 km)

* *Does not consider the 165 km of the 25 kV ground electrodes.*

Actions and investments in 2020

A total of BRL 76 million was invested in the existing transmission complex to implement enhancements authorized by Aneel and improvements seen by Furnas as necessary for the safety and reliability of the system. Also invested approximately BRL 13 million in corporate transmission lines through auctions.

From 2021 to 2025, Furnas plans to invest BRL 414.94 million, according to PNG 2021-2025. The transmission lines (TL) and substations (SS) that went into operation are shown in the table above.

Among other work completed, enhancements and improvements were made to increase the system's reliability. Namely:

• Energizing new 500 kV series capacitor banks in the North - South corridor, at the Samambaia, Serra da Mesa and Gurupi substations.

• Energizing new transformers in the substations of Vitória, Campos and Porto Colômbia, increasing their capacity and strengthening the connections with energy distributors.

• Implementation of one more tele-assisted substation, and advances in the feasibility studies for tele-assistance at the larger Mascarenhas de Moraes HPP, for 2021.

• Issuance, by the Environmental Company of São Paulo State (Cetesb), of the Installation License for the implementation of the Itaberá-Tijuco Preto 2 transmission line bypass. The 15km stretch that goes through the Serra do Mar State Park was having corrosion problems. Since 2014, Furnas has been working on building a bypass nearby. The implementation is scheduled to be completed by 2021.

• Issuance, by the State Environmental Institute (Inea), of the Operating License for the 138 kV São José-Magé I and II transmission lines, which cross the municipalities of Belford Roxo, Duque de Caxias, and Magé, in Rio de Janeiro. A total of 46km of lines are in a situation of environmental regularization.

• Startup of the Mata de Santa Genebra transmission line, one of the SPEs of which Furnas is a member.

In 2020, Furnas carried out work on 16 substations and 2 transmission lines.

We sold a total of 39,457.6 GWh, down 1.33% from 2019.

• Another undertaking in progress is the installation of the 2nd Auto Transformer (ATF) 500/138-13,8kV, at the Zona Oeste SS. The expected investment for the expansion of this transmission system is BRL 414.94 million.

Availability GRI G4-EU6

In 2020, the operational availability index of Furnas' transmission lines reached 99.91%, exceeding its own performance in 2019 (99.89%) and the target agreed upon with the parent company (99.72%).

Losses GRI G4-EU12

The technical transmission loss index at the end of 2020 was 1.28%*. The result in 2019 was 1.79%**.

**The index report considers the corporate transmission lines that justify the Permitted Annual Revenue (RAP) and that were in operation at the end of the reporting period.*

***The amount that refers to 2019 differs from that presented in the Annual Report of 2019, due to the reporting methodology used.* GRI 102-48

TL Macae Campos

SDG 7 8 9

Trading

GRI 102-6

Energy sales are carried out with energy distributors, sellers and free consumers from all over the country. Our strategy seeks to maximize results, considers the risk analyses in the various energy market scenarios, contemplating the uncertainties inherent to each business and diversifying our portfolio of contracts.

Despite the commercial challenges, Furnas has signed 106 new contracts, breaking new ground in trading.

We held an auction to purchase incentivized energy from solar power plants in Bahia, Piauí, and Ceará, in which we contracted almost 1,000 MW, in an investment amounting to approximately BRL 4 billion. The contracts have a duration of 15 years, with supply scheduled to begin in 2024. This is the first time that Furnas has bought solar energy from third parties, ahead of the market.

Renewable energy certificates

After receiving the clean and renewable energy seal for three enterprises, Furnas is now part of the International I-REC Standart Platform audited by the Totum Institute, the international entity's representative in Brazil. With the ability to now sell the certificates, Furnas held the 1st auction of I-RECs in early 2021, attracting consumers, companies, and others interested in the guarantee of origin of renewable energy. Every I-REC is equivalent to 1 MWh of renewable energy generated.

SDG 7 9

R&D and Innovation

GRI G4-EU8

Furnas has a Strategic Innovation Plan, aligned to its PNG (Business and Management Plan), which defines the strategies and main lines of research with the aim of generating more value to corporate ventures and solutions for the company's sustainable future. The management of the topic is guided by the Policy for Planning, Capturing and Selection of Research, Development and Innovation Projects, and is in accordance with national laws and Aneel's Research and Development Program procedures.

Aerodynamics Laboratory

MATERIAL TOPICS

CYBERSECURITY AND DIGITAL TRANSFORMATION
RESEARCH AND DEVELOPMENT + INNOVATION

CAPITALS

BRL 86 million
invested in R&D + Innovation projects and actions.

***exceeding the expected resources by 30%**

Industry 4.0

To select and support innovative projects within Industry 4.0, which integrates cutting-edge technology, Furnas has structured an Information Technology and Artificial Intelligence Center (NTEC). The idea is to insert, in the corporate scope, cutting edge tools such as Artificial Intelligence, Machine and Deep Learning, Blockchain technology, Geographic Information System (GIS), High Performance Computing (HPC), and others.
To further the discussion of this topic, the company has internal and external forums, methodologies, and processes for the creation, development, and experimentation of ideas.

One of the suggestions made by the employees led to the implementation of 6 actions aimed at improving internal processes. Focus groups, big data analysis, social media assessments, interviews, and experiences with customers and consultants are conducted to adapt innovative projects to market demand.

Reference in technology

The Furnas Civil Engineering Technology Center has already provided services to more than 30 projects in 19 countries on five continents and in more than 200 hydroelectric undertakings in Brazil, from inventory to operation. The Aerodynamics Laboratory is set up in the Center and is dedicated to studies aimed at wind power generation, from feasibility, operation, and optimization to maintenance, repowering, and decommissioning of wind farms. It is designed to integrate theoretical, laboratory, and observational areas to develop advanced reliability and optimization studies of wind power systems.

Since its opening in December 2018, the lab has subsidized research targeted at strategic data in the technical realm of wind energy systems. One of these targets is the increase in the company's forecasting capacity regarding the main performances of the systems that will be installed, which, in the case of wind power plants, consists of energy production and behavior analysis of blades, towers, and foundations in the long term.

R&D and Innovation projects reduce risks and impacts

• One of Aneel's most relevant R&D projects is the development of a methodology using the BIM (Building Information Modeling) concept applied to substation projects integrated with a Geographic Intelligence System (GIS). It will be used as one of the benchmark initiatives for the Eletrobras working

Solar and floating

One of the big highlights of the year was Aneel's R&D project, targeted at the development of synergy between hydroelectric and solar sources with seasonal and intermittent energy storage in hydrogen and electrochemical systems, using already installed floating and ground photovoltaic panels. The project aims to study energy storage and its integration into the National Power Grid (SIN). Installed at the Itumbiara HPP (MG/GO), the project is scheduled to be energized in the second half of 2021.

group in charge of implementing the BIM Methodology in all the companies of the Eletrobras Group.

• Aimed at reducing transmission risks, Aneel's R&D project InterBRAMS brings a line monitoring system that uses a meteorological model to identify the behavior of towers and cables in high-risk areas.

• In order to reduce environmental impact, progress was made in the R&D project ANEEL Embarcações, with a hybrid electric propulsion system powered by batteries that can be fed by a conventional power grid, by a an onboard ethanol motor generator group, and a fuel cell/hydrogen battery generation system.

• A prototype project is testing the application of Artificial Intelligence (AI) in a system that gathers and processes the signaling elements triggered by a major event. Created by Cepel (Center for Research in Electric Energy), the proposal is to automate and speed up the information that reaches the controllers, so they can follow the solution steps with more assurance.

• Another project using AI is a helicopter, an instrument that carries a special camera to perform regular and periodic inspection on transmission towers, now with more analytical possibilities. The proposal won 1st place in the Innovation Marathon held in Furnas together with its startup partner Cyberlabs.

BRL 1.5 million was invested in the development of technological prototypes to fight the pandemic.

Startups against Covid-19

In partnership with Senai RJ (National Service for Industrial Learning) and Firjan (Federation of Industries of Rio de Janeiro), Furnas launched a Public Tender dubbed "Furnas x Covid-19 - startup Challenge" that included technological challenges to face the coronavirus pandemic in the electrical sector.

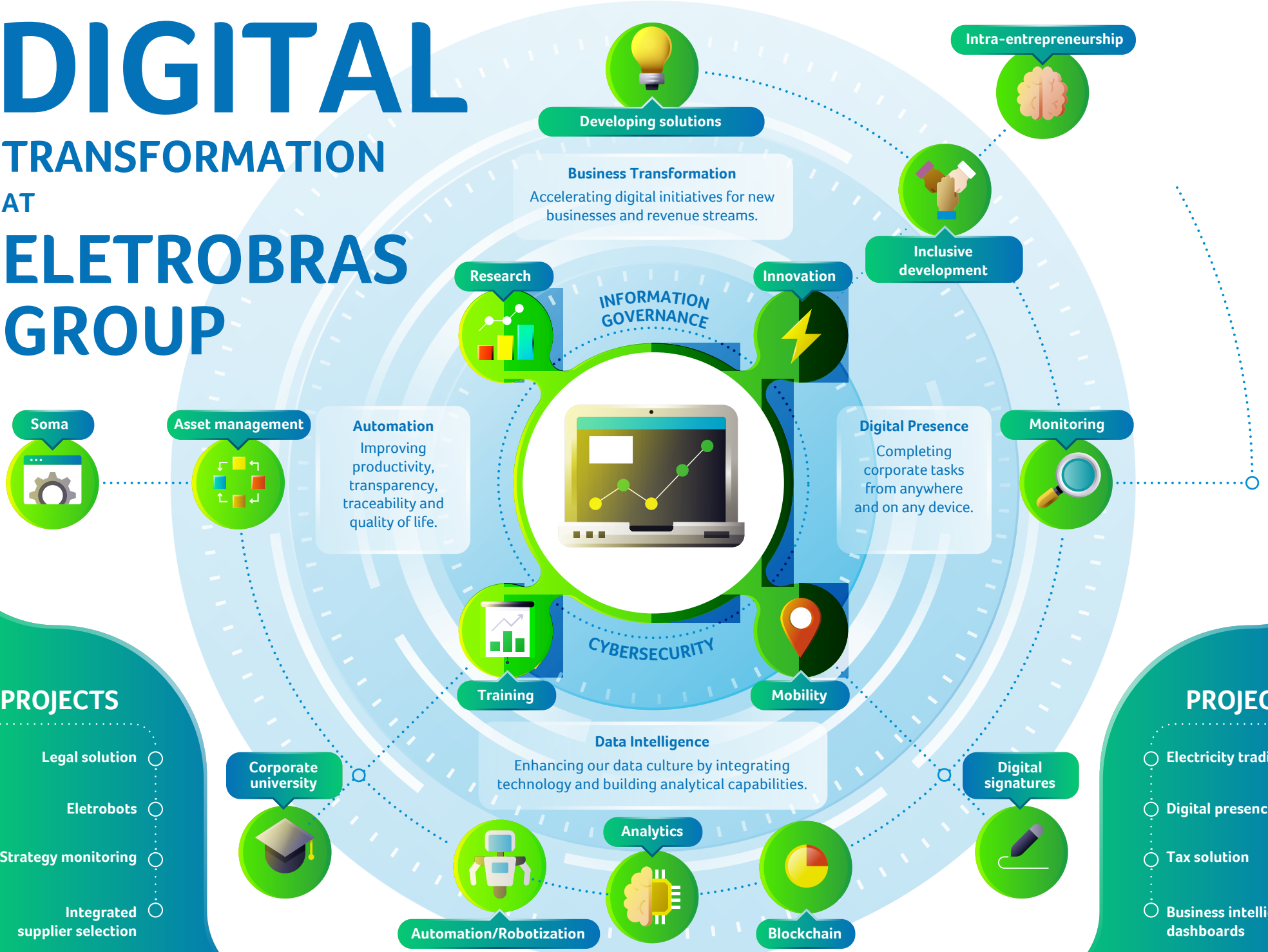
The goal was to attract innovative projects with a focus on safety in the work environment and on improving the working day of professionals in the electrical sector.

Three projects were selected and BRL 1.5 million were invested in the development of prototypes: a PPE disinfection cabinet, an employee health monitoring bracelet (which collects data via Artificial Intelligence to assess working conditions), and an Air and Environmental Sterilizer with UV-C radiation (Ultraviolet Radiation in the C spectrum).

Inova Furnas 2020

Inova Furnas is the project that has mobilized the most intrapreneurs, with emphasis on the value of Furnas' human and intellectual capital. A total of 75 multipliers were trained and 565 proposals for innovative ideas were received from employees. Together, the selected projects totaled BRL 5.1 million in benefits for Furnas. Inova Furnas is a successful benchmarking model for the 1st Innovation Olympics of Eletrobras Companies.

DIGITAL TRANSFORMATION AT ELETROBRAS GROUP



PROJECTS

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

PROJECTS

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

MATERIAL TOPICS
RELATIONSHIP WITH SUPPLIERS

CAPITALS

SDG 3 8 12

Supplier management

GRI 102-9, 102-10, 102-43, 103-2, 103-3

Furnas maintains a partnership relationship with its suppliers, from selection to business development. We value ethics, integrity, transparency, and sustainability, and we seek suppliers that reflect these same attributes. In our hiring procedures and in the work processes of the supply chain, we strive to put in place measures that help attain the Sustainable Development Goals (SDGs).

Suppliers 2020

- 3,136 Furnas suppliers
- 327 contracted through tenders, dismissal and direct hiring
- BRL 980,100,580.03 contracted through tenders, dismissal, direct contracting, and additives

For hiring rules in 2020, the Eletrobras Protocol for Supplies within the Context of the Coronavirus Pandemic was issued and approved by the Furnas Executive Board. This rule now regulates emergency hiring, recommends the use of technology to avoid face-to-face interactions in bidding and contracting processes.

The size of the contracted companies varies - from micro to large multinationals - and they are all subject to the Policy on Supplier Logistics of Eletrobras' companies.

Supplier Policy GRI 205-1

The selection of suppliers is carried out in accordance with the following documents:

- ***Tenders and Contracts Regulation*** of Eletrobras companies;
- ***Policy for Supply Logistics***;
- ***Supplier Conduct Guide***, sets out the company's expectations in regard to its suppliers.

The contractual provisions set forth that the supplier is responsible for: knowing and complying with the principles and standards of the Conduct Guide, the guidelines of the Integrity Program of Eletrobras companies, complying with the Code of Ethical Conduct of Eletrobras Companies and with the document of Principles and Standards of Business Conduct in the relationship between Furnas and its suppliers and subcontractors.

All supplier contracts, subject to integrity assessment, are included in the criticality matrix, a tool that automatically rates the risk using four categories (low, medium, high and very high), according to the score obtained based on the information provided in the due diligence form available at the Furnas site.

Monitoring

The supplier is monitored during the entire period of the relationship with Furnas from several aspects, among which we highlight:

- legal compliance
- economic-financial assessment
- technical qualification
- compliance with the established technical specifications
- internal monitoring (contractual management and inspection) and
- due diligence for critical suppliers (environment, human rights and integrity).

MATERIAL TOPICS
RELATIONSHIP WITH SUPPLIERS

CAPITALS

SDG 7 9 16

Customers and consumers

GRI 102-43, 102-6

Actions and training

The Workshop on Integration and Process Improvement of the Supply Areas and the National Meeting of Suppliers of Eletrobras Companies was held in 2020 and was attended by 1,000 suppliers in 4 webinars.

The action was coordinated by Celse (the Executive Committee of Supply Logistics of Eletrobras companies). Some of the topics discussed were high performance in management and impacts on B2B relationships, and business opportunities for suppliers of Eletrobras' companies. The presentations and topics are available online.

Local suppliers GRI 204-1

Furnas seeks to privilege competitiveness, aiming at more involvement by stakeholders and greater hiring advantages. In large projects, although the company does not directly hire companies under the locality criteria, due to lack of legal and regulatory provisions, there is a great deal of benefit for local sub-suppliers. This generates an important economic movement in the region where Furnas operates.

SDG 8

Supplier relationship channels

In addition to the relationship channels typically available to other audiences, the Furnas website offers a series of information about invitations-to-tender, public hearings, bidding regulations and contracts, and other information of interest to suppliers.

Furnas' electricity is traded in two negotiation environments: the Regulated Contracting Environment (Ambiente de Contratação Regulada - ACR), with energy generation and distribution agents; and the Free Contracting Environment (Ambiente de Contratação Livre - ACL), with generators, distributors, traders, importers and exporters, in addition to free and special consumers.

With energy distributors, our contracts abide by the Physical Assurance Quotas. Business transmission transactions are carried out in the public service environment (concession) and in the environment of exclusive interest of the accessing party (other revenues).

We started the year with a doubtful scenario due to the pandemic, especially regarding contracts and customers in the free environment. Operating remotely, we approached clients to review agreements and renegotiate financial aspects, which led to improved relations and less likely defaults.

New business, new customers

We are preparing to sell energy to consumers with emphasis on retail and smaller customers by diversifying the company's current profile. Our plan includes creating a new service profile, internal structures such as a call center, investing in computerization and new loyalty strategies. We are relying on

PROCUREMENT BUDGET SPENT WITH LOCAL SUPPLIERS

Operating unit 1	2019	2020
Budget for suppliers (BRL)	859,852,697.76	1,014,270,659.56
Amount spent with local suppliers (BRL)	859,728,137.76	328,296,921.16
% of budget spent with local suppliers	**99.99**	**32.37**

* *In 2020, there was a methodological change in obtaining the data. Local suppliers are those that are located in the same state where the contractual object will be delivered.*

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

Privacy and data protection

At Furnas, Information Security Management is responsible for identifying, monitoring, assessing and following up on corporate risks related to cybersecurity, with support from the operational areas. A robust technological framework assists in this management process, guided mainly by Eletrobras Companies' Information Security Policy. On the legislative side, Law 13.709/2018 or the General Law of Protection of Personal Data (Lei geral de Proteção de Dados Pessoais – LGPD), came into force in September 2020, regulating several aspects about the treatment of individuals' data. The measure defines changes in the contracts, which are the subject of constant attention by the teams responsible.

Communication channels with customers

The Contact us section and the link for registering with the Ombudsman are avaiable on the website. In addition to the communication channels for all audiences, Furnas' website offers information about bids, public hearings, bidding rules and contracts and other items of interest to suppliers.

the new fronts of clean energy trading, the use of hydrogen in the energy matrix, distributed generation, and other technologies to generate inputs and serve new markets, such as the agricultural industry.

Satisfaction surveys

Furnas participates in the Eletrobras Companies' Integrated Customer Satisfaction Survey, which is held every two years. During the 4th and final edition, 2019/2020, the company stood out by achieving a 90.11% overall satisfaction index, surpassing the average of the other companies, which was 88.83%, and the 2019 index, 85.17%. The goal set by the GT-CRM (Customer Relationship Working Group) was surpassed: to maintain the consolidated satisfaction level of the Eletrobras companies at 87.98%.

Among the criteria assessed by the survey is: customer service, commercial parameters, contract management, billing measurement, image, and sustainability.

The main purpose of the Eletrobras Companies' Integrated Customer Satisfaction Survey is to measure the degrees of satisfaction and importance attributed by customers in the generation and transmission businesses, and to pinpoint opportunities for improvement.

No relevant flaws were noted at Furnas and, among the opportunities for improvement, was the increase in the offer of types of energy products and an expansion in the focus of transactions with free consumers.

Satisfaction survey results*

90.11%
In relation to Furnas

94.48%
in relation to an important category (attribute or assessed item) of products or services

**124 customers surveyed (Eletrobras Amazonas GT, CGT Eletrosul, Chesf, Eletronorte and Eletronuclear), with 46 integrated answers*

SDG 8 16

Social value creation

The pandemic agenda has brought to the attention of the company, once again, that human beings are at the core of the business, whether they are employees, third parties, families or society. A task force was put together to work directly with the surrounding population and, based on the primary responsibility of improving the health of the communities, an awareness project and social value creation actions were deployed.

The Social-Cultural Responsibility area mapped out the most vulnerable communities in each region. These, along with the gatherers' co-ops that already have a partnership in place with Furnas, were given hygiene kits and protective masks. All items were purchased from small suppliers, especially women's co-ops, to generate income.

During the pandemic, we outfitted 4,500 families with hygiene kits and donated more than 50,000 protective masks.

See below a few of the various social actions put in place to support the surrounding communities during the pandemic:

• Delivery of basic **food baskets with hygiene items to 85 low-income families** from rural areas of Mato Grosso in the communities of João Carro, Água Fria, and Chapadas dos Guimarães (MT).

• **Donation of 300 masks** against Covid-19 to the Caritas' Program for Assistance to Refugees and Refugee Seekers in Rio de Janeiro.

• **Donation of basic food baskets to around 180 families** in the Cidade Nova 1 and 2 neighborhoods in Paraná, and at the Jorge Amado School in Foz do Iguaçu. This initiative is part of the Caminhos (Pathways) project in partnership with Furnas, which has been assisting children and teenagers in the region since 2002.

• Support for the Cuidemos Uns dos Outros (Let's Take Care of Each Other) initiative of the Brazil/Paraguay Itaipu Dam, which includes the Força Voluntária (Volunteer Force) and Iniciação e Incentivo ao Trabalho (Introduction and Incentive to Work) programs. Through them and our partner organizations, we assist **930 families and 60 elderly people**.

• Delivery of **1,600 fabric masks** to the Morro Dona Marta Residents' Association in Botafogo, RJ. The initiative **generated employment and income for 180 seamstresses, who produced 12,000 masks**, later bought by Furnas and distributed to the company's professionals and people from the communities surrounding the facilities. 9,000 people have benefited directly and indirectly.

Furnas donates BRL 8.75 million to Salvando Vidas (Saving Lives)

This project is headed by the National Economic and Social Development Bank (BNDES) in a large match-funding action coordinated by Sitawi, an organization specialized in social and financial impact. For each real donated by the company, BNDES allocates another to equip health institutions struggling with the impacts of the pandemic caused by Covid-19. With the Furnas donation of BRL 8.75 million, 5.8 million PPEs were purchased for health professionals working at 46 Santa Casa units, located in 32 cities in 9 states and the Federal District - all within the area of influence of Furnas.

Sponsorships and public notices

In 2020, the projects selected in the 2019 public notices were followed up. Due to Covid-19, sponsored projects were impacted and had to reevaluate their schedules and activities and/or turn to online resources to continue functioning. Among those that remained, the schedules and activities were adapted and online resources were put in place to ensure they continued functioning.

• 208 civil society organizations were selected in the **6th edition of the Furnas Social Public Notice**, which invested about BRL 3 million in social actions, limited to BRL 15,000 each, for the procurement of the materials and resources needed.

• We started the follow-up of the two long term projects (1 year), selected in the **1st Public Notice of Social Projects of Eletrobras** aimed at vocational training for young people: Internet of Things (teacher training and construction of automation labs in public schools in SP, involving 589 students) and Carpentry and training for entrepreneurship (22 young people attended in Passos, MG).
The total investment was BRL 400,000.

SDG 9 16

Management of impacts on the community

GRI 103-2, 103-3, 413-1, G4-EU20

Furnas strives to fulfill its commitments to the local community undertaken with environmental agencies through the environmental conditions of Previous Licenses, Installation Licenses and Operation Licenses of its projects. In terms of land actions, the communities are identified and monitored through environmental studies (EIA/RIMA).

The main goal is to remedy the negative impacts caused by the developments in the localities, and this includes compensation, publicity, and transparency of the process at all stages. The communication and information disclosure actions related to impacts and procedures are carried out in accordance with the Basic Environmental Plan (PBA) of each enterprise.

In 2020, engagement actions, impact assessment or development programs were carried out for the local community in 12 Furnas operations.

The meetings for the population affected and other townspeople are: public hearings held by the environmental agency, Furnas-specific public meetings in the areas surrounding the enterprise.

In addition, the following channels are used: Ombudsman, +55 (21) 2528-3815 and 2528-2222, e-mail ouvidoria@furnas.com.br and the Contact Us Portal form on the Furnas website.

Relocation of people

GRI G4-EU21, G4-EU22

The company's premise is to avoid relocations; therefore, it makes sure to conduct the socio-economic research and studies required by law. In the event of relocation, family monitoring programs are offered. Issues involving land reform, indigenous populations, and quilombolas (members of isolated rural communities that were created by former runaway slaves) are negotiated through their legal representatives: National Institute of Colonization and Land Reform (Incra), National Indigenous Peoples' Foundation (Funai) and the Palmares Foundation.

Furnas did not participate in new corporate ventures that required relocation in 2020. Under this scope, only the land title clearance of one property was carried out adjacent to the LT 345 kV Tijuco Preto - Itapeti project, for the purpose of complying with the environmental condition plan. BRL 155,000.00 was paid as indemnity for the acquisition of the property, as well as the notary fees.

Traditional populations: indigenous people and quilombolas

GRI 103-2, 103-3, 413-1, 413-2

The way in which Furnas manages this matter is based on endeavoring to avoid, mitigate or remedy negative impacts with predefined mitigation measures and by enhancing positive impacts to ensure the rights of the population through compensation measures.

In terms of indigenous people, Furnas follows the Federal Indigenous Peoples' Policy and Funai's Federal Policy for Isolated and Recently-Contacted People, the National Policy for Territorial and Environmental Management of Indigenous Lands (PNGATI), the Indigenous Peoples' Health Care Policy, and the Indigenous School Education Policy.

COMPENSATION FOR LAND REGULARIZATION 2020 (BRL THOUSAND)

Enterprise	Amount paid
TL 230 kV Mascarenhas - Linhares	7,996.56
TL 750 kV Itaberá - Tijuco Preto I and II Variant	3,166.37
TL 345 kV Itapeti - Nordeste	1,132,420.62
TL 345 kV Tijuco Preto - Itapeti	162,380.82
TL 600 kV Foz do Iguaçu - Ibiúna II	272,927.10
HPP Batalha	252.31
TOTAL	**1,579,143.78**

Indigenous woman from the Kaingang community

1. Avá-Canoeiro Indigenous Community

In 2020, we will continue our actions for the protection and territorial monitoring of the mandatory project in the Avá-Canoeiro indigenous community impacted by the Serra da Mesa HPP implemented in 1992.

The activities are managed through monthly occurrence reports drawn up by the monitoring team and sent to Funai. Meetings are held with Funai and Furnas representatives to assess the activities and the results are proving to be effective. Therefore, the management approach needed no adjustments in 2020.

2. Kaingang Community, Queimadas Indigenous Land

Another traditional community served by Furnas is the Kaingang from the Queimadas Indigenous Area, made up of three villages, which are home to 696 people (data from SESAI/PR). Located in the municipality of Ortigueira (PR), the community has been impacted by the operations of the two-line 765 kV circuit of Itaipu-Ivaiporã-Itaberá-Tijuco Preto since 1982.

In 2020, 4,200 food baskets were donated to the Kaingang in response to the need generated by the pandemic, and three traditional festivities were supported: Indigenous People Day, Children's Day, and Christmas celebrations.

Integration Center - bakery, at Manso HPP

Integration Centers Project

With sponsorship and managed by Ibase (Brazilian Institute of Social and Economic Analyses), this project aims at social awareness, the creation of community forums, and the implementation of action plans and reference projects, considering the potentialities of the assisted region and the involvement of the communities. In 2020, the agreement with BNDES, which makes the project viable, was extended by raising funds for the implementation of five more centers (RJ, PR, SP, and MG). In view of the pandemic, guidance and discussion activities were held with field agents and in forums to offer information about the public measures put in place to fight coronavirus and offer online advice in the search for partnerships that could help create emergency solidarity actions.

We made progress in implementing the actions scheduled in the agreement signed in 2019 with the Çarakura Institute, within the "Infrastructure, Sports, and Kaingang Culture" project, which includes three structures: a soccer field and multi-sports area; a multipurpose space for events and training; and a collective kitchen for food production, cooking courses, and income generation.

3. Remaining Community of the - Santa Rita do Bracuí Quilombo

We have concluded and logged the Basic Environmental Plan (PBA) under the programs and actions to mitigate the impact of the transmission line work in Angra dos Reis-RJ in the Remaining Community of the Santa Rita do Bracuí Quilombo (Comunidade Remanescente de Quilombo - CRQ). The PBA contains the risks and significant adverse effects on the community and the preventive and mitigating actions planned, such as forbidding the building of construction sites around CRQ.

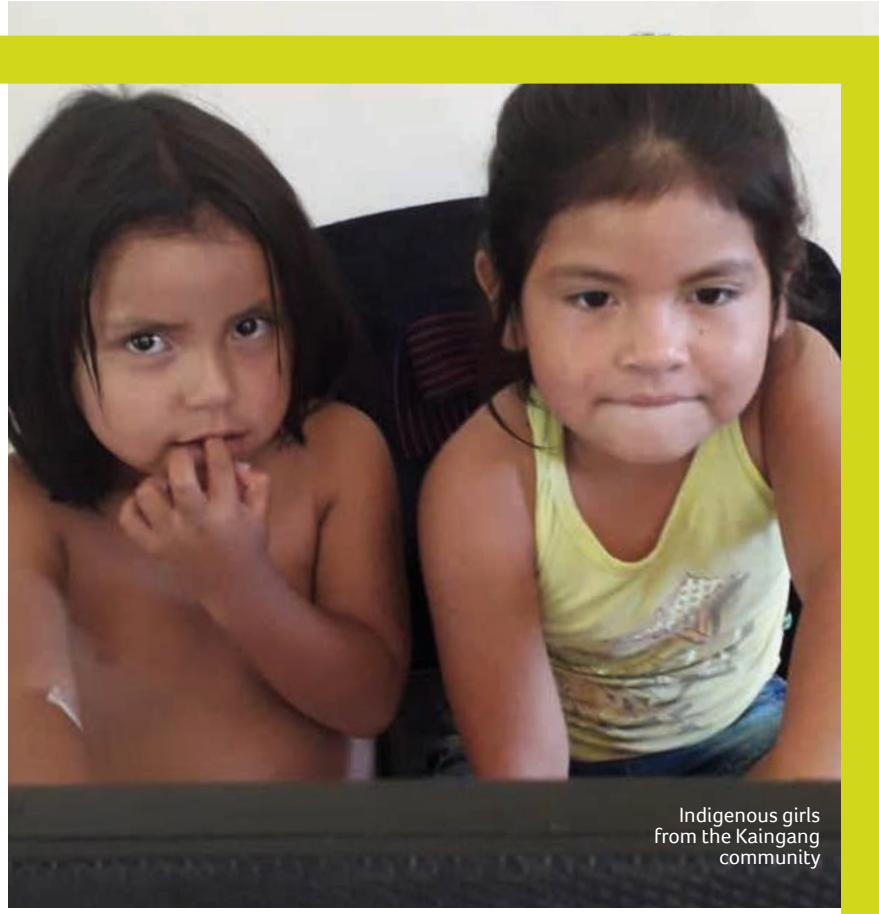
Compensation and mitigation of impacts GRI 413-1*, 413-2

In addition to the projects that include the traditional populations, we also developed the following in 2020:

• Engagement actions in the communities affected by HPP Luiz Carlos Barreto de Carvalho (Estreito), HPP Manso, and HPP Porto Colômbia operations with the purpose of maintaining information transparency.

• Installation of a communication center in the municipality of Machadinho do Oeste-RO, the region impacted by HPP Tabajara, to announce the results of the EIA/RIMA studies to the population.

• Construction of the Environmental Education and Information Center, located in the middle course of the Grande River on the border between the states of Minas Gerais and São Paulo in the region of the Marimbondo HPP. Visitors can access information about the plant's operation, environmental laws, sustainable practices, and reforestation.



Indigenous girls from the Kaingang community

** For indicator 413-1, the number of operations of Eletrobras companies, consider: the table of Strategic Assets of Eletrobras companies, according to the National Electric System Operator (Operador Nacional do Sistema Elétrico – ONS), along with other operations that are monitored by the operation areas of the companies, according to the Technical Note created for this purpose (NT DGOA 001/2021).* **GRI 103-48**

MATERIAL TOPICS

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

CAPITALS

People

Furnas HPP Operators (2020)

PEOPLE

The mainstay in any organization: employees, clients, suppliers, investors, and surrounding communities. So it is our role, and that of all companies, to commit to respecting health and safety, human rights, and promoting equality and diversity.

SDG 8 16

2020 and the pandemic challenge

Starting with our achievements, we registered a 0.1% index at the end of 2020 for employees on leave during Covid-19, a benchmark result when compared with the institutions linked to the Mining & Energy Ministry. These and other positive results stemmed from, among other factors, a swift and bold home working strategy.

A crisis committee was formed with all the CEOs of the group's companies and quick decisions were made regarding people's health and safety, such as the creation of 30 contingency measures and decisions connected with remote working, travel, hygiene measures, and others. A total of 4,100 liters of alcohol gel, gloves, protection masks and sprayers were purchased and distributed to operational areas, and video classes were created to guide employees through the disinfection processes.

During the year, we implemented 10 new health and safety protocols, discussed and created with the support of the Working Group formed by Eletrobras company physicians and safety areas.

Integration among teams has increased, and even in social isolation, we rely on connectivity and cybersecurity to take care of our teams and maintain our good results. The worldwide biological data intelligence platform aimed at improving quality of life has been offered to all employees: ShareCare. Among other resources, personalized telemedicine services were offered, with health professionals to answer questions, provide guidance, and guide patients in the right direction in any situation.

We also adopted self-anamnesis, a personal symptom checker, in a strategy to prevent contagion. It was developed through KeyApp on the CyberLabs partner platform, a Brazilian Artificial Intelligence startup, and is a tool offered to all employees, contractors, and interns.

KeyApp is still in use and the intention is to conduct more in-depth health and climate surveys in 2021 using its data to improve people's quality of life and the company's organizational structure.

Physical activities were made available on the Movimentofurnas.com website, and psychologist and nutritionist follow-ups were scheduled by e-mail and telephone.

State-of-the-art technology for epidemiological monitoring

By using a business intelligence tool, effective epidemiological monitoring was carried out based on a robust analysis of public and company data, used to map and control possible cases of coronavirus contamination. The system includes employee facial recognition results, with thermal camera checks, and real-time crowd control. The data and analyses are made available daily to all managers and weekly to all employees, helping with decision-making regarding any risk associated with any of the 84 monitored locations, including all operational units.

SDG 8

People development

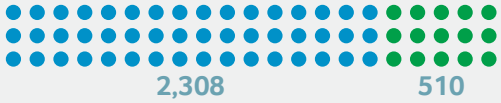
GRI 102-7, 102-8, 103-2, 103-3

Ensuring that everyone is fulfilled, with dignity and a healthy environment, is a great mission, particularly important in times of pandemic. We are 2,827 employees working at Furnas, 40% of us are working from home. The success of this transition and the good results are a result of digital transformation, the teams' high capacity to adapt, and the strong synergy between the areas of Furnas and Eletrobras companies.

By type of contract and gender

MEN WOMEN

Indefinite term employment contract

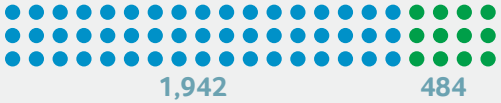


TOTAL 2,818

Definite term employment contract

TOTAL 9

Full time



TOTAL 2,426

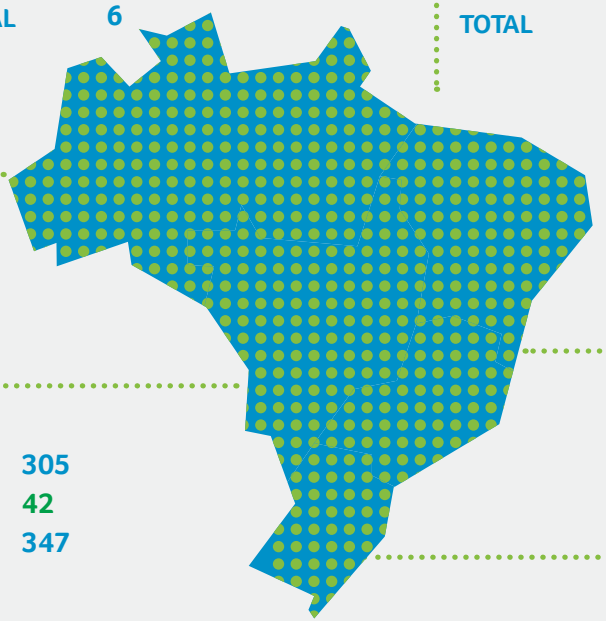
Part time

TOTAL 401

By region

North
Men 6
Women 0
TOTAL 6

Northeast
Men 0
Women 0
TOTAL 0



Southeast
Men 1,917
Women 467
TOTAL 2,384

Midwest
Men 305
Women 42
TOTAL 347

South
Men 86
Women 4
TOTAL 90

2,314 513

TOTAL 2,827

**Furnas considers the permanent staff, which includes those with the following ties: own employees, invited, pardoned/reintegrated workers and those with commissioned positions. It does not include assigned employees, employees on leave without pay, pardoned/reintegrated employees assigned to Government Agencies, interns and young apprentices.*

Cultural transformation

GRI 403-1, 403-7

Furnas is undergoing a cultural transformation, guided by its PNG and focused on health and safety as vital strategies for business sustainment. A two-year process was put in motion in 2020, defined by the parent company and headed by the DuPont consulting firm, to implement a new Occupational Health and Safety Program.

The goal is to enhance the safety and risk prevention culture, based on governance, leadership, and risk prevention as well as management tools. The foundation is based on digital tools and is supported by the Health and Safety Management System (Sistema de Gestão da Saúde e Segurança - SGSS), which will encompass all Eletrobras companies.

Surveys, field inspections and a safety culture analysis were conducted in the first year with the aid of employees and third parties. DuPont also works closely with the technical teams to further the governance of the SGSS indicators.

The training and qualification stages for a group of multipliers, made up of 50 leaders, is scheduled for 2021.

Career Development

GRI 103-2, 103-3, 404-2, G4-EU14

Furnas has a Global Learning Plan, valid for one (01) year, which encompasses all company areas. This plan contemplates educational and knowledge management actions based on a comprehensive survey of learning needs from several internal documents and area demands.

After cross-referencing the information collected, Knowledge Management actions are put in place that include Communities for Practice, Knowledge Bases, and Discussion Forums. Actions promoted through the Innovation Program were added in 2020.

NEW HIRES GRI 401-1

Employees	2019		2020	
Hired, by age	**No.**	**Rate**	**No.**	**Rate**
Aged 30 to 50	62	0.03	7	0.004
Over 50	47	0.05	1	0.001
Total	**109**	**0.04**	**8**	**0.003**
Hired, by gender	**No.**	**Rate**	**No.**	**Rate**
Men	80	0.03	7	0.003
Women	29	0.06	1	0.002
Total	**109**	**0.04**	**8**	**0.003**
Hired, by region	**No.**	**Rate**	**No.**	**Rate**
Midwest	25	0.07	2	0.006
Southeast	83	0.03	6	0.003
South	1	0.01	0	0.000
Total	**109**	**0.04**	**8**	**0.003**

TURNOVER GRI 101-1

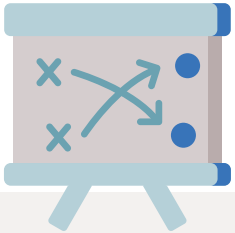
Employees who left the company	2019		2020	
By age	**No.**	**Rate**	**No.**	**Rate**
Aged 30 to 50	24	0.01	11	0.01
Over 50	266	0.28	7	0.01
By gender	**No.**	**Rate**	**No.**	**Rate**
Men	235	0.10	13	0.01
Women	55	0.11	5	0.01
By region	**No.**	**Rate**	**No.**	**Rate**
North	2	0.29	0	0.00
Midwest	35	0.10	4	0.01
Southeast	242	0.10	13	0.01
South	11	0.12	1	0.01
Total	**290**	**0.10**	**18**	**0.01**

TRAINING GRI 404-1

In 2020 Furnas offered 279,316 hours of training, nearly double the amount as compared with 2019: 138,438 hours.

AVERAGE HOURS OF TRAINING PER YEAR, PER EMPLOYEE

By gender	2018	2019	2020
Men	36.68	50.97	96.71
Women	70.96	39.48	108.25
By job category	**2018**	**2019**	**2020**
Managerial positions	79.11	34.97	85.17
Higher education	61.63	74.85	126.07
Without higher education	25.31	32.78	81.85
Total	**42.88**	**48.88**	**29.53**



Actions of the Global Learning Plan

1. Strategic Actions of the Company's Business Areas
2. Health and Safety
3. Individual Development Plan
4. Leadership
5. Languages
6. Strategic Corporate Programs

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS GRI 404-3

Employees who receive performance reviews by job category (%)	2018			2019			2020		
By age	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managerial	100	100	100	100	100	100	99.38	100	99.51
Higher education	97.12	97.24	97.15	99.74	99.33	99.63	96.4	96.31	96.37
Without higher education	96.17	96.17	98.44	99.85	98.85	99.74	94.98	89.53	94.38

Health and safety

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

This material topic covers the maintenance of employees' health and physical integrity, as well as the safety of equipment, facilities, and the environment, with the aim of ensuring the company's operational continuity and productivity.

The management of this topic is guided by Furnas' Internal Policy for Workplace Safety and Occupational Health. It sets forth the principles for the performance and development of health activities within the company, applicable according to the specificities of preventive medicine, occupational medicine, and assisted medicine practiced in the company. It also prepares and monitors integrated practices that help with the achievement of the goals set in the PDNG, such as the reduction of work accident rates and absenteeism due to illness.

In addition to the internal policy, Furnas follows the Regulatory Standards of the Economy Ministry, laws and national and international technical standards. For the development of health and safety actions, the company bases itself on the following guidelines:

1. Safety and Health represent the primary measure of operational excellence and is a moral value of the Company, health being understood as the physical, psychological, and social well-being of the individual.

2. For accident prevention, it is necessary for the incidents that cause them to be properly prevented, reported, and investigated.

3. The company will provide tools and resources to prevent accidents and occupational illnesses (including PPE for everyone).

4. All employees will receive health and safety training to perform their duties.

5. Concern for individual wellbeing, on and off the job, is the driving force for the Occupational Health and Safety System.

6. Everyone's Safety and Health is a corporate commitment and a duty of everyone.

Furnas provides the funds for the acquisition of protection equipment and maintains a permanent effort to train 100% of the workforce that carries out risky activities, for the prevention of aspects related to work safety and occupational health. In addition, it aims at excellence in occupational health and safety through ongoing training for all Furnas' activities.

Hotline for reporting incidents, accidents and noncompliances

An exclusive channel is available on the Intranet for employees and third parties to report incidents, accidents, and noncompliances, as well as failures to abide by work standards or in relation to practices, procedures and/or regulations that may lead, directly or indirectly, to injury or illness, damage to property or to the environment.

GRI 403-9*

Work accidents	2020
Number of hours worked	5,862,041
Absolute number of accidents with leave (less or equal to 15 days)	5
Absolute number of accidents with leave (more than 15 days)	1
Absolute number of accidents without leave	6
Total absolute number of accidents	12
Total of days lost	117
Number of deaths	0
Frequency rate with leave (tfa)	1.02
Frequency rate (tf)	2.05
Severity rate (tg)	20

Consider for the calculation of accident frequency rates with leave (tfa), frequency rate (tf) and severity rate (tg) the following calculation for the number of hours worked: sum of average monthly work hours x 167 x 12 (taking into account the the 31/Dec/2020 deadline). **GRI 102-48**

The following assumption is considered for indicator 403-9: based on the laws in force, the employees that are considered are those linked to the company's CNPJ corporate taxpayers' registry number contained in their employment agreement and registered in their employment papers, as set forth by the Consolidated Labor Laws (CLT). The following categories are included: own employees present in the company, assigned and on leave with/without pay; amnestied present in the company and assigned and young apprentices. The following categories are not included: employees invited from other companies; exercising an elective office; CEO/director position.* **GRI 103-48

Policies and training

GRI 102-1, 102-4, 102-5, G4-EU16

The Workplace Safety and Occupational Health training is an integral part of the corporate strategy, and is considered essential for awareness and training actions. Furnas depends on the full commitment of the management to control risks, maintain the health and the physical integrity of the employees and that of outsourced staff.

During the pandemic, legal documentation was revised and reports and programs, such as the Occupational Health Medical Control Program (Programa de Controle Médico de Saúde Ocupacional - PCMSO) and the Environmental Risk Prevention Program (Programa de Prevenção de Riscos Ambientais - PPRA) were analyzed. Periodic exams have been suspended or performed only in extreme circumstances where no major risks are involved (required by a worker's activity, such as inspection). In 2021, the areas plan on a restructuring to resume pending activities and assessments.

The registration of the compulsory Labor Safety and Occupational Health training is done through attendance lists and the issuance of certificates, and it remains at the disposal of the external control entities.

Virtual CIPAs and SIPAT

GRI 403-2, 403-4

Furnas has 26 In-house Commissions for Accident Prevention (Comissões Internas de Prevenção de Acidentes - CIPAs), which monitor the actions developed in the company and compliance with the Brazilian Laws for Safety and Occupational Medicine. In 2020, they focused on Covid-19 prevention protocols and conducted weekly audits to check adherence and the occurrence of noncompliances at the regional level. The 1st National Internal Week for the Prevention of Workplace Accidents (Semana Interna de Prevenção de Acidentes do Trabalho - Sipat) was held online for five days and was attended by approximately 870 participants.

Audits and internal environment survey

GRI 403-2, 403-3

The organization assesses health and safety management through Internal Environment Surveys. The internal environment survey is conducted every two years, with the last one having taken place in 2020.

This year, a work safety culture maturity survey was applied to all Eletrobras companies, including the management aspects of the area.

Diversity and equality

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

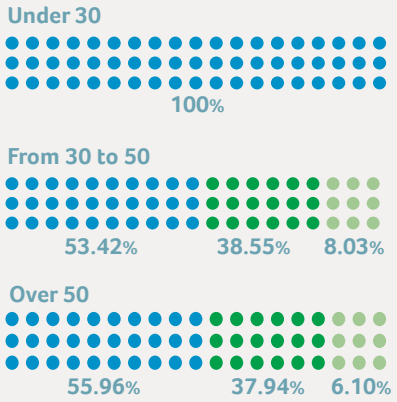
To Furnas, diversity is synonymous with value generation, and the company does not adopt any specific minority concept. As one of the pioneers of the Pro-Gender and Race Equality Program in 2020, Furnas has furthered its commitment to the topic by formalizing its involvement in the Global Compact's "Equity is a priority" project. Through it, it has set the goal of increasing the number of women in top leadership positions to 30% by 2035.

In 2020, 7 men and 1 woman were hired, a total of 8 new employees. The tables show where we stand in terms of diversity.

SDG 5

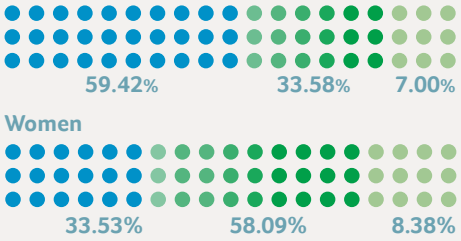
DIVERSITY OF FURNAS EMPLOYEES

MANAGERIAL
HIGHER EDUCATION
WITHOUT HIGHER EDUCATION



EMPLOYEES, BY JOB CATEGORY AND GENDER (%), IN 2020

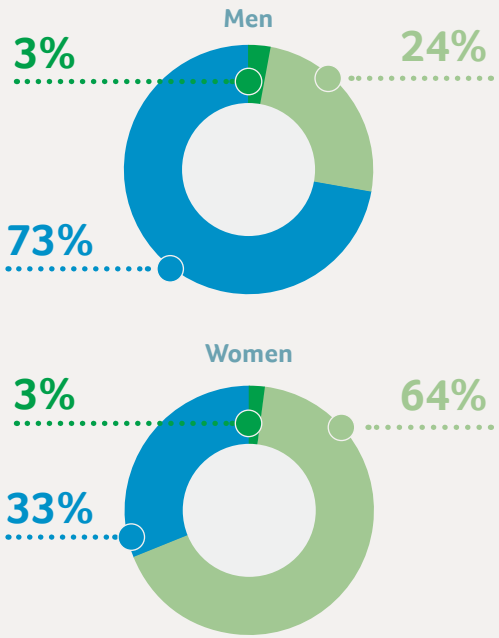
MANAGERIAL
HIGHER EDUCATION
WITHOUT HIGHER EDUCATION



INDIVIDUALS WITHIN THE GOVERNANCE BODIES OF THE ORGANIZATION GRI 405-1

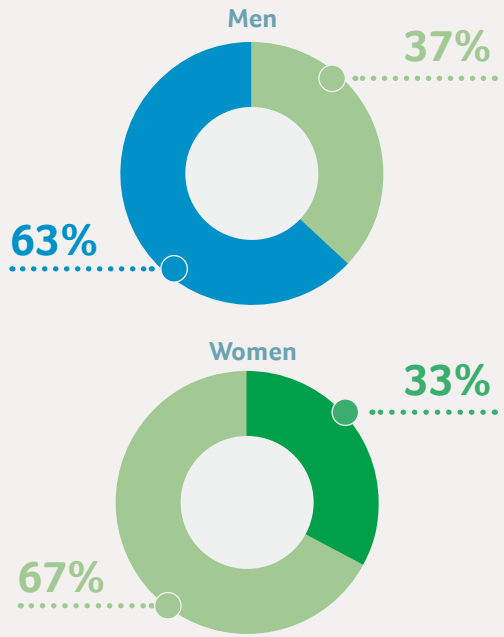
BLACK EMPLOYEES, BY JOB CATEGORY AND GENDER (%), IN 2020

MANAGERIAL
WITH HIGHER EDUCATION
WITHOUT HIGHER EDUCATION



EMPLOYEES W/ PCDs[1], BY JOB CATEGORY AND GENDER (%), EM 2020

MANAGERIAL
WITH HIGHER EDUCATION
WITHOUT HIGHER EDUCATION



New Paths to Inclusion

For 2021, Furnas is studying another approach for its inclusion policy for people with disabilities, starting with a contractual adjustment and outplacement actions. There is a current obstacle in complying with the Quotas Law, which requires employees to be part of the company's own staff, a requirement that cannot be met by the selection criteria and requirements of hiring via public tender. Currently, the company has 200 employees within the profile, 50% men and 50% women.

1- People with disabilities

Employee who took Furnas' Mothers and Fathers Course, with his baby.

Equality monitoring

In regard to the gender aspect, pay equality indexes and balanced retainment after parental leave are monitored. In the past three years, Furnas has had a 100% return rate from parental leave by women and men.

RATIO OF WOMEN'S VS. MEN'S REMUNERATION, BY JOB
GRI 405-2

Managerial level	salary	0.99
	remuneration	0.96
Higher education	salary	0.91
	remuneration	0.90
Without higher education	salary	1.01
	remuneration	0.88

GRI 405-1

Maternity/Paternity Leave		2019	2020
Employees who took the leave	Men	71	45
	Women	23	11
Employees who returned to work in the period from, after the end of their leave	Men	71	45
	Women	23	11
Employees who returned to work after their leave and were still working 12 months after their return	Men	71	45
	Women	23	11
Return Rate	Men	100	100
	Women	100	100
Retainment rate	Men	80.68	63.38
	Women	-	47.83

SDG 2 16

Commitment to human rights

GRI, 103-2, 103-3, 407-1

Human Rights is dealt with transversally at Furnas, and is managed in partnership with the Human Resources, Environment, Social-cultural Responsibility, Sustainability, Supplies and Supplier Management areas.

All companies that establish commercial ties with Furnas submit a document signed by their legal representative stating that they know, respect, comply with and require compliance with, as applicable, the Code of Ethics of Eletrobras Companies and the "Business Conduct Principles and Rules in Furnas' Relations with its Suppliers". They include measures that support the exercise of freedom of association and negotiation and define human rights clauses.

GRI 103-2, 103-3

The contract includes clauses that state that due diligence and audits can be carried out at any time on the supplier's premises and/or the locations where the services are provided to monitor and verify compliance with the principles and standards of conduct.

Contractors that fail to comply with any human rights clause, and in which noncompliance is found such as the exploitation of minors or the existence of slave or child labor, will be subject to the penalties provided for in the Contractual Instrument, in accordance with the respective laws and the Federal Constitution, and may have their contracts terminated.

The treatment given to cases of identified risk are monitored on an ongoing basis during the contract management period and the employees allocated to the contract receive periodic training to mitigate governance risks.

No cases of violation of child labor rights were reported in 2020.

GRI 408-1*, 409-1*

Risks identified in the criticality matrix

134 suppliers with risks related to forced labor or compulsory labor, and with risk of occurrence of child labor

**It is considered that construction workers and outsourced laborers of Eletrobras companies are the most susceptible to the risk of child labor and forced or compulsory labor.* GRI 102-48

No cases of infringement of the rights of indigenous people nor any cases linked to child, forced or compulsory labor were reported in 2020.

GRI 410-1

Security personnel trained in human rights policies or procedures		2019	2020
Total	Own staff	10	7
	Outsourced	450	560
Trained	Own staff	8	6
	Outsourced	370	370
Percentage	**Total**	**82.17**	**66.31**

GRI 412-3

Significant investment agreements and contracts that include human rights clauses or have undergone human rights screening	2019	2020
Total of significant investment agreements signed	460	12
Total of significant investment agreements that include human rights clauses	414	12
Percentage of significant investment agreements that include human rights clauses	90	100

2020 Actions in the spotlight

GRI 103-2, 103-3

Partnership projects that underpin the promotion and respect for human rights:

• **Na Mão Certa (In the Right Direction) Program:** This program, held in partnership with Childhood Brasil and the Child and Adolescent Protection Network, has for 11 years been active in preventing and fighting cases of sexual violence against children and adolescents on highways. The awareness actions are targeted at drivers, and comprise online events, campaigns, and monitoring.

• **Caregiver Course:** professional training for the role of caregiver for the elderly, children and people with disabilities. This course was held in person until April 2020 and then online. The project has trained 53 people, 3 of whom are refugees, and is characterized as an inclusive, income-generating project.

• **Banco da Providência's Training Program** held for more than 10 years together with Caritas. This project prepares people to enter the employment market. In 2020, 564 people were trained in 14 course modalities, which helps to develop careers and reduce poverty.

Furnas makes public commitments and adheres to other national and international campaigns that support its involvement and performance in the human rights area, such as the Women's Empowerment Principles, the Campaign against Sexual Exploitation of Children and Adolescents, and the Eradication of Child Labor. It is also a Child-Friendly Company (Abrinq Foundation) and part of the Company Apprenticeship Network.

Banco da Providência's professional training courses

MATERIAL TOPICS

WATER
SOCIO-ENVIRONMENTAL ASPECTS IN DECISION MAKING
CLIMATE CHANGE
ENERGY TRANSITION

CAPITALS

Planet

Parakeets in the surroundings of HPP Marimbondo

SDG 7 13

Furnas is committed to energy transition and is moving in this direction through the planning and execution of generation system expansion projects

PLANET

The impact of business on the environment can cause significant damage to society. The response to these effects by customers, regulators, and other stakeholders may create business risks and opportunities. We, therefore, consider it essential to understand the environmental impact associated with all activities so we can know if they represent a threat to long-term value-creation.

to reduce negative impacts and improve environmental quality, ensuring perpetual value creation. One of the goals is to contribute to a low-carbon economy by seeking and supporting innovative projects and improving our climate strategy centered on renewable and clean energy generation.

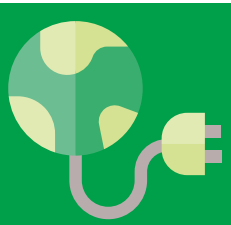
Aligned with the Environmental Policy of Eletrobras' Companies, which includes commitments to cut back emissions and energy consumption of non-renewable sources, we have put in place actions in several areas to help Furnas manage these matters.

Environmental management

GRI 303-3

The Furnas Environmental Policy defines principles and guidelines to encourage the responsible performance of the organization as well as sets goals for the Furnas Business and Management Plan (PNG), such as cuts in energy, in the consumption of water in administrative activities and fossil fuel consumption in the vehicle fleet, as well as a drop in greenhouse gas emissions in all areas.

The work routines associated with risks to the environment are mapped and assessed on a daily basis by the Integrated Management Plans. One of the main tools is the PRAI spreadsheet (Hazards, Risks, Aspects, and Environmental Impacts), which maps the risk and seeks to reduce the severity and/or mitigate negative impacts and heighten positive ones.



About 97% of our installed capacity (considering HPPs in partnership/SPEs) derives from a clean matrix.

Exceeding the ISE B3 target

In 2020, Furnas had an overall performance of 76.8 in the Corporate Sustainability Index (ISE B3), exceeding the target of 76.3 stipulated in the Management Master Plan. A few of the main topics are General (87.8), Environmental (71.4), and Climate Change (76.7), with grades which are higher than those registered in the previous cycle.

Investment in positive impacts

In 2020, Furnas invested BRL 111.5 million in Environmental Preservation and Conservation in activities aimed at complying with the environmental conditions for Operating Licenses (OL) in the company's projects. The funds were also used for the creation of environmental impact studies (EIS) and for Research and Development and Environmental Education. A few of the key projects:

• Energy Recovery from Urban Solid Waste (USW) and the Electric Vessels project, amounting to BRL 2.7 million in the period.

Raising awareness

Furnas offers participative training to disseminate knowledge and to assess the degree of awareness of employees in relation to the company's environmental impacts. In 2020, 557 employees were certified through the online training for the Environmental Policy of Eletrobras Companies.

• Installation of solar panels on the water surface of reservoirs: deployment of 0.2 MW floating photovoltaic panels at Itumbiara HPP (pilot project). For the Batalha plant, the project is to install a 21.3 MW unit that will occupy an area of 1.36 hectares. The studies for the acquisition of the Simplified Environmental License of this project are in progress.

Issues essential to the future of the business

Based on trends in the electrical sector, Furnas considers the following as Risk Factors (RF):

• the diversification of electrical matrix sources, with the expansion of alternative energy sources

• the decentralization of power generation, with distributed generation, on-site or near the consumer unit

• decarbonization, with the generation of energy with lower GHG emissions

• broad digitalization and automation, with major impacts on energy efficiency and cost cuts and

• disruption in technology, business models, and smart electricity consumption.

With the purpose of reducing the vulnerability of the business in regard to risk, considering possible reputational, economic, and financial impacts, indicators were established within the environmental IGS 2.0 System (Corporate Sustainability Management Indicator System).

The process of collection, follow-up, monitoring, assessment, and disclosure of results is done by 180 registered direct employees and about 270 indirect employees, arranged in 50 business units and who are responsible for completing and validating the environmental data.

Internal Audit 2020

In 2020, the area that handles Environmental Management at Furnas was submitted to an audit of processes linked to the operation, planning, implementation, and expansion of the generation and transmission businesses; an analysis of the implementation of recommendations and determinations from external and internal inspection control entities; and the verification of compliance with action plans presented for risk mitigation. The outcome of the audit was positive and indicated compliance with existing corporate environmental policies. Compulsory environmental audits, which are carried out annually, were conducted in the thermoelectric power plants in Santa Cruz and Campos (RJ).

SDG 6 12

Water

GRI, 103-2, 103-3, 303-1, 303-2

Within the Integrated Management Plans is the Effluent and Water Quality Monitoring Plan (*Plano de Monitoramento de Efluentes e Qualidade da Água* - PMEQA), which sets forth the procedures to control and adjust the water and effluent systems throughout the company.

The methodology used to control the quality of water and liquid effluents (sanitary, industrial, and rainwater) is described in the PMEQA. The PRAI worksheet, on the other hand, identifies the existing controls and proposes measures to mitigate risk by assessing the frequency and severity of the impacts.

Furnas uses water in its operational and administrative activities. Namely:

• The water used in the hydroelectric power plants is of **non-consummable use** and is returned to the water bodies with a higher quality than the state it was in at the time of withdrawal.

• **Consummable water,** not deriving from the concessionaires, can be withdrawn from surface sources or underground, and submitted to conventional treatment in Water Treatment Plants (WTP) or may go through simplified treatment, such as chlorination. After use and treatment, it is either sent to the receiving bodies or is sent for infiltration into the ground.

All water used is treated accordingly before its final release, in accordance with the characteristics of each effluent and its compliance with the legal standards required.

The methodologies for sampling and obtaining analytical results are carried out in accordance with national and international standards of analysis, such as the Standard Methods for the Examination of Water and Wastewater and the Brazilian Technical Standards Association (ABNT).

The results of the measurements are included as indicators in the environmental IGS 2.0 system, which will allow quantitative and temporal assessment of the evolution of water and effluent aspects in each company unit. The data is recorded in monitoring reports and sent to the environmental agency, on demand, and considering the specific regional regulations.

The goals set in the PDNG in relation to water are a 0.3% drop in water consumption from the supply network in administrative activity, as compared with the previous year.

WATER WITHDRAWAL GRI 303-3

Total volume of water withdrawn in all areas, by source (in thousand m³)

Administrative activities	2019	2020[1]
Supply network	154.46	155.84
Underground sources	66.22	157.24
Surface sources	2,731.99	247.48
Thermal generation		
Surface sources	58.99[2]	59,840.43
Collected rainwater	0.12	0
Hydroelectric power generation		
Surface sources	ND	**228,535,084.80**
Total	**3,011.78**	**228,595,485.80**

[1] 303-3: 1) The volume of underground abstraction referring to administrative activities does not include the data from the Serra da Mesa and Gurupi Operation Division. The said unit does not have measurement devices that can measure the amount of water withdrawn. Hydrometers are being installed so that this information can be included in 2021. 2) The volume of surface withdrawal that refers to administrative activities does not include the withdrawal of water for fish farming, which equals 2 million m³.

[2] The consumption of withdrawal point 1 of the São Francisco Canal was not calculated until 2019.

VOLUME OF WATER DISCHARGE (IN THOUSAND M³) GRI 303-4

2020

228,595,172.71

WATER CONSUMPTION (IN THOUSAND M³) GRI 303-5

2020

313.08

303-4: The amount of water turbinated by the hydroelectric power plant, water withdrawn for generation activities and water withdrawn on the surface (excluding fish farming activities, when applicable) for use in administrative activities are included in the total volume calculation of discarded water.

Shared Water Management

GRI 103-2, 103-3, 303-1, 303-2

The National Electric System Operator (ONS) defines the daily operation schedule of the power plants, with the purpose of guaranteeing the energy optimization of the generation resources and the security of the National Power Grid (*Sistema Interligado Nacional* - SIN). In addition to adjusting the programming of effluent flows to avoid interrupting the flow and the formation of lagoons, Furnas also abides by the parameters defined by the Annual Flood Prevention Plan, defined in video calls with the ONS and other generation agents of the river basins where the company operates.

The total volume of water turbinated by Furnas' hydroelectric power plants was 228,535,084.80 thousands of m³ in 2020.

In the case of water-stressed areas, the total volume of turbined water in 2020 was 2,846,016.00 thousands of m³.

Contingency and dam plans

The projects under Furnas' concession have contingency plans in place. The plans are tested and checked periodically, and employees undergo training for emergency response. The contingency plans, aim to follow the regulatory criteria and come up with remedial actions in cases of environmental and social accidents and natural disasters.
In the case of hydroelectric power plants, the contingency plans take into account Dam Safety Plans (PSB), in accordance with the National Dam Safety Policy (PNSB) and Aneel regulations, and include Emergency Response Plans (PAE).
The PSBs of the Furnas power plants must be delivered to the public agencies within certain deadlines. For more than 40 years, Furnas has been following its protocol for controlling Dam Safety, which includes regular inspections and remedial and preventive maintenance, with no record of a serious incident during the period of this report.

SDG 15

Biodiversity

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

In order to identify the most significant impacts in terms of biodiversity, Furnas requests a detailed survey of the project activities from the contractors, as well as their risk assessment. The results are recorded in a document in which the goals and objectives for environmental control are established. For every new construction job or project change in an existing enterprise, the environmental licensing is carried out by the relevant body and the inventories of fauna and flora are made according to legal requirements.

In addition, Solid Waste and Liquid Effluent Management Plans are required, in which environmental controls must be followed to avoid soil, groundwater, and surface water contamination.

Impact on Hydropower

Generation

In the case of hydroelectric dams, the main impacts on biodiversity during the implementation of the project are caused by the damming of the river and the flooding of its banks, which leads to loss of habitat for local fauna. Ecosystem transformations that occur in a stretch of the river can also occur and cause alterations in flora and fauna habitats, such as changes in the migratory patterns of aquatic fauna and in the food chain.

In the operation stage, hydroelectric power plants can cause impacts such as: changes to water quality, the proliferation of aquatic macrophytes and changes in the breakdown and abundance of ichthyofauna or the proliferation of insect vectors. It is important to point out that Furnas does not have HPPs in Conservation Units and properly manages the use and occupation of the reservoir banks, which are surrounded by a Permanent Preservation Area (APP) established by law. The restrictions regarding the occupation and use of the soil are observed in accordance with current laws.

Wind farms

The main impacts of wind farm construction are: change to the natural landscape and cultural stress, with community conflicts associated with changes in the traditional way of life (fishermen, quilombolas, indigenous people), damage to coastal environmental systems, leading to the dismantling and compression of dunes and soil, landfilling of interdune lagoons, and removal of vegetation.

The negative impacts of wind farm operation are: noise emissions from tower blades, which affect human health, such as sleep disturbances, migraine headaches, and stress;

Biodiversity of recovered habitats

GRI 304-3, G4-EU13

The case of the União Biological Reserve located in the Biosphere Reserve is remarkable. This area of approximately 7,756 hectares is home to important environments in the physiognomy of the Dense Ombrophylous Rainforest and shelters one of the last and largest remnants of lowland in the state of Rio de Janeiro. This reserve ensures the protection and recovery of remnants of the location and associated formations, and its typical fauna, particularly the golden lion tamarin.

The environment was previously just a eucalyptus plantation and has now been returned to its original state. In order to improve the habitat, the conditions must be ensured to maintain forest cover with fire protection and the implementation of a program to monitor development.

The soil was biologically restored with the use of efficient microorganisms (EM) and the area has been revegetated with 91 tree and shrub species present in the original ecosystem. The planting started in 2015 and has been monitored until 2020. Several species of birds, mammals, reptiles, and insects have returned to the restored areas, now a shelter and a food source.

To manage the area, Furnas makes technical visits to the planting area and periodically sends reports to the relevant environmental agency for analysis and approval. The results are analyzed and discussed and planned in themed groups (biodiversity and best practices) attended by technicians from different areas of knowledge in the company.

interference with bird paths; changes to the natural landscape; and cultural stress, with community conflicts associated with changes in the traditional way of life (fishermen, quilombolas, and indigenous people).

Depending on the type of impact, follow-ups are carried out, such as Vector Monitoring and Health Programs, and the Monitoring of Ichthyofauna and Land Fauna.

Impacts on Transmission

GRI 304-2

The construction and operation of Transmission Lines (TLs) and Substations (SSs) have less impact on biodiversity, in terms of loss of habitats compared to hydropower plants. The biggest impact of TLs is habitat fragmentation although the current TLs use a technique of elevating the towers if they run through forest fragments, which lessens the impact. Another possible impact of TLs is bird collision, especially with the lightning cables.

Considering that most of Furnas' TLs and SSs are quite old, there is no precise record of the impact on biodiversity since before their construction. For the newer ones, there is a very low risk of species reduction.

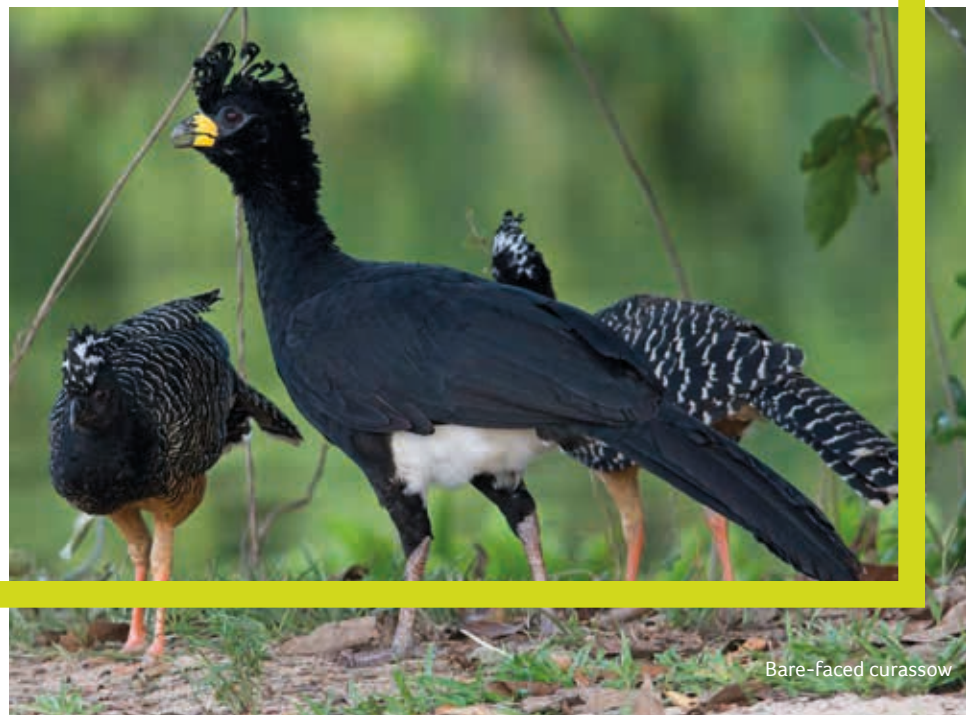

Golden lion tamarin

Red Listed Species GRI 304-4

We periodically carry out fauna monitoring programs in areas affected by our projects with the purpose of detecting any changes in the dynamics of endangered species. The classification is determined by the IUCN (International Union for Conservation of Nature) and is aligned with national conservation lists, according to the MMA (Environmental Ministry).

In 2020, Furnas made a commitment to Ibama to start conservation projects for endangered species in two HPPs that are in the operational phase:

• Program to Protect the bare-faced curassow (*Crax fasciolata* threatened according to the IUCN and critically


Bare-faced curassow

endangered according to the MMA) and the chachalaca (*Ortalis remota*, critically endangered according to the MMA), both found in the surroundings of the Marimbondo HPP. The first phase was completed in 2020 and the second phase will start in 2021.

• Program to Protect Small Cats (four target species, including *Leopardus tigrinus* vulnerable according to the IUCN; *Leopardus colocolo*, near threatened according to the IUCN), in the surroundings of the Batalha HPP. Startup in 2021.

Waste management
GRI 103-2, 103-3

Furnas has enforced its Waste Management Policy since 2010, in accordance with the PNRS and other regulations in force, based on the need for systematic control from generation to final disposal, favoring reuse and recycling as environmentally friendly practices. One of the policy's instruments is the Solid Waste Management Plan (Plano de Gerenciamento de Resíduos Sólidos - PGRS), made for each project and in line with Internal Regulatory Instructions.

TOTAL WASTE GENERATED, BY TYPE AND DESTINATION METHOD
GRI 306-2

Category	Source	Type (hazardous or non-hazardous)	Quantity Generated (tons)
Reuse	Hydroelectric Generation	non-hazardous	2.53
	Transmission	non-hazardous	1,712.11
Industrial Landfill	Hydroelectric Generation	non-hazardous	295.97
	Thermoelectric Power Generation	non-hazardous	145.13
	Transmission	non-hazardous	12,352.10
	Administrative activities	non-hazardous	1,675.65
Local Storage	Transmission	non-hazardous	4.53
	Administrative activities	non-hazardous	2,102.11
	Hydroelectric Generation	non-hazardous	8.56
Composting	Transmission	non-hazardous	343.00
Recycling	Administrative activities	non-hazardous	177.15
Landfill	Total	non-hazardous	2,196.46
Local Storage	Hydroelectric Generation	hazardous	8.50
	Administrative activities	hazardous	6,237.01
Industrial Landfill	Hydroelectric Generation	hazardous	14.02
Co-processing	Hydroelectric Generation	hazardous	2,674.10
	Administrative activities	hazardous	2.03
Incineration	Transmission	hazardous	170.00
Healthcare waste	Administrative activities	hazardous	349.52 kg

MATERIAL TOPICS

CLIMATE CHANGE
SOCIO-ENVIRONMENTAL ASPECTS IN DECISION-MAKING
ENERGY TRANSITION

CAPITALS

SDG 13

Climate change and emissions

GRI 103-2, 103-3

Furnas manages its emissions in accordance with the guidelines set forth by the National Policy on Climate Change, by Furnas' Environmental Policy and by Eletrobras' Environmental Policy. The Environmental Management area is responsible for the inventory of greenhouse gas emissions (GHG) and voluntary studies on the subject, besides preparing the PRAI spreadsheet, where the emissions issue is dealt with for all the projects.

GRI 305-7

Significant atmospheric emissions (tons)	2019	2020
NO_x	52.09	541.98
Other standard categories of air emissions identified in regulations	2.65	38.97

1 No emissions of SO_x, persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), and particulate matter (PM) occurred.

2 The values shown correspond to the average of the consolidated sums measured for the concentration (mg/Nm3) of the parameters NO_x and CO at the Santa Cruz Thermoelectric Power Plant. No atmospheric monitoring was carried out at the Campos TPP because there was no electricity generation during the period.

3 NO_x Emission Factors: Charcoal (209), Natural Gas (89), Fuel Oil (142), and Diesel Oil (65).

4 SO_x Emission Factors: Charcoal (820), Natural Gas (0.281), Fuel Oil (495), and Diesel Oil (46.5).

Planting in the Permanent Preservation Area surrounding HPP Marimbondo

FINANCIAL IMPLICATIONS, RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE GRI 201-2

Cause	Type of Risk	Risk	Consequences	Opportunities
Change in Rainfall Pattern	Reputational	Dam ruptures	Socio-environmental impacts	Project development with stakeholders
			Damage to corporate image	
	Physical		Fines and penalties	Adjustment of dam safety plans
			Profitability loss	Adjustment of seasonal operation and maintenance plans
		Uncertainty about reservoir levels	Reduction in electricity generation	Identification of new alternative energy sources
	Financial		Profitability loss	
	Regulatory	Regulatory	Reduction of water abstraction	
Change in Average Temperature	Market	Changing consumer behavior	Profitability loss	Adjustment of seasonal operation and maintenance plans
Change in Wind Frequency and Intensity Patterns	Physical	Fallen transmission towers	Reduction in electricity generation	Adjustment of seasonal operation and maintenance plans
	Financial		Profitability loss	Investments in research and innovation aimed at adaptations for climate change
Climate Changes in general	Regulatory	Unfeasibility of carbon-intensive projects	Profitability loss	Development of internal carbon pricing project
				Development of Carbon Credit Projects
	Marketing			Finding new market niches (e.g: Renewable Energy Certificates Market)
	Financial	Failure to obtain climate funding	Low investment capacity	Low carbon business development


Itumbiara HPP

Emissions GRI 103-2, 103-3, 305-4, 305-5, 305-6

In 2020, Furnas' total emissions were 833,185 tCO2-eq. As expected, the predominant emissions accounted for are Scope 1 (71% of the total), followed by Scope 2 (29% of the total), and Scope 3 (less than 1% of the total).

For more information and detailed data on gases considered, emission factors, base year, methodologies and assumptions, access the GHG Emissions Inventory on our website, published annually with basis on IPCC methodology (2006) and theGreenhouse Gas Protocol (GHG Protocol - WRI, 2004) guidelines.

GHG EMISSIONS (IN TONS OF CO_2e)

GRI 305-1, 305-2, 305-3

Scope	2019	2020
Scope 1	1,249,522.20	590,709.45
Scope 2	322,936.30	242,403.66
Scope 3	1,103.90	71.95
Total	**1,573,562.40**	**833,185.06**

The significant drop in scope 3 emissions is due to a stop in the acquisition of energy from Independent Power Producers (IPPs), which had been the main source in previous years.

GAS EMISSIONS (IN TONS OF CO_2E)

HFCs	
HFC-23	0
HFC-134a	0
HFC-152a	0
Compound gases	
R401a	0
R407c	0
R410a	67.21
Gases controlled by the Montreal Protocol	
R-22	150.01
HCFC 123	0
R-141b	6.53

GRI Content Index

Transmission line of the Furnas HHP

GRI CONTENT INDEX GRI 102-55

GENERAL CONTENT			
GRI 102: GENERAL DISCLOSURES 2016			
Organizational Profile			
Content	**Page**	**Omission**	**Sustainable Development Goals**
102-1 Name of the organization	20		
102-2 Activities, brands, products and services	20		
102-3 Location of headquarters	20, 107		
102-4 Location of operations	Brazil		
102-5 Ownership and legal form	A semi-public state enterprise incorporated under Federal Decree no. 41.066 of February 28, 1957 and controlled by Centrais Elétricas Brasileiras S.A. – Eletrobras.		
102-6 Markets served	20, 21, 22, 47, 52		
102-7 Scale of the organization	20, 21, 22, 41, 42, 43, 45, 60		
102-8 Information on employees and other workers	60. Furnas has 2,827 employees, of which 2,818 have an indefinite term employment contract. Only 9, 6 of which are men and 3 are women, have definite term employment contracts. Furnas does not include this information by region in this report.		8, 10
102-9 Supply chain	51		
102-10 Significant changes to the organization and its supply chain	51		

Content	Page	Omission	Sustainable Development Goals
102-11 Precautionary principle or approach	Furnas adopts the precautionary principle to avoid the risk of rupture of a dam structure in a hydroelectric power plant, through early actions to avoid undesirable effects and the resulting environmental damage. To this end, Furnas invests in the ongoing management of the Dam Safety Plan; in the maintenance of regular safety inspection routines and in monitoring the behavior of the dam structures, in the management and maintenance of the civil structures and of the auscultation instrumentation, in the adequate management of the venture's electromechanical maintenance routines, and in the management, operation, and maintenance of the hydro-meteorological network and of the instruments for measuring the power plants' hydraulic parameters; it performs internally a permanent monitoring service and meteorological and hydrological forecasts, making the occurrence of the aforementioned risk unlikely.		
102-12 External Initiatives	103		
102-13 Membership of associations	103		7, 9, 13 16
Strategy			
102-14 Statement from senior decision-maker	4		
102-15 Key impacts, risks, and opportunities	34, 36		
Ethics and Integrity			
102-16 Values, principles, standards, and norms of behavior	19, 39		16
102-17 Mechanisms for advice and concerns about ethics	30, 33		16

Content	Page	Omission	Sustainable Development Goals
Governance			
102-18 Governance structure	23		
102-19 Delegating authority	24		
102-20 Executive-level responsibility for economic, environmental, and social topics	25		
102-21 Consulting stakeholders on economic, environmental, and social topics	12		16
102-22 Composition of the highest governance body and its committees	23		5, 16
102-23 Chair of the highest governance body	The Chair of the highest governance body is not an Executive Director.		16
102-24 Nominating and selecting the highest governance body	23		5, 16
102-25 Conflicts of interest	33		16
102-26 Role of highest governance body in setting purpose, values, and strategy	23		
102-27 Collective knowledge of highest governance body	23		
102-28 Evaluating the highest governance body's performance	24, 28		
102-29 Identifying and managing economic, environmental, and social impacts	25, 34, 36, 37		16

Content	Page	Omission	Sustainable Development Goals
Governance			
102-30 Effectiveness of risk management processes	34		
102-31 Review of economic, environmental, and social topics	27, 34, 36, 39		
102-32 Highest governance body's role in sustainability reporting	Board of Directors.		
102-33 Communicating critical concerns	34		
102-34 Nature and total number of critical concerns	34		
102-35 Remuneration policies	24		
102-36 Process for determining remuneration	24		
102-37 Stakeholders' involvement in remuneration	24		16
102-38 Annual total compensation ratio	4.02		
102-39 Percentage increase in annual total compensation ratio	-0.27		
Stakeholder engagement			
102-40 List of stakeholder groups	The Policy for Communication and Engagement with Stakeholders of Eletrobras Companies is based on maintaining an open dialogue with stakeholders and asking them about their expectations in relation to the Eletrobras companies' projects and activities. The stakeholders listed in the Policy are: workforce/family members, investors/shareholders/market analysts, communities, society, press/trendsetters, partners/ sponsors/suppliers, governments/parliamentarians/ regulatory bodies, customers.		
102-41 Collective bargaining agreements	100% of the employees are covered by a collective bargaining agreement.		8

Content	Page	Omission	Sustainable Development Goals
Stakeholder engagement			
102-42 Identifying and selecting stakeholders	10		
102-43 Approach to stakeholder engagement	10, 11, 51, 52		
102-44 Key topics and concerns raised	12, 13		
Reporting practice			
102-45 Entities included in the consolidated financial statements	41. The quarterly Financial Statements, which include results from all its subsidiaries (Transenergia Goiás S.A. and Brasil Ventos Energia S.A.) and Specific Purpose Companies (SPCs), were completed on time.		
102-46 Defining report content and topic Boundaries	9, 12, 13		
102-47 List of material topics	9, 12		
102-48 Restatements of information	Adjustments made to the data and the assumptions of the previous publication are flagged throughout this publication.		
102-49 Changes in reporting	As a result of Covid-19, three material topics were included in relation to the previous period: Health and safety and quality of life, Supplier relations, and Community relations.		
102-50 Reporting period	The 2020 AR will cover Furnas' actions for the period from January 1 to December 31, 2020.		
102-51 Date of most recent report	2019		
102-52 Reporting cycle	Annual		

Content	Page	Omission	Sustainable Development Goals
102-53 Contact point for questions regarding the report	Contact us at the Furnas website, subsection "Information" https://www.furnas.com.br/contatos/?culture=pt The communication area will transfer you to the relevant area according to the topic/subject.		
102-54 Claims of reporting in accordance with the GRI Standards	This report has been drawn up in accordance with the GRI Standards "Core" option.		
102-55 GRI content index	79		
102-56 External assurance	15. The non-financial information published in this report was ensured by an independent third party as requested by the Executive Board and the Board of Directors and in accordance with international verification parameters. In this cycle, the assurance work was conducted by PwC.		
SPECIFIC CONTENT			
Economic Performance			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	41		
103-3 Evaluation of the management approach	41		
GRI 201: ECONOMIC PERFORMANCE 2016			
201-1 Direct economic value generated and distributed	42		8, 9
201-2 Financial implications and other risks and opportunities due to climate change	77		13
Procurement Practices			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	51		
103-3 Evaluation of the management approach	51		

Content	Page	Omission	Sustainable Development Goals
GRI 204: PROCUREMENT PRACTICES 2016			
204-1 Proportion of spending on local suppliers	52		8
Anti-corruption			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	31, 33		
103-3 Evaluation of the management approach	31		
GRI 205: ANTI-CORRUPTION 2016			
205-1 Operations assessed for risks related to corruption	30, 51		16
205-2 Communication and training about anti-corruption policies and procedures	32		16
205-3 Confirmed incidents of corruption and actions taken	No confirmed cases of corruption were registered in 2020.		16
Water and Effluents			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	72, 73		
103-3 Evaluation of the management approach	72, 73		

Content	Page	Omission	Sustainable Development Goals
GRI 303: WATER AND EFFLUENTS 2018			
303-1 Interactions with water as a shared resource	72, 73		6, 12
303-2 Management of water discharge-related impacts	72, 73		6
303-3 Water withdrawal	70, 72. In operations, the water quality must be in compliance with the resolutions of the National Environmental Board (CONAMA) 357/05, 396/08 and 430/2011, which set forth the environmental classification and guidelines to classify underground and surface waters and define the conditions and standards for the release of effluents. The monitoring to check the compliance of the installations may include the observations made by the users of the water sources (self-monitoring) in compliance with the legal requirements established in the regulations (Resolution no. 357 of CONAMA), the conditions of the environmental licenses and the terms of the agreement. The periodicity as well as the monitored parameters are defined by the relevant entities. GT7 has assessed the 303 protocol for three years and, based on Brazilian regulations, understands that the mention to the CONAMA resolution would meet the requirements requested in the GRI protocol, since the resolution (maximum of 500mg/L) is more restrictive than that in the protocol (fresh water ≤1.000 mg/L).		6, 8, 12
303-4 Water discharge	72		6
303-5 Water consumption	72. The protocols currently in effect in Eletrobras companies consider as consumed water the water abstracted from the supply and rainwater network for use in administrative activities, even if it is possible for part of the surface water to be consumed by the companies. Water abstracted from an underground source for use in administrative activities was also accounted for in 2020 as consumed water.		6

Content	Page	Omission	Sustainable Development Goals
Biodiversity			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	73		
103-3 Evaluation of the management approach	73		
GRI 304: BIODIVERSITY 2016			
304-2 Significant impacts of activities, products, and services on biodiversity	73, 74		6, 14, 15
304-3 Habitats protected or restored	74		6, 14, 15
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	74		6, 14, 15
Emissions			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	76, 78		
103-3 Evaluation of the management approach	76, 78		

Content	Page	Omission	Sustainable Development Goals
GRI 305: EMISSIONS 2016			
305-1 Direct (Scope 1) GHG emissions	78		3, 12, 13, 14, 15
305-2 Energy indirect (Scope 2) GHG emissions	78		3, 12, 13, 14, 15
305-3 Other indirect (Scope 3) GHG emissions	78		3, 12, 13, 14, 15
305-4 GHG emissions intensity	78		13, 14, 15
305-5 Reduction of GHG emissions	78		13, 14, 15
305-6 Emissions of ozone-depleting substances (ODS)	78		3, 12
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	76		3, 12, 14 , 15
Waste			
GRI 103: 2016 MANAGEMENT APPROACH			
103-1 Explanation of material topic and its Boundary	12		
103-2 The management approach and its components	75		
103-3 Evaluation of the management approach	75		
GRI 306: WASTE 2016			
306-2 Management of significant waste-related impacts	75		3, 6, 12

Content	Page	Omission	Sustainable Development Goals
Employment			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	60		
103-3 Evaluation of the management approach	90		
GRI 401: EMPLOYMENT 2016			
401-1 New employee hires and employee turnover	61		5, 8, 10
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	All benefits are offered to all direct employees, without differentiation by period or type of employment contract.		3, 5, 8
401-3 Parental leave	66		5, 8
Occupational Health and Safety			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	63		
103-3 Evaluation of the management approach	63		
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
403-1 Occupational health and safety management system	61, 64		8
403-2 Hazard identification, risk assessment, and incident investigation	63, 64		3, 8

Content	Page	Omission	Sustainable Development Goals
Occupational Health and Safety			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018			
403-3 Occupational health services	63, 64		
403-4 Worker participation, consultation, and communication on occupational health and safety	64		8, 16
403-5 Worker training on occupational health and safety	64		8
403-6 Promotion of worker health	63		3
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	61, 63		8
403-9 Work-related injuries	63	Information referring to third parties has not been reported because the company is making changes in this regard to the database so it can include precise data in the next reporting period, given the size of the company and the supply chain.	3, 8, 16
403-10 Work-related ill health	In 2020, no employee took a leave of absence due to occupational illness.	Information referring to third parties has not been reported because the company is making changes in this regard to the database so it can include precise data in the next reporting period, given the size of the company and the supply chain.	3, 8, 16
Training and Education			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	61		
103-3 Evaluation of the management approach	61		

Content	Page	Omission	Sustainable Development Goals
Training and Education			
GRI 404: TRAINING AND EDUCATION 2016			
404-1 Average hours of training per year per employee	62		4, 5, 8 , 10
404-2 Programs for upgrading employee skills and transition assistance programs	61		8
404-3 Percentage of employees receiving regular performance and career development reviews	62		5, 8, 10
Diversity and Equal Opportunity			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	64		
103-3 Evaluation of the management approach	64		
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016			
405-1 Diversity of governance bodies and employees	64, 65		5, 8
405-2 Ratio of basic salary and remuneration of women to men	66		5, 8, 10
Non-discrimination			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	66		
103-3 Evaluation of the management approach	67		

Content	Page	Omission	Sustainable Development Goals
Non-discrimination			
GRI 406: NO DISCRIMINATION 2016			
406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were registered during the reporting period.		5, 8
Freedom of Association and Collective Bargaining			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	66		
103-3 Evaluation of the management approach	66		
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016			
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	66		8
Child Labor			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	67		
103-3 Evaluation of the management approach	67		
GRI 408: CHILD LABOR 2016			
408-1 Operations and suppliers at significant risk for incidents of child labor	67		8, 16

Content	Page	Omission	Sustainable Development Goals
Forced or Compulsory Labor			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	67		
103-3 Evaluation of the management approach	67		
GRI 409: FORCED OR COMPULSORY LABOR 2016			
409-1 Operations and suppliers at significant risk of forced or compulsory labor	67		8
Security practices			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	51, 67		
103-3 Evaluation of the management approach	51, 67		
GRI 410: SECURITY PRACTICES 2016			
410-1 Security personnel trained in human rights policies or procedures	67		16
Rights of indigenous people			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	55		
103-3 Evaluation of the management approach	55		

Content	Page	Omission	Sustainable Development Goals
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016			
411-1 Incidents of violations involving rights of indigenous peoples	67. No incidents involving any alleged infringement of indigenous rights were registered in the Ombudsman channels of Eletrobras companies in the period from January 1 to December 31, 2020.		2
Human rights assessment			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	66		
103-3 Evaluation of the management approach	66		
GRI 412: HUMAN RIGHTS ASSESSMENT 2016			
412-2 Employee training on human rights policies or procedures	No training referring to Human Rights was offered in 2020.		
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	67		
Local Communities			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	55		
103-3 Evaluation of the management approach	55		

Content	Page	Omission	Sustainable Development Goals
GRI 413: LOCAL COMMUNITIES 2016			
413-1 Operations with local community engagement, impact assessments, and development programs	55, 57. Consider for this indicator, the number of operations of Eletrobras companies: the table of strategic assets of the Eletrobras companies, according to the National Electric System Operator (ONS), in combination with the other operations that are monitored by the company operation areas. In this way, the percentage of engagement actions was calculated in line with the assumption of "operations" for this indicator. [102-48]		
413-2 Operations with significant actual and potential negative impacts on local communities	55, 57		1, 2
Public Policy			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	41		
103-3 Evaluation of the management approach	41		
GRI 415: PUBLIC POLICY 2016			
415-1 Political contributions	In compliance with the law, Eletrobras companies do not support or contribute to political parties or political campaigns of candidates for electoral positions nor do they allow employees to do so on behalf of the company. This guideline is ratified in the Code of Ethical Conduct and Integrity of Eletrobras companies.		16
Customer Privacy			
GRI 103: MANAGEMENT APPROACH 2016			
103-1 Explanation of the material topic and its Boundary	12		
103-2 The management approach and its components	53		
103-3 Evaluation of the management approach	53		

Content	Page	Omission	Sustainable Development Goals
GRI 418: CUSTOMER PRIVACY 2016			
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	53. No violation of customer privacy data was found.		16

SECTOR SUPPLEMENT			
Organizational profile			
EU1 Installed capacity, broken down by primary energy source and by regulatory regime	43, 45		7
EU2 Net energy output broken down by primary energy source and by regulatory regime	43, 44		7, 14
EU4 Length of above and underground transmission and distribution lines by regulatory regime	22, 45. Consider transmission lines that were in operation at the end of the period (corporate and SPCs), including lines that justify or not the Permitted Annual Revenue (RAP) and complementary network lines (power plant connection lines and lines that serve free consumers or those who are connected to the Other Transmission Installations (DIT) in networks < 230kV).		
Availability and reliability			
EU6 Management approach to ensure short and long-term electricity availability and reliability	44, 47. Consider corporate transmission lines of the basic network that justify the Permitted Annual Revenue (RAP) and that are in operation throughout the reporting period, including sectioned parts. Does not include lines from the complementary network.		7
Research and Development			
EU8 Research and development activity and expenditure aimed at providing reliable electricity and Promoting Sustainable Development	48		7, 9, 17
Availability and reliability			
EU10 Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	In Brazil, the indicative planning of electric energy demand and supply is carried out by law by the Energy Research Company (EPE). Furnas, as a generator and transmitter of large blocks of energy, does not carry out demand planning by energy source.		7

SECTOR SUPPLEMENT			
Content	**Page**	**Omission**	**Sustainable Development Goals**
System Efficiency			
EU11 Average generation efficiency of thermal plants, by energy source and by regulatory regime	Global efficiency by energy source-gas 2020: 38.00%		7, 8, 12, 13, 14
EU12 Transmission and distribution losses as a percentage of total energy	47		7, 8, 12, 13, 14
Biodiversity			
EU13 Biodiversity of offset habitats compared to the biodiversity of the affected areas	74		6, 14, 15
Employment			
EU14 Programs and processes to ensure the availability of a skilled workforce	61		4, 8
EU16 Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	64		8
Local communities			
EU20 Approach to managing the impacts of displacement	55		1, 2, 11
EU21 Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	55		1, 11
EU22 Number of people physically and economically displaced and compensation, broken down by type of project	55		1, 2
Access			
EU30 Average plant availability factor by energy source and by regulatory regime	44, 45		1, 7

SASB SECTOR INDICATORS

Indicator	Related GRI	Page
IF-EU-320a1: Total recordable injury rate (TRIR), fatality rate, and near miss frequency rate (NMFR)	GRI 403-9	63
IF-EU-110a1: Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and percentage covered under emissions-reporting regulations	GRI 305-1	78
IF-EU-110a2: Greenhouse gas (GHG) emissions associated with power deliveries	GRI 305-2	78
IF-EU-110a3: Discussion of the long and short-term strategy or plan for managing Scope 1 emissions, emission reduction targets, and an analysis of performance against these targets	GRI 305-4 GRI 305-5	78
IF-EU-150a1: Amount of coal combustion residuals (CCR), percent recycled	GRI 305-6 G4-EU11	78, 98
IF-EU-120a1: Air emissions of the following pollutants: NO_x (excluding N_2O), SO_x, particulate matter (PM), lead (Pb) and mercury (Hg); percentage of each in or near areas of dense population	GRI 305-7	76
IF-EU-104a1: Total water withdrawn and total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	GRI 303-3 GRI 303-4	70, 72
IF-EU-140a3: Discussion of water management risks and description of strategies and practices to mitigate those risks	GRI 301-1	72
IF-EU-550a1: Number of incidents of non-compliance with standards or regulations on physical and cyber security	GRI 418-1	53, 97

ASSURANCE REPORT

(A free translation of the original in Portuguese)

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

To the Board of Directors and Stockholders
Furnas Centrais Elétricas S.A.
Rio de Janeiro - RJ

Introduction

We were engaged by Furnas Centrais Elétricas S.A. ("Furnas" or "Company") to present our limited assurance report on the compilation of the information related to sustainability included in the Annual Report for 2020 of Furnas for the year ended December 31, 2020.

Responsibilities of the Company's management

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

Independent auditor's responsibility

Our responsibility is to express a conclusion on the information related to sustainability included in the Annual Report for 2020, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB).

Those standards require that we comply with ethical and independence requirements, and other responsibilities, including in relation to the application of the Brazilian Standard on Quality Control (NBC PA 01) and, therefore, the maintenance of a comprehensive quality control system, including documented policies and procedures regarding the compliance with the applicable ethical requirements, professional standards and legal and regulatory requirements.

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

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

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information related to sustainability included in the Annual Report for 2020, other circumstances of the engagement and our analysis of the

areas in which significant misstatements might exist. The following procedures were adopted:

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

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

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

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

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

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

Scope and limitations

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

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

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

Conclusion

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

Rio de Janeiro, June 30, 2021

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Eliane Kihara
Contador CRC

Annexes

Furnas HPP

PARTNER AND SUPPORTED ORGANIZATIONS

GRI 102-12, 102-13

Furnas is involved with many business development and trade associations, and has commitments with relevant international organizations.

- **ABCE** - Brazilian Association of Electric Power Utilities
- **ABEEÓLICA** - Brazilian Wind Power Association
- **ABDIB** - Brazilian Infrastructure and Basic Industry Association
- **ABGD** - Brazilian Association of Distributed Generation
- **ABGR** - Brazilian Risk Management Association
- **ABNT** - Brazilian Association of Technical Standards
- **ABO** - Brazilian Ombudsman Association
- **ABRACO** - Brazilian Association of Corrosion
- **ABRACONEE** - Brazilian Association of Accountants of the Electrical Power Sector
- **ABRAGE** - Brazilian Association of Electric Power Generators
- **ABCE** - Brazilian Clean Energy Generation Association
- **ABRAGET** - Brazilian Association of Thermoelectric Generators
- **ABRAMAN** - Brazilian Maintenance and Asset Management Association
- **ABRATE** - Brazilian Association of Electrical Power Transmission Companies
- **ABEEÓLICA** - Brazilian Solar Photovoltaic Energy Association
- **ACRJ** - Trade Association of Rio de Janeiro
- **AMCHAM Brasil** - American Chamber of Commerce
- **ANEFAC** - National Association of Finance Executives
- **ANPEI** - National Association for Research and Development of Innovative Companies
- **APTEL** - Association of Infrastructure and Private Telecommunications System Owners
- **BRACIER** - Brazilian Committee of CIER
- **CBDB** - Brazilian Dams Committee
- **CEBRES** - Brazilian Center for Strategic Studies
- **CEBRI** - Brazilian Center for International Relations
- **Electricity Memory Center**
- **CIGRÉ-Brasil** - Brazilian National Electric Power Generation and Transmission Committee
- **CIRJ-FIRJAN** - Industrial Center of Rio de Janeiro
- **CREA** - Regional Council of Engineering, Architecture and Agronomy for the State of Rio de Janeiro
- **FGV Energy** - Getúlio Vargas Foundation
- **FUNCOGE** - Committee of Business Management Foundation
- **GIFE** - Group of Institutes, Foundations and Companies
- **IBEF** - Brazilian Institute of Finance Executives
- **IBRACON** - Brazilian Concrete Institute
- **IHA -** International Hydropower Association
- **ETHOS Institute**
- **NCSL** - National Conference of Standards Laboratories
- **Global Compact Network Brazil**
- **RMMG** - Metrological Network of Minas Gerais
- **SBM** - Brazilian Metrology Society
- **UTCAL** - Utilities Telecom Council Latin America

Participation in other initiatives and associations for sustainable development:

- Environmental Agenda in Public Administration (A3P)
- Brazilian Business Council for Sustainable Development (CEBDS)
- United Nations Development Programme (UNDP)
- Programa na Mão Certa (Childhood Brazil)
- Abrinq Foundation
- Pro-Gender Equality Program (Department of Policies for Women of the Presidency of the Republic)
- Network of Companies for Learning and Eradication of Child Labor (Ethos Institute, International Labor Organization, and Labor Ministry).

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