# Management Report

Dear Shareholders,

In compliance with the law and the Bylaws of CPFL Energia S.A. ("CPFL Energia" or "Company"), the Management of the Company hereby submits to you the Management Report and financial statements of the Company, along with the reports of the independent auditor and Fiscal Council for the fiscal year ended December 31, 2020. All comparisons herein are made with consolidated figures for fiscal year 2019, except when specified otherwise.

# 1. Opening remarks

The year 2020 was marked by the pandemic of the new Coronavirus (COVID-19), which brought challenging consequences for our lives, for the Company and the Brazilian economy. In the first months of the pandemic, we acted quickly, prioritizing appropriate preventive measures to preserve the health and safety of all our employees, as well as guaranteeing the financial health of our Company and the continuity of service provision with the same excellence as always.

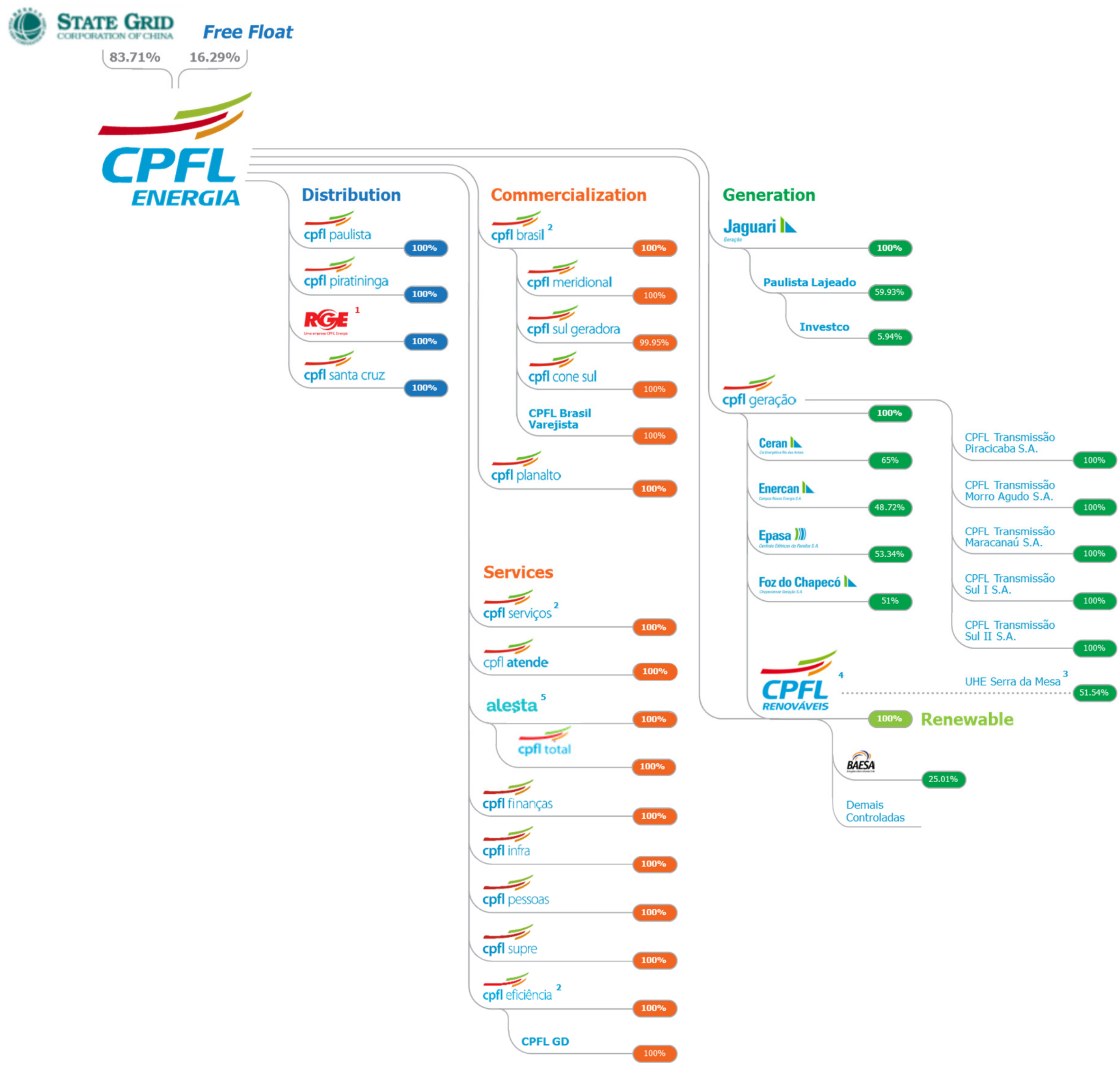
During this period, we carried out an intense and challenging work with interactions with the Ministry of Mines and Energy - MME, Regulatory Agency - Aneel and other agents in the electricity sector, to create the COVID Account, a bank loan that anticipates resources to the distributors at the same time that mitigates tariff impacts for the consumer. This solution was fundamental to guarantee the liquidity of the electric sector during the year, mitigating the pressures caused by the reduction of the load and the increase of the defaults on the cash of the distributors in Brazil.

Despite all the challenges, the CPFL Energia group remained very active this year in search of sustainable growth and with a focus on all its stakeholders. We increased investments, promoting improvements in operational efficiency and management, seeking to adopt the best practices in the sector, we continue with the implementation of innovation, digitalization and new technologies in our businesses, aiming at greater efficiency of our costs always following the developments of the political and economic scenarios of Brazil in their markets.

Finally, CPFL Energia's management reiterates its commitment and trust with shareholders, customers, partners, society and other stakeholders, remaining optimistic about the advances in the Brazilian electric sector and confident in our business platform, based on operational efficiency, corporate governance, sustainability, financial discipline and synergistic growth, increasingly prepared to face the challenges and opportunities in the country.

**SHAREHOLDERS' STRUCTURE (simplified)**

CPFL Energia is a holding company that owns stake in other companies:




Reference date: 12/31/2020

Notes:

(1) RGE is held by CPFL Energia (89.0107%) and CPFL Brasil (10.9893%);

(2) CPFL Soluções = CPFL Brasil + CPFL Serviços + CPFL Eficiência;

(3) 51.54% stake of the availability of power and energy of Serra da Mesa HPP, regarding the Power Purchase Agreement between CPFL Renováveis and Furnas;

(4) CPFL Renováveis is held by CPFL Energia (49.1502%) and CPFL Geração (50.8498%);

(5) Alesta is part of the "Others" segment. To facilitate visualization and as it incorporated the shares of CPFL Total, it is presented in the "Services" segment.

# 2. Comments on the macroeconomic and regulatory scenario

## MACROECONOMIC SCENARIO

After contracting sharply between 2014 and 2016, a period marked by political upheavals, the Brazilian economy embarked on a path of slow and irregular recovery between 2017 and 2019.

Expectations of a stronger recovery in 2020 were a consensus but were thwarted by the outbreak of the COVID-19 pandemic.

The pandemic affected the Brazilian economy both because of the global recession and the consequent deterioration of risks, with a strong restriction of financial conditions, and the adoption of measures to restrict the circulation of people in Brazil. The shock caused by the pandemic led to a sharp economic downturn in the first half of 2020, especially in the second quarter. Although the global economy has not yet recovered to pre-COVID-19 levels, the performance in the second half of the year ensured that the Brazilian economy performed reasonably well compared to its peers, in line with its more ambitious stimulus package.

In 2020, the combination of the pandemic and the maintenance of income (which, in fact, increased compared to 2019, considering the Emergency Allowance) affected the economy in two ways: (i) increase in the balance maintained in savings accounts, either as a precautionary measure or due to the reduction in spending opportunities (especially services); and (ii) change in the consumption patterns of families, with a greater appetite for goods consumed at home (supermarkets and hypermarkets, furniture and home appliances, construction materials) and the reduction in the consumption of goods and services connected to mobility (services provided to families, fuel, air travel, etc.).

Occupancy declined to record lows due to lower circulation, reflecting in an extremely low - and unprecedented - inflation in services, with core inflation also below the target. Moreover, efforts to combat the pandemic included the postponement of price adjustments, which resulted in prices ending 2020 at exceptionally low levels.

Idleness in the industrial sector, which worsened in the first half of 2020, was reversed in the second half with the replenishment of inventories driving industrial activity, especially in sectors in which consumption increased due to new consumption habits. Despite the higher level of industrial activity, industrial prices remained stable in spite of strong increases in the wholesale market. In the final analysis, inflation ended the year at 4.5%, slightly above the center of the target (4%).

Thus, 2020 ended with the economy recovering a part of the losses caused by the pandemic; however, with fewer measures to stimulate the economy in sight, this recovery will fundamentally depend on the progress of vaccination as a way to contain the effects of the pandemic. Although there is still much uncertainty about the vaccination calendar in Brazil, it is expected that the doses already contracted (CoronaVac and AstraZeneca/Oxford vaccines) are sufficient to vaccinate people in risk groups in the first half of 2021. Though this is not sufficient to reduce the circulation of the virus, it should especially relieve the pressure on health care systems, thus enabling the gradual normalization of activities.

## REGULATORY ENVIRONMENT

The key changes in sector regulations in the distribution segment in 2020 are outlined below:

1) The Brazilian Electricity Regulatory Agency (ANEEL), through Normative Resolution (REN) 874/2020, approved the new methodology for calculating, and the frequency of, the adjustment to the regulatory rate of the weighted average cost of capital (WACC) used to revise the tariff or revenue of power generation, transmission and distribution companies. For energy transmission and generation companies, the rates for 2018 (7.66%), 2019 (7.39%) and 2020 (6.98%) were approved. For distributors, the rate for 2020 (7.32%) was approved. Henceforth, the WACC will be updated and published annually by ANEEL. Every year, the effective rate will be applied in the revision processes occurring in that year;
2) On March 17, 2020, REN 877/2020 revised the X Factor methodology associated with productivity (Pd component) to be applied to energy distributors as from 2020, as well as the new versions of Sub-modules 2.5 and 2.5A of the Tariff Regulation Procedures (PRORET). The purpose of the new methodology is to reflect the recent history of

productivity gains of the energy distribution segment and the variations in the market scenario, the annual tariff adjustments, depending on the concession agreement under analysis;

3) On March 24, 2020, ANEEL approved REN 878/2020, which established measures for preserving the energy distribution service as a result of the COVID-19 pandemic. ANEEL's temporary measures for energy distribution included: (i) Temporarily prohibit the suspension of energy supply to rural or urban residential consumers on default, as well as essential services; (ii) Permit the replacement of printed monthly invoices with electronic invoices or bar codes; (iii) Permit readings to be done in different intervals or be replaced with self-reading or average consumption of the last 12 months; (iv) Permit distributors to suspend on-site customer service and intensify automatic features in customer service; (v) Prioritize, in customer service phone calls, urgent and emergency requests; and (vi) Prioritize the reestablishment of services and requests for connection for hospitals dedicated to treatment of the population.

4) Provisional Presidential Decree 950/2020 was published on April 8, 2020, establishing emergency temporary measures to be taken by the energy sector to face the state of public calamity, recognized by Legislative Decree 6 of March 20, 2020, and the public health emergency caused by the COVID-19 pandemic. This provisional presidential decree ensured that low-income consumers and social tariff beneficiaries be exempted from paying their electricity bills for three months. The decree also envisaged the creation of the COVID Account to preserve the sustainability of the infrastructure sector. In parallel, Provisional Presidential Decree 949, also of April 8, 2020, added to ANEEL's budget an extraordinary credit of R$900 million and determined that the Agency allocated this amount to the Energy Development Account (CDE) to fund the authorized discounts;

5) On April 20, 2020, ANEEL approved two measures to alleviate the payment of transmission charges by distributors and free consumers, in the amount of approximately R$432 million. The measures were: Order 1106/2020, which anticipated the financial effects of the Adjustment Portion for April, May and June 2020; and Administrative Rule 6,354/2020, which postponed the collection of the Portion of Inefficiency due to Over-Contracting of 2019, payable by distributors, to October 2020;

6) On April 29, 2020, ANEEL, the General Secretariat of the Office of the President of Brazil (SGPR) and the Ministry of Mines and Energy (MME) signed a Memorandum of Understanding for achieving the targets established in the Business Environment Modernization Plan (PMA), reinforcing the commitment to unite the efforts to contribute to the business environment in Brazil;

7) Decree 10,350/2020 was published on May 18, 2020, which created the Account intended to assist the energy sector combat the COVID-19 pandemic, regulated Provisional Presidential Decree 950 of April 8, 2020, and established other measures;

8) On June 15, 2020, ANEEL decided to extend the effects of REN 878/2020, mentioned in item 3 above, until July 31;

9) On June 23, 2020, REN 885/2020 regulated the COVID Account in order to dilute the tariff effects that would be absorbed by consumers during 2020 and 2021. To that effect, a pool of banks granted a loan to the energy sector, which will be paid within five years starting from 2021. Sixteen financial institutions, including the Brazilian Economic and Social Development Bank (BNDES), were involved in this transaction, whose total cost was CDI rate + 3.79% p.a. The grace period for the loans ends in July 2021 and the maturity date is December 2025;

10) On June 30, 2020, REN 888/2020 improved the rules on energy supply to public lighting services. Distribution Procedures

11) On July 21, 2020, ANEEL approved the revision of REN 878/2020. According to the new rules, various activities should be resumed by distributors as from August 1, 2020, such as in-person services to the population, delivery of printed electricity bills and compliance with deadlines and indicators previously in place. ANEEL also decided to maintain the ban

on power disconnections for lack of payment by consumers classified as Low Income for the duration of the state of emergency caused by the pandemic;

12) Provisional Presidential Decree 998/2020 was signed on September 1, 2020, establishing measures in addition to those implemented by Provisional Presidential Decree 950/2020, the focus being on reducing tariff impacts in the medium- and long-terms;

13) REN 896/2020 of November 17, 2020, set out the criteria related to the economic and financial health and quality of energy supply to be met by distribution concessionaires;

14) On November 17, 2020, ANEEL approved REN 897/2020, which revoked 361 administrative acts, of which 122 were in force and 239 had already expired. The decision reduces, simplifies and modernizes the so-called regulatory inventory of the sector;

15) On November 30, 2020, ANEEL passed Order 3,364/2020, to reactivate the system of Tariff Flags. Due to the decline in water levels at the reservoirs of hydroelectric plants, especially in the Southeastern, Midwestern and Southern regions, and the recovery in energy consumption, while applying the methodology, ANEEL established the red flag – level 2 for December 2020, revoking the decision taken in May 2020 of maintaining the green flag until December 31, due to the pandemic. The value of the flag applied was the one ratified by ANEEL through REN 872, of February 18, 2020;

16) REN 895/2020 was approved on December 1, 2020, which regulated the new conditions for renegotiating the hydrological risk in energy generation. The decision complies with article 2 of Law 14,052/2020, which established that the Agency regulated the procedures for renegotiation. The resolution establishes the methodology for calculating the compensation to be paid to hydroelectric generators participating in the Energy Reallocation Mechanism (MRE) as per Law;

17) On December 8, 2020, ANEEL approved via REN 904/2020, the new timetable for distributors to process the energy contracting management mechanisms and consolidated the rules for such mechanisms. It also approved the new categories of the Surplus and Deficit Offset Mechanism and the Sale of Surplus Mechanism. The resolution approved will take effect on January 1, 2021. ANEEL also determined that the Electricity Trading Chamber (CCEE) send, by March 31, 2021, the new modules of Trading Rules and Procedures containing the changes proposed in the approved resolution. Until the changes are implemented, the Surplus and Deficit Offset Mechanism for Existing Energy and the Sale of Surplus Mechanism will be processed considering the products currently in force;

18) REN 910/2020 was approved on December 15, 2020, with a series of formal changes to Normative Resolution 843/2019, to enable the start of hourly price for energy trading in January 2021. The measure went into effect on January 1, 2021.

## ELECTRICITY TARIFFS AND PRICES

### Distribution Segment

### Annual Tariff Adjustment (ATA):

The following distribution companies had tariffs adjusted as below:

| Annual tariff adjustments (ATAs) |
| --- |

| | CPFL Santa Cruz | CPFL Paulista[(1)] | RGE[(1)] | CPFL Piratininga |
|---|---|---|---|---|
| Ratifying Resolution | 2,668 | 2,670 | 2,697 | 2,792 |
| **Adjustment** | **10.71%** | **14.90%** | **15.74%** | **18.31%** |
| Parcel A | 4.79% | 5.83% | 8.25% | 11.80% |
| Parcel B | -1.59% | 0.26% | 1.82% | 3.96% |
| Financial Components | 7.51% | 8.80% | 5.67% | 2.55% |
| **Effect on consumer billings** | **0.20%** | **6.05%** | **6.09%** | **9.82%** |
| Date of entry into force | 03/22/2020 | 04/08/2020 | 06/19/2020 | 10/23/2020 |

**(1)** ANEEL suspended the application of 2020 new tariffs for CPFL Paulista and RGE until July 1, 2020, due to the COVID-19 pandemic. The difference in revenue from the anniversary date of the Distributors until July 1 was transferred to the Distributor through the sectoral loan "COVID Account". Additionally, to avoid a cash flow mismatch, ANEEL gave a discount on the CDE payment to CCEE, in the same period, in the estimated amount of this difference of revenue, to be refunded in installments from July to December 2020.

### Generation Segment

Contracts for the sale of energy related to generators contain specific readjustment clauses, whose main index is the annual variation measured by the IGP-M, which is used in our contracts for the Incentive Program for Alternative Electricity Sources (Proinfa), bilateral and the Free Contracting Environment (ACL). The contracts entered into in the Regulated Contracting Environment (ACR) use the IPCA as an index, and the bilateral contracts signed by the subsidiary Campos Novos Energia (Enercan) use a combination of dollar and IGP-M indexes.

# 3. Operating Performance

### ENERGY SALES

In 2020, electricity sales to final consumers (quantity of electricity billed to final consumers) totaled 51,331 GWh, a reduction of 3.8% (2,044 GWh) compared to 2019.

It is noteworthy the performance of the residential, commercial and industrial classes, which accounted 82.9% of the electricity sales to final consumers:

- **Residential Class:** increase of 2.9%, mainly reflecting the increase in consumer units in 2020 compared to 2019;
- **Commercial and Industrial Classes:** reductions of 8.8% and 10.1%, respectively, reflecting the weak economic performance in the year, the impact brought by the period of social isolation and activity restriction due to the covid-19 pandemic, in addition to the effects of customer migrations to the Basic Network.

Electricity sales to wholesaler's, through other concessionaires, licensees and authorized, reached 13,876 GWh, which represented a reduction of 24.4% (4,475 GWh), mainy due to the reduction in sales by the commercialization companies (through bilateral contracts).

### PERFORMANCE IN THE ELECTRICITY DISTRIBUTION SEGMENT

The Group maintained its strategy of encouraging the dissemination and sharing of best management and operational practices at its distributors in an effort to increase operational efficiency and improve the quality of services provided to clients.

Find below the results posted by distributors in the main indicators that measure quality and reliability of power supply. The Equivalent Duration of Interruptions (SAIDI) measures the average duration, in hours, of interruptions suffered by consumers in the year, while the SAIFI (Equivalent Frequency of Interruptions) measures the average number of interruptions suffered per consumer per year.

| SAIDI and SAIFI Indexes* | | | | |
|---|---|---|---|---|
| Distributor | SAIDI (hours) | | SAIFI (interruptions) | |
| | 2020 | 2019 | 2020 | 2019 |
| CPFL Paulista | 6.81 | 6.72 | 4.27 | 4.38 |
| CPFL Piratininga | 5.83 | 6.49 | 4.32 | 4.34 |
| RGE | 10.83 | 14.01 | 5.27 | 6.25 |
| CPFL Santa Cruz | 4.89 | 5.56 | 3.68 | 4.25 |

*Annualized figures

**PERFORMANCE IN THE ELECTRICITY GENERATION SEGMENT**

On December 31, 2020, the installed capacity of the Generation segment of CPFL group totaled 4,305 MW, comprising 8 HPPs (1,966 MW), 45 wind farms (1,309 MW), 43 SHPPs (473 MW), 8 biomass-powered thermal power plants (370 MW), 2 thermal power plants (182 MW), 6 MHPPs (4 MW) and 1 solar plant (1 MW).

We are constantly evaluating new opportunities to explore investments in generation projects. We have a total portfolio of 3,350 MW of projects to be developed in the coming years and currently have 2 projects under construction, totalizing 109.7 MW: (i) Cherobim SHPP, with 28.0 MW of installed capacity, located in the state of Paraná, scheduled to start operating in 2024; and (ii) Gameleira Wind Farms Complex, with 81.7% MW of installed capacity, located in the state of Rio Grande do Norte, scheduled to start operating in mid-2021, approximately 2.5 years before the date initially planned in the project.

# 4. Economic and Financial Performance

The Management's comments on economic and financial performance and the operating results should be read together with the financial statements and notes to the financial statements.

**Operating Revenue**

Gross operating revenue was of R$ 45,363 million, representing an increase of 0.8% (R$ 354 million), due to the reversal of a sectoral financial liability of R$ 602 million to an asset of R$ 811 million, representing a variation of R$ 1,414 million, and the increases: (i) of 10.2% in other operating income (R$ 549 million), (ii) of 23.2% in the revenue with construction of concession infrastructure (R$ 485 million), and (iii) of 38.4% in the update of concession's financial asset (R$ 108 million). These effects were partially offset by the reduction of 3.6% in electricity sales to final consumers (R$ 1,131 million) and of 17.5% in the electricity sales to wholesalers (R$ 1,070 million).

Deductions from operating revenue were of R$ 14,464 million, presenting a reduction of 4.1% (R$ 612 million). Net operating revenue was of R$ 30,898 million, representing an increase of 3.2% (R$ 966 million).

**Operating Cash Flow - EBITDA**

Operating cash flow, as measured by EBITDA, reached R$ 6,780 million, an increase of 6.0% (R$ 386 million), mainly reflecting the increase of 3.2% (R$ 966 million) in net operating revenue and the increase of 17.3% (R$ 61 million) in equity income. These effects were partially offset by the increase of 0.6% (R$ 115 million) in the cost of electric energy, and by the increase of 1.5% (R$ 52 million) in operating costs and expenses, including expenses with private pension fund.

***Reconciliation of Net Income and EBITDA***

| | 2020 | 2019 |
|---|---|---|
| **Net Income** | **3,706,986** | **2,748,296** |
| Depreciation and Amortization | 1,665,999 | 1,681,053 |
| Assets Surplus Value Amortization | 579 | 579 |
| Financial Income/Loss | 315,974 | 726,247 |
| Social Contribution | 297,137 | 336,610 |
| Income Tax | 793,219 | 901,386 |
| **EBITDA** | **6,779,894** | **6,394,173** |

*According to CVM Instruction No. 527, of 10/04/2012.

**Net Income**

In 2020, net income reached R$ 3,707 million, an increase of 34.9% (R$ 959 million), mainly due to the increase of 6.0% (R$ 386 million) in EBITDA, the reduction of 56.5% (R$ 410 million) in net financial expenses, the reduction of 11.9% (R$ 148 million) in income tax and social contribution and the reduction of 0.9% (R$ 15 million) in depreciation and amortization.

**Allocation of Net Income from the Fiscal Year**

CPFL Energia´s dividend policy stipulates that a minimum of 50% of adjusted net income, in accordance with the Brazilian Corporate Law, will be distributed to shareholders. The proposal for allocation of net income from the fiscal year is shown below:

| | R$ mil |
|---|---|
| **Net income for the year - parent company** | **3,643,149** |
| Realization of comprehensive income | 25,547 |
| Time-barred dividends (not claimed within 3 years) | 837 |
| **Net income considered for allocation** | **3,669,533** |
| Legal reserve | (182,157) |
| Mandatory minimum dividends | (865,248) |
| Proposed additional dividends | (865,248) |
| Statutory reserve - working capital improvement | (1,756,880) |

### Dividend

The Board of Directors propose the payment of R$ 1,731 million in dividends to holders of common shares traded on B3 S.A. – Brasil, Bolsa, Balcão (B3). This proposed amount corresponds to R$ 1.501834847 per share, related to the fiscal year of 2020.

### Statutory Reserve – Working Capital Reinforcement

Considering the current macroeconomic scenario and the Company's assessments for potential new businesses, the Company's Management is proposing the allocation of R$ 1,757 million to the statutory reserve - reinforcement of working capital. Any changes in these perspectives that reflect adjustments in the reserve may be made during the year 2021, upon approval by the Management.

### Indebtedness

At the close of 2020, gross financial debt (including derivatives) of the Company reached R$ 19,196 million, presenting an increase of 4.9%. Cash and cash equivalents totaled R$ 3,919 million, an increase of 102%. As such, net financial debt decreased 6.6% to R$ 15,278 million.

# 5. Investments

In 2020, investments of R$ 2,808 million were made in business maintenance and expansion, of which R$ 2,317 million was destined to distribution, R$ 283 million to generation and R$ 74 million to commercialization, services and others. In addition, we invested R$ 134 million in the transmission segment and, according to the requirements of IFRIC 15, it was recorded as "Contractual Asset of Transmission Companies" (in other credits).

CPFL Energia's investments in 2020 include:

**Distribution:** investments in expansion, maintenance, improvement, automation, modernization and strengthening the electricity system to meet market growth, in operational infrastructure, in customer service, among others. On December 31, 2020, our distributors had 9.9 million customers, an increase of 0.1 million customers. Our distribution network consisted of 332,785 kilometers of distribution lines (adding 3,415 kilometers of lines), including 487,302 distribution transformers (adding 10,828 transformers). Our four distribution subsidiaries had 12,987 kilometers of high voltage distribution lines of between 34.5 kV and 138 kV (adding 131 kilometers of lines). On that date, we had 559 transformer substations, from high voltage to medium voltage, for subsequent distribution (adding 5 substations), with total transformer capacity of 19,038 MVA (adding 335 MVA);

**Generation:** in 2020, R$ 283 million were invested, spent mainly on the Lucia Cherobim SHPP and on the wind farms of Gameleira Complex (Costa das Dunas, Figueira Branca, Farol de Touros and Gameleira).

# 6. Corporate Governance

CPFL Energia is a holding company of the CPFL Group, operating in the Brazilian energy sector, implementing and operating projects and concessions in the segments of energy distribution, generation, transmission and commercialization and related activities, through its Subsidiaries and Affiliates.

CPFL Energia's corporate governance model is based on the 4 basic principles of the Corporate Governance System in Brazil: transparency, equity, accountability and corporate responsibility.

The Corporate Governance Guidelines, together with the Bylaws/Social Contracts of the Company and its Subsidiaries and Affiliates, the Internal Regulations (Board of Executive Officers, Board of Directors, Fiscal Council, Advisory Committees and Commissions to the Board of Directors, Audit Committee), the Shareholders Agreements, when they exist, and the Policies issued and to be issued in terms of governance, outline the set of practices adopted by CPFL Energia.

In 2021, CPFL completes 17 years of its IPO on the B3. With more than 100 years of history in Brazil, the Company has its shares listed on the Novo Mercado segment of the B3, special listing segment for companies that comply with corporate governance best practices. All CPFL Energia shares are common shares, which guarantee the voting rights of all its shareholders. In addition, shareholders have ensured 100% Tag Along rights in the event of sale of shareholding control.

CPFL's Management is composed of the Board of Directors ("Board") and the Board of Executive Officers.

The Board is responsible for the strategic direction of the CPFL Group's business, being composed of 7 members (2 being independent members), whose term of office is 2 years and who are eligible for reelection.

The Board has set up five advisory committees (Strategy and Processes Management, Human Resources Management, Related Parties, Risks Management and Budget and Corporate Finance), which support the decisions and monitor relevant and strategic issues.

The Board of Executive Officers is made up of 1 Chief Executive Officer and 8 Executive Vice Presidents, all with terms of office of two years, eligible for reelection, who are responsible for executing the strategy of CPFL Energia and its subsidiaries, as defined by the Board in line with corporate governance guidelines.

CPFL has a permanent Fiscal Council, composed of 3 effective members and an equal number of alternates, all with a 1-year term, with the possibility of reelection.

The guidelines and documents on corporate governance are available at the Investor Relations website http://www.cpfl.com.br/ir.

# 7. Capital Markets

As of December 31, 2020, CPFL Energia had 16.29% of its shares outstanding in the market (free float), with its shares traded in Brazil (B3).

In 2020, CPFL Energia shares depreciated 8.4%, closing the year at R$ 32.55 per share. The average daily trading volume reached R$ 97.6 million, representing an increase of 63.6% over 2019. This increase in the trading volume of CPFL Energia's shares is also due to the increase in the Company's free float, from 5.25% to 16.29%, after the Public Offering of Shares, concluded on June 12, 2019. The number trades carried out at B3 grew by 128.4%, from a daily average of 5,307 trades in 2019 to 12,126 trades in 2020. We also joined 3 new indexes on the São Paulo Stock Exchange (B3): Bovespa Index, Corporate Sustainability Index and Carbon Efficient Index.

# 8. Sustainability and Corporate Responsibility

We launch initiatives that generate shared value between the company and its stakeholders in order to ensure competitiveness, through excellence in operations, and contribute to better economic, social and environmental conditions in the areas of influence. In line with the strategic plan of the CPFL Group, the commitments and business guidelines are aimed at sustainable development and are incorporated into the decision-making process and actions. See the highlights below.

**Sustainability plan:** Definition of the sustainability strategy focused on three pillars (Sustainable energy, Intelligent solutions and Value shared with society) and on key enablers of our operations (Ethics, Transparency, People development and Inclusion), with public commitments and value initiatives in diverse areas of the company, thereby contributing to the achievement of the UN Sustainable Development Goals (SDG).

**Sustainability platform:** Tool for managing sustainability performance from the perspective of the company's main stakeholders, with indicators and targets aligned with the Strategic Plan and the Sustainability Plan.

**Sustainability committee:** Executive body responsible for monitoring the sustainability plan and platform, evaluating and recommending the inclusion of sustainability criteria and guidelines in the decision-making process, monitoring trends and topics that are critical for the sustainable development of the company.

**Climate Change:** We work with strategic focus on low carbon businesses and projects designed to combat climate change and its impacts, working on diverse fronts, such as the Management of greenhouse gas emissions (GHG), Management of risks and opportunities, Innovation focused on the development of products and solutions, Engagement with organizations and initiatives such as the Global Compact – Network Brazil and Fundação Getúlio Vargas (FGV), and Disclosure through reports to the market and our communication channels.

**Environment management:** Our business model demands an exceptional ability to manage environmental impacts, since each work front impacts the surrounding ecosystems in a different manner. The guidelines and processes we adopt are unified in the Environment Management System (EMS), which ensures compliance of all operations with the respective environmental licenses and directs investments that create value for the entire production chain. Each HEP also has its own management systems and projects, disclosed in their corporate websites.

**Sustainability recognitions in 2020:** Included in the Corporate Sustainability Index (ISE) and Carbon Efficient Index (ICO2) of the São Paulo stock exchange (B3); among the leading companies in the CDP Climate Change with score A-; golden seal in the GHG Protocol Program.

**Ethics management and development system (SGDE):** The Integrity Program establishes adequate mechanisms to promote an ethical culture that is aligned with the principles of the CPFL Energia group. The program is based on four pillars consisting of procedures that, among other things, set the tone and practice of discourse by top management, guidelines such as the Code of Ethical Conduct, as well as communication tools, such as training programs and the external ethics, assessment and monitoring channel. Following are a few important actions implemented in connection with the Integrity Program: Maintenance of the 2019/2020 Pró-Ética Seal. The seal was granted by the Office of the Comptroller General (CGU) to a select group of companies that foster the voluntary adoption of integrity measures and are committed to implementing actions designed to prevent, detect and remedy acts of corruption and fraud, the virtual e-learning training of the Integrity Program, which covered 11,121 employees of the CPFL group, implementation of the Monthly Conversation on Integrity (CMI) at all units of the CPFL group on themes such as sexual harassment, conflict of interests, disrespectful treatment, political and partisan activities, discrimination and prejudice, as well as gifts, presents and hospitality. In addition, the Ethics Committee held 12 meetings in 2020 to address topics related to ethics management, analyzing suggestions, complaints and queries received during the period.

**Community relations: (i) CPFL Institute –** It is the private social investment platform of the CPFL Energia group. With 17 years of history and projects such as Café Filosófico CPFL in its portfolio, in 2020 the Institute expanded its presence in social transformation projects and redefined its scope in five key work fronts that centralize the planning and execution of actions in line with the Social Investment Policy. Based on these fronts, the CPFL Institute coordinates transformative initiatives involving arts, sports and knowledge. The five major work fronts are:

**1) CPFL in Hospitals:** Through the CPFL in Hospitals front, which includes the energy efficiency program of CPFL Energia, we support 33 hospitals, benefiting about 340,000 people. In this front, the CPFL Institute coordinates support to infrastructure and research, as well as hospital humanization through art, with the partners Médicos do Sorriso, Griots and Hospitalhaços, who carried out their activities virtually during the year. In 2020, in a special action against COVID-19, we donated R$ 5 million in medical items, benefitting over 20 hospitals. We donated more than R$1 million to the "Saving Lives" program of BNDES, totaling R$6 million donated in support of actions against the COVID-19 pandemic;

**2) CPFL Young Generation:** Through this front, we support 28 social institutions, benefiting 7,000 youth through music, literature and sports projects aimed at reducing social vulnerability among children and youth in the group's partner communities. The front coordinates the relationship with the partners Instituto Vanderlei Cordeiro de Lima (IVCL) and Orcampi (projects for initiation in athletics) and Instituto Anelo (musical initiation project), in the city of Campinas, São Paulo. In the relationship front of the CPFL Energia group, the front coordinates the Carreta Literária project, a truck that visits 10 cities with actions to support reading habits; support to Municipal Children and Youth Funds for institutions that work with them during after-school hours and Semear, an employee volunteer program. The front also coordinates a partnership with the energy efficiency program within CPFL's project in schools, which implements educational actions on efficient energy consumption at schools in the state of São Paulo;

**3) CPFL Brazil-China Exchange:** This front organizes a festival annually with activities that foster exchange between the Brazilian and Chinese cultures. In 2020, the front held the 4th consecutive festival, this time virtually due to the COVID-19 pandemic. This edition featured a live musical streaming session, a movie festival that broadcast 10 movies, Spotify playlists with Chinese music, and broadcast of episodes of Café Filosófico CPFL with Chinese themes on the TV Cultura channel and on YouTube. In all, the front reached an audience of 1.6 million people;

**4) CPFL Circuit:** This front organizes traveling cultural and sports activities across the country, including the Correr and Caminhar projects, which organize walks and runs in cities where we operate, and Cinesolar, a traveling movie screening structure powered by solar energy, through vans equipped with photovoltaic panels. The project brings movie screenings to locations that do not have movie theaters, thereby democratizing access to movies. However, due to the COVID-19 pandemic, all these activities have been postponed to 2021;

**5) Café Filosófico CPFL:** This is one of the best-known initiatives of the CPFL Institute. Created in 2003, the project holds a series of debates on relevant and thought-provoking contemporary themes, in which specialists and leading names from Brazil and abroad participate. The show is hosted by the TV Cultura channel and its affiliates twice a week. In 2020, 16 live episodes were produced and streamed on the social media profiles of the CPFL Institute and the show, with the speakers participating from home, thus protecting the safety and health of the work teams involved. This front also premiered a new show called Café Expresso, aired by TV Cultura and streamed on the YouTube channel youtube.com/cafefilosofico. Over 23 million people were impacted by these actions.

**(ii) Support to Municipal Councils for the Rights of Children and Adolescents (CMDCA) (1% of Income Tax)** In 2020, the Group companies donated R$ 1,409,000.00 to the Municipal Funds for Children and Adolescents of 13 municipalities in the concession area. The amount will support 12 NGOs and one hospital in each city, with the focus on social transformation through cultural and sports projects and improvements to hospital treatment of children and youth in 2021;

**(iii) Support to Municipal Councils for the Rights of the Elderly – CMDI (1% of Income Tax)** In 2020, the Group companies donated R$ 1,542,000.00 to the Municipal Funds for the Elderly of four municipalities to support technological development projects, improvements to hospital infrastructure and support to the program focused on the elderly wing in three hospitals. Of the total amount, R$ 750,000.00 was allocated to the State Elderly Fund of Rio Grande do Sul as part of a special action to combat COVID-19, benefiting over 400 municipalities in the state through the acquisition of medical and hospital items;

**(iv) Volunteer Work –** In 2020, 27 initiatives were rolled out, with the engagement of 1,406 volunteers. The actions organized in ten cities across the concession area benefited approximately 2,990 people directly;

**(v) Support to the National Program to Support Oncological Services – Pronon (1% of Income Tax)** In 2020, the Group companies donated R$ 1,174,000.00 to support technological development projects in cancer hospitals. The projects will be carried out in 2021;

**(vi) Support to the National Health Program for Persons with Disabilities – Pronas (1% of Income Tax)** In 2020, the Group companies donated R$ 1,409,000.00 to support projects for the expansion of services to persons with disabilities, including medical and assistance services. The projects will be carried out in 2021.

**Human Resources Management:** In 2020, we trained 14,436 people, which is 90% of our personnel, in 4,145 on-site batches and 28,295 hours of online training. We also held training programs for the community, with 40 schools to train electricians during the year (24 have already concluded and 16 in the process of being concluded), which trained 662 people over more than 20,000 hours of training.

**Value Network:** In compliance with physical distancing rules on account of the pandemic, in 2020 the Value Network meetings were held online. Ninety-five supplier companies participated in the program, and three meetings were held, which addressed the following topics: sustainability and ethics plan, occupational safety and concepts of digital transformation, economic scenario and challenges facing the energy sector.

# 9. Independent Auditors

KPMG Auditores Independentes (KPMG) was engaged by CPFL Energia to audit the financial statements of the Company as an independent auditor. In accordance with CVM Instruction 381/03, we inform that in 2020 KPMG provided services not related to external audit, whose aggregate fees were more than 5% of all fees paid for the audit service (corporate, regulatory and SOx).

For the fiscal year ended on December 31, 2020, KPMG provided, in addition to the audit of corporate and regulatory financial statements, review of interim information and SOx audit, the following services:

| Nature | Contract | Duration |
|---|---|---|
| Compliance with financial covenants | 12/28/2016 | Fiscal Years from 2017 to 2021 |
| Compliance of information to BNDES | 10/23/2020 | 6 months |

| | | |
|---|---|---|
| Tax compliance services – Bookkeeping and Tax Accounting (ECF) | 12/28/2016 | Fiscal Years from 2017 to 2021 |
| Other tax compliance services | 08/31/2020 | 12 months |

We contracted a total of R$ 378 thousand for the above services, which corresponds to approximately 12% of the fees for external audit of the corporate and regulatory financial statements, revision of interim information and SOx audit for the fiscal year 2020, of the Company and its subsidiaries.

The hiring of independent auditors, in accordance with the Bylaws, is recommended by the Fiscal Council. The Board of Directors deliberates on the selection or removal of independent auditors.

Pursuant to CVM Instruction 381/03, KPMG represented to the Management of CPFL Energia that the provision of the above-mentioned services does not affect the independence and objectivity required for the performance of external audit services.

# 10. Acknowledgements

The Management of CPFL Energia thanks its shareholders, customers, suppliers and communities in the areas of operations of its subsidiaries for their trust in the Company in 2020. It also thanks, in a special way, its employees for their competence and dedication in meeting the objectives and targets set.

***The Management***

**For more information on the performance of this and other companies of the CPFL Energia Group, visit www.cpfl.com.br/ir.**

**SUMMARY**

**CPFL Energia S.A.**
**Statements of financial position at December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| ASSETS | Note | Parent company December 31, 2020 | Parent company December 31, 2019 | Consolidated December 31, 2020 | Consolidated December 31, 2019 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 5 | 395,745 | 33,909 | 3,918,796 | 1,937,163 |
| Marketable securities | 6 | - | - | 1,872,079 | 851,004 |
| Consumers, concessionaires and licensees | 7 | - | - | 5,206,854 | 4,985,578 |
| Inventories | 2.8 | - | - | 96,182 | 71,551 |
| Dividends and interest on capital | 13 | 1,166,469 | 816,205 | 80,647 | 100,297 |
| Income tax and social contribution recoverable | 8 | 3,464 | 78 | 87,779 | 87,698 |
| Other taxes recoverable | 8 | 4,600 | 58,947 | 337,266 | 331,428 |
| Derivatives | 35 | - | - | 744,660 | 281,326 |
| Sector financial asset | 9 | - | - | 558,884 | 1,093,588 |
| Contract assets | 16 | - | - | 24,833 | 24,387 |
| Other assets | 12 | 281 | 400 | 883,824 | 576,610 |
| **Total current assets** | | **1,570,560** | **909,539** | **13,811,803** | **10,340,630** |
| **Noncurrent assets** | | | | | |
| Consumers, concessionaires and licensees | 7 | - | - | 828,314 | 713,068 |
| Intragroup loans | 32 | 472,775 | 424,387 | - | - |
| Escrow Deposits | 23 | 399 | 453 | 764,760 | 757,370 |
| Income tax and social contribution recoverable | 8 | - | - | 35,415 | 101,528 |
| Other taxes recoverable | 8 | - | - | 368,979 | 370,595 |
| Sector financial assets | 9 | - | - | 108,908 | 2,748 |
| Derivatives | 35 | - | - | 1,340,113 | 369,767 |
| Deferred tax assets | 10 | 25,080 | 85,474 | 585,869 | 1,064,716 |
| Concession financial asset | 11 | - | - | 10,347,567 | 8,779,717 |
| Investments at cost | | - | - | 116,654 | 116,654 |
| Other assets | 12 | 3,059 | 3,960 | 172,140 | 736,019 |
| Investments | 13 | 13,182,704 | 12,327,132 | 1,015,918 | 997,997 |
| Property, plant and equipment | 14 | 2,140 | 2,226 | 8,797,903 | 9,083,710 |
| Intangible assets | 16 | 3,783 | 120 | 8,969,637 | 9,320,953 |
| Contract asset | 15 | - | - | 1,842,905 | 1,322,822 |
| **Total noncurrent assets** | | **13,689,941** | **12,843,753** | **35,295,081** | **33,737,664** |
| **Total assets** | | **15,260,501** | **13,753,291** | **49,106,884** | **44,078,293** |

The accompanying notes are an integral part of these financial statements.

**CPFL Energia S.A.**
**Statements of financial position at December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| LIABILITIES AND EQUITY | Note | Parent company December 31, 2020 | Parent company December 31, 2019 | Consolidated December 31, 2020 | Consolidated December 31, 2019 |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Trade payables | 17 | 3,237 | 4,698 | 3,909,517 | 3,260,180 |
| Borrowings | 18 | - | - | 2,797,195 | 2,776,193 |
| Debentures | 19 | - | - | 1,191,270 | 682,582 |
| Private pension plan | 20 | - | - | 199,803 | 224,851 |
| Regulatory liabilities | 21 | - | - | 108,371 | 232,251 |
| Income tax and social contribution payable | 22 | 8,443 | 40,629 | 91,470 | 218,961 |
| Other taxes, fees and contributions | 22 | 472 | 25,315 | 873,752 | 741,536 |
| Intragroup loans | 32 | - | - | 2,409,545 | - |
| Dividends | | 874,954 | 645,737 | 906,852 | 668,859 |
| Estimated payroll | | - | - | 133,429 | 125,057 |
| Derivatives | 35 | - | - | 1,354 | 29,400 |
| Sector financial liability | 9 | - | - | 41,514 | - |
| Decomissioning of assets and environmental expenses | 2.8 | - | - | 19,946 | 24,485 |
| Use of public asset | | - | - | 12,573 | 11,771 |
| Other payables | 24 | 23,212 | 22,318 | 1,709,358 | 1,069,784 |
| **Total current liabilities** | | **910,317** | **738,697** | **14,405,951** | **10,065,908** |
| **Noncurrent liabilities** | | | | | |
| Trade payables | 17 | - | - | 456,658 | 359,944 |
| Borrowings | 18 | - | - | 8,624,840 | 7,587,102 |
| Debentures | 19 | - | - | 6,257,032 | 7,863,696 |
| Private pension plan | 20 | - | - | 2,759,826 | 2,153,327 |
| Income tax and social contribution payable | 22 | - | - | 165,900 | 156,198 |
| Other taxes, fees and contributions | 22 | - | - | 839 | 805 |
| Deferred tax liabilities | 10 | - | - | 767,807 | 1,048,069 |
| Provision for tax, civil and labor risks | 23 | 114 | 123 | 616,136 | 600,775 |
| Derivatives | 35 | - | - | - | 6,157 |
| Sector financial liability | 9 | - | - | 185,592 | 102,561 |
| Decomissioning of assets and environmental expenses | 2.8 | - | - | 184,955 | 203,844 |
| Use of public asset | | - | - | 112,055 | 91,181 |
| Other payables | 24 | 414,291 | 20,090 | 333,516 | 555,487 |
| **Total noncurrent liabilities** | | **414,406** | **20,213** | **20,465,155** | **20,729,147** |
| **Equity** | **25** | | | | |
| Issued capital | | 9,388,071 | 9,388,081 | 9,388,071 | 9,388,081 |
| Capital reserves | | (1,643,775) | (1,640,962) | (1,643,775) | (1,640,962) |
| Legal reserve | | 1,218,283 | 1,036,125 | 1,218,283 | 1,036,125 |
| Statutory reserve - working capital improvement | | 5,803,185 | 4,046,305 | 5,803,185 | 4,046,305 |
| Dividend | | 865,248 | 1,433,295 | 865,248 | 1,433,295 |
| Accumulated comprehensive income | | (1,695,235) | (1,268,465) | (1,695,235) | (1,268,465) |
| | | **13,935,777** | **12,994,381** | **13,935,777** | **12,994,381** |
| Equity attributable to noncontrolling interests | | - | - | 300,001 | 288,857 |
| **Total equity** | | **13,935,777** | **12,994,381** | **14,235,778** | **13,283,238** |
| **Total liabilities and equity** | | **15,260,501** | **13,753,291** | **49,106,884** | **44,078,293** |

The accompanying notes are an integral part of these financial statements

**CPFL Energia S.A.**
**Statements of income for the years ended December 31, 2020 and 2019**
(in thousands of Brazilian Reais, except for Earnings per share)

| | Note | Parent company 2020 | Parent company 2019 | Consolidated 2020 | Consolidated 2019 |
|---|---|---|---|---|---|
| **Net operating revenue** | **27** | **(3,986)** | **2,309** | **30,898,458** | **29,932,474** |
| **Cost of services** | | | | | |
| Cost of electric energy | 28 | - | - | (18,486,027) | (18,370,994) |
| Cost of operation | | - | - | (2,926,750) | (2,894,165) |
| Depreciation and amortization | | - | - | (1,273,049) | (1,278,272) |
| Other cost of operation | 29 | - | - | (1,653,701) | (1,615,893) |
| **Cost of services rendered to third parties** | **29** | - | - | **(2,564,593)** | **(2,089,732)** |
| **Gross profit** | | **(3,986)** | **2,309** | **6,921,088** | **6,577,583** |
| **Operating expenses** | | | | | |
| Selling expenses | | - | - | (685,983) | (699,910) |
| Depreciation and amortization | | - | - | (8,150) | (5,211) |
| Allowance for doubtful accounts | | - | - | (227,338) | (233,424) |
| Other selling expenses | 29 | - | - | (450,495) | (461,275) |
| General and administrative expenses | | (47,041) | (52,712) | (1,061,656) | (1,027,230) |
| Depreciation and amortization | | (424) | (273) | (97,075) | (109,132) |
| Other general and administrative expenses | 29 | (46,617) | (52,439) | (964,581) | (918,098) |
| Other operating expenses | | - | - | (469,740) | (486,993) |
| Amortization of concession intangible asset | | - | - | (287,725) | (288,438) |
| Other operating expenses | 29 | - | - | (182,015) | (198,555) |
| **Income from electric energy services** | | **(51,027)** | **(50,403)** | **4,703,710** | **4,363,450** |
| **Equity interests in subsidiaries, associates and joint ventures** | **13** | 3,816,429 | 2,827,718 | 409,606 | 349,090 |
| | | **3,765,402** | **2,777,315** | **5,113,316** | **4,712,540** |
| **Financial income (expenses)** | **30** | | | | |
| Financial income | | (9,810) | 49,344 | 936,782 | 903,575 |
| Financial expenses | | 695 | (1,326) | (1,252,756) | (1,629,822) |
| | | **(9,115)** | **48,018** | **(315,974)** | **(726,247)** |
| **Profit before taxes** | | **3,756,287** | **2,825,333** | **4,797,341** | **3,986,293** |
| Social contribution | 10 | (29,630) | (30,828) | (297,137) | (336,610) |
| Income tax | 10 | (83,508) | (91,835) | (793,219) | (901,386) |
| | | **(113,138)** | **(122,662)** | **(1,090,356)** | **(1,237,996)** |
| **Profit for the period** | | **3,643,149** | **2,702,671** | **3,706,986** | **2,748,297** |
| Profit (loss) for the period attributable to owners of the Company | | | | 3,643,149 | 2,702,671 |
| Profit (loss) for the period attributable to noncontrolling interests | | | | 63,837 | 45,626 |
| Basic earnings per share attributable to owners of the Company (R$): | 26 | | | 3.07 | 2.48 |
| Diluted earnings per share attributable to owners of the Company (R$): | 26 | | | 3.07 | 2.47 |

The accompanying notes are an integral part of these financial statements

**CPFL Energia S.A.**
**Statements of comprehensive income for the years ended December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| | Parent company | |
|---|---|---|
| | **2020** | **2019** |
| **Profit for the year** | **3,643,149** | **2,702,671** |
| **Other comprehensive income** | | |
| **Items that will not be reclassified subsequently to profit or loss** | | |
| Comprehensive income for the year of subsidiaries | (401,223) | (866,498) |
| **Total comprehensive income for the year** | **3,241,926** | **1,836,173** |

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| **Profit for the year** | **3,706,986** | **2,748,297** |
| **Other comprehensive income** | | |
| **Items that will not be reclassified subsequently to profit or loss** | | |
| - Actuarial gains (losses), net of tax effects | (397,979) | (865,402) |
| - Credit risk in fair value measurement of financial liabilities | (3,244) | (1,097) |
| **Total comprehensive income for the year** | **3,305,763** | **1,881,799** |
| Attributable to owners of the Company | 3,241,926 | 1,836,173 |
| Attributable to noncontrolling interests | 63,837 | 45,626 |

The accompanying notes are an integral part of these financial statements

**CPFL Energia S.A.**
**Statements of changes in the shareholder equity for the years ended December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| | | | Earnings reserves | | | Accumulated comprehensive income | | | | Noncontrolling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Issued capital** | **Capital reserve** | **Legal reserve** | **Statutory reserve / Working capital improvement** | **Dividend** | **Deemed cost** | **Private pension plan / Credit risk in fair value measurement** | **Retained earnings** | **Total** | **Accumulated comprehensive income** | **Other equity components** | **Total equity** |
| **Balance at December 31, 2018** | 5,741,284 | 469,257 | 900,992 | 3,527,510 | - | 380,721 | (757,016) | - | 10,262,749 | 10,055 | 2,259,578 | 12,532,383 |
| **Total comprehensive income** | - | - | - | - | - | - | **(866,498)** | **2,702,671** | **1,836,173** | - | **45,626** | **1,881,799** |
| Profit for the period | - | - | - | - | - | - | - | 2,702,671 | **2,702,671** | - | 45,626 | **2,748,297** |
| Other comprehensive income - credit risk in fair value measurement | - | - | - | - | - | - | (1,097) | - | **(1,097)** | - | - | **(1,097)** |
| Other comprehensive income - actuarial gains (losses) | - | - | - | - | - | - | (865,402) | - | **(865,402)** | - | - | **(865,402)** |
| **Internal changes in equity** | - | - | **135,134** | **518,795** | - | **(25,672)** | - | **(628,257)** | - | **(1,777)** | **1,697** | **(80)** |
| Realization of deemed cost of property, plant and equipment | - | - | - | - | - | (38,897) | - | 38,897 | - | (2,693) | 2,693 | - |
| Tax effect on realization of deemed cost | - | - | - | - | - | 13,225 | - | (13,225) | - | 916 | (916) | - |
| Recognition of legal reserve | - | - | 135,134 | - | - | - | - | (135,134) | - | - | - | - |
| Movement of statutory reserve the fiscal year | - | - | - | 518,795 | - | - | - | (518,795) | - | - | - | - |
| Other changes in noncontrolling interests | - | - | - | - | - | - | - | - | - | - | (80) | **(80)** |
| **Capital transactions with owners** | **3,646,797** | **(2,110,218)** | - | - | **1,433,295** | - | - | **(2,074,414)** | **895,459** | - | **(2,026,323)** | **(1,130,864)** |
| Capital increase (decrease) | 3,694,342 | - | - | - | - | - | - | - | **3,694,342** | - | 122 | **3,694,464** |
| Public offering costs | (47,544) | - | - | - | - | - | - | - | **(47,544)** | - | | **(47,544)** |
| Acquisition of non-controlling interests of CPFL Renováveis | - | (75,298) | - | - | - | - | - | - | **(75,298)** | - | 75,298 | - |
| Acquisition of noncontrolling interest of CPFL Renováveis | | (2,034,920) | - | - | - | - | - | | **(2,034,920)** | - | (2,072,635) | **(4,107,555)** |
| Additional proposed dividend | - | - | - | - | 1,433,295 | - | - | (1,433,295) | - | - | - | - |
| Time-barred dividends | - | - | - | - | - | - | - | 765 | **765** | - | - | **765** |
| Dividend proposal approved | - | - | - | - | - | - | - | (641,884) | **(641,884)** | - | (29,109) | **(670,993)** |
| **Balance at December 31, 2019** | 9,388,081 | (1,640,962) | 1,036,125 | 4,046,305 | 1,433,295 | 355,049 | (1,623,514) | - | 12,994,381 | 8,278 | 280,578 | 13,283,238 |
| **Total comprehensive income** | - | - | - | - | - | - | **(401,223)** | **3,643,149** | **3,241,926** | - | **63,837** | **3,305,763** |
| Profit for the period | - | - | - | - | - | - | - | 3,643,149 | **3,643,149** | - | 63,837 | **3,706,986** |
| Other comprehensive income - credit risk in fair value measurement | - | - | - | - | - | - | (3,244) | - | **(3,244)** | - | - | **(3,244)** |
| Other comprehensive income - actuarial gains (losses) | - | - | - | - | - | - | (397,979) | - | **(397,979)** | - | - | **(397,979)** |
| **Internal changes in equity** | - | - | **182,157** | **1,756,880** | - | **(25,547)** | - | **(1,913,490)** | - | **(1,777)** | **1,670** | **(107)** |
| Realization of deemed cost of property, plant and equipment | - | - | - | - | - | (38,707) | - | 38,707 | - | (2,693) | 2,693 | - |
| Tax effect on realization of deemed cost | - | - | - | - | - | 13,161 | - | (13,161) | - | 916 | (916) | - |
| Recognition of legal reserve | - | - | 182,157 | - | - | - | - | (182,157) | - | - | - | - |
| Changes in the statutory reserve for the year | - | - | - | 1,756,880 | - | - | - | (1,756,880) | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - | - | - | (107) | **(107)** |
| **Capital transactions with owners** | **(10)** | **(2,813)** | - | - | **(568,047)** | - | - | **(1,729,659)** | **(2,300,529)** | - | **(52,586)** | **(2,353,116)** |
| Public offering costs | (10) | - | - | - | - | - | - | - | **(10)** | - | - | **(10)** |
| Gain (loss) on interest in subsidiaries with no change in control | - | (2,813) | - | - | - | - | - | - | **(2,813)** | - | 4,079 | **1,266** |
| Additional proposed dividend | - | - | - | - | 865,248 | - | - | (865,248) | - | - | - | - |
| Time-barred dividends | - | - | - | - | - | - | - | 837 | **837** | - | - | **837** |
| Dividend proposal approved | - | - | - | - | (1,433,295) | - | - | (865,248) | **(2,298,543)** | - | (56,665) | **(2,355,208)** |
| **Balance at December 31, 2020** | 9,388,071 | (1,643,775) | 1,218,283 | 5,803,185 | 865,248 | 329,502 | (2,024,737) | - | 13,935,777 | 6,501 | 293,499 | 14,235,778 |

The accompanying notes are an integral part of these financial statements.

**CPFL Energia S.A.**
**Statements of cash flow for the years ended December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| **Profit before taxes** | **3,756,287** | **2,825,333** | **4,797,341** | **3,986,293** |
| **Adjustment to reconcile profit to cash from operating activities** | | | | |
| Depreciation and amortization | 424 | 273 | 1,665,999 | 1,681,053 |
| Provision for tax, civil and labor risks | 153 | 408 | 207,912 | 204,795 |
| Allowance for doubtful accounts | - | - | 227,338 | 233,424 |
| Interest on debts, monetary adjustment and exchange rate changes | (11,947) | (6,318) | 431,354 | 919,836 |
| Pension plan expense (income) | - | - | 174,347 | 112,603 |
| Equity interests in subsidiaries, associates and joint ventures | (3,816,429) | (2,827,718) | (409,606) | (349,090) |
| Loss (gain) on disposal of noncurrent assets | - | - | 140,733 | 189,566 |
| Repactuation of hydrological risk | - | - | (55,163) | - |
| Others | - | - | 12,017 | (121) |
| | (71,512) | (8,021) | 7,192,272 | 6,978,359 |
| **Decrease (increase) in operating assets** | | | | |
| Consumers, concessionaires and licensees | - | - | (574,499) | (631,078) |
| Dividend and interest on capital received | 3,288,899 | 1,295,427 | 412,952 | 331,754 |
| Taxes recoverable | 69,877 | (5,388) | (46,950) | (174,263) |
| Escrow deposits | 60 | 260 | 8,249 | 130,725 |
| Sector financial asset | - | - | 500,209 | 628,157 |
| Receivables - CDE | - | - | 5,067 | 36,240 |
| Transmission asset additions | - | - | (134,104) | (20,969) |
| Advance to suppliers | - | - | (79,738) | (39,556) |
| Orders in progress | 1 | (1) | (176,088) | 11,754 |
| Other operating assets | 1,372 | 1,277 | (146,408) | (42,990) |
| **Increase (decrease) in operating liabilities** | | | | |
| Trade payables | (1,461) | 1,845 | 746,051 | 889,003 |
| Other taxes and social contributions | (24,724) | 19,815 | 130,732 | 10,344 |
| Other liabilities with private pension plan | - | - | (185,455) | (144,494) |
| Regulatory charges | - | - | (123,880) | 81,595 |
| Tax, civil and labor risks paid | (167) | (542) | (239,649) | (484,153) |
| Sector financial liability | - | - | 70,251 | (25,696) |
| Payables - CDE | - | - | (16,609) | (20,187) |
| Other operating liabilities | (4,932) | 5,413 | 498,416 | 349,303 |
| **Cash flows provided (used) by operations** | **3,257,413** | **1,310,085** | **7,840,820** | **7,863,847** |
| Interest paid on debts and debentures | - | - | (761,216) | (1,132,479) |
| Income tax and social contribution paid | (62,250) | (21,388) | (718,170) | (963,806) |
| **Cash flows provided (used) by operations activities** | **3,195,163** | **1,288,697** | **6,361,434** | **5,767,562** |
| **Investing activities** | | | | |
| Capital decrease (increase) of shareholders | (94) | (4,107,555) | (3,348) | - |
| Purchases of property, plant and equipment | (314) | (1,763) | (326,337) | (188,994) |
| Purchases of contract asset | - | - | (2,313,865) | (2,033,337) |
| Purchases and construction of intangible assets | (3,689) | (15) | (30,731) | (19,147) |
| Securities, pledges and restricted deposits - investment | (350) | - | (1,947,054) | (1,184,804) |
| Securities, pledges and restricted deposits - redemption | - | - | 1,499,745 | 378,560 |
| Advances for future capital increases | (1,122,000) | (14,160) | - | - |
| Intragroup loans to subsidiaries | (499,445) | (424,371) | - | - |
| Receiving of intragroup loans from subsidiaries | 461,065 | 78,391 | - | - |
| Others | - | - | (1,942) | - |
| **Net cash generated by (used) In investing activities** | **(1,164,827)** | **(4,469,473)** | **(3,123,532)** | **(3,047,721)** |
| **Financing activities** | | | | |
| Public offering costs | (10) | 3,622,305 | (5,869) | 3,622,305 |
| Capital decrease in existing equity interest | - | - | 6,563 | (4,107,555) |
| Borrowings and debentures raised | - | - | 4,665,557 | 5,256,705 |
| Repayment of principal of borrowings and debentures | - | - | (7,096,247) | (7,136,612) |
| Repayment of derivatives | - | - | 919,188 | 219,257 |
| Advance for future capital increase | - | - | - | 12 |
| Dividend and interest on capital paid | (2,068,489) | (486,984) | (2,116,379) | (534,061) |
| Intragroup loans raised | 400,000 | - | 2,380,000 | - |
| Intragroup loans paid | - | - | (9,082) | 5,813 |
| **Net cash generated by (used in) financing activities** | **(1,668,499)** | **3,135,321** | **(1,256,269)** | **(2,674,135)** |
| **Net increase (decrease) in cash and cash equivalents** | 361,836 | (45,455) | 1,981,633 | 45,704 |
| **Cash and cash equivalents at the beginning of the year** | 33,909 | 79,364 | 1,937,163 | 1,891,457 |
| **Cash and cash equivalents at the end of the year** | **395,745** | **33,909** | **3,918,796** | **1,937,163** |

The accompanying notes are an integral part of these financial statements.

## CPFL Energia S.A.
**Statements of value added for the years ended December 31, 2020 and 2019**
(in thousands of Brazilian Reais)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **1. Revenues** | **29** | **4,322** | **45,489,994** | **45,092,420** |
| 1.1 Operating revenues | (3,974) | 2,544 | 42,790,123 | 42,921,143 |
| 1.2 Revenues related to the construction of own assets | 4,003 | 1,778 | 354,556 | 316,706 |
| 1.3 Revenue from infrastructure construction of the concession | - | - | 2,572,653 | 2,087,995 |
| 1.4 Allowance for doubtful accounts | - | - | (227,338) | (233,424) |
| **2. (-) Inputs** | **(18,672)** | **(19,329)** | **(24,968,851)** | **(24,303,692)** |
| 2.1 Electricity Purchased for Resale | - | - | (20,492,383) | (20,293,644) |
| 2.2 Material | (369) | (1,937) | (1,768,469) | (1,554,949) |
| 2.3 Outsourced Services | (15,333) | (14,860) | (1,879,239) | (1,685,925) |
| 2.4 Other | (2,970) | (2,531) | (828,760) | (769,174) |
| **3. Gross added value (1 + 2)** | **(18,644)** | **(15,007)** | **20,521,143** | **20,788,729** |
| **4. Retentions** | **(424)** | **(273)** | **(1,674,246)** | **(1,687,809)** |
| 4.1 Depreciation and amortization | (424) | (273) | (1,386,521) | (1,399,371) |
| 4.2 Amortization of intangible assets of the concession | - | - | (287,725) | (288,438) |
| **5. Net added value generated (3 + 4)** | **(19,067)** | **(15,281)** | **18,846,897** | **19,100,920** |
| **6. Added value received in transfer** | **3,831,850** | **2,913,365** | **1,410,520** | **1,330,738** |
| 6.1 Financial Income | 15,420 | 85,648 | 1,000,914 | 981,648 |
| 6.2 Equity interests in subsidiaries, associates and joint ventures | 3,816,429 | 2,827,718 | 409,605 | 349,090 |
| **7. Added value to be distributed (5 + 6)** | **3,812,782** | **2,898,085** | **20,257,417** | **20,431,658** |
| **8. Distribution of added value** | | | | |
| **8.1 Personnel and Charges** | **26,872** | **29,470** | **1,540,262** | **1,475,315** |
| 8.1.1 Direct Remuneration | 11,378 | 11,073 | 833,122 | 817,839 |
| 8.1.2 Benefits | 13,860 | 16,982 | 643,223 | 590,696 |
| 8.1.3 Government severance indemnity fund for employees - F.G.T.S. | 1,633 | 1,415 | 63,918 | 66,779 |
| **8.2 Taxes, Fees and Contributions** | **143,180** | **164,498** | **13,626,127** | **14,477,216** |
| 8.2.1 Federal | 143,097 | 164,466 | 6,790,013 | 7,503,813 |
| 8.2.2 Estate | 83 | 32 | 6,799,248 | 6,942,156 |
| 8.2.3 Municipal | - | - | 36,866 | 31,247 |
| **8.3 Interest and Rentals** | **(419)** | **1,445** | **1,384,042** | **1,730,833** |
| 8.3.1 Interest | (714) | 1,315 | 1,278,573 | 1,651,188 |
| 8.3.2 Rental | 295 | 130 | 105,469 | 79,645 |
| **8.4 Interest on capital** | **3,643,149** | **2,702,671** | **3,706,986** | **2,748,297** |
| 8.4.1 Dividend (including additional proposed) | 1,730,536 | 2,075,179 | 1,789,543 | 2,075,179 |
| 8.4.2 Retained Earnings | 1,912,613 | 627,492 | 1,917,443 | 673,118 |
| | **3,812,782** | **2,898,084** | **20,257,417** | **20,431,658** |

The accompanying notes are an integral part of these financial statements.

## ( 1 ) OPERATIONS

CPFL Energia S.A. ("CPFL Energia" or "Company") is a publicly-held corporation incorporated for the principal purpose of operating as a holding company, with equity interests in other companies primarily engaged in electric energy distribution, generation and commercialization activities in Brazil.

The Company's registered office is located at Rua Jorge Figueiredo Corrêa, nº 1.632, Jardim Professora Tarcília, CEP 13087-397 – Campinas - SP - Brazil.

The Company has direct and indirect interests in the following subsidiaries and joint-ventures:

| Energy distribution | Company type | Equity interest | Location (state) | Number of municipalities | Approximate number of consumers (in thousands) | Concession period | End of the concession |
|---|---|---|---|---|---|---|---|
| Companhia Paulista de Força e Luz ("CPFL Paulista") | Publicly-held corporation | Direct 100% | Interior of São Paulo | 234 | 4,675 | 30 years | November 2027 |
| Companhia Piratininga de Força e Luz ("CPFL Piratininga") | Publicly-held corporation | Direct 100% | Interior and coast of São Paulo | 27 | 1,828 | 30 years | October 2028 |
| RGE Sul Distribuidora de Energia S.A. ("RGE") | Publicly-held corporation | Direct and Indirect 100% | Interior of Rio Grande do Sul | 381 | 2,975 | 30 years | November 2027 |
| Companhia Jaguari de Energia ("CPFL Santa Cruz") | Privately-held corporation | Direct 100% | Interior of São Paulo, Paraná and Minas Gerais | 45 | 476 | 30 years | July 2045 |

| Energy generation and Energy transmission | Company type | Equity interest | Location (state) | Number of plants / type of energy | Installed power (MW) Total | Installed power (MW) CPFL share |
|---|---|---|---|---|---|---|
| CPFL Energias Renováveis S.A. ("CPFL Renováveis") | Publicly-held corporation | Direct and Indirect 100% | (b) | (b) | (b) | (b) |
| CPFL Geração de Energia S.A. ("CPFL Geração") | Publicly-held corporation | Direct 100% | São Paulo | n/a | n/a | n/a |
| CERAN - Companhia Energética Rio das Antas ("CERAN") | Privately-held corporation | Indirect 65% | Rio Grande do Sul | 3 Hydropower | 360 | 234 |
| Foz do Chapecó Energia S.A. ("Foz do Chapecó") | Privately-held corporation | Indirect 51% (c) | Santa Catarina and Rio Grande do Sul | 1 Hydropower | 855 | 436 |
| Campos Novos Energia S.A. ("ENERCAN") | Privately-held corporation | Indirect 48.72% | Santa Catarina | 1 Hydropower | 880 | 429 |
| Centrais Elétricas da Paraíba S.A. ("EPASA") | Privately-held corporation | Indirect 53.34% | Paraíba | 2 Thermal | 342 | 182 |
| Paulista Lajeado Energia S.A. ("Paulista Lajeado") | Privately-held corporation | Indirect 59.93% (a) | Tocantins | 1 Hydropower | 903 | 38 |
| CPFL Transmissão Piracicaba S.A ("CPFL Transmissão Piracicaba") | Limited liability company | Indirect 100% | São Paulo | n/a | n/a | n/a |
| CPFL Transmissão Morro Agudo S.A ("CPFL Transmissão Morro Agudo") | Limited liability company | Indirect 100% | São Paulo | n/a | n/a | n/a |
| CPFL Transmissão Maracanaú S.A. ("CPFL Maracanaú") | Limited liability company | Indirect 100% | Ceará | n/a | n/a | n/a |
| CPFL Transmissão Sul I S.A. ("CPFL Sul I") | Limited liability company | Indirect 100% | Santa Catarina | n/a | n/a | n/a |
| CPFL Transmissão Sul II S.A. ("CPFL Sul II") | Limited liability company | Indirect 100% | Rio Grande do Sul | n/a | n/a | n/a |

| Energy commercialization | Company type | Core activity | Equity interest |
|---|---|---|---|
| CPFL Comercialização Brasil S.A. ("CPFL Brasil") | Privately-held corporation | Energy commercialization | Direct 100% |
| Clion Assessoria e Comercialização de Energia Elétrica Ltda ("CPFL Meridional") | Limited liability company | Commercialization and provision of energy services | Indirect 100% |
| CPFL Comercialização de Energia Cone Sul Ltda ("CPFL Cone Sul") | Limited liability company | Commercialization of energy and participation in the capital of other companies | Indirect 100% |
| CPFL Planalto Ltda ("CPFL Planalto") | Limited liability company | Energy commercialization | Direct 100% |
| CPFL Brasil Varejista de Energia Ltda ("CPFL Brasil Varejista") | Limited liability company | Energy commercialization | Indirect 100% |

| Provision of services | Company type | Core activity | Equity interest |
|---|---|---|---|
| CPFL Serviços, Equipamentos, Industria e Comércio S.A. ("CPFL Serviços") | Privately-held corporation | Manufacturing, commercialization, rental and maintenance of electro-mechanical equipment and service provision | Direct 100% |
| Nect Serviços Administrativos de Infraestrutura Ltda ("CPFL Infra") | Limited liability company | Provision of infrastructure and fleet services | Direct 100% |
| Nect Servicos Administrativos de Recursos Humanos Ltda ("CPFL Pessoas") | Limited liability company | Provision of human resources services | Direct 100% |
| Nect Servicos Administrativos Financeiros Ltda ("CPFL Finanças") | Limited liability company | Provision of financial services | Direct 100% |
| Nect Servicos Adm de Suprimentos E Logistica Ltda ("CPFL Supre") | Limited liability company | Supply and logistics services | Direct 100% |
| CPFL Atende Centro de Contatos e Atendimento Ltda ("CPFL Atende") | Limited liability company | Provision of call center services | Direct 100% |
| CPFL Total Serviços Administrativos S.A. ("CPFL Total") | Privately-held corporation | Collection services | Indirect 100% |
| CPFL Eficiência Energética Ltda ("CPFL Eficiência") | Limited liability company | Energy efficiency management | Direct 100% |
| TI Nect Serviços de Informática Ltda ("Authi") | Limited liability company | Provision of IT services | Direct 100% |
| CPFL Geração Distribuída de Energia Ltda ("CPFL GD") | Limited liability company | Provision of maintenance services for energy generation companies | Indirect 100% |

| Others | Company type | Core activity | Equity interest |
|---|---|---|---|
| CPFL Jaguari de Geração de Energia Ltda ("Jaguari Geração") | Limited liability company | Holding company | Direct 100% |
| Chapecoense Geração S.A. ("Chapecoense") | Privately-held corporation | Holding company | Indirect 51% |
| Sul Geradora Participações S.A. ("Sul Geradora") | Privately-held corporation | Holding company | Indirect 99.95% |
| CPFL Telecomunicações Ltda ("CPFL Telecom") | Limited liability company | Telecommunication services | Direct 100% |
| Alesta Sociedade de Crédito Direto S.A. ("Alesta") (e) | Privately-held corporation | Financial services | Direct 100% |

a) Paulista Lajeado holds a 7% interest in the installed power of Investco S.A. (5.94% interest in total capital).

b) CPFL Renováveis has operations in the states of São Paulo, Minas Gerais, Mato Grosso, Goiás, Santa Catarina, Ceará, Rio Grande do Norte, Paraná and Rio Grande do Sul and its main activities are: (i) holding investments in companies of the renewable energy segment; (ii) identification, development, and exploration of generation potentials; and (iii) sale of electric energy. At December 31, 2020, CPFL Renováveis had a portfolio of 116 enterprises with 3,322.3 MW of installed capacity (3,008.7 MW in operation):

- Hydropower generation: 41 small hydroelectric plants - SHP's (481 MW) with 40 SHPs in operation (453.1 MW) and 1 SHP under construction/development (28 MW), 3 hydroelectric power plants (HPP) in operation (848 MW) and 6 small hydroelectric power plants (SHPP) in operation (4 MW). CPFL Renováveis has 51.54% of the assured energy and power of the Serra da Mesa hydropower plant, which concession is owned by Furnas, 25.01% of BAESA - Energética Barra Grande S.A. "BAESA" and 100% of Rio do Peixe) and 6 electric generating plants - EGPs in operation (4 MW).

- Wind power generation: 57 enterprise (1,594.1 MW) with 45 in operation (1,308.5 MW) and 12 under construction/development (285.6 MW);

- Biomass power generation: 8 plants in operation (394 MW);

- Solar power generation: 1 solar plant in operation (1.1 MW).

c) The joint venture Chapecoense has as its direct subsidiary Foz do Chapecó and fully consolidates its financial statements.

d) According to the Material Fact published on September 30, 2020 and also described in note 13.5, on September 30, 2020, the second stage of the corporate restructuring plan was approved at the Extraordinary General Meeting with the objective of integrating CPFL Renováveis, in continuity with the communication made through the material fact dated May 21, 2019.

e) On April 15, 2020, the establishment of Alesta Sociedade de Crédito Direto S.A. was approved. The Company is a private financial institution that operates in the category of Direct Credit Company, established in the form of a closely-held corporation, more information see note 13.6.

**1.1 - Negative net working capital**

On December 31, 2020, the Group presented in the financial statements, negative net working capital in the amount of R $ 594,148 (positive in R$ 274,721 on December 31, 2019). The Company timely monitors net working capital and, its cash generation, its profit projections, as well as its financing strategy, support and enable the plan to reduce this net working capital.

**1.2 - New York Stock Exchange delisting**

On December 18, 2019, the Company's Board of Directors Meeting approved the Company's intention to: (i) terminate the Second Amended and Restated Deposit Agreement ("Deposit Agreement") with Citibank N.A. ("Citibank") with respect to its American Depositary Receipts ("ADRs"); (ii) delist its American Depositary Shares ("ADSs") from the New York Stock Exchange ("NYSE"); and (iii) once the Company complies with the applicable requirements, cancel its registration with the U.S. Securities and Exchange Commission ("SEC"). The Company believes that the economic rationale for maintaining a listing on the NYSE has decreased partly due to: (i) increases in the volume of Brazilian shares traded on B3 S.A. – Bolsa, Brasil, Balcão ("B3") in Brazil by foreign investors due to the internationalization of the Brazilian financial and capital markets, as well as the narrowing of the differences between the Brazilian and the US international financial reporting standards; and (ii) a downward trend in recent years in the trading volume of the Company's ADSs on the NYSE.

On February 10, 2020, the Company, through a Notice to the Market, informed that the delisting of its NYSE ADSs, mentioned in item (ii) above, will be effective as of this date.

On May 8, 2020, the Company, through a Notice to the Market, informed that, regarding the delisting of its NYSE ADSs, on that date it filed its post-effective Amendment to Form F-3 with SEC USA, under the terms of the U.S. Securities Exchange Act of 1934 ("Exchange Act") to cancel the registration of registered and non-traded securities based on Form F-3.

On June 15, 2020, the Company, through a Notice to the Market, informed that, for compliance with the applicable criteria, on that date it filed with SEC a Form 15-F to cancel its registration and end its financial disclosure obligations under the Exchange Act. With the Form 15-F protocol, CPFL Energia's legal obligations to make financial disclosures under the Exchange Act are suspended and the cancelation of registration became effective on September 15, 2020.

**1.3 - Impacts of COVID-19**

On March 11, 2020, the World Health Organization (WHO) declared the coronavirus (COVID-19) to be a pandemic. The outbreak triggered significant decisions from governments and private sector entities that added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and may impact financial statements. The World's main economies and the main economic blocs are assessing significant stimulus packages to overcome the potential economic recession that the measures to mitigate the spread of COVID-19 may cause.

In Brazil, the executive and legislative branches of the government edited various acts to prevent and contain the pandemic, particularly Legislative Decree No. 6, edited on March 20, 2020, which declared a state of public calamity. The state and municipal governments also edited various acts seeking to restrict the free movement of people and commercial and service activities, in addition to making emergency investments in the healthcare sector available.

Management has constantly assessed the impact of the outbreak on the operations and the equity and financial position of the Group, in order to implement the appropriate measures to mitigate the impact to operations. Up until the authorization date for the issuance of this financial statements, the following measures have been taken and the primary matters that are constantly being monitored are listed below:

- Implementing temporary measures for employees, such as home office plans, adapting collective spaces to avoid agglomerations of people, and other applicable measures relating to health;
- Negotiating with suppliers of equipment to evaluate delivery deadlines in light of the new scenario, without, until now, any indications of significant risks of delay that could impact operations;

- Evaluating contractual terms with financial institutions relating to loans and financing as well as supplier payments to mitigate any potential liquidity risks;
- Monitoring the variations of market indexes that may affect loans, financing and debentures;
- Evaluating potential renegotiations with customers, due to macroeconomic downturn. Management's initial expectation is that such renegotiations will be mostly directed towards temporary shifts in contracted quantities;
- Monitoring of any reduction in the billed market due to the closure of commercial and industrial establishments resulting from measures to combat the pandemic;
- Monitoring over-contracting of the Group's distributors due to load reductions and consequent energy surpluses exceeding the 5% provided for in the regulatory requirements;
- Monitoring of default faced by the Group's distributors, especially in light of the initial suspension for 90 days, as from March 25, 2020, and its extension until July 31, 2020, of the power supply cuts for default on the part of certain power consumers (residential and services considered essential, according to specific rule established by ANEEL), as well as the effects from resumption of the power supply disconnection policy after August 1, 2020.

Due to the significance of the potential impacts mentioned, the authorities of the Brazilian Electricity Sector, in particular the Ministry of Mines and Energy (MME) and the ANEEL adopted some measures during the period, as follows:

- Exemption for low-income power consumers with monthly consumption of up to 220 kilowatt-hours (kWh/month) from payment of the electric energy bill, in the period from April 1 to June 30, 2020, as provided for in Provisional Measure No. 950, of April 8, 2020, allowed by funding through Federal Government contributions to the CDE sector fund, as provided for in Provisional Measure No. 949, of April 8, 2020.
- Recognition of energy surpluses resulting from the load reduction of distributors, resulting from the effects of the COVID-19 pandemic, as an involuntary contractual exposure, to be regulated by ANEEL, as provided for in Provisional Measure No. 950, of April 8, 2020, and in Decree No. 10,350, of May 18, 2020.
- Creation of the COVID Account through Provisional Measure No. 950, of April 8, 2020 and regulated by Decree No. 10,350, of May 18, 2020, and Normative Resolution No. 885, of June 23, 2020.

The COVID Account is intended to receive funds to cover deficits or advance revenues, whether in whole or in part, to the concessionaires and licensees of electric energy distribution, related to: i) the effects of over-contracting from April to December 2020; ii) the creation of the Account for Compensation of "Parcel A" Variations - CVA between the date of approval of the last tariff process and December 2020; iii) the neutrality of sector charges from April to December 2020; iv) the postponement until June 30, 2020 of the results of the tariff processes of energy distributors approved until the same date, while the effects of the postponement persist; v) CVA balance recognized and deferrals recognized or reversed in the last tariff process, which have not been fully amortized; and vi) advance on of the regulatory asset related to "Parcel B".

The availability of such funds (except for item "iv" presented above) is limited to the effects of the pandemic estimated by ANEEL for each distributor, being: i) reduction in sales and collection, until December 2020, resulting from the effects of the state of public calamity; and ii) estimated amounts of deferrals and installments of overdue and falling due obligations related to the billing of contracted demand for Group A consumer units.

CCEE contracted a credit operation to contribute funds to the COVID Account and passed on them on to distributors until January 2021, according to the need declared by them individually, limited to the amounts to be approved by ANEEL. Payment of funds from the credit operation will be made through a charge, called CDE COVID, to be approved by ANEEL and charged to consumers based on the 2021 tariff processes during the time necessary to settle such operation.

In July 2020, the Group's distributors declared their needs by means of a digital protocol together with the Acceptance Document contained in Annex I of Normative Resolution No. 885, of June 23, 2020, considering items "i" to "iii" mentioned above, of which the maximum amount corresponded to the sum of the billing and collection reductions resulting from the effects of the prevailing declared public calamity, until December 2020, estimated by ANEEL and included in Annex II of said Resolution. Until December 31, 2020, the amounts were approved by ANEEL and the transfers referring to the months July, August, September, October, and

November were made by CCEE, according to the schedule presented by the Group's power distributors, in the amount of R$ 1,381,904, there are no more resources to be received from the COVID Account

Considering all the analyses carried out on the aspects related to the possible impacts of COVID-19 on its businesses and those of its subsidiaries, as well as the regulatory updates made in the period, for the year ended December 31,202, the Company concluded that the main effects on its financial statements are in Parcel A, Parcel B and allowance for doubtful accounts see note 35.

The financial and economic effect for the Group over the next few months will depend on the outcome of the crisis and its macroeconomic impacts, especially with regard to the retraction in economic activity, as well as the extent of social distancing possible new contagion waves and the flexibility measures implemented by the government. The Group will continue to regularly monitor the effects of the crisis and the impacts on their operations and financial statements.

**Economic and Financial Rebalancing**

Due to the effects of the restrictive measures adopted by government to contain the advance of the pandemic caused by the Coronavirus outbreak (COVID-19), the Company and its subsidiaries, as well as other energy distribution concessionaires in the country, suffered some extraordinary and immediate impacts, such as a fall in revenue due to the retraction of the consumer market and a reduction in revenue due to the increase in defaults.

Considering the effects of the pandemic and, based on the concession contract between the Group's Distributors and the Granting Authority, through ANEEL, as well as articles 9 and 10 of Law No. 8,987, of February 13, 1995, among others applicable legal provisions, the Group's Distributors have the right to economic and financial rebalancing of the concession contract, so that, in a situation in which the burden generated by events outside the management of the risks inherent to the operation, such as, but not limited to, , events categorized as act of God or force majeure, or even determinations from the Granting Authority that impact the Company and its subsidiaries, must be reimbursed to the Company and its subsidiaries to rebalance the economic and financial health of the concession contract.

Decree nº 10.350, of May 18, 2020, which regulates Provisional Measure nº 950, of April 8, 2020, provides for ANEEL's analysis, in a specific administrative process, of the need to restore the economic and financial balance of the concessionaires of distribution of electricity, upon request from interested parties. Pursuant to ANEEL Normative Resolution No. 885, of June 23, 2020, the Agency established the second phase of Public Consultation No. 35 of 2020 (“CP35/2020”) in the period from August 18 to October 5, 2020, with the objective of regulating restoration of the economic and financial balance of concession contracts and permission for providing public power distribution service, which has not been concluded until closing of the financial statements. Continuing with the process of establishing the regulation of economic and financial balance, ANEEL decided to open the 3rd Phase of Public Consultation 35 between 12/16/2020 and 02/01/2021. Additionally, in this same phase of the public consultation, it was decided to discuss the rules for allocating the costs of COVID Account borrowings and over-contracting, an effect of the pandemic scenario.

The Group awaits the developments of the regulation in order to assess the measures to be taken.

## ( 2 ) PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1 Basis of preparation

The individual (Parent Company) and consolidated financial statement has been prepared and is being presented in accordance with the International Financial Reporting Standards – IFRS, issued by the International Accounting Standard Board – IASB, and also in accordance with accounting practices adopted in Brazil (BR GAAP).

Accounting practices adopted in Brazil encompass those included in Brazilian corporate law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (Comitê de Pronunciamentos Contábeis - CPC) and approved by the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários – CVM).

The Company and its subsidiaries (“Group”) also follows the guidelines of the Accounting Manual of the Brazilian Electricity Sector and the standards laid down by the Brazilian Electricity Regulatory Agency (Agência Nacional de Energia Elétrica – ANEEL), when these do not conflict with the accounting practices adopted in Brazil and/or International Financial Reporting Standards.

Management states that all material information of the financial statements, and only them are disclosed and correspond to what is used in the Group's management.

The financial statements were authorized for issue on March 15, 2021.

**2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following material items, which are measured at each reporting date and recorded in the statements of financial position: i) derivative financial instruments measured at fair value and ii) non derivative financial instruments measured at fair value through profit or loss. The classification of the fair value measurement in the level 1, 2 or 3 categories (depending on the degree of observance of the variables used) is presented in note 35 – Financial Instruments.

**2.3 Use of estimates and judgments**

The preparation of the financial statements requires the Group's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

By definition, the accounting estimates may differ from the actual results. Accordingly, the Group's management review the estimates and assumptions on an ongoing basis, based on previous experience and other relevant factors. Adjustments resulting from revisions to accounting estimates are recognized in the period in which the estimates are revised and applied on a prospective basis.

The main accounts that require the adoption of estimates and assumptions, which are subject to a greater degree of uncertainty and may result in a material adjustment if these estimates and assumptions suffer significant changes in subsequent periods, are:

- Note 7 – Consumers, concessionaires and licensees (Allowance for doubtful accounts: key assumptions regarding to the expected credit loss – ECL and premises for measuring the supply and Tariff for use of the distribution system ("TUSD") not invoiced);
- Note 9 – Sector financial asset and liability (Regulatory discretion and judgement over certain items);
- Note 10 – Deferred tax assets and liabilities (recognition of assets: availability of future taxable profit against which the tax losses can be utilized);
- Note 11 – Concession financial asset (assumptions for fair value measurement, based on significant unobservable inputs, see note 35);
- Note 12 – Other assets (allowance for doubtful accounts: key assumptions regarding to the expected and credit loss – ECL);
- Note 14 – Property, plant and equipment (definition of useful lives and key assumptions regarding recoverable amounts);
- Note 15 – Intangible assets (key assumptions regarding recoverable amounts);
- Note 16 – Contract Asset (key assumptions regarding recoverable amounts);
- Note 18 – Borrowings (key assumptions used in the fair value measurement);
- Note 19 – Debentures (key assumptions used in the fair value measurement);
- Note 20 – Private pension plan (key actuarial assumptions used in the measurement of defined benefit obligations);
- Note 23 – Provision for tax, civil and labor risks and escrow deposits (recognition and measurement: key assumptions on the probability and magnitude of outflow of resources); and
- Note 35 - Financial instruments – derivatives (key assumptions used in the fair value measurement).

### 2.4 Functional currency and presentation currency

The Group's functional currency is the Brazilian Real, and the individual and consolidated financial statements is being presented in thousands of reais. Figures are rounded only after sum-up of the amounts. Consequently, when summed up, the amounts stated in thousands of reais may not tally with the rounded totals.

### 2.5 Segment information

An operating segment is a component of the Company (i) that engages in operating activities from which it earns revenues and incurs expenses, (ii) whose operating results are regularly reviewed by Management to make decisions about resources to be allocated and assess the segment's performance, and (iii) for which individual financial information is available.

The Group's officers use reports to make strategic decisions, segmenting the business into: (i) electric energy distribution activities ("Distribution"); (ii) electric energy generation and transmission activities ("Generation"); (iii) energy commercialization activities ("Commercialization"); (iv) service activities ("Services"); and (v) other activities not listed in the previous items.

### 2.6 Information on equity interests

The Company's equity interests in direct and indirect subsidiaries and joint ventures are described in note 1. Except for (i) the companies ENERCAN, BAESA, Chapecoense and EPASA, which use the equity method of accounting, and (ii) the non-controlling interest in the subsidiary Paulista Lajeado in Investco S.A., all other entities are fully consolidated.

At December 31, 2020 and 2019 the noncontrolling interests in the consolidated balances refer to interests held by third parties in subsidiaries CERAN, Paulista Lajeado and not wholly-owned subsidiaries of CPFL Renováveis.

### 2.7 Statement of value added

The Company has prepared the individual and consolidated statements of value added ("DVA") in conformity with technical pronouncement CPC 09 - Statement of Value Added, which are presented as an integral part of the financial statements in accordance with accounting practices adopted in Brazil and as supplementary information to the financial statements in accordance with IFRS, as this statement is neither provided for nor required by IFRS.

### 2.8 New presentation of financial statements

As of September 2020, in order to make improvements in the presentation of accounting information, the Company started opening inventory lines in assets, provisions for demobilization and environmental expenses in liabilities and single presentation of the business type related to generation activities (previously segregated between conventional and renewable generation) in segment information.

For comparability purposes, these changes were applied retrospectively according to CPC 23/IAS 8, and therefore, the financial statements regarding 2019 with the union of the segments of the generation activities of conventional and renewable energy. Additionally the breakdown, R$ 71,551 in inventories, previously allocated in the line item other assets, and R$ 24,485 in current and R$ 203,744 in noncurrent in provisions for decommissioning and expenses previously allocated to the line item other payables. There were no changes in the statements of profit or loss.

## ( 3 ) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these individual and consolidated financial statements are described below. These policies have been consistently applied in all reporting periods.

### 3.1 Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents include negative balances of overdraft accounts that are immediately payable and are an integral part of the Group's cash management.

Cash and cash equivalents comprise the balances of cash and financial investments with original maturities of three months or less from the contract date, which are subject to an insignificant risk of change in fair value at the settlement date and are used by the Group in the management of short-term obligations.

The purpose of determining the components of the company's cash and cash equivalents is to maintain sufficient cash to ensure the continuity of investments and the fulfillment of short- and long-term obligations, maintaining the return on its capital structure at appropriate levels aimed at business continuity and increased value for shareholders and investors.

### 3.2 Concession agreements

**Distribution subsidiaries:**

ICPC 01 (R1) and IFRIC 12 – Service Concession Arrangements establish general guidelines for the recognition and measurement of obligations and rights related to concession agreements and apply to situations in which the granting authority controls or regulates which services the concessionaire should provide with the infrastructure, to whom the services should be provided and at what price, and controls any significant residual interest in the infrastructure at the end of the concession period.

When these definitions are met, the infrastructure of distribution concessionaires is segregated at the time of construction in accordance with the CPC and IFRS requirements, so that the following are recognized in the financial statements (i) an intangible asset corresponding to the right to operate the concession and collect from the users of public utilities, and (ii) a financial asset corresponding to the unconditional contractual right to receive cash (indemnity) by transferring control of the assets at the end of the concession.

The concession financial asset of distribution is measured at fair value, determined in accordance with the remuneration base for the concession assets, pursuant to the legislation in force established by the regulatory authority (ANEEL), and takes into consideration changes in the fair value, mainly based on factors such as new replacement value, and adjustment for IPCA (Extended Consumer Price Index) to the subsidiaries of the distribution segment. The financial asset of distribution is classified at fair value through profit or loss, with the corresponding fair value changes entry in an operating income/expense account in the statement of profit or loss for the year (notes 4 and 27).

The remaining amount is recognized as an intangible asset and relates to the right to charge consumers for electric energy distribution services and is amortized in accordance with the consumption pattern that reflects the estimated economic benefit to the end of the concession.

Considering that (i) the tariff model does not provide for a profit margin for the infrastructure of discos construction services, (ii) the way in which the subsidiaries manage the constructions by using a high level of outsourcing, and (iii) the fact that there is no provision for profit margin on construction in the Group's business plans, Management is of the opinion that the margins on this operation are irrelevant, and therefore no mark-up to the cost is considered in revenue. The construction revenues and costs are therefore presented in the statement of profit or loss for the year in the same amounts.

**Transmission subsidiaries:**

The Group's transmission companies are responsible for constructing and operating the transmission infrastructure in order to carry the energy from the generation centers to the distribution points, according to their concession arrangements.

The energy transmission company has the obligation to maintain its transmission infrastructure available to its users to guarantee the receipt of the Permitted Annual Revenue (RAP) during the concession agreement term. Potential unamortized investments generate the right to indemnity at the end of the concession arrangement

The transmission infrastructure is classified as a contract asset. The right to consideration for goods and services is subject to the satisfaction of performance obligations and not only to the passage of time.

On December 1, 2020, CVM released Official Letter No. 4/2020 to provide guidance on the significant aspects of CPC 47/IFRS 15 and CPC48/IFRS 9 that must be considered when preparing the Financial Statements of Electric Energy Transmission Companies as at December 31, 2020, highlighting the need for attributing margins for the recognition of revenues from construction and from operation and maintenance of infrastructure, as well as the rate used for remuneration of concession agreements, which must be equivalent to the remaining implicit rate of each project, after the allocation of the construction margins and the operation and maintenance margins.

The Company’s management reassessed the model and assumptions used and concluded that the impacts of the application of the Official Letter are immaterial for adjustments.

In compliance with the requirements in the Official Letter and according to its accounting policies, it clarifies that:

(i) It attributes expected construction margins between 5.1% and 7.8% before taxes, and operation and maintenance margins of 45% before the beginning of each project for the recognition of the respective revenues;
(ii) The monetary adjustment of the contract asset recognized at the implicit rate is established at the beginning of each project after the allocation of the construction and operation margins. The implicit rate that remunerates the contract asset varies between 6.5% p.a. and 13.5% p.a. .
(iii) The Company monitors the return on its transmission investments and currently the nominal rate before taxes expected for its projects varies between 12% p.a. and 16% p.a..

### 3.3 Financial Instruments

- Financial Assets

Financial assets are recognized initially on the date that they are originated or on the trade date at which the Company or its subsidiaries become parties to the contractual provisions of the instrument. Derecognition of a financial asset occurs when the contractual rights to the cash flows from the asset expire or when the risks and rewards of ownership of the financial asset are transferred.

Subsequent Measurement and gains and losses:

| | |
|---|---|
| Financial assets measured at fair value through profit or loss (FVTPL) | These assets are subsequently measured at fair value. Net gains or losses, including interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on the derecognition is recognized in profit or loss. |
| Debt investments at fair value through other comprehensive income (FVOCI) | These assets are subsequently measured at fair value. Net gains and losses are recognized in other comprehensive income, except the interest income calculated using the effective interest method, foreign exchange gains and losses and impairment, that are recognized in profit or loss. In the moment of the derecognition, the accumulated gain or loss in other comprehensive income (loss) is reclassified to profit or loss for the period. The Group does not hold financial assets under this classification. |
| Equity instruments at fair value through other comprehensive income | These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income (loss) and never will be reclassified in profit or loss. Dividends are recognized as gains in profit or loss (unless the dividend clearly represents a recovery of part of the investment cost The Group does not hold financial assets under this classification. |

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are related solely to payments of principal and interest on the principal amount outstanding.

Fair Value through Other Comprehensive Income (FVOCI): A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see note 35). On initial recognition, the Group may irrevocably designate a non derivative financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether:

- management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. based on the performance of an asset).

For transactions involving the purchase and sale of energy by the trading subsidiaries, the Group has an accounting policy defined according to the business strategy with instruments measured at amortized cost, which refer to agreements already entered into and still held with the purpose of receipt or delivery of energy in accordance with the requirements by the company related to purchase or sale. The transactions are usually long term and are never settled by the net cash amount or with another financial instrument and, even if some contract has a certain flexibility, the strategy of the Group's portfolio is not changed for this reason.

- Financial liabilities

Financial liabilities are initially recognized on the date that they are originated or on the trade date at which the Company or its subsidiaries become a party to the contractual provisions of the instrument. The Group have the following main financial liabilities:

(i) Measured at fair value through profit or loss: these are financial liabilities that are: (i) held for trading, (ii) designated at fair value in order to match the effects of recognition of income and expenses to obtain more relevant and consistent accounting information, or (iii) derivatives. These liabilities are measured at fair value, which fair value changes recognized in profit or loss except for changes in fair value attributable to credit risk which are recognized in comprehensive income.

(ii) Measured at amortized cost: these are other financial liabilities not classified into the previous category. They are measured initially at fair value net of any cost attributable to the transaction and subsequently measured at amortized cost using the effective interest rate method.

The Group recognizes financial guarantees when these are granted to non-controlled entities or when the financial guarantee is granted at a percentage higher than the Company's interest to cover commitments of joint ventures. Such guarantees are initially measured at fair value, by recognizing (i) a liability corresponding to the risk of non-payment of the debt, which is amortized against finance income simultaneously and in proportion to amortization of the debt, and (ii) an asset equivalent to the right to compensation by the guaranteed party or a prepaid expense under the guarantees, which is amortized by receipt of cash from other shareholders or at the effective interest rate over the term of the guarantee. After initial recognition, guarantees are measured periodically at the higher of the amount determined in accordance with CPC 25 / IAS 37 and the amount initially recognized less accumulated amortization.

For debts contracted from the first quarter of 2020, due to the characteristics at the time of contracting, the Group recognized the gains or losses arising from loans in foreign currency measured at fair value in the result. See note 18.

Financial assets and liabilities are offset and presented at their net amount when there is a legal right to offset the amounts and the intent to realize the asset and settle the liability simultaneously.

The classifications of financial instruments (assets and liabilities) are described in note 35.

- Issued Capital

Common shares are classified as equity. Additional costs directly attributable to share issues and share options are recognized as a deduction from equity, net of any tax effects.

### 3.4 Inventories

Inventories are measured at the lower of cost and net realizable value and are segregated into different types, according to CPC 16 / IAS 2. The cost of inventories is valued using the average cost method.

### 3.5 Property, plant and equipment

Items of property, plant and equipment are measured at acquisition, construction or formation cost less accumulated depreciation and, if applicable, accumulated impairment losses. Cost also includes any other costs attributable to bringing the assets to the place and in a condition to operate as intended by Management, the cost of dismantling the items and restoring the site on which they are located and capitalized borrowing costs on qualifying assets.

The replacement cost of items of property, plant and equipment is recognized if it is probable that it will involve economic benefits for the subsidiaries and if the cost can be reliably measured, and the value of the replaced item is written off. Maintenance costs are recognized in profit or loss as they are incurred.

Depreciation is calculated on a straight-line basis, at annual rates of 2% to 20%, taking into consideration the estimated useful life of the assets, as instructed and defined by the Granting Authority.

Gains and losses on disposal/write-off of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other operating income/expenses.

Assets and facilities used in the electric generation, transmission and distribution activities are tied to these services and may not be removed, donated, disposed of, assigned or pledged in mortgage without the prior and express authorization of the ANEEL. The ANEEL, through Resolution No. 20 of February 3, 1999, amended by Normative Resolution No. 691 of December 8, 2015, releases Public Electric Energy Utility concessionaires from prior authorization for release of assets of no use to the concession, but determines that the proceeds from the disposal be deposited in a restricted bank account for use in the acquisition of new assets related to electric energy services.

### 3.6 Intangible assets and Contract asset – in progress

Includes rights related to non-physical assets such as goodwill and concession exploitation rights, software and rights-of-way.

Goodwill that arises on the acquisition of subsidiaries is measured based on the difference between the fair value of the consideration transferred for acquisition of a business and the net fair value of the assets, adding the portion of noncontrolling interests and liabilities of the subsidiary acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill and other intangible assets with indefinite useful lives, if any, are not subject to amortization and are tested annually for impairment.

Negative goodwill is recognized as a gain in the statement of profit or loss in the year of the business acquisition.

In the individual financial statements, fair value adjustments (value added) of net assets acquired in business combinations are included in the carrying amount of the investment and the amortization is classified in the individual statement of income as “equity interest in associates and joint ventures” in accordance with ICPC 09 (R2). In the consolidated financial statements, the amount is stated as intangible asset and its amortization is classified in the consolidated statement of profit and loss as “amortization of concession intangible asset” in other operating expense.

Intangible assets corresponding to the right to operate concessions may have three origins, as follows:

(i) Acquisitions through business combinations: the portion arising from business combinations that corresponds to the right to operate the concession amortized in straight-line method over the remaining period of the concessions.

(ii) Investments in infrastructure (application of ICPC01 (R1) and IFRIC 12 – Concession contracts) - in progress: under the electric energy distribution concession agreements with the subsidiaries, the recognized intangible asset corresponds to the concessionaires' right to charge the consumers for use of the concession infrastructure. Since the exploration term is defined in the agreement, intangible assets with defined useful lives are amortized over the concession period in proportion to a curve that reflects the consumption pattern in relation to the expected economic benefits. For further information, see note 3.2.

Items comprised in the infrastructure are directly tied to the Company’s electric energy distribution operation and shall comply with the same regulatory rules described in item 3.5.

(iii) Use of public asset: certain generation concessions were granted with the condition of payments to the federal government for use of public asset. On the signing date of the respective agreements, the Company's subsidiaries recognized intangible assets and the corresponding liabilities, at present value. The intangible assets, capitalized by interest incurred on the obligation until the start-up date, are amortized on a straight-line basis over the remaining period of each concession.

As of January 1, 2018, the concession infrastructure assets of the distribution companies were classified as contract assets during the construction or improvement period in accordance with the criteria of CPC 47 / IFRS 15.

**Renegotiation of the hydrological risk (Generation Scaling Factor – GSF)**

Law No. 14,052, published on September 9, 2020, amended Law No. 13,203/2015, establishing new conditions for renegotiation of the hydrological risk associated with the portion of the costs incurred with the GSF, assumed by the owners of the hydroelectric power plants that have been participating in the Energy Reallocation Mechanism (MRE) since 2012, with the worsening of the water crisis.
The amendment to the law had the purpose of compensating the owners of the hydroelectric power plants participating in the MRE for non-hydrological risks caused by: (i) the generating plants referred to as "structurer plants", related to the advance of physical guarantee, (ii) the restrictions to the start-up of the transmission facilities required to drain the volume generated by the structurer plants, and (iii) the generation made out of the order of merit and import. This compensation will be made by extending the grant, limited to seven years, calculated based on the parameters applied by Aneel.

On December 1, 2020, Aneel's Normative Resolution No. 895 was published, establishing the compensation calculation methodology and the hydrological risk renegotiation procedures. In order for the owners of the hydroelectric power plants participating in the MRE to be eligible to receive the compensations established by Law 14,052, they must: (i) waive any potential lawsuits whose purpose is to obtain exemption or mitigation of the hydrological risks related to the MRE, (ii) waive any claims and/or new lawsuits related to the exemption or mitigation of the hydrological risks related to the MRE, (iii) not have renegotiated the hydrological risk.

As regards the renegotiation of the hydrological risk, Management has used its judgment in the development and application of accounting policy, as set out in CPC 23 – "Accounting Policies, Changes in Accounting Estimates and Errors", using by analogy the precepts of CPC 04, given that it refers to an intangible asset related to the right of grant resulting from the compensation for costs incurred. Furthermore, considering, also by analogy, the conditions established in the aforementioned CPC 04, the asset that may result from the renegotiation of the non-hydrological risk is recognized at fair value, based on the Company's best estimates and on the parameters established by the ANEEL regulation, considering the expected future flows in this new concession period, as well as the compensation amounts calculated by the Electric Energy Commercialization Chamber (CCEE). These amounts are transformed by Aneel into extension of the concession period.

This compensation made to the hydroelectric power generators, which will occur as a result of the extension of the generation concession period, is recognized as an intangible asset against the compensation of electric power costs. See Notes 13.1, 16.2 and 28**.**

### 3.7 Impairment

- Financial assets

The Group assesses evidence of impairment for certain receivables at both an individual and a collective level. Receivables that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

The Group recognizes impairment losses for ECLs on: (i) financial assets measured at amortized cost; (ii) debt investments measured at FVOCI, when applicable; and (iii) contract assets.

The Group measures impairment allowances, adopting the simplified method of recognizing, at an amount equal to lifetime, except for debt securities with low credit risk at the end of the reporting period, which are measured as 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the expected credit losses, the Group considers a simplified approach of default assessment which consists in measuring the expected loss of a financial asset equivalent to the lifetime expected credit loss of an asset including reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower has not complied with its contractual payment obligations and is unlikely to pay its obligations.

The Group uses an allowance matrix based on its historical default rates observed along the expected lifetime of the trade receivables to estimate the expected credit losses for the lifetime of the asset where the history of losses is adjusted to consider the effects of the current conditions and its forecasts of future conditions that did not affect the period in which the historical data were based.

The methodology developed by the Group resulted in a percentage of expected loss for bills of consumers, concessionaires and license that is in compliance with IFRS 9 / CPC 48 described as expected credit losses, comprising in a single percentage the probability of loss weighted by the expected loss and possible results, that is, comprising the Probability of Default ("PD"), Exposure At Default ("EAD") and Loss Given Default ("LGD").

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI, when applicable, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract clauses;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Impairment losses related to consumers, concessionaires and licensees recognized in financial assets and other receivables, including contract assets, are recognized in profit or loss.

- Non-financial assets

Non-financial assets that have indefinite useful lives, such as goodwill, are tested annually for impairment to assess whether the asset's carrying amount does not exceed its recoverable amount. Other assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may be impaired.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount, which is the greater of (i) its fair value less costs to sell or (ii) its value in use.

The assets (e.g. goodwill, concession intangible asset) are segregated and grouped together at the lowest level that generates identifiable cash flows (the "cash generating unit", or CGU). If there is an indication of impairment, the loss is recognized in profit or loss. Except in the case of goodwill impairment, which cannot be reversed in the subsequent period, impairment analysis are reassessed for any possibility of reversals.

### 3.8 Provisions

A provision is recognized if, as a result of a past event, there is a legal or constructive obligation that can be estimated reliably, and it is probable (more likely than not) that an outflow of economic resources will be required to settle the obligation. When applicable, provisions are determined by discounting the expected future cash outflows at a rate that reflects current market assessment and the risks specific to the liability.

### 3.9 Employee benefits

Certain subsidiaries have post-employment benefits and pension plans, recognized, being considered sponsors of these plans. Although the plans have particularities, they have the following characteristics:

(i) Defined contribution plan: a post-employment benefit plan under which the Sponsor pays fixed contributions into a separate entity and will have no liability for the actuarial deficits of the plan. The obligations are recognized as an expense in the statement of profit or loss in the periods during which the services are rendered.

(ii) Defined benefit plan: The net obligation is calculated as the difference between the present value of the actuarial obligation based on assumptions, biometric studies and interest rates in line with market rates, and the fair value of the plan assets as of the reporting date. The actuarial liability is calculated annually by independent actuaries, under the responsibility of Management, using the projected unit credit method. Actuarial gains and losses are recognized in other comprehensive income when they occur. Net interest (income or expense) is calculated by applying the discount rate at the beginning of the period to the net amount of the defined benefit asset or liability. When applicable, the cost of past services is recognized immediately in profit or loss.

If the plan records a surplus and it becomes necessary to recognize an asset, the recognition is limited to the present value of future economic benefits available in the form of reimbursements or future reductions in contributions to the plan.

### 3.10 Dividend and Interest on capital

Under Brazilian law, the Company is required to distribute a mandatory minimum annual dividend of 25% of profit adjusted in accordance with the Company´s bylaws. A provision may only be made for the minimum mandatory dividend, and dividends declared but not yet approved are only recognized as a liability in the financial statements after approval by the competent body. According to Law 6.404/76, the amounts paid out to shareholders in excess of the mandatory minimum dividend, will therefore be held in equity, in the “additional dividend proposed” account, as they do not meet the present obligation criteria at the reporting date.

On May 21, 2019, the Company's Board of Directors approved a Dividend Policy that establishes the Company’s annual dividend distribution of at least 50% of the adjusted profit in accordance with Law 6,404/76. This policy establishes factors that will influence the distribution amounts, such as the Company's financial condition, future prospects, macroeconomic conditions, tariff reviews and adjustments, regulatory changes and the Company's growth strategy. It also highlights that certain obligations specified in financial contracts may limit the amount to be distributed. The approved policy is merely indicative in order to signal to the market the treatment the Company intends to give to the dividend distribution and, therefore, it has a programmatic nature and is not binding on the Company or its managing bodies.

As established in the Company's bylaws and in accordance with current Corporate law, the Board of Directors is responsible for declaring an interim dividend and interest on capital determined in a half-yearly statement of income. An interim dividend and interest on capital declared at the base date of June 30, if any, is only recognized as a liability in the Company's financial statement after the date of the Board of Directors’ decision.

Interest on capital receives the same treatment as dividend and is also stated in changes in equity. The withholding income tax on interest on capital is always recognized as a charge to equity with a balancing item in liabilities upon the proposal for its payment, even if not yet approved, since it meets the criterion of obligation at the time of Management’s proposal.

### 3.11 Revenue Recognition

The operating revenue in the normal course of the subsidiaries’ activities is measured at the consideration received or receivable. The operating revenue is recognized when it represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

IFRS 15 / CPC 47 establishes a revenue recognition model that considers five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Thus, revenue is recognized only when (or if) the performance obligation is satisfied, that is, when the “control” of the goods or services of a certain transaction is actually transferred to the customer.

The revenue from electric energy distribution is recognized when the energy is supplied. The energy distribution subsidiaries perform the reading of their customers consumption based on a reading routine (calendar and reading route) and invoice monthly the consumption of MWh based on the reading performed for each consumer. As a result, part of the energy distributed during the month is not billed at the end of the month and, consequently, an estimate is developed by Management and recorded as "Unbilled". This unbilled revenue estimate is calculated using as a base the total volume of energy of each distributor made available in the month and the annualized rate of technical and commercial losses.

The revenue from energy generation sales is recognized based on the assured energy and at tariffs specified in the terms of the supply contracts or the current market price, as appropriate.

The revenue from energy commercialization is recognized based on bilateral contracts with market agents and properly registered with the Electric Energy Commercialization Chamber – CCEE.

The revenue from services provided is recognized when the service is provided, under a service agreement between the parties.

The revenue from construction contracts is recognized based on the reach of the performance obligation over time, considering the fulfillment of one of the following criteria:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;

(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The provision of infrastructure construction services is recognized in accordance with CPC 47 / IFRS 15, against a contract asset.

The revenues of the transmission companies, recognized as operating revenue, are:

- Construction revenue: Refers to the services of construction of electric energy transmission facilities. These are recognized according to the percentage of completion of the construction works.
- Financing component: Refers to the interest recognized under the accrual basis method on the amount receivable from the construction revenue.
- Revenue from operation and maintenance: Refers to the services of operation and maintenance of electric energy transmission facilities aimed at non-interruption of availability of these facilities, recognized based on incurred costs.

No single consumer accounts for 10% or more of the Group's total revenue.

### 3.12 Income tax and social contribution

Income tax and social contribution expenses are calculated and recognized in accordance with the legislation in force and comprise current and deferred taxes. Income tax and social contribution are recognized in the statement of profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income, when the net amounts of these tax effects are already recognized, and those arising from the initial recognition in business combinations.

Current taxes are the expected taxes payable or receivable/recoverable on the taxable profit or loss which reflects the uncertainties related to the calculation, if any. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the equivalent amounts used for tax purposes and for tax loss carryforwards and reflects the uncertainty related to the income tax, if any.

The Company and certain subsidiaries recognized in their financial statements the effects of tax loss carryforwards and temporarily nondeductible differences, based on projections of future taxable profits. The subsidiaries also recognized tax credits relating to the benefit of merged intangible, which are amortized on a straight-line basis over the remaining period of each concession agreement.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred income tax and social contribution assets are reviewed at each annual reporting date and are reduced to the extent that it is no longer probable that the related taxes benefit will be realized.

### 3.13 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to the controlling shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to the controlling shareholders, adjusted by the effects of instruments that potentially would have impacted the profit or loss for the year by the weighted average of the number of shares outstanding, adjusted by the effects of all dilutive potential convertible notes for the reporting periods, in accordance with CPC 41 / IAS 33.

### 3.14 Government grants – CDE

Government grants are only recognized when it is reasonably certain that these amounts will be received by the Group. The discounts recognized related to the low income subsidy, other tariff discounts, as well as the subsidies referring to the amounts received to compensate the Company for expenses incurred are recorded in income for the years (Aporte CDE - low income, other subsidies tariffs and tariff discounts - preliminary - note 27.3).

Subsidies received on compensation for discounts granted are supported by immediate financial support under the terms of CPC 07.

Grants that aim to compensate the Group for expenses incurred are recorded on a systematic basis during the periods when related expenses are incurred, unless the conditions for receiving the grant are met after the recognition of related expenses. In this case, the grant is recognized when it becomes receivable.

### 3.15 Sector financial asset and liability

According to the tariff pricing mechanism applicable to the distribution companies, the energy tariffs should be set at a price level (price cap) that ensures the economic and financial equilibrium of the concession. Therefore, the concessionaires and licensees are authorized to charge their consumers (after review and ratification by ANEEL) for: (i) the annual tariff increase; and (ii) every four or five years, according to each concession agreement, the periodic review for purposes of reconciliation of part of Parcel B (controllable costs) and adjustment of Parcel A (non-controllable costs).

The distributors' revenue is mainly comprised of the sale of electric energy and for the delivery (transmission) of the electric energy through the distribution infrastructure (network). The distribution concessionaires' revenue is affected by the volume of energy delivered and the tariff. The electric energy tariff is comprised of two parcels which reflect a breakdown of the revenue:

- Parcel A (non-controllable costs): this parcel should be neutral in relation to the entity's performance, i.e., the costs incurred by the distributors, classifiable as Parcel A, is fully passed through the consumer or borne by the Granting Authority; and
- Parcel B (controllable costs): comprised of capital expenditure on investments in infrastructure, operational costs and maintenance and remuneration to the providers of capital. It is this parcel that actually affects the entity's performance, since it has no guarantee of tariff neutrality and thus involves an intrinsic business risk.

This tariff pricing mechanism can cause temporary differences arising from the difference between the predicted costs (Parcel A and other financial components) included in the tariff at the beginning of the tariff period and those actually incurred while it is in effect. This difference constitutes a right of the concessionaire to receive cash when the incurred costs included in the tariff are lower than those actually incurred, or an obligation to pay if the incurred costs are higher than those actually incurred.

### 3.16 Business combination

Business combinations are recorded using the acquisition method when the set of activities and assets acquired meets the definition of a business and control is transferred to the Group. In determining whether a set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and a substantive process that together contribute significantly to the ability to generate output.

The Group has the option of applying a "concentration test" that allows a simplified assessment if a set of acquired activities and assets is not a business. The optional concentration test is met if, substantially, the entire fair value of the acquired gross assets is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in a business combination is generally measured at fair value, calculated as the sum of the fair values of the assets transferred by the acquirer, the liabilities incurred at the acquisition date to the former owner of the acquiree and the equity interests issued by the Company and subsidiaries in exchange for control of the acquiree. Costs related to the acquisition are generally recognized in profit or loss, when incurred.

At the acquisition date, other assets and liabilities are recognized at fair value, except for: (i) deferred taxes, (ii) employee benefits, and (iii) share-based payments.

The noncontrolling interests are initially measured either at fair value or at the noncontrolling interests' proportionate share of the acquiree's identifiable net assets. The measurement method is chosen on a transaction-by-transaction basis.

The measurement method is chosen on a transaction-by-transaction basis. The excess of the consideration transferred, added to the portion of noncontrolling interests, over the fair value of the identifiable assets (including the concession intangible asset) and net liabilities assumed at the acquisition date are recognized as goodwill. In the event that the fair value of the identifiable assets and net liabilities assumed exceeds the consideration transferred, a bargain purchase is identified and the gain is recognized in the statement of profit or loss at the acquisition date.

### 3.17 Basis of consolidation

(i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any noncontrolling interest in the acquiree, less the recognized fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

(ii) Subsidiaries and joint ventures

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Joint ventures are accounted for using the equity method of accounting from the moment joint control is established.

The accounting policies of subsidiaries and joint ventures taken into consideration for purposes of consolidation and/or equity method of accounting, as applicable, are aligned with the Group's accounting policies.

In the individual (parent company) financial statements, the financial information on subsidiaries and joint ventures are accounted for under the equity method. In the consolidated financial statements, the information on joint ventures is accounted for under the equity method.

The consolidated financial statements include the balances and transactions of the Company and its subsidiaries. The balances and transactions of assets, liabilities, income and expenses have been fully consolidated for the subsidiaries. Prior to consolidation into the Company's financial statements, the financial statements of subsidiaries CPFL Geração, CPFL Brasil, CPFL Jaguari Geração, CPFL Renováveis, CPFL Eficiência Energética and Alesta are fully consolidated into those of their subsidiaries.

Intragroup balances and transactions, and any income and expenses derived from these transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investees are eliminated in proportion to the Company's interest in the subsidiary, if applicable. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the CPFL Energia interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

In the case of subsidiaries, the portion related to noncontrolling interests is stated in equity and in the statements of profit or loss and comprehensive income in each year presented.

The balances of joint ventures, as well as the Company's interest in each of them are described in note 13.4.

(iii) Acquisition of noncontrolling interests

Accounted for as transaction among shareholders. Consequently, no gain or goodwill is recognized as a result of such transaction.

### 3.18 Changes in significant accounting policies

The Group initially adopted amendments to CPC 15 / IFRS 3 on definition of a business, and amendments to CPC 48 / IFRS 9, CPC 38 / IAS 39 and CPC 40 / IFRS 7 on Reform of the Benchmark Interest Rate as of January 1, 2020. A number of other standards also came into effect as of January 1, 2020 but did not materially affect the Group's financial statements.

### 3.19 New standards and interpretations not yet effective

New standards and amendments to standards and IFRS interpretations were issued by the IASB and are not yet effective for the year ended December 31, 2020. The Group has not adopted the new standards in preparing these financial statements:

#### (a) Onerous Contracts - cost of fulfilling a contract (amendments to CPC 25 / IAS 37)

The amendments specify what costs an entity includes when determining the cost of performing a contract in order to assess whether the contract is onerous. The amendments apply to annual periods beginning on or after January 1, 2022 for existing contracts on the date the amendments are applied for the first time. On the date of initial application, the cumulative effect of applying the changes is recognized as an adjustment to the opening balance in retained earnings or other equity components, as appropriate. Comparatives are not restated.
The Company is assessing changes to the pronouncement, but does not expect significant impacts on the disclosures and amount in its consolidated financial statements.

#### (b) Reform of the benchmark interest rate - Phase 2 (amendments to CPC48 / IFRS 9, CPC 38 / IAS 39, CPC 40 / IFRS 7, CPC 11 / IFRS 4 and CPC 06 / IFRS 16)

The amendments address issues that may affect the financial statements as a result of the reform of the benchmark interest rate, including the effects of changes in contractual cash flows or hedge relationships arising from the replacement of the benchmark interest rate with an alternative benchmark rate. The amendments provide a practical expedient for certain requirements of CPC 48 / IFRS 9, CPC 38 / IAS 39, CPC 40 / IFRS 7, CPC 11 / IFRS 4 and CPC 06 / IFRS 16 related to:

- changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

The Company is assessing changes to the pronouncement, but does not expect significant impacts on the disclosures and amount in its consolidated financial statements.

#### (c) Other standards

The following new and amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Rental changes related to COVID-19 (amendments to CPC 06 /IFRS 16).

- Property, Plant and Equipment: Proceeds before Intended Use (amendments to CPC 27 / IAS 16).

- Classification of Liabilities as Current or Non-Current (Amendments to CPC 26 / IAS 1).

Based on a preliminary assessment, management believes that the application of these amendments will not have a material impact on the disclosures and amounts recognized in its consolidated financial statements.

## ( 4 ) FAIR VALUE MEASUREMENT

A few the Group's accounting policies and disclosures require the fair value measurement, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, additional information on the assumptions made in the fair value measurement is disclosed in the notes specific to that asset or liability.

The Group measures fair value as the value at which an asset can be traded, or a liability settled, between interested parties, knowledgeable of the business and independent from each other, with the absence of factors that put pressure on the settlement of the transaction or that characterize a compulsory transaction.

**- Property, plant and equipment, intangible assets and contract**

The fair value of items of property, plant and equipment, intangible and contract asset is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

**- Financial instruments**

Financial instruments measured at fair value are valued based on quoted prices in an active market, or, if such prices are not available, they are assessed using pricing models, applied individually to each transaction, taking into consideration future cash flows, based on the contractual conditions, discounted to present value at rates obtained from market interest curves, having as a basis, whenever available, information obtained from the websites of B3 S.A. and "*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais – ANBIMA*" (note 34) and also includes the debtor's credit risk rate.

The right to compensation, to be paid by the Federal Government when the distribution concessionaires' assets are handed over at the end of the concession period are classified as measured at fair value through profit or loss. The methodology adopted for valuing these assets is based on the tariff review process for distributors. This process, conducted every four or five years according to each concessionaire, involves assessing the replacement price of the distribution infrastructure, in accordance with criteria established by the granting authority ("ANEEL"). This valuation basis is also used for establishing the distribution tariff, which is adjusted annually up to the next tariff review, based on main inflation indices.

Accordingly, at the time of the tariff review, each distribution concessionaire adjusts the position of the financial asset base for compensation at the amounts ratified by the granting authority and uses the Extended Consumer Price Index ("IPCA") as the best estimates for adjusting the original value until next tariff review process.

## ( 5 ) CASH AND CASH EQUIVALENTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Bank balances | 9,789 | 2,195 | 481,532 | 450,622 |
| Short-term financial investments | 385,957 | 31,714 | 3,437,264 | 1,486,541 |
| Overnight investment (a) | - | - | 703 | - |
| Private credit notes (b) | 385,957 | 31,714 | 3,320,840 | 1,279,740 |
| Investment funds (c) | - | - | 115,721 | 206,801 |
| **Total** | **395,745** | **33,909** | **3,918,796** | **1,937,163** |

a) Bank account balances, which earn daily interest by investment in repurchase agreements secured on Bank Certificate Deposit (CDB) and interest of 15% of the variation in the Interbank Certificate of Deposit (CDI).

b) Short-term investments in: (i) Bank Certificates of Deposit (CDB) amounting to R$ 2,595,585 (R$ 994,521 in December 31, 2019, (ii) secured debentures amounting to R$ 725,255 (R$ 284,863 in December 31, 2019 and (iii) leasing notes amounting to R$ 356 in December 31, 2019. All with major financial institutions that operate in the Brazilian financial market, with daily liquidity, short term maturity, low credit risk and interest equivalent, on average, to 99.67 % of the CDI (94.13% of the CDI in December 31, 2019).

c) Investments funds, with high liquidity and interest equivalent, on average, to 81.64 % of the CDI, subject to floating rates tied to the CDI (92.26% of the CDI in December 31, 2019). linked to federal government bonds, CDBs, financial bills and secured debentures of major financial institutions, with low credit risk and short term maturity.

## ( 6 ) MARKETABLE SECURITIES

| | Consolidated | |
|---|---|---|
| **Marketable securities** | **December 31, 2020** | **December 31, 2019** |
| Through investment funds (a) | 308,482 | 449,786 |
| Direct investment (b) | 1,563,597 | 401,218 |
| **Total** | **1,872,079** | **851,004** |

(a) It represents amounts invested in government securities, Financial Bills (“LF”) and Financial Treasury Bills (“LFT”), through investment fund quotas, yielding on average 81.64% (99.87% of CDI in December 31, 2019).

(b) This refers to amounts invested in government securities and LFT, yielding on average 100% of SELIC.

## ( 7 ) CONSUMERS, CONCESSIONAIRES AND LICENSEES

The consolidated balance includes mainly activities from the supply of electric energy, broken down as follows at December 31, 2020 and 2019:

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Amounts | Past due | | Total | |
| | not due | until 90 days | > 90 days | 2020 | 2019 |
| **Current** | | | | | |
| **Consumer classes** | | | | | |
| Residential | 1,012,623 | 591,899 | 78,832 | 1,683,354 | 1,560,630 |
| Industrial | 195,807 | 54,910 | 104,428 | 355,145 | 504,078 |
| Commercial | 262,204 | 80,522 | 32,098 | 374,824 | 498,499 |
| Rural | 97,929 | 29,048 | 13,084 | 140,061 | 149,864 |
| Public administration | 57,080 | 9,391 | 8,394 | 74,865 | 119,389 |
| Public lighting | 76,498 | 4,532 | 3,872 | 84,902 | 79,373 |
| Public utilities | 51,292 | 27,088 | 14,783 | 93,163 | 124,655 |
| **Billed** | **1,753,433** | **797,390** | **255,491** | **2,806,314** | **3,036,488** |
| Unbilled | 1,554,563 | - | - | 1,554,563 | 1,230,883 |
| Financing of consumers' debts | 253,962 | 43,070 | 33,497 | 330,529 | 247,431 |
| CCEE transactions | 377,053 | 3 | 34,662 | 411,718 | 350,354 |
| Concessionaires and licensees | 371,394 | 8,640 | 11,367 | 391,401 | 403,628 |
| Others | 56,365 | - | - | 56,365 | 50,191 |
| | **4,366,771** | **849,103** | **335,017** | **5,550,890** | **5,318,975** |
| Allowance for doubtful accounts | | | | (344,037) | (333,396) |
| **Total** | | | | **5,206,854** | **4,985,578** |
| | | | | | |
| **Noncurrent** | | | | | |
| Financing of consumers' debts | 193,088 | - | - | 193,088 | 179,045 |
| Free market energy | 6,925 | - | - | 6,925 | 6,739 |
| CCEE transactions | - | 23,167 | 605,134 | 628,301 | 527,284 |
| **Total** | **200,013** | **23,167** | **605,134** | **828,314** | **713,068** |

**Financing of Consumers' Debts -** Refers to the negotiation of overdue credits with consumers of the residential, commercial, industrial, rural, and public administration classes. The rules for payment in installments comply with CPFL's internal policies.

**Electric Energy Commercialization Chamber (CCEE) transactions -** The amounts refer to the sale of electric energy on the spot market. The noncurrent amounts mainly comprise: (i) adjustments of entries made by the CCEE in response to certain legal decisions (preliminary decisions) in the accounting processes for the period from September 2000 to December 2002; (ii) provisional accounting entries established by the CCEE; and (iii) opening balances due to the CCEE temporary situation in function of injunctions from generating companies due to the hydrological scenario and its financial impacts over free market. The subsidiaries consider that there is no significant risk on the realization of these assets and consequently no allowance was recognized for these transactions.

**Concessionaires and licensees** - Refer basically to receivables for the supply of electric energy to other concessionaires and licensees, mainly by the subsidiaries CPFL Brasil and CPFL Renováveis.

**Allowance for doubtful accounts**

The allowance for doubtful debts is set up based on the expected credit loss (ECL), adopting the simplified method of recognizing, based on the history and future probability of default. The allowance methodology is detailed in note 35.(e).

Movements in the allowance for doubtful accounts are shown below:

| | Consumers, concessionaires and licensees | Other assets (note 2) | Total |
|---|---|---|---|
| **At December 31, 2018** | **(300,601)** | **(28,698)** | **(329,299)** |
| Allowance - reversal (recognition) | (433,224) | (320) | (433,543) |
| Recovery of revenue | 200,046 | 73 | 200,119 |
| Write-off of accrued receivables | 200,382 | (73) | 200,309 |
| **At December 31, 2019** | **(333,396)** | **(29,019)** | **(362,415)** |
| Allowance - reversal (recognition) | (414,076) | 188 | (413,888) |
| Recovery of revenue | 186,384 | 166 | 186,550 |
| Write-off of accrued receivables | 217,051 | (166) | 216,885 |
| **At December 31, 2020** | **(344,037)** | **(28,831)** | **(372,868)** |

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 35.e.

## ( 8 ) TAXES RECOVERABLE

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Current | | | | |
| Prepayments of social contribution – CSLL | - | - | 1,705 | 5,088 |
| Prepayments of income tax - IRPJ | - | - | 2,911 | 12,522 |
| Income tax and social contribution to be offset | 3,464 | 78 | 83,163 | 70,088 |
| **Income tax and social contribution to be offset** | **3,464** | **78** | **87,779** | **87,698** |
| Withholding income tax - IRRF on interest on capital | 1,414 | 40,099 | 1,414 | 40,432 |
| Withholding income tax - IRRF | 3,186 | 18,847 | 97,507 | 80,499 |
| State VAT - ICMS to be offset | - | - | 153,576 | 144,415 |
| Social Integration Program - PIS | - | - | 15,921 | 10,958 |
| Contribution for Social Security Funding - COFINS | - | - | 62,176 | 51,084 |
| Other | - | - | 6,672 | 4,039 |
| **Other taxes to be offset** | **4,600** | **58,947** | **337,266** | **331,428** |
| **Total current** | **8,064** | **59,025** | **425,045** | **419,126** |
| Noncurrent | | | | |
| Social contribution to be offset - CSLL | - | - | 680 | 65,589 |
| Income tax to be offset - IRPJ | - | - | 34,735 | 35,939 |
| **Income tax and social contribution to be offset** | **-** | **-** | **35,415** | **101,528** |
| State VAT - ICMS to be offset | - | - | 208,066 | 191,523 |
| Social Integration Program - PIS | - | - | 28,561 | 30,987 |
| Contribution for Social Security Funding - COFINS | - | - | 128,152 | 142,779 |
| Other | - | - | 4,201 | 5,306 |
| **Other taxes to be offset** | **-** | **-** | **368,979** | **370,595** |
| **Total noncurrent** | **-** | **-** | **404,394** | **472,123** |

**Withholding income tax - IRRF** – Relates mainly to IRRF on financial investments.

**Social contribution to be offset – CSLL** – In noncurrent in 2019, it refers basically to the final unappealable favorable decision in a lawsuit filed by the subsidiary CPFL Paulista. These amounts were offset in 2020, and there is no more balance recoverable related to such lawsuit.

**State VAT - ICMS to be offset –** In noncurrent, it refers mainly to the credit recorded on purchase of assets that results in the recognition of property, plant and equipment, intangible assets and financial assets.

**Exclusion of ICMS from the PIS and COFINS tax base**

Some subsidiaries of CPFL Energia are parties to several pending lawsuits involving the Brazilian Federal Government, discussing the exclusion of ICMS from the PIS and COFINS tax base, as well as the right to receive refund for amounts previously paid. In 2019, subsidiary CPFL Santa Cruz (with respect to the original lawsuits filed by four grouped companies: CPFL Leste Paulista, CPFL Sul Paulista, CPFL Jaguari, and CPFL Mococa) was granted a favorable final and unappealable court decision. As a result, the subsidiary recognized a tax credit of R$ 166,870, using the calculation method in accordance with the Brazilian Federal Revenue Guidance No.13/2018.

Based on legal opinions, the Group understands that the amounts received by its distribution subsidiaries as tax credits after the issuance of the final and unappealable court decision should be refunded to consumers as soon as the Brazilian Federal Revenue approves these offsets of credits, limited to the 10-years expiration period. In 2019, the subsidiary recorded a liability related to the need to refund the tax credits, considering such period.

Therefore, for the period ended December 31, 2020, CPFL Santa Cruz recorded an asset of R$ 150,631 in the item “Other taxes to be offset”, against a liability of R$ 134,635 was recorded in liabilities, under “Other payables – consumers and concessionaires” (note 24), of which R$ 20,151 has already been offset by the subsidiary throughout the year. In addition, no registration was made in the other subsidiaries, as they await final decisions on their respective processes.

On February 9, 2021, the subsidiary RGE was judged by the Federal Regional Court of the 4th region, favorable decision in a judicial process in which the right to not include ICMS amounts was recognized in the PIS and COFINS calculation basis, as well as to recover the amounts previously collected. The Company estimates the amount to be recovered at approximately R $ 1.8 billion (based on the Federal Revenue Directive 13/2018) and is evaluating the amounts to be reimbursed to consumers in accordance with legal and regulatory aspects, as well as the respective accounting and financial impacts of said decision, together with its legal advisors.

## ( 9 ) SECTOR FINANCIAL ASSET AND LIABILITY

The breakdown of the balances of sector financial asset and liability and the movement for the year are as follows:

| | Consolidated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At December 31, 2019 | | | Operating revenue (note 27) | | Financial income or expenses (note 30) | | At December 31, 2020 | | |
| | Deferred | Approved | Total | Constitution | Through billing | Monetary adjustment | COVID Account | Deferred | Approved | Total |
| **Parcel "A"** | **891,247** | **497,977** | **1,389,225** | **1,605,064** | **(831,722)** | **23,292** | **(1,213,167)** | **846,468** | **126,225** | **972,694** |
| CVA (*) | | | | | | | | | | |
| CDE (**) | 1,277 | 118,083 | 119,360 | 218,448 | (251,842) | 6,452 | 2,090 | (1,397) | 95,905 | 94,508 |
| Electric energy cost | 294,291 | 180,446 | 474,737 | (1,040,703) | (46,237) | (2,077) | 315,513 | (14,381) | (284,385) | (298,765) |
| ESS and EER (***) | (341,381) | (301,275) | (642,656) | (156,268) | 555,821 | (14,622) | 281,094 | 217,177 | (193,807) | 23,370 |
| Proinfa | 881 | 23,361 | 24,242 | (46,157) | (3,447) | (614) | (760) | (4,146) | (22,590) | (26,736) |
| Basic network charges | 180,686 | 7,967 | 188,654 | 465,720 | (144,506) | 5,078 | (127,793) | 300,579 | 86,572 | 387,151 |
| Pass-through from Itaipu | 848,587 | 542,747 | 1,391,334 | 1,646,615 | (1,068,509) | 31,714 | (960,327) | 627,066 | 413,761 | 1,040,827 |
| Transmission from Itaipu | 29,275 | 18,763 | 48,038 | 61,777 | (38,662) | 1,104 | (14,764) | 42,186 | 15,307 | 57,493 |
| Neutrality of sector charges | 9,636 | (34,324) | (24,688) | 50,365 | 29,032 | (561) | (179,361) | (141,768) | 16,554 | (125,214) |
| Overcontracting | (132,005) | (57,791) | (189,796) | 405,268 | 136,629 | (3,182) | (528,859) | (178,848) | (1,092) | (179,940) |
| **Other financial components** | **(285,566)** | **(109,885)** | **(395,451)** | **13,267** | **24,835** | **(5,921)** | **(168,738)** | **(440,264)** | **(91,744)** | **(532,008)** |
| **Total** | **605,681** | **388,092** | **993,775** | **1,618,331** | **(806,887)** | **17,371** | **(1,381,905)** | **406,204** | **34,481** | **440,686** |
| Current assets | | | 1,093,588 | | | | | | | 558,884 |
| Noncurrent assets | | | 2,748 | | | | | | | 108,908 |
| Current liabilities | | | - | | | | | | | (41,514) |
| Noncurrent liabilities | | | (102,561) | | | | | | | (185,592) |

(*) Deferred tariff costs and gains variations from Parcel “A” items
(**) Energy Development Account – CDE
(***) System Service Charge (ESS) and Reserve Energy Charge (EER)

**COVID Account Receipt**

In 2020, the distribution subsidiaries received an amount of R$ 1,381,905 from the COVID account, corresponding to the net amount between sector financial assets and liabilities, relating to April to October 2020. This receipt represents the amount declared and approved by ANEEL.

**CVA**

Refers to the variations of the Parcel A account, in accordance with note 3.14. These amounts are adjusted based on the SELIC rate and are compensated in the subsequent tariff processes.

**Neutrality of sector charges**

This refers to the neutrality of the sector charges contained in the electric energy tariffs, calculating the monthly differences between the revenue related to such charges and the respective amounts considered at the time the distributors' tariff was set.

**Overcontracting**

Electric energy distribution concessionaires are required to guarantee 100% of their energy market through contracts approved, registered and ratified by ANEEL. It is also assured to the distribution concessionaires that costs or revenues derived from energy surplus will be passed through the tariffs, limited to 5% of the energy load requirement. These amounts are adjusted based on SELIC rate and are compensated in the subsequent tariff processes.

**Other financial components**

Refers mainly to: (i) excess demand and excess reactive power that, will be amortized upon the approval of the periodic tariff review cycles; (ii) recalculations of the tariff processes and (iii) tariff effect arising from the bilateral agreement between the parties signatories of the Power Trading Chamber in the Regulated Environment – CCEAR, and (iv) financial guarantees for energy contracts.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 10 ) DEFERRED TAX ASSETS AND LIABILITIES

### 10.1 Breakdown of tax assets and liabilities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| **Social contribution credit/(debit)** | | | | |
| Tax losses carryforwards | 6,101 | 22,174 | 196,979 | 124,852 |
| Tax benefit of merged intangible | - | - | 81,733 | 89,511 |
| Temporarily nondeductible/taxable differences | (156) | 553 | (331,326) | (218,616) |
| **Subtotal** | **5,945** | **22,727** | **(52,614)** | **(4,254)** |
| **Income tax credit / (debit)** | | | | |
| Tax losses carryforwards | 19,567 | 61,209 | 550,159 | 345,462 |
| Tax benefit of merged intangible | - | - | 262,643 | 288,754 |
| Temporarily nondeductible/taxable differences | (432) | 1,537 | (918,139) | (602,934) |
| **Subtotal** | **19,135** | **62,747** | **(105,339)** | **31,282** |
| **PIS and COFINS credit/(debit)** | | | | |
| Temporarily nondeductible/taxable differences | - | - | (23,985) | (10,380) |
| **Total** | **25,080** | **85,474** | **(181,938)** | **16,647** |
| Total tax credit | 25,080 | 85,474 | 585,869 | 1,064,716 |
| Total tax debit | - | - | (767,807) | (1,048,069) |

The expected recovery of the deferred tax assets arising from nondeductible temporary differences, tax benefit of merged intangible and income tax and social contribution losses, is based on the projections of future profits.

### 10.2 Tax benefit of merged intangible asset

Refers to the tax benefit calculated on the intangible assets derived from the acquisition of subsidiaries, as shown in the following table, which were merged and are recognized in accordance with the concepts of CVM Instructions No. 319/1999 and No. 349/2001 and ICPC 09 (R2) - Individual Financial Statements, Separate Financial Statements, Consolidated financial statements and Application of the Equity Method. The benefit is being realized in proportion to the tax amortization of the merged intangible assets that originated them as per CPC 27 and CPC 04 (R1) - Clarification of acceptable methods of depreciation and amortization, over the remaining concession period, as shown in note 15.

| | Consolidated | | | |
|---|---|---|---|---|
| | December 31, 2020 | | December 31, 2019 | |
| | Social contribution | Income tax | Social contribution | Income tax |
| CPFL Paulista | 31,994 | 88,873 | 36,620 | 101,723 |
| CPFL Piratininga | 8,110 | 27,832 | 9,145 | 31,385 |
| RGE | 41,629 | 136,137 | 43,746 | 144,878 |
| CPFL Geração | - | - | - | 10,769 |
| CPFL Renováveis | - | 9,800 | - | - |
| | **81,733** | **262,643** | **89,511** | **288,754** |

### 10.3 Accumulated balances on nondeductible temporary / taxable differences

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2020 | | | December 31, 2019 | | |
| | Social contribution | Income tax | PIS/COFINS | Social contribution | Income tax | PIS/COFINS |
| **Temporarily nondeductible/ taxable differences** | | | | | | |
| Provision for tax, civil and labor risks | 42,961 | 119,337 | - | 41,817 | 116,158 | - |
| Private pension fund | 5,283 | 14,674 | - | 4,006 | 11,127 | - |
| Allowance for doubtful accounts | 33,927 | 94,241 | - | 33,288 | 92,466 | - |
| Free energy supply | 9,861 | 27,390 | - | 9,632 | 26,756 | - |
| Research and development and energy efficiency programs | 23,990 | 66,638 | - | 33,289 | 92,468 | - |
| Personnel-related provisions | 7,066 | 19,629 | - | 6,225 | 17,293 | - |
| Depreciation rate difference | 3,477 | 9,657 | - | 4,097 | 11,380 | - |
| Derivatives | (174,570) | (484,916) | - | (46,344) | (128,733) | - |
| Recognition of concession - adjustment of intangible asset | (4,521) | (12,558) | - | (5,352) | (14,867) | - |
| Recognition of concession - adjustment of financial asset | (206,554) | (579,845) | - | (171,599) | (476,664) | - |
| Actuarial losses | 25,798 | 71,660 | - | 25,567 | 71,020 | - |
| Fair value measurement - Derivatives | (12,634) | (35,094) | - | (8,670) | (24,082) | - |
| Fair value measurement - Debts | 2,661 | 7,389 | - | 9,440 | 26,222 | - |
| Other | (30,131) | (86,764) | (23,985) | (28,477) | (77,238) | (10,380) |
| **Temporarily nondeductible differences - accumulated comprehensive income:** | | | | | | |
| Property, plant and equipment - adjustment of deemed cost | (40,438) | (112,327) | - | (45,568) | (126,578) | - |
| Actuarial losses | 189,514 | 526,429 | - | 137,853 | 382,925 | - |
| Fair value measurement - Derivatives | 1,519 | 4,222 | - | (318) | (883) | - |
| Fair value measurement - Debts | (8,164) | (22,678) | - | (6,638) | (18,439) | - |
| **Temporarily nondeductible differences - business combination** | | | | | | |
| **Deferred taxes - asset:** | | | | | | |
| Provision for tax, civil and labor risks | 10,209 | 28,357 | - | 10,748 | 29,855 | - |
| Fair value of property, plant and equipament (impairment of assets) | 16,965 | 47,125 | - | 18,344 | 50,955 | - |
| Other temporary differences | | | | | | |
| **Deferred taxes - liability:** | | | | | | |
| Value added derived from determination of deemed cost | (18,323) | (50,897) | - | (19,177) | (53,270) | - |
| Intangible asset - exploration right/authorization in indirect subsidiaries acquired | (205,445) | (559,317) | - | (216,651) | (601,809) | - |
| Other temporary differences | (3,778) | (10,494) | - | (4,128) | (8,995) | - |
| **Total** | **(331,326)** | **(918,139)** | **(23,985)** | **(218,616)** | **(602,934)** | **(10,380)** |

### 10.4 Expected period of recovery

The expected period of recovery of the deferred tax assets recorded in noncurrent assets derived from temporarily nondeductible / taxable differences and tax benefit of merged intangible assets is based on the average period of realization of each item included in deferred assets, and tax loss carryforwards are based on the projections of future profits. They are comprised as follows:

| Expectations of Recovery | Consolidated |
|---|---|
| 2021 | 339,973 |
| 2022 | 341,040 |
| 2023 | 256,136 |
| 2024 | 159,835 |
| 2025 | 176,056 |
| 2026 to 2028 | 1,143,480 |
| 2029 to 2031 | 16,732 |
| **Total** | **2,433,253** |

### 10.5 Reconciliation of the income tax and social contribution amounts recognized in the statements of profit or loss for 2020 and 2019:

| | Parent company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Social contribution | Income tax | Social contribution | Income tax |
| **Profit before taxes** | **3,756,287** | **3,756,287** | **2,825,333** | **2,825,333** |
| **Reconciliation to reflect effective rate:** | | | | |
| Equity in subsidiaries, associates and joint ven | (3,816,429) | (3,816,429) | (2,827,718) | (2,827,718) |
| Amortization of intangible asset acquired | (13,528) | - | (13,528) | - |
| Interest on capital income | 265,014 | 265,014 | 345,484 | 345,484 |
| Other permanent additions (exclusions), net | 20,479 | 31,058 | 12,959 | 24,239 |
| **Tax base** | **211,823** | **235,930** | **342,530** | **367,338** |
| Statutory rate | 9% | 25% | 9% | 25% |
| **Tax credit/(debit)** | **(19,064)** | **(58,982)** | **(30,828)** | **(91,834)** |
| Tax credit adjustments | (10,566) | (24,526) | - | - |
| **Total** | **(29,630)** | **(83,508)** | **(30,828)** | **(91,835)** |
| Current | (12,847) | (39,892) | (17,677) | (53,445) |
| Deferred | (16,783) | (43,616) | (13,151) | (38,390) |

| | Consolidated | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Social contribution | Income tax | Social contribution | Income tax |
| **Profit before taxes** | **4,797,341** | **4,797,341** | **3,986,293** | **3,986,293** |
| **Reconciliation to reflect effective rate:** | | | | |
| Equity in subsidiaries | (409,606) | (409,606) | (349,090) | (349,090) |
| Amortization of intangible asset acquired | 48,664 | 62,756 | 48,649 | 62,756 |
| Effect of presumed profit system | (541,420) | (617,379) | (383,968) | (444,168) |
| Adjustment of revenue from excess demand an | 145,446 | 145,446 | 162,438 | 162,438 |
| Other permanent additions (exclusions), net | 165,553 | 134,270 | 103,889 | 50,343 |
| **Tax base** | **4,205,978** | **4,112,828** | **3,568,211** | **3,468,572** |
| Statutory rate | 9% | 25% | 9% | 25% |
| **Tax credit/(debit)** | **(378,538)** | **(1,028,207)** | **(321,139)** | **(867,143)** |
| **Tax credit adjustments** | 82,611 | 235,160 | (12,903) | (29,148) |
| Provision for tax risks | (1,209) | (172) | (2,570) | (5,097) |
| **Total** | **(297,137)** | **(793,219)** | **(336,610)** | **(901,386)** |
| Current | (194,872) | (514,152) | (303,332) | (804,994) |
| Deferred | (102,264) | (279,066) | (33,279) | (96,392) |

**Amortization of intangible asset acquired –** Refers to the permanent nondeductible portion of amortization of intangible assets derived from the acquisition of investees. In the parent company, these amounts are classified in the line item of equity in subsidiaries, in conformity with ICPC 09 (R2) (note 13).

**Tax credit adjustments-** the recognized tax credit refers to the amount of tax credit on tax loss carryforwards recorded as a result of review of projections of future profits. The unrecognized tax credit refers to losses generated for which currently is not probable that enough future taxable profits will be generated to absorb them.

Deferred income tax and social contribution income recognized in profit or loss of R$ 381,330 (expense of R$ 129,671 in 2019) mainly refers to (i) tax loss carryforwards (income of R$ 276,824 in 2020 and expense of R$ 49,703 in 2019); (ii) tax benefit of the merged goodwill (expense of R$ 33,889 in 2020 and R$ 45,257 in 2019) and (iii) temporary differences (expense of R$ 624,265 in 2020 mainly related to derivatives and R $ 34,711 in 2019).

### 10.6 Deferred income tax and social contribution recognized directly in equity

The deferred income tax and social contribution recognized directly in equity (other comprehensive income) in 2020 and 2019 were as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Social Contribution | Income tax | Social Contribution | Income tax |
| Actuarial losses (gains) | 667,862 | 667,862 | 1,122,747 | 1,122,747 |
| Limits on the asset ceiling | (73,037) | (73,037) | 44,058 | 44,058 |
| **Basis of calculation** | **594,825** | **594,825** | **1,166,805** | **1,166,805** |
| Statutory rate | 9% | 25% | 9% | 25% |
| **Calculated taxes** | **(53,534)** | **(148,706)** | **(105,012)** | **(291,701)** |
| Limitation on recognition (reversal) of tax credits | 1,630 | 5,200 | 25,229 | 70,079 |
| **Taxes recognized in other comprehensive income** | **(51,904)** | **(143,506)** | **(79,783)** | **(221,621)** |
| Credit risk fair value measurement of financial liabilities | 4,915 | 4,915 | 1,662 | 1,662 |
| Deemed cost of property, plant and equipment | 38,707 | 38,707 | 38,897 | 38,897 |
| **Subtotal** | 43,622 | 43,622 | 40,559 | 40,559 |
| Statutory rate | 9% | 25% | 9% | 25% |
| **Calculated taxes** | **(3,926)** | **(10,906)** | **(3,650)** | **(10,140)** |
| **Total taxes recognized in other comprehensive income** | **(55,830)** | **(154,412)** | **(83,434)** | **(231,760)** |

### 10.7 Unrecognized tax credits

As of December 31, 2020, the parent company has tax credits on tax loss carryforwards that were not recognized amounting to R$ 111,678 since at present there is no reasonable assurance of the generation of future taxable profits. This amount can be recognized in the future, according to the annual reviews of taxable profit projections.

Some subsidiaries have also income tax and social contribution credits on tax loss carryforwards that were not recognized because currently rather is no reasonable assurance that enough future taxable profits will be generated to absorb them. At December 31, 2020, the main subsidiaries that have such income tax and social contribution credits are CPFL Renováveis (R$ 576,370), Sul Geradora (R$ 72,781), CPFL Telecom (R$ 32,993), CPFL Eficiência Energética (R$ 1,549), Jaguari Geração (R$ 2,467), CPFL Meridional R$ 178 and CPFL Cone Sul R$ 260. These tax losses can be carried forward indefinitely.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 11 ) CONCESSION FINANCIAL ASSET

| | Consolidated |
|---|---|
| **At December 31, 2018** | **7,430,149** |
| Noncurrent | 7,430,149 |
| Transfer - contract asset | 1,090,393 |
| Transfer - intangible asset | (3,502) |
| Fair value adjustment | 296,037 |
| Disposals | (33,361) |
| **At December 31, 2019** | **8,779,717** |
| Noncurrent | 8,779,717 |
| Transfer - contract asset | 1,211,176 |
| Transfer - intangible asset | (3,189) |
| Fair value adjustment | 405,942 |
| Disposals | (46,078) |
| **At December 31, 2020** | **10,347,567** |
| Noncurrent | 10,347,567 |

The amount refers to the financial asset corresponding to the right established in the concession agreements of the energy distributors to receive cash by compensation upon the return of the assets to the granting authority at the end of the concession, measured at fair value.

According to the current tariff model, the remuneration for this asset is recognized in profit or loss upon billing to consumers and the realization occurs upon receipt of the electric energy bills. Moreover, the difference to adjust the balance at fair value (new replacement value – "VNR" – note 4) is recognized as a balancing item to the operating income account (note 27) in the statement of profit or loss for the year.

At 2020, the balance of write-offs of R$ 46,078 (R$ 33,361 at 2019) refers to the write-off of the adjustment related to the asset in the amount of R$ 17,548 (R$ 15,404 at 2019) and the write-off of the asset of R$ 28,531 (R$ 17,957 at 2019).

## ( 12 ) OTHER ASSETS

| | Consolidated | | | |
|---|---|---|---|---|
| | Current | | Noncurrent | |
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Advances - Fundação CESP | 8,621 | 13,562 | 6,797 | 6,797 |
| Advances to suppliers | 123,325 | 43,587 | - | - |
| Pledges, funds and restricted deposits | 1,592 | 1,431 | 13,994 | 569,733 |
| Orders in progress | 307,042 | 130,954 | 10,813 | 9,448 |
| Services rendered to third parties | 17,747 | 23,388 | - | - |
| Energy pre-purchase agreements | - | - | 7,751 | 10,432 |
| Prepaid expenses | 83,542 | 76,756 | 10,860 | 4,608 |
| GSF renegotiation | - | 6,488 | - | - |
| Receivables - CDE | 142,403 | 147,470 | - | - |
| Advances to employees | 22,674 | 20,640 | - | - |
| Others | 205,709 | 141,353 | 121,924 | 135,000 |
| (-) Allowance for doubtful debts (note 7) | (28,831) | (29,019) | - | - |
| **Total** | **883,824** | **576,610** | **172,140** | **736,019** |

**Pledges, funds and restricted deposits:** refer to guarantees offered for transactions conducted in the CCEE and investments required by the subsidiaries' loans agreements.

**Orders in progress:** encompass costs and revenues related to ongoing decommissioning or disposal of intangible assets and the service costs related to expenditure on projects in progress under the Energy

Efficiency ("PEE") and Research and Development programs ("P&D"). Upon the closing of the respective projects, the balances are amortized against the respective liability recognized in Other Payables (note 24).

**Receivables – CDE:** refer to: (i) low-income subsidies amounting to R$ 26,663 (R$ 16,944 at December 31, 2019), (ii) other tariff discounts granted to consumers amounting to R$ 115,740 (R$ 130,516 at December 31, 2019), and (iii) tariff discounts – court injunctions amounting to R$ 9 at December 31, 2019).

## ( 13 ) INVESTMENTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Equity method | | | | |
| By equity method of the subsidiary and joint venture | 11,594,504 | 11,741,300 | 1,007,016 | 988,516 |
| Advances for future capital increases | 1,092,000 | 14,160 | - | - |
| **Subtotal** | 12,686,504 | 11,755,460 | 1,007,016 | 988,516 |
| Fair value of assets, net | 490,146 | 565,617 | 8,902 | 9,481 |
| Goodwill | 6,054 | 6,054 | - | - |
| **Total** | **13,182,704** | **12,327,132** | **1,015,918** | **997,997** |

At December 31, 2020, the advance for future capital increase refers to advances basically to the subsidiary CPFL Geração. At December 31, 2019, mainly to the subsidiary CPFL Eficiência.

### 13.1 Equity interests – equity method

The main information on investments in direct equity interests is as follows:

| | December 31, 2020 | | | | December 31, 2020 | December 31, 2019 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|---|
| **Investment** | **Total assets** | **Issued capital** | **Equity** | **Profit or loss for the period** | **Share of equity of investees** | | **Share of profit (loss) of investees** | |
| CPFL Paulista | 12,452,644 | 1,325,848 | 839,291 | 971,969 | 839,291 | 1,522,421 | 971,969 | 837,604 |
| CPFL Piratininga | 4,740,640 | 253,909 | 188,193 | 373,487 | 188,193 | 564,024 | 373,487 | 281,634 |
| CPFL Santa Cruz | 1,826,815 | 170,413 | 529,951 | 90,427 | 529,951 | 465,625 | 90,427 | 101,228 |
| RGE | 12,195,566 | 2,820,677 | 3,578,351 | 675,483 | 3,128,857 | 3,489,745 | 616,097 | 559,783 |
| CPFL Geração | 6,178,825 | 935,783 | 4,558,486 | 1,198,337 | 4,558,486 | 3,068,752 | 1,198,337 | 862,726 |
| CPFL Renováveis | 10,657,129 | 4,032,292 | 5,864,402 | 792,496 | 2,882,354 | 2,125,023 | 391,359 | 52,388 |
| CPFL Jaguari Geração | 67,886 | 40,108 | 56,775 | 11,313 | 56,775 | 58,310 | 11,313 | 9,849 |
| CPFL Brasil | 1,312,443 | 3,000 | 89,871 | 133,423 | 89,871 | 86,651 | 133,423 | 109,090 |
| CPFL Planalto | 5,314 | 630 | 4,926 | 4,582 | 4,926 | 6,466 | 4,582 | 4,022 |
| CPFL Serviços | 340,164 | 150,929 | 183,179 | 28,849 | 183,179 | 131,181 | 28,849 | 13,445 |
| CPFL Atende | 22,946 | 5,991 | 12,211 | 11,501 | 12,211 | 24,296 | 11,501 | 11,266 |
| CPFL Infra | 12,044 | 38 | 598 | 553 | 598 | 14,025 | 553 | 17,643 |
| CPFL Pessoas | 9,084 | 811 | 5,183 | 8,410 | 5,183 | 4,517 | 8,410 | 2,047 |
| CPFL Finanças | 14,416 | 385 | 8,047 | 14,085 | 8,047 | 5,566 | 14,085 | 3,982 |
| CPFL Supre | 6,625 | 826 | 3,652 | 4,861 | 3,652 | 3,267 | 4,861 | 1,232 |
| CPFL Total | 41,541 | 9,005 | 30,830 | 27,821 | - | 35,348 | 25,542 | 25,665 |
| CPFL Telecom | 3,617 | 1,928 | 3,231 | (957) | 3,231 | 4,188 | (957) | 113 |
| CPFL Centrais Geradoras | - | - | - | (214) | - | 16,020 | (214) | 22 |
| CPFL Eficiência | 148,973 | 90,234 | 133,786 | 5,418 | 133,786 | 118,189 | 5,418 | (3,835) |
| AUTHI | 23,324 | 10 | 12,425 | 579 | 12,425 | 11,846 | 579 | 11,836 |
| CPFL Alesta | 45,598 | 38,126 | 45,490 | 2,279 | 45,490 | - | 2,279 | - |
| **Subtotal - by subsidiary's equity** | | | | | **12,686,504** | **11,755,460** | **3,891,900** | **2,901,740** |
| Amortization of fair value adjustment of assets | | | | | - | - | (75,471) | (74,023) |
| **Total** | | | | | **12,686,504** | **11,755,460** | **3,816,429** | **2,827,718** |
| | | | | | | | | |
| Investment | | | | | 11,594,504 | 11,741,300 | | |
| Advances for future capital increases | | | | | 1,092,000 | 14,160 | | |

Asset surplus (value added) of net assets acquired in business combinations are classified in the parent's statement of profit or loss in the group of Investments. In the parent company's statement of profit or loss, the amortization of the asset surplus (value added) of net assets of R$ 75,471 (R$ 74,023 at December 2019) is classified in line item "share of profit (loss) of investees", in conformity with ICPC 09 (R2).

The movements, in the parent company, of the balances of investments in subsidiaries for years of 2020 and 2019 are as follows:

| Investment | Investment at December 31, 2019 | Capital increase/ payment of capital | Share of profit (loss) of investees | Other comprehensive income | Corporate restructuring (note 13.5 and 13.6) | Dividend and Interest on capital | Advances for future capital increases | Investment at December 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| CPFL Paulista | 1,522,421 | - | 971,969 | (280,063) | - | (1,375,035) | - | 839,291 |
| CPFL Piratininga | 564,024 | - | 373,487 | (99,910) | - | (649,409) | - | 188,193 |
| CPFL Santa Cruz | 465,625 | - | 90,427 | (168) | - | (25,933) | - | 529,951 |
| RGE | 3,489,745 | - | 616,097 | (1,132) | - | (975,853) | - | 3,128,857 |
| CPFL Geração | 3,068,752 | - | 1,198,337 | 76,951 | (564,118) | (308,437) | 1,087,000 | 4,558,486 |
| CPFL Renováveis | 2,125,023 | - | 391,359 | (98,158) | 579,924 | (115,796) | - | 2,882,354 |
| CPFL Jaguari Geração | 58,310 | - | 11,313 | - | - | (12,848) | - | 56,775 |
| CPFL Brasil | 86,651 | - | 133,423 | (1,559) | - | (128,645) | - | 89,871 |
| CPFL Planalto | 6,466 | - | 4,582 | - | - | (6,122) | - | 4,926 |
| CPFL Serviços | 131,181 | 30,000 | 28,849 | - | - | (6,852) | - | 183,179 |
| CPFL Atende | 24,296 | (8,000) | 11,501 | - | - | (15,586) | - | 12,211 |
| CPFL Infra | 14,025 | - | 553 | - | - | (13,980) | - | 598 |
| CPFL Pessoas | 4,517 | - | 8,410 | - | - | (7,744) | - | 5,183 |
| CPFL Finanças | 5,566 | - | 14,085 | - | - | (11,605) | - | 8,047 |
| CPFL Supri | 3,267 | - | 4,861 | - | - | (4,476) | - | 3,652 |
| CPFL Total | 35,348 | | 25,542 | - | (35,225) | (25,665) | - | - |
| CPFL Telecom | 4,188 | - | (957) | - | - | - | - | 3,231 |
| CPFL Centrais Geradoras | 16,020 | | (214) | - | (15,806) | - | - | - |
| CPFL Eficiência | 118,189 | 14,160 | 5,418 | - | - | 5,179 | (9,160) | 133,786 |
| AUTHI | 11,846 | - | 579 | - | - | - | - | 12,425 |
| CPFL Alesta | - | 8,094 | 2,279 | - | 35,225 | (108) | - | 45,490 |
| | 11,755,460 | 44,254 | 3,891,900 | (404,039) | - | (3,678,915) | 1,077,840 | 12,686,504 |

In October 2020, the Company made an advance for a future capital increase at CPFL Geração of R$ 1,087,000 as part of the debt prepayment plan.

| Investment | Investment at December 31, 2018 | Capital increase/ payment of capital | Share of profit (loss) of investees | Other comprehensive income | Dividend and Interest on capital | Advances for future capital increases | Others | | Investment at December 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| CPFL Paulista | 1,910,866 | - | 837,604 | (609,470) | (616,579) | - | - | | 1,522,421 |
| CPFL Piratininga | 516,235 | - | 281,634 | (160,197) | (73,647) | - | - | | 564,024 |
| CPFL Santa Cruz | 392,040 | - | 101,228 | 28 | (27,671) | - | - | | 465,625 |
| RGE Sul (RGE) | 3,286,587 | - | 559,783 | (68,062) | (288,563) | - | - | | 3,489,745 |
| CPFL Geração | 2,625,465 | - | 862,726 | (19,373) | (324,769) | - | (75,298) | (1) | 3,068,752 |
| CPFL Renováveis | - | - | 52,388 | - | - | - | 2,072,635 | (2) | 2,125,023 |
| CPFL Jaguari Geração | 58,656 | - | 9,849 | - | (10,194) | - | - | | 58,310 |
| CPFL Brasil | 72,680 | - | 109,090 | (9,425) | (85,693) | - | - | | 86,651 |
| CPFL Planalto | 2,444 | - | 4,022 | - | - | - | - | | 6,466 |
| CPFL Serviços | 120,929 | 39,900 | 13,445 | - | (3,193) | (39,900) | - | | 131,181 |
| CPFL Atende | 19,363 | - | 11,266 | - | (6,334) | - | - | | 24,296 |
| CPFL Infra | 16,558 | - | 17,643 | - | (14,087) | - | (6,089) | (3) | 14,025 |
| CPFL Pessoas | - | - | 2,047 | - | - | - | 2,470 | (3) | 4,517 |
| CPFL Finanças | - | - | 3,982 | - | - | - | 1,584 | (3) | 5,566 |
| CPFL Supre | - | - | 1,232 | - | - | - | 2,035 | (3) | 3,267 |
| CPFL Total | 19,953 | - | 25,665 | - | (10,270) | - | - | | 35,348 |
| CPFL Telecom | 5,465 | 95 | 113 | - | (1,389) | (95) | - | | 4,188 |
| CPFL Centrais Geradoras | 15,998 | - | 22 | - | - | - | - | | 16,020 |
| CPFL Eficiência | 85,744 | 42,400 | (3,835) | - | 22,120 | (28,240) | - | | 118,189 |
| AUTHI | 21,463 | - | 11,836 | | (21,453) | | - | | 11,846 |
| | 9,170,444 | 82,395 | 2,901,740 | (866,498) | (1,461,722) | (68,235) | 1,997,337 | | 11,755,460 |

(1) Decrease in equity interest without change of control, relating to capital increase through capitalization of Advance for Future Capital Increase (AFCI) by subsidiary CPFL Geração at subsidiary CPFL Renováveis in the first half of 2019. For being a transaction between owners, it was recorded with a balancing item in equity.;

(2) Acquisition, by the Company, of additional equity interest od 46.76% of the subsidiary CPFL Renováveis;

(3) Corporate reorganization.

In the consolidated, the investment balances refer to interests in joint ventures accounted for using the equity method:

| Investments in joint ventures | December 31, 2020 | December 31, 2019 | 2020 | 2019 |
|---|---|---|---|---|
| | Share of equity | | Share of profit (loss) | |
| Baesa | 170,166 | 156,185 | 36,531 | 750 |
| Enercan | 279,064 | 207,868 | 200,432 | 123,240 |
| Chapecoense | 319,723 | 381,219 | 127,599 | 140,949 |
| EPASA | 238,062 | 243,244 | 45,623 | 84,730 |
| Fair value adjustments of assets,net | 8,902 | 9,481 | (579) | (579) |
| | 1,015,918 | 997,997 | 409,606 | 349,090 |

For the year ended December 31, 2020, considering that the joint ventures Baesa and Enercan have already fully waived any lawsuits related to the GSF in the courts, in compliance with Law No.14,052/20, the Group recognized in the equity income result a total amount of R$ 84,930, net of taxes, in the statement of profit or loss, related to the extension of the concession periods, which will become effective after approval by ANEEL. In 2020, the amount was recorded in assets because these companies had previously decided on the renegotiation in 2015 and do not have any relevant economic decisions to be made for receiving the extension. For more information, see notes 3.6 and 16.2.

### 13.2 Fair value adjustments and goodwill

Fair value adjustments refer basically to the right to the concession acquired through business combinations. The goodwill refers basically to acquisitions of investments and is based on projections of future profits.

In the financial statements, these amounts are classified as Intangible Assets (note 15).

### 13.3 Dividends and interest on capital receivable

At December 31, 2020 and 2019, the Company has the following amounts receivable from the subsidiaries below, relating to dividends and interest on capital:

| | Parent company | | | | | |
|---|---|---|---|---|---|---|
| | Dividends | | Interest on capital | | Total | |
| Subsidiary | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| CPFL Paulista | 142,692 | 504,789 | 88,151 | 115,928 | 230,843 | 620,717 |
| CPFL Piratininga | 320,186 | 32,172 | 28,191 | 35,254 | 348,377 | 67,426 |
| CPFL Santa Cruz | 3,337 | 3,473 | 19,206 | 39,728 | 22,543 | 43,201 |
| RGE | 145,362 | - | - | - | 145,362 | - |
| CPFL Geração | 205,120 | - | 87,820 | 53,937 | 292,940 | 53,937 |
| CPFL Centrais Geradoras | - | 815 | - | - | - | 815 |
| Jaguari de Geração | 11,042 | 10,194 | - | - | 11,042 | 10,194 |
| CPFL Brasil | - | - | 1,315 | 1,200 | 1,315 | 1,200 |
| CPFL Serviços | 6,852 | 3,193 | - | - | 6,852 | 3,193 |
| CPFL Atende | - | - | 580 | 343 | 580 | 343 |
| CPFL Infra | 4,000 | - | - | - | 4,000 | - |
| CPFL Eficiência | - | 2,630 | - | 2,550 | - | 5,179 |
| AUTHI | 10,000 | 10,000 | - | - | 10,000 | 10,000 |
| CPFL Renováveis | 92,509 | - | - | - | 92,509 | - |
| CPFL Alesta | 108 | - | - | - | 108 | - |
| | 941,208 | 567,266 | 225,263 | 248,940 | 1,166,469 | 816,205 |

The consolidated balance includes dividends and interest on capital receivable amounting to R$ 80,647at December 31, 2020 and R$ 100,297 at December 31, 2019 related basically to joint ventures.

After resolutions of the AGMs/EGMs of its subsidiaries, the Company recognized in 2020 R$ 1,278,204 relating to dividends and interest on capital for 2019. In addition, the subsidiaries declared in 2020 (i) R$ 1,481,208 relating to interim dividends on the interim results for 2020, (ii) interest on capital on the results for 2020 of R$ 225,262 and (iii) R$ 653,883 relating to minimum mandatory dividend for 2020.

From the amounts recognized as receivables, R$ 3,288,899 were paid to the Company by subsidiaries in 2020.

### 13.4 Noncontrolling interests and joint ventures

The disclosure of interests in subsidiaries, in accordance with IFRS 12 and CPC 45, is as follows:

### 13.4.1 Movements in noncontrolling interests

| | CERAN | CPFL Renováveis | Paulista Lajeado | Total |
|---|---|---|---|---|
| **At December 31, 2018** | **76,448** | **2,112,693** | **80,493** | **2,269,634** |
| **Equity interest and voting capital** | 35.00% | 48.40% | 40.07% | |
| Equity attributable to noncontrolling interests | 36,914 | 950 | 7,762 | 45,625 |
| Gain (loss) on interest with no change in control | - | 75,298 | - | 75,298 |
| Acquisition of noncontrolling interest | | (2,072,635) | - | (2,072,636) |
| Dividends | (9,228) | (11,895) | (7,986) | (29,109) |
| Other movements | - | 122 | (77) | 45 |
| **At December 31, 2019** | **104,134** | **104,532** | **80,191** | **288,856** |
| **Equity Interests and voting capital** | 35.00% | 0.06% | 40.07% | |
| Equity attributable to noncontrolling interests | 41,383 | 13,510 | 8,944 | 63,837 |
| Gain (loss) on interest with no change in control | - | 4,079 | - | 4,079 |
| Dividends | (38,032) | (16,410) | (2,223) | (56,665) |
| Other movements | - | (58) | (48) | (105) |
| **At December 31, 2020** | **107,485** | **105,653** | **86,864** | **300,001** |
| **Equity Interests and voting capital** | 35.00% | 0.00% | 40.07% | |

### 13.4.2 Summarized financial information on subsidiaries that have noncontrolling interests

The summarized financial information on subsidiaries that have noncontrolling interests at December 31, 2020 and 2019, is as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | CERAN | CPFL Renováveis | Paulista Lajeado | CERAN | CPFL Renováveis | Paulista Lajeado |
| Current assets | 48,362 | 1,470,489 | 26,472 | 78,836 | 1,312,372 | 19,734 |
| Cash and cash equivalents | 14,580 | 326,991 | 18,458 | 33,140 | 412,579 | 9,564 |
| Noncurrent assets | 755,415 | 10,798,816 | 151,258 | 751,546 | 10,496,351 | 141,185 |
| Current liabilities | 237,318 | 3,396,333 | 37,039 | 215,198 | 1,545,741 | 35,374 |
| Borrowings and debentures | 105,718 | 280,309 | - | 106,128 | 617,030 | - |
| Intragroup loan | - | 2,084,052 | - | - | - | - |
| Other financial liabilities | 13,560 | 36,969 | 297 | 13,256 | 430,257 | 250 |
| Noncurrent liabilities | 259,359 | 2,902,917 | 792 | 317,660 | 5,616,562 | 782 |
| Borrowings and debentures | 105,531 | 1,807,460 | - | 211,051 | 4,387,676 | - |
| Other financial liabilities | 112,055 | - | - | 91,181 | - | - |
| Equity | 307,100 | 5,970,055 | 139,899 | 297,523 | 4,646,421 | 124,763 |
| Equity attributable to owners of the Company | 307,100 | 5,864,403 | 139,899 | 297,523 | 4,544,434 | 124,763 |
| Equity attributable to noncontrolling interests | - | 105,653 | - | - | 101,987 | - |

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | CERAN | CPFL Renováveis | Paulista Lajeado | CERAN | CPFL Renováveis | Paulista Lajeado |
| Net operating revenue | 291,163 | 2,198,696 | 40,301 | 339,041 | 1,928,011 | 42,206 |
| Operacional costs and expenses | (29,972) | (776,897) | (21,726) | (102,685) | (724,479) | (25,225) |
| Depreciation and amortization | (42,463) | (599,145) | (2) | (43,033) | (645,722) | (4) |
| Interest income | 2,188 | 34,918 | 388 | 4,821 | 73,216 | 679 |
| Interest expense | (43,322) | (293,272) | - | (39,623) | (420,775) | - |
| Income tax expense | (59,794) | 241,763 | (4,037) | (52,197) | (47,152) | (2,814) |
| Profit (loss) for the year | 118,236 | 806,006 | 22,423 | 105,468 | 107,024 | 19,370 |
| Attributable to owners of the Company | 118,236 | 792,496 | 22,423 | 105,468 | 96,628 | 19,370 |
| Attributable to noncontrolling interests | - | 13,510 | - | - | 10,396 | - |

### 13.4.3 Joint ventures

The summarized financial information on joint ventures at December 31, 2020 and December 31, 2019, is as follows:

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Enercan | Baesa | Chapecoense | Epasa | Enercan | Baesa | Chapecoense | Epasa |
| Current assets | 265,347 | 88,780 | 265,109 | 349,437 | 219,117 | 66,863 | 379,359 | 294,877 |
| Cash and cash equivalents | 108,113 | 15,338 | 122,642 | 104,598 | 77,290 | 18,315 | 240,645 | 96,130 |
| Noncurrent assets | 1,036,903 | 1,062,369 | 2,328,892 | 382,076 | 982,032 | 915,379 | 2,472,085 | 470,864 |
| Current liabilities | 446,195 | 74,545 | 371,414 | 90,428 | 390,817 | 72,383 | 451,803 | 93,512 |
| Borrowings and debentures | 129,386 | - | 138,128 | 35,583 | 133,548 | - | 138,759 | 35,660 |
| Other financial liabilities | 5,577 | 36,057 | 79,396 | 1,281 | 7,131 | 35,944 | 75,668 | 1,416 |
| Noncurrent liabilities | 283,300 | 396,099 | 1,595,678 | 194,804 | 383,699 | 285,269 | 1,652,152 | 216,233 |
| Borrowings and debentures | 127,895 | - | 778,003 | 80,750 | 255,756 | - | 913,308 | 115,842 |
| Other financial liabilities | 30,081 | 321,057 | 789,590 | - | 25,513 | 271,267 | 731,113 | - |
| Equity | 572,756 | 680,505 | 626,909 | 446,282 | 426,632 | 624,591 | 747,489 | 455,996 |

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Enercan | Baesa | Chapecoense | Epasa | Enercan | Baesa | Chapecoense | Epasa |
| Net operating revenue | 719,581 | 296,078 | 933,403 | 405,674 | 650,900 | 286,378 | 881,458 | 560,203 |
| Operacional costs and expenses | (31,749) | 61,621 | (225,902) | (203,805) | (192,780) | (201,494) | (195,973) | (319,024) |
| Depreciation and amortization | (49,757) | (51,701) | (124,580) | (90,400) | (49,110) | (50,832) | (124,244) | (34,690) |
| Interest income | 2,904 | 803 | 9,522 | 4,027 | 5,573 | 1,850 | 16,309 | 3,990 |
| Interest expense | (18,639) | (85,139) | (209,183) | (10,346) | (33,399) | (31,533) | (163,977) | (13,972) |
| Income tax and social contribution expenses | (209,879) | (75,762) | (134,981) | (22,255) | (126,313) | (1,124) | (136,830) | (38,983) |
| Profit (loss) for the period | 411,370 | 146,090 | 250,194 | 85,528 | 252,941 | 2,999 | 276,370 | 158,839 |
| **Equity Interests and voting capital** | **48.72%** | **25.01%** | **51.00%** | **53.34%** | **48.72%** | **25.01%** | **51.00%** | **53.34%** |

Even holding more than 50% of the equity interest in Epasa and Chapecoense, the subsidiary CPFL Geração jointly controls these investments with other shareholders. The analysis of the classification of the type of investment is based on the Shareholders' Agreement of each joint venture.

The borrowings from BNDES obtained by the joint venture Chapecoense establish restrictions on the payment of dividend to subsidiary CPFL Geração above the minimum mandatory dividend of 25% without the prior consent of BNDES.

#### 13.4.4 Joint ventures operation

Through its wholly-owned subsidiary CPFL Renováveis, the Company holds part of the assets of the Serra da Mesa hydropower plant, located on the Tocantins River, in Goiás State. The concession and the right to operate the hydropower plant are held by Furnas Centrais Elétricas S.A. In order to maintain these assets operating jointly with Furnas (jointly operation), CPFL Renováveis was assured 51.54% of the installed power of 1,275 MW (657 MW) and the assured energy of mean 637.5 MW (mean 328.57 MW) until 2028.

### 13.5 Integration of CPFL Renováveis

On September 22, 2020, through Authorizing Resolutions No. 9,229/2020 and 9,230/2020, ANEEL authorized partial spin-off of CPFL Geração, with transfer of its spun-off net assets to CPFL Renováveis, the total merger of CPFL Centrais Geradoras into CPFL Renováveis and capital increase of CPFL Renováveis through the payment of credits by CPFL Geração, with all the operations being approved by the Extraordinary Shareholders' Meeting ("ESM") held on September 30, 2020. The new structure aims to strengthen administrative structures and bring synergies to the Group.

As a result of the corporate restructuring, and as a result of the operations, the Capital of CPFL Geração and CPFL Renováveis became, on September 30, 2020, R $ 935,782 and R $ 4,032,291 respectively, in addition to the extinction of CPFL Centrais Geradoras , which is succeeded by CPFL Renováveis. After the aforementioned transactions, the participation of CPFL Energia and CPFL Geração in CPFL Renováveis became 49.15% and 50.85% respectively.

CPFL Geração's spun-off net assets as a consequence of these transactions amount to R$ 395,929 on June 30, 2020 (date of the technical report), with share capital R $ 108,129 and comprehensive income R $ 287,700 and R $ 564,118 on September 30, 2020 (date of approval at the EGM and completion of the transaction), with share capital R $ 108,129, comprehensive income R $ 281,840 and retained earnings of R$ 174,139, which have not generated any effect on the Group's consolidated financial statements.

### 13.6 Alesta Sociedade de Crédito Direto S.A. and incorporation of CPFL Total shares

Alesta Sociedade de Crédito Direto S.A., established on April 15, 2020, had its authorization to operate granted by the Central Bank of Brazil on July 22, 2020, and its purpose is (i) the carrying out of loan operations for financing and acquisition of credit rights exclusively through an electronic platform, using financial resources that originate from equity, (ii) the provision of credit analysis and credit collection services to third parties (iii) acting as an insurance representative in the distribution of insurance related to the operations mentioned in item (i), and (iv) holding of interest in other companies, as a partner or shareholder, except financial institutions.

On November 25, 2020, the Company's capital increase in the amount of R$ 7,094,369.00 was approved, from R$ 1,000 to R$ 8,094, through the issue of 7,094,269 new common shares with no par value.

On November 6, 2020, it was approved, pursuant to article 252 et seq. of Law 6,404 / 76, the corporate transaction for the incorporation of CPFL Total shares, so that it becomes a wholly owned subsidiary of Alesta, with the consequent increase in capital by the shareholders CPFL Energia and CPFL Brasil in the total amount of R$ 30,031, from R$ 8,094 to R$ 38,125, through the issue of 30,031,232 new common shares with no par value, according to the list of replacement of shares, through the transfer of the CPFL Total shares. The operation was carried out on November 30, 2020 and aimed to improve the internal processes by specializing the activities developed and ensuring better use of technical expertise and obtaining synergistic gains with the unification of these assets in the structure of Alesta.

## ( 14 ) PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Reservoirs, dams and water mains | Buildings, construction and improvements | Machinery and equipment | Vehicles | Furniture and fittings | In progress | Total |
| **At December 31, 2018** | **176,839** | **1,391,775** | **986,800** | **6,615,793** | **67,135** | **7,512** | **210,760** | **9,456,614** |
| Historical cost | 224,783 | 2,218,604 | 1,585,723 | 9,905,396 | 131,549 | 23,039 | 210,760 | 14,299,854 |
| Accumulated depreciation | (47,944) | (826,829) | (598,923) | (3,289,603) | (64,415) | (15,527) | - | (4,843,240) |
| Additions | - | - | - | - | - | - | 301,459 | 301,459 |
| Disposals | - | (5) | (31,080) | (31,033) | (33,045) | - | (8) | (95,171) |
| Transfers | 603 | 15,882 | 51,413 | 111,804 | 7,358 | 449 | (187,510) | - |
| Transfers from/to other assets - cost | (1,333) | (8,249) | (6,952) | 12,987 | - | (40) | 1,924 | (1,662) |
| Depreciation | (8,880) | (84,660) | (61,634) | (446,046) | (17,156) | (851) | - | (619,228) |
| Write-off of depreciation | - | 5 | 2,231 | 17,616 | 21,846 | - | - | 41,698 |
| **At December 31, 2019** | **167,228** | **1,314,749** | **940,779** | **6,281,123** | **46,136** | **7,070** | **326,625** | **9,083,710** |
| Historical cost | 224,053 | 2,226,232 | 1,599,104 | 9,999,155 | 105,863 | 23,447 | 326,625 | 14,504,478 |
| Accumulated depreciation | (56,825) | (911,483) | (658,325) | (3,718,031) | (59,727) | (16,377) | - | (5,420,768) |
| Additions | - | - | - | - | - | - | 327,310 | 327,310 |
| Disposals | (1,040) | (3,810) | (33,173) | (100,507) | (4,225) | (40) | (1,289) | (144,084) |
| Transfers | 853 | 3,469 | 73,461 | 68,657 | 22,225 | 1,212 | (169,877) | - |
| Transfers from/to other assets - cost | - | - | - | (2,173) | - | - | 4,152 | 1,979 |
| Depreciation | (3,375) | (54,627) | (53,580) | (427,810) | (14,582) | (870) | - | (554,844) |
| Write-off of depreciation | 40 | 1,938 | 692 | 77,593 | 3,548 | 24 | - | 83,835 |
| **At December 31, 2020** | **163,704** | **1,261,720** | **928,176** | **5,896,883** | **53,101** | **7,396** | **486,923** | **8,797,903** |
| Historical cost | 223,864 | 2,244,143 | 1,650,990 | 10,065,688 | 124,042 | 24,752 | 486,923 | 14,820,404 |
| Accumulated depreciation | (60,160) | (982,424) | (722,814) | (4,168,805) | (70,941) | (17,357) | - | (6,022,500) |
| **Average depreciation rate 2019** | **3.86%** | **3.89%** | **3.94%** | **4.54%** | **13.77%** | **5.80%** | | |
| **Average depreciation rate 2020** | **3.86%** | **2.42%** | **3.23%** | **4.28%** | **12.11%** | **5.67%** | | |

The balance of construction in progress, in the consolidated balances, refers mainly to works in progress of operating and/or under development subsidiaries, especially for the projects of CPFL Renováveis, which has construction in progress of R$ 419,814 at December 31, 2020 (R$ 248,018 at December 31, 2019), highlight for the projects under construction of the Gameleira Complex (Costa das Dunas, Farol de Touros, Figueira Branca and Gameleira) of R$ 139,746 (R $ 47,990 on December 31, 2019), which is expected to start operating in the second quarter 2021, anticipating the official deadline set by ANEEL by approximately 2.5 years.

In conformity with CPC 20 (R1) and IAS 23, the interest on borrowings taken by subsidiaries to finance the works is capitalized during the construction phase. In the consolidated balances, for the years 2020 and 2019 there were no capitalizations.

In the consolidated balances, the depreciation amounts are recognized in the statement of profit or loss in line item “Depreciation and amortization”.

At December 31, 2020, the total amount of property, plant and equipment pledged as collateral for borrowings, as mentioned in note 18, is approximately R$ 865,776, mainly relating to the subsidiary CPFL Renováveis (R$ 818,561).

### 14.1 Impairment testing

For all the reporting years the Company assesses whether there are indicators of impairment of its assets that would require an impairment test. The assessment was based on external and internal information sources, taking into account fluctuations in interest rates, changes in market conditions and other factors. For 2020 and 2019 no provision for impairment was required.

The actions and considerations due to the assessment of the indications regarding the recoverable value of the assets, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 15 ) CONTRACT ASSET

| | Distribution | Transmission | Consolidated |
|---|---|---|---|
| **At December 31, 2018** | **1,046,433** | **-** | **1,046,433** |
| Reclassification from other assets | - | 249,652 | 249,652 |
| Additions | 2,061,715 | 20,970 | 2,082,685 |
| Transfer - intangible assets in service | (949,548) | - | (949,548) |
| Transfer - financial assets | (1,090,393) | - | (1,090,393) |
| Monetary adjustment | - | 31,725 | 31,725 |
| Cash inputs - RAP | - | (23,344) | (23,344) |
| **At December 31, 2019** | **1,068,207** | **279,003** | **1,347,210** |
| Current | - | 24,387 | 24,387 |
| Noncurrent | 1,068,207 | 254,616 | 1,322,822 |
| Additions | 2,348,304 | 134,104 | 2,482,409 |
| Transfer - intangible assets in service | (766,701) | - | (766,701) |
| Transfer - financial assets | (1,211,176) | - | (1,211,176) |
| Monetary adjustment | - | 40,130 | 40,130 |
| Cash inputs - RAP | - | (24,134) | (24,134) |
| **At December 31, 2020** | **1,438,634** | **429,103** | **1,867,737** |
| Current | - | 24,833 | 24,833 |
| Noncurrent | 1,438,634 | 404,271 | 1,842,905 |

**Contractual asset of distribution companies:** Refers to concession infrastructure assets of the distribution companies during the construction period.

**Contract asset of transmission companies:** refers to the right to receive the “Permitted Annual Revenue – RAP” over the concession period as well as an indemnity at the end of the concession of the transmission subsidiaries. The change of adoption of IFRS 15 into contract asset for the group's electric energy transmission subsidiaries did not have material impacts on the Group's consolidated financial statements.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 16 ) INTANGIBLE ASSETS

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | | Concession right | | | | |
| | Goodwill | Acquired in business combinations | Distribution infrastructure - operational | Public utilities | Other intangible assets | Total |
| **At December 31, 2018** | **6,115** | **3,772,188** | **5,584,136** | **24,485** | **76,009** | **9,462,935** |
| Historical cost | 6,152 | 7,495,458 | 11,909,149 | 35,840 | 217,542 | 19,664,141 |
| Accumulated Amortization | (37) | (3,723,270) | (6,325,012) | (11,355) | (141,532) | (10,201,206) |
| Additions | - | - | - | - | 19,147 | 19,147 |
| Amortization | - | (288,438) | (761,884) | (1,419) | (16,840) | (1,068,581) |
| Transfer - contract assets | - | - | 949,548 | - | - | 949,548 |
| Transfer - financial asset | - | - | 3,502 | - | - | 3,502 |
| Disposal and transfer - other assets | - | - | (47,263) | - | 1,663 | (45,600) |
| **At December 31, 2019** | **6,115** | **3,483,750** | **5,728,040** | **23,065** | **79,981** | **9,320,953** |
| Historical cost | 6,152 | 7,495,458 | 12,814,937 | 35,840 | 238,352 | 20,590,739 |
| Accumulated amortization | (37) | (4,011,708) | (7,086,896) | (12,774) | (158,372) | (11,269,787) |
| Additions | - | - | - | 55,163 | 30,731 | 85,894 |
| Amortization | - | (287,725) | (816,224) | (1,419) | (17,425) | (1,136,221) |
| Transfer - contract assets | - | - | 759,988 | - | 6,713 | 766,701 |
| Transfer - financial asset | - | - | 3,189 | - | - | 3,189 |
| Disposal and transfer - other assets | - | (13,428) | (69,268) | - | (1,609) | (70,877) |
| **At December 31, 2020** | **6,115** | **3,182,597** | **5,605,725** | **76,809** | **98,390** | **8,969,637** |
| Historical cost | 6,152 | 7,495,458 | 13,508,846 | 91,003 | 274,187 | 21,375,646 |
| Accumulated Amortization | (37) | (4,312,861) | (7,903,120) | (14,194) | (175,797) | (12,406,009) |

In the consolidated financial statements the amortization of intangible assets is recognized in the income statement as follows: (i) "depreciation and amortization" for amortization of distribution infrastructure intangible assets, use of public asset and other intangible assets; and (ii) "amortization of concession intangible asset" for amortization of the intangible asset acquired in business combination.

In conformity with CPC 20 (R1) and IAS 23, the interest on borrowings taken by subsidiaries for construction financing is capitalized during the construction stage for qualifying assets. In the consolidated, for of the year of 2020, R$ 30,131 were capitalized (R$ 25,641 at December 31, 2019) at a rate of 8.09% p.a.. (at a rate of 8.09% p.a. at December 31,2019).

### 16.1 Intangible asset acquired in business combinations

The breakdown of the intangible asset related to the right to operate the concessions acquired in business combinations is as follows:

| | December 31, 2020 | | | December 31, 2019 | Annual amortization rate | |
|---|---|---|---|---|---|---|
| | Historic cost | Accumulated amortization | Net value | Net value | 2020 | 2019 |
| **Intangible asset - acquired in business combinations** | | | | | | |
| **Intangible asset acquired and not merged** | | | | | | |
| CPFL Paulista | 304,861 | (236,959) | 67,902 | 77,888 | 3.28% | 3.28% |
| CPFL Piratininga | 39,065 | (28,924) | 10,141 | 11,435 | 3.31% | 3.31% |
| RGE | 3,768 | (2,545) | 1,223 | 1,399 | 4.67% | 4.68% |
| CPFL Geração | 54,555 | (41,024) | 13,531 | 15,376 | 3.38% | 3.38% |
| Jaguari Geração | 7,896 | (4,661) | 3,236 | 3,505 | 3.41% | 3.41% |
| CPFL Renováveis | 3,653,906 | (1,382,454) | 2,271,452 | 2,443,397 | 4.71% | 4.36% |
| **Subtotal** | **4,064,052** | **(1,696,566)** | **2,367,486** | **2,553,000** | | |
| **Intangible asset acquired and merged** | | | | | | |
| RGE | 1,433,007 | (1,075,324) | 357,683 | 409,739 | 3.63% | 3.63% |
| CPFL Renováveis (CPFL Geração on December 31,2019) | 426,450 | (353,363) | 73,087 | 83,053 | 2.34% | 2.34% |
| **Subtotal** | **1,859,457** | **(1,428,688)** | **430,769** | **492,792** | | |
| **Intangible asset acquired and merged – reassembled** | | | | | | |
| CPFL Paulista | 1,074,026 | (851,279) | 222,747 | 254,952 | 3.00% | 3.00% |
| CPFL Piratininga | 115,762 | (85,711) | 30,050 | 33,887 | 3.31% | 3.31% |
| Jaguari Geração | 15,275 | (9,756) | 5,518 | 5,978 | 3.01% | 3.01% |
| RGE | 366,887 | (240,862) | 126,025 | 143,141 | 4.67% | 4.67% |
| **Subtotal** | **1,571,949** | **(1,187,608)** | **384,340** | **437,958** | | |
| **Total** | **7,495,458** | **(4,312,861)** | **3,182,597** | **3,483,750** | | |

The intangible asset acquired in business combinations is related to the right to operate the concessions and comprises:

**- Intangible asset acquired, not subsumed**

Refers to basically to the intangible asset from acquisition of the shares held by noncontrolling interests prior to adoption of CPC 15 and IFRS 3.

**- Intangible asset acquired and subsumed**

Refers to the intangible asset from the acquisition of subsidiaries that were incorporated into the respective equity, without application of CVM legal instructions No. 319/1999 and No. 349/2001, that is, without segregation of the related tax benefit installment amount.

**- Intangible asset acquired and merged – reassembled**

In order to comply with ANEEL requirements and avoid the amortization of the intangible asset resulting from the merger of parent company causing a negative impact on dividend paid to noncontrolling interests, at the time of the merger, the subsidiaries applied the concepts of CVM legal instructions No. 319/1999 and No. 349/2001 to the intangible asset. A reserve was therefore recognized to adjust the intangible, against a special goodwill reserve on the merger of equity in each subsidiary, so that the effect of the transaction on the equity reflects the tax benefit of the merged intangible asset. These changes affected the Company's investment in subsidiaries, and in order to adjust this, a nondeductible intangible asset was recognized for tax purposes, in order to recompose it.

### 16.2 Use of public asset/concession intangible asset

The adhesion to the renegotiation provided for by Law No. 14,052/2020 and regulated by Aneel Resolution No. 895/2020, related to the offset of expenses incurred with non-hydrological factors previously included in the GSF (Generation Scaling Factor) as mentioned in note 3.6, is conditioned to the waiver of the lawsuits currently at courts and/or of any future lawsuits with similar subject matter, and to not having previously renegotiated the hydrological risk.

Currently the CPFL Group has subsidiaries and joint ventures that are currently at different levels regarding the development and decision on this matter, as follows:

(i) Subsidiaries and joint ventures that, due to previous renegotiations related to transactions in the Regulated Trading Environment (ACR), had already fully waived the lawsuits at the courts, even though they also had contracts in the Free Trading Environment (ACL), the latter is the subject of the current renegotiation.

(ii) Subsidiaries that, since they operate substantially in the Free Trading Environment (ACL), still have pending lawsuits at the courts with respect to such subject matter.

In the year ended December 31, 2020, the subsidiaries included in the first group of companies recognized intangible assets resulting from the extension of concession period against the "Operating costs" line item, considering that Management does not have a relevant economic decision to be made after the regulation, for adherence to the renegotiation.

The asset was recognized in the total amount of R$ 55,163, which corresponds to the extension from 102 to 1,368 days in the concession periods, varying for each subsidiary, which will become effective after approval by ANEEL. This amount represents the fair value of the refund to which the Group's companies are entitled to receive at December 31, 2020 based on the calculations made by the CCEE, plus a cost of own capital equivalent to 9.63%. See notes 13.1 and 28.

For the second group of subsidiaries, whose amounts are estimated at R$ 81,887, no amounts were recorded in 2020, given the fact that their right to extension is still contingent to their waiver of pending lawsuits, which is being evaluated by Management.

Furthermore, on February 24, 2021, subsidiaries belonging to the second group made payments amounting to R$ 147,777, even though their adherence to the renegotiation is still under evaluation by Management. These payments refer to liabilities related to the GFS, which had been temporarily suspended with the CCEE due to the court injunctions.

### 16.3 Impairment testing

For all the reporting years the Company assesses whether there are indicators of impairment of its assets that would require an impairment test. The assessment was based on external and internal information sources, taking into account fluctuations in interest rates, changes in market conditions and other factors.

For 2020 and 2019, based on the aforementioned assessment of indication of impairment , no provision for impairment was required.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 17 ) TRADE PAYABLES

| | Consolidated | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| **Current** | | |
| System service charges | 275,379 | 2,707 |
| Energy purchased | 2,571,296 | 2,288,441 |
| Electricity network usage charges | 336,451 | 250,600 |
| Materials and services | 558,390 | 554,940 |
| Free market energy | 168,001 | 163,492 |
| **Total** | **3,909,517** | **3,260,180** |
| | | |
| **Noncurrent** | | |
| Energy purchased | 431,037 | 359,944 |
| Materials and services | 25,621 | - |
| **Total** | **456,658** | **359,944** |

## ( 18 ) BORROWINGS

The movement in borrowings are as follows:

| Category | Consolidated<br>At December 31, 2019 | Raised | Repayment | Interest, monetary adjustment and fair value measurement | Exchange rates variation | Interest paid | At December 31, 2020 |
|---|---|---|---|---|---|---|---|
| **Measured at cost** | | | | | | | |
| **Local currency** | | | | | | | |
| Pre fixed | 711,398 | - | (700,406) | 20,101 | - | (22,401) | 8,691 |
| Post fixed | | | | | | | |
| TJLP | 2,744,331 | 3,000 | (2,263,671) | 123,380 | - | (130,635) | 476,405 |
| IPCA | 1,609,038 | 1,250,000 | (163,150) | 196,573 | - | (101,185) | 2,791,276 |
| Selic | 83,073 | - | (84,405) | 2,498 | - | (1,166) | - |
| CDI | 180,012 | - | (48,547) | 4,308 | - | (5,930) | 129,843 |
| IGP-M | 42,605 | - | (12,568) | 12,381 | - | (3,496) | 38,922 |
| UMBNDES | 1,694 | - | (1,796) | 121 | - | (19) | - |
| Others | 39,777 | - | (39,671) | 995 | - | (1,102) | - |
| **Total at cost** | **5,411,928** | **1,253,000** | **(3,314,214)** | **360,357** | **-** | **(265,935)** | **3,445,137** |
| **Borrowing costs (*)** | **(57,684)** | **(17,432)** | **-** | **25,222** | **-** | **-** | **(49,894)** |
| **Measured at fair value** | | | | | | | |
| **Foreign currency** | | | | | | | |
| Dollar | 4,178,417 | 1,909,349 | (2,630,855) | 178,871 | 1,608,827 | (172,424) | 5,072,184 |
| Euro | 846,692 | 1,520,640 | - | 16,975 | 685,099 | (16,104) | 3,053,302 |
| Fair value measurement | (16,056) | - | - | (82,639) | - | - | (98,695) |
| **Total at fair value** | **5,009,052** | **3,429,989** | **(2,630,855)** | **113,208** | **2,293,926** | **(188,528)** | **8,026,792** |
| **Total** | **10,363,296** | **4,665,557** | **(5,945,069)** | **498,787** | **2,293,926** | **(454,463)** | **11,422,035** |
| **Current** | **2,776,193** | | | | | | **2,797,195** |
| **Noncurrent** | **7,587,102** | | | | | | **8,624,840** |

(*) In accordance with CPC 48/IFRS 9, this refers to borrowing costs directly attributable to the issuance of the respective debts, measured at cost.

| Category | Consolidated<br>At December 31, 2018 | Raised | Repayment | Interest, monetary adjustment and fair value measurement | Exchange rates | Interest paid | At December 31, 2019 |
|---|---|---|---|---|---|---|---|
| **Measured at cost** | | | | | | | |
| **Local currency** | | | | | | | |
| Pre fixed | 892,776 | - | (177,669) | 48,661 | - | (52,370) | 711,398 |
| Post Fixed | | | | | | | |
| TJLP | 3,158,119 | - | (435,016) | 243,332 | - | (222,102) | 2,744,331 |
| TLP (IPCA) | 1,190,169 | 379,000 | - | 102,519 | - | (62,650) | 1,609,038 |
| Selic | 114,117 | - | (36,830) | 8,441 | - | (2,655) | 83,073 |
| CDI | 386,272 | 476,000 | (679,021) | 46,756 | - | (49,995) | 180,012 |
| IGP-M | 51,889 | - | (11,142) | 5,935 | - | (4,077) | 42,605 |
| UMBNDES | 2,152 | - | (540) | 213 | - | (131) | 1,694 |
| Other | 66,403 | - | (26,354) | 2,209 | - | (2,482) | 39,777 |
| **Total at cost** | **5,861,896** | **855,000** | **(1,366,572)** | **458,066** | **-** | **(396,462)** | **5,411,928** |
| **Borrowing costs (*)** | **(57,193)** | **(9,068)** | **-** | **8,577** | **-** | **-** | **(57,684)** |
| **Measured at fair value** | | | | | | | |
| **Foreign currency** | | | | | | | |
| Dollar | 4,855,108 | 726,314 | (1,542,785) | 148,189 | 142,957 | (151,366) | 4,178,417 |
| Euro | 879,499 | - | (47,004) | 6,824 | 14,217 | (6,844) | 846,692 |
| Fair value measurement | (103,351) | - | - | 87,295 | - | - | (16,056) |
| **Total at fair value** | **5,631,255** | **726,314** | **(1,589,789)** | **242,308** | **157,174** | **(158,210)** | **5,009,052** |
| **Total** | **11,435,958** | **1,572,246** | **(2,956,361)** | **708,951** | **157,174** | **(554,672)** | **10,363,296** |
| **Current** | **2,446,113** | | | | | | **2,776,193** |
| **Noncurrent** | **8,989,846** | | | | | | **7,587,102** |

(*) In accordance with CPC 48/IFRS 9, this refers to borrowing costs directly attributable to the issuance of the respective debts, measured at cost.

The detail on borrowings are as follows:

| Category | Annual interest | | Consolidated December 31, 2020 | December 31, 2019 | Maturity range | Collateral |
|---|---|---|---|---|---|---|
| **Mensuradas ao custo - Moeda Nacional** | | | | | | |
| **Pré fixado** | | | | | | |
| FINEM | Fixed rate from 2.5% to 6% | (a) | - | 264,093 | 2013 to 2020 | (i) Liens on equipment; (ii) Pledge and liens on credit rights; (iii) Reserve, centralizing and receivables accounts; (iv) Pledge of emergent rights of the authorizations; (v) Pledge of shares; (vi) CPFL Renováveis, CPFL Energia e State Grid guarantee |
| FINAME | Fixed rate from 2.5% to 10% | (a) | 8,691 | 54,328 | 2012 to 2024 | (i) Liens on equipment; (ii) Pledge and liens on credit rights; (iii) Reserve, centralizing and receivables accounts; (iv) CPFL Renováveis, CPFL Energia e State Grid Brazil Power guarantee |
| FINEP | Fixed rate from 3.5% to 5% | | - | 944 | 2013 to 2020 | Bank guarantee |
| BNB | Fixed rate from 9.5% to 10.14% | | - | 392,033 | 2027 to 2020 | (i) Liens on equipment; (ii) Pledge of revenue; (iii) Pledge of shares; (iv)Pledge of emergents rights authorized; (v) Reserve account; (vi) Bank guarantee; (vii) CPFL Renováveis guarantee |
| | | | **8,691** | **711,398** | | |
| **Post Fixed** | | | | | | |
| **TJLP** | | | | | | |
| FINEM | TJLP e TJLP + from 1.72% to 5.5% | (b) | 474,288 | 2,721,358 | 2012 to 2039 | (i) Pledge and liens on equipment; (ii) Pledge and liens on credit rights (iii) Reserve, centralizing and receivables accounts; (iv) Pledge of shares (v) Pledge of emergents rights authorized by ANEEL; (vi) Pledge of beneficiary shares; (vii) CPFL Renováveis, CPFL Energia and State Grid Brazil Power guarantee; (viii) Bank guarantee |
| FINAME | TJLP + 2.2% to 4.2% | (b) | - | 14,853 | 2017 to 2020 | CPFL Energia guarantee and Liens on equipment and receivables |
| FINEP | TJLP + 5% to 6% | | 2,117 | 4,284 | 2017 to 2022 | Bank guarantee |
| Bank loans | TJLP + 2.99 to 3.10% | | - | 3,837 | 2014 to 2020 | CPFL Energia guarantee |
| | | | **476,405** | **2,744,331** | | |
| **IPCA** | | | | | | |
| FINEM | IPCA + 4.27% to 4.80% | | 2,791,276 | 1,609,038 | 2020 to 2040 | CPFL Energia guarantee and receivables |
| **SELIC** | | | | | | |
| FINEM | SELIC + 2.19% to 2.66% | (c) | - | 79,131 | 2015 to 2020 | State Grid Brazil Power and CPFL Energia guarantee and Receivables |
| FINAME | SELIC + 2.70% to 3.90% | | - | 3,943 | 2016 to 2020 | CPFL Energia guarantee and Liens on equipment |
| | | | - | **83,073** | | |
| **CDI** | | | | | | |
| Bank loans | (i) 105% of CDI (ii) CDI - 1.25% to + 1.90% | (c) | 129,843 | 180,012 | 2012 to 2023 | (i) CPFL Energia guarantee; (ii) Structure of redeemable preferred shares and (iii) CPFL Renováveis guarantee |
| **IGPM** | | | | | | |
| Bank loans | IGPM + 8.63% | | 38,922 | 42,605 | 2023 | (i) Liens on equipment and receivables (ii) Pledge of shares of SPE and rights authorized by ANEEL and receivables of operation contracts |
| **UMBNDES** | | | | | | |
| Bank loans | Cesta from Moedas + from 1.99% to 2.10% | | - | 1,694 | 2014 to 2020 | CPFL Energia guarantee |
| **Other** | | | | | | |
| Other | RGR 6% | | - | 39,777 | 2010 to 2020 | Receivables, Promissory notes and Bank guarantee |
| **Total - Local currency** | | | **3,445,137** | **5,411,928** | | |
| **Borrowing costs (*)** | | | **(49,894)** | **(57,684)** | | |
| **Measured at fair value - Foreign Currency** | | | | | | |
| **Dollar** | | | | | | |
| Bank loans (Law 4,131) | US$ + Libor 3 meses + from 0,87% to 1,41% | | 728,348 | 975,333 | 2019 to 2025 | CPFL Energia guarantee and Promissory notes |
| Bank loans (Law 4,131) | US$ + from 1.83% to 4.32% | | 4,343,836 | 3,203,083 | 2018 to 2025 | CPFL Energia guarantee and Promissory notes |
| | | | **5,072,184** | **4,178,416** | | |
| **Euro** | | | | | | |
| Bank loans (Law 4,131) | Euro + from 0.43% to 0.82% | | 3,053,302 | 846,692 | 2021 to 2025 | CPFL Energia guarantee and Promissory notes |
| **Fair value measurement** | | | (98,695) | (16,056) | | |
| **Total in foreign currency** | | | **8,026,792** | **5,009,052** | | |
| **Total** | | | **11,422,035** | **10,363,296** | | |

(*) In accordance with CPC 48/IFRS 9, this refers to borrowing costs directly attributable to the issuance of the respective debts, measured at cost.
The subsidiaries hold swaps converting the operating cost of currency variation to interest tax variation in reais. For further information about the considered rates, see note 35.

**Effective rate:**

(a) 30% to 70% of CDI (b) 60% to 110% of CDI (c) 100% to 130% of CDI

As segregated in the tables above, in conformity with CPC 48 and IFRS 9, the Group classified their debts as (i) financial liabilities measured at amortized cost, and (ii) financial liabilities measured at fair value through profit or loss.

The objective of the classification as financial liabilities of borrowings measured at fair value is to reduce the effects of the recognition of gains and losses derived from fair valuing debt-related derivatives in order to obtain more relevant and consistent accounting information, reducing the accounting mismatch.

Changes in the fair values of these debts are recognized in the Group's financial result, except for the change in fair value due to credit risk, which, depending on the characteristics of the debts at the time of contracting, may be recorded in other comprehensive income or in the result of the year. At December 31, 2020, the unrealized accumulated gains obtained from the fair value measurement of these debts were R$ 98,695 (accumulated gains of R$ 16,056 at December 31, 2019) plus the unrealized gains obtained from the fair value measurement of derivative financial instruments of R$ 45,046 (gains of R$ 24,178 at December 31, 2019), contracted as a hedge against exchange rate variation (note 35), generated total net unrealized gain of R$ 143,751 (R$ 40,234 at December 31, 2019).

The maturities of the principal of borrowings recorded in noncurrent liabilities are scheduled as follows:

| Maturity | Consolidated |
|---|---|
| 2022 | 1,546,041 |
| 2023 | 2,612,637 |
| 2024 | 982,701 |
| 2025 | 1,873,626 |
| 2026 | 339,150 |
| 2027 to 2031 | 1,226,159 |
| 2032 to 2036 | 69,455 |
| 2037 to 2041 | 57,223 |
| 2042 to 2046 | 19,900 |
| **Subtotal** | **8,726,892** |
| Fair value measurement | (102,052) |
| **Total** | **8,624,840** |

The main indexes used for adjusting borrowings for inflation and the indebtedness profile in local and foreign currency, already considering the effects of the derivative instruments, are as follows:

| | | | Consolidated | |
|---|---|---|---|---|
| | Accmulated variation % | | % of debt | |
| Index | 2020 | 2019 | December 31, 2020 | December 31, 2019 |
| IGP-M | 23.14 | 7.30 | 0.3 | 0.4 |
| TJLP | 4.87 | 6.30 | 4.2 | 26.5 |
| TLP (IPCA) | 4.52 | 4.20 | 24.4 | 15.5 |
| CDI | 2.78 | 5.97 | 71.0 | 50.1 |
| Other | | | 0.1 | 7.5 |
| | | | 100 | 100 |

**Borrowings raised in the year:**

| | Released (R$ thousand) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Category Subsidiary | Total approved | Released in 2020 | Net of fundraising costs | Interest payment | Repayment | Utilization | Annual rate | Effective annual rate |
| **Local currency** | | | | | | | | |
| **TJLP - BNDES** | | | | | | | | |
| Boa Vista 2 | 144,500 | 3,000 | 3,000 | Monthly | Monthly from December 2019 | Investment plan | TJLP + 2.52% | TJLP + 3.27% |
| **IPCA - BNDES** | | | | | | | | |
| CPFL Paulista | 312,596 | 114,297 | 112,724 | Quarterly until 07/2023 | Monthly from July 2023 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| CPFL Paulista | 1,002,912 | 366,703 | 361,679 | Quarterly | Bullet in June 2027 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| CPFL Piratininga | 126,086 | 37,723 | 37,083 | Quarterly until 07/2023 | Monthly from July 2023 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| CPFL Piratininga | 298,402 | 89,277 | 87,776 | Quarterly | Bullet in June 2028 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| CPFL Santa Cruz | 244,385 | 115,000 | 113,758 | Quarterly until 07/2023 | Monthly from July 2023 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| RGE | 353,019 | 125,228 | 123,451 | Quarterly until 07/2023 | Monthly from July 2023 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| RGE | 1,132,601 | 401,772 | 396,098 | Quarterly | Bullet in June 2027 | Investment plan | IPCA + 4.27% | IPCA + 4.34% |
| **Foreign Currency** | | | | | | | | |
| **Law 4.131** | | | | | | | | |
| CPFL Brasil | 107,000 | 107,000 | 107,000 | Semiannually | Bullet in February 2023 | Working capital | USD + 1.83% | USD + 1.83% |
| CPFL Santa Cruz | 108,000 | 108,000 | 108,000 | Semiannually | Anually from February 2023 | Working capital | USD + 2.07% | USD + 2.07% |
| CPFL Paulista | 196,567 | 196,567 | 196,567 | Quarterly | Bullet in February 2025 | Working capital | USD + 2.40% | USD + 2.40% |
| CPFL Paulista | 174,960 | 174,960 | 174,960 | Quarterly | Anually from February 2023 | Working capital | USD + 2.39% | USD + 2.39% |
| CPFL Paulista | 274,046 | 274,046 | 274,046 | Quarterly | Anually from February 2023 | Working capital | USD + Libor 3M + 0.99% | USD + Libor 3M + 0.99% |
| CPFL Paulista | 534,880 | 534,880 | 534,880 | Quarterly | Bullet in February 2023 | Working capital | EUR + 0.43% | EUR + 0.43% |
| RGE | 100,000 | 100,000 | 100,000 | Semiannually | Bullet in January 2025 | Working capital | USD + 2.64% | USD + 2.64% |
| RGE | 418,280 | 418,280 | 418,280 | Semiannually | Anually from February 2023 | Working capital | USD + 2.07% | USD + 2.07% |
| RGE | 185,000 | 185,000 | 185,000 | Quarterly | Anually from February 2023 | Working capital | USD + Libor 3M + 0.87% | USD + Libor 3M + 0.87% |
| RGE | 225,497 | 225,497 | 225,497 | Quarterly | Anually from February 2023 | Working capital | USD + 1.84% (1.94% on March 2021) | USD + 1.84% (1.94% on March 202 |
| CPFL Piratininga | 419,760 | 419,760 | 419,760 | Quarterly | Bullet in March 2025 | Working capital | EURO + 0.70% | EURO + 0.70% |
| CPFL Renováveis | 120,000 | 120,000 | 120,000 | Semiannually | Anually from February 2023 | Working capital | USD + 2.07% | USD + 2.07% |
| CPFL Paulista | 566,000 | 566,000 | 566,000 | Quarterly | Bullet in March 2023 | Working capital | EUR + 0.57% | EUR + 0.57% |
| | **7,044,489** | **4,682,989** | **4,665,557** | | | | | |

**Pre-payment**

At 2020, R$ 2,818,914 of borrowings were paid in advance, whose due dates were from until July 2038.

**Covenants**

Borrowings raised by Group companies require the compliance with certain restrictive financial clauses, under penalty of restriction in the distribution of dividends and/or advance maturity of the related debts. Furthermore, failure to comply with the obligations or restrictions mentioned may result in default in relation to other contractual obligations (cross default), depending on each borrowing agreement. Additionally, borrowings contain non-financial covenants, which are met as per the last calculation period.

The calculations are made on an annual or semiannual basis, as appropriate. As the maximum and minimum ratios vary among the contracts, we present below the most critical parameters of each ratio, considering all contracts in effect at December 31, 2020.

**Rations required in the consolidated financial statements of CPFL Energia**

- Net debt divided by adjusted EBITDA lower than or equal to 3.75
- EBITDA divided by Finance Income (Costs) greater than or equal to 2.25.

**Rations required in the consolidated financial statements of CPFL Renováveis**

- Net debt divided by EBITDA lower than or equal to 3.75.

**Ratios required in the individual financial statements of the Company's subsidiaries holding the contracts**

- Debt Service Coverage Ratio (ICSD) greater than or equal to an index ranging to 1.2
- Own Capitalization Ratio greater than or equal to 30%.

**Ratios required in the individual financial statements of the distribution's subsidiaries, which hold the contracts**

- Net debt divided by EBITDA less than or equal to 3.75
- Net debt divided by net debt + equity less than or equal of 0.9.

**Ratio required in the consolidated financial statements of State Grid Brazil Power Participações S.A.**

- Equity divided by Total Assets (disregarding the effects of IFRIC 12/OCPC 01) minimum of to 0.3.

For purposes of determining covenants, the definition of EBITDA at the Company takes into consideration mainly the consolidation of subsidiaries, associates and joint ventures based on the Company’s direct or indirect interests in those companies (for both EBITDA and assets and liabilities).

The Group’s management monitors these ratios on a systematic and constant basis, so that all conditions are met. In the opinion of the Group’s management, all covenants and financial and non-financial clauses are properly complied as of December 31, 2020.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 19 ) DEBENTURES

The movement in debentures are as follows:

| Category | Consolidated<br>At December 31, 2019 | Repayment | Interest, monetary adjustment and fair value measurement | Interest paid | At December 31, 2020 |
|---|---|---|---|---|---|
| Post fixed | | | | | |
| TJLP | 438,990 | (448,249) | 12,003 | (2,744) | - |
| CDI | 6,336,467 | (702,929) | 180,603 | (213,878) | 5,600,262 |
| IPCA | 1,320,909 | - | 123,100 | (64,888) | 1,379,121 |
| **Total at cost** | **8,096,368** | **(1,151,178)** | **315,704** | **(281,510)** | **6,979,384** |
| **Borrowing costs (*)** | (42,215) | - | 15,860 | - | (26,355) |
| **Measured at fair value - Post fixed** | | | | | |
| IPCA | 444,939 | - | 44,717 | (25,243) | 464,413 |
| Fair value measurement | 47,186 | - | (16,326) | - | 30,860 |
| **Total at fair value** | **492,125** | - | **28,391** | **(25,243)** | **495,274** |
| | | | - | - | |
| **Total** | **8,546,278** | **(1,151,178)** | **359,956** | **(306,753)** | **7,448,303** |
| **Current** | **682,582** | | | | **1,191,270** |
| **Noncurrent** | **7,863,696** | | | | **6,257,032** |

| Category | Consolidated<br>At December 31, 2018 | Raised | Repayment | Interest, monetary adjustment and fair value measurement | Interest paid | At December 31, 2019 |
|---|---|---|---|---|---|---|
| **Measured at cost - Post fixed** | | | | | | |
| Post fixed | | | | | | |
| TJLP | 481,099 | - | (70,761) | 33,384 | (4,732) | 438,990 |
| CDI | 6,717,747 | 3,688,000 | (4,000,383) | 421,070 | (489,966) | 6,336,467 |
| IPCA | 1,367,428 | - | (109,106) | 123,090 | (60,504) | 1,320,909 |
| **Total at cost** | **8,566,274** | **3,688,000** | **(4,180,250)** | **577,544** | **(555,202)** | **8,096,366** |
| **Borrowing costs (*)** | (59,796) | (3,541) | - | 21,122 | - | (42,215) |
| **Measured at fair value - Post fixed** | - | | | | | |
| IPCA | 426,989 | - | - | 40,556 | (22,606) | 444,939 |
| Fair value measurement | 7,378 | - | - | 39,808 | - | 47,186 |
| **Total at fair value** | **434,367** | - | - | **80,364** | **(22,606)** | **492,125** |
| **Total** | **8,940,845** | **3,684,459** | **(4,180,250)** | **679,030** | **(577,808)** | **8,546,278** |
| **Current** | 917,352 | | | | | **682,582** |
| **Noncurrent** | 8,023,493 | | | | | **7,863,696** |

(*) In accordance with CPC 48/IFRS 9, this refers to borrowing costs directly attributable to the issuance of the respective debts, measured at cost.

The detail on debentures are as follows :

| Category | Annual Interest | | Consolidated December 31, 2020 | December 31, 2019 | Maturity range | Collateral |
|---|---|---|---|---|---|---|
| **Measured at cost - Post fixed** | | | | | | |
| **TJLP** | TJLP + 1% | (c) | - | 438,990 | 2009 to 2020 | Liens |
| **CDI** | (i) From 103.6% to 109.75% of CDI (ii) CDI + 0.75% to 0.83% | (a) | 4,760,146 | 5,339,824 | 2018 to 2025 | CPFL Energia guarantee |
| | From 104.75% to 110% do CDI | (a) | 840,117 | 996,644 | 2020 to 2023 | No guarantee |
| **IPCA** | IPCA + from 4.42% to 5.8% | (b) | 1,379,121 | 1,320,909 | 2021 to 2027 | CPFL Energia guarantee |
| | | | **6,979,384** | **8,096,368** | | |
| | **Borrowing costs (*)** | | (26,355) | (42,215) | | |
| **Measured at fair value - Post fixed** | | | | | | |
| **IPCA** | IPCA + 5.80% | (b) | **464,413** | **444,939** | 2024 to 2025 | CPFL Energia guarantee |
| | **Fair value measurement** | | 30,860 | 47,186 | | |
| | **Total** | | **7,448,303** | **8,546,278** | | |

Certain debentures have swap exchanging the variation based on IPCA for variation based on CDI. For further information on the rates considered, see note 35.

Effective rate
(a) From 104.68% to 110.77% of CDI | CDI + from 0.76% a 0.89%
(b) IPCA + 4.84% a 6.31%
(c) TJLP + 3.48%

(*) In accordance with CPC 48/IFRS 9, this refers to borrowing costs directly attributable to the issuance of the respective debts.

As shown in the table above, the Group classifies its debentures as (i) financial liabilities measured at amortized cost; and (ii) financial liabilities measured at fair value through profit or loss.

The classification of debentures measured at fair value as financial liabilities is aimed at reducing the accounting mismatching of the effects of the recognition of gains and losses derived from the fair value measurement of hedging derivatives linked to such debentures, in order to obtain a more relevant and consistent accounting information.

The changes in the fair values of these debentures are recognized in the Group finance income (expense), except for the fair value changes in credit risk, which is recognized in other comprehensive income. At December 31, 2020, the unrealized accumulated losses obtained from the fair value measurement of such debentures amounted to R$ 30,860 (R$ 47,136 at December 31, 2019) which, reduced to the unrealized gains obtained from the fair value measurement of the derivative instruments of R$ 73,339 (R$ 70,517 at December 31, 2019), undertaken to hedge the interest rate changes (note 35), generated a total net unrealized gain of R$ 42,478 (R$ 23,331 at December 31, 2019).

The maturities of the principal of debentures recognized in noncurrent liabilities are as follows:

| Maturity | Consolidated |
|---|---|
| 2022 | 1,268,231 |
| 2023 | 2,534,411 |
| 2024 | 1,799,577 |
| 2025 | 415,745 |
| 2026 | 154,892 |
| 2027 to 2031 | 46,953 |
| **Subtotal** | **6,219,809** |
| Fair value measurement | 37,223 |
| **Total** | **6,257,032** |

**Pre-payment**

At 2020, R$ 726,227 (R$ 3,506,174 at December 31, 2019) of debenture were paid in advance, whose due dates were from until November 2028.

**Covenants**

The debentures issued by the Group companies require the compliance with certain financial covenants. The calculations are made on an annual or semiannual basis, as appropriate. As the maximum and minimum ratios vary among the contracts, we present below the most critical parameters of each ratio, considering all contracts in effect at December 31, 2020.

**Ratios required in the consolidated financial statements of CPFL Energia**

- Net Debt divided by adjusted EBITDA less than or equal to 3.75.
- EBITDA divided by finance income (costs) higher than or equal to 2.25.

The Group's management monitors these ratios on a systematic and constant basis, so that all conditions are met. In the opinion of the Group's management, all covenants and financial and non-financial clauses are properly complied as of December 31, 2020.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 20 ) PRIVATE PENSION PLAN

The subsidiaries sponsor supplementary retirement and pension plans for their employees, with the following characteristics :

### 20.1 Characteristics

**CPFL Paulista**

The plan currently in force for the employees of the subsidiary CPFL Paulista through VIVEST is a Mixed Benefit Plan, with the following characteristics:

(i) Defined Benefit Plan ("BD") – in force until October 31, 1997 – a defined benefit plan, which grants a Proportional Supplementary Defined Benefit ("BSPS"), in the form of a lifetime income convertible into a pension, to participants enrolled prior to October 31, 1997, the amount being defined in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. The total responsibility for coverage of actuarial deficits of this plan falls to the subsidiary.

(ii) Mixed model, as from November 1, 1997, which covers:

- benefits for risk (disability and death), under a defined benefit plan, in which the subsidiary assumes responsibility for Plan's actuarial deficit, and
- scheduled retirement, under a variable contribution plan, consisting of a benefit plan, which is a defined contribution plan up to the granting of the income, and does not generate any actuarial liability for the subsidiary. The benefit plan only becomes a defined benefit plan, consequently generating actuarial responsibility for the subsidiary, after the granting of a lifetime income, convertible or not into a pension.

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

**CPFL Piratininga**

As a result of the spin-off of Bandeirante Energia S.A. (subsidiary's predecessor), the subsidiary CPFL Piratininga assumed the responsibility for the actuarial liabilities of that company's employees retired and terminated until the date of spin-off, as well as for the obligations relating to the active employees transferred to the subsidiary.

On April 2, 1998, the Secretariat of Pension Plans – "SPC" approved the restructuring of the retirement plan previously maintained by Bandeirante, creating a "Proportional Supplementary Defined Benefit Plan – BSPS", and a "Mixed Benefit Plan", with the following characteristics:

(i) Defined Benefit Plan ("BD") - in force until March 31, 1998 – a defined benefit plan, which grants a Proportional Supplementary Defined Benefit (BSPS), in the form of a lifetime income convertible into a pension to participants enrolled until March 31, 1998, in an amount calculated in proportion to the accumulated past service time up to that date, based on compliance with the regulatory requirements for granting. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. The subsidiary has full responsibility for covering the actuarial deficits of this Plan.

(ii) Defined Benefit Plan - in force after March 31, 1998 – defined-benefit type plan, which grants a lifetime income convertible into a pension based on the past service time accumulated after March 31, 1998, based on 70% of the average actual monthly salary for the last 36 months of active service. In the event of death while working or the onset of a disability, the benefits incorporate the entire past service time. The responsibility for covering the actuarial deficits of this Plan is equally divided between the subsidiary and the participants.

(iii) Variable Contribution Plan – implemented together with the Defined Benefit plan effective after March 31, 1998. This is a defined-contribution type pension plan up to the granting of the income and generates no actuarial liability for the subsidiary. The pension plan only becomes a Defined Benefit type plan after the granting of the lifetime income, convertible (or not) into a pension, and accordingly starts to generate actuarial liabilities for the subsidiary.

Additionally, the subsidiary's Managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

**RGE**

The subsidiary RGE has retirement and pension plans for its employees and former employees managed by Fundação CEEE de Previdência Privada, comprising:

(i) "Plan 1": A "defined benefit" plan with benefit level equal to 100% of the inflation adjusted average of the last salaries, deducting the presumed benefit from the Social Security, with a Segregated Net Asset. that is closed to new participants since 1997. This plan was recorded at the dissolved Rio Grande Energia S.A. until the merger of the distribution companies approved on December 31, 2018, and

(ii) "Plan 2": A "defined benefit" plan that is closed to new participants since February 2011. The subsidiary's contribution matches the contribution from the benefitted employees, in the proportion of one for one, including as regards the Fundação's administrative funding plan.

For employees hired after the closing of the plans of Fundação Família Previdência, "defined contribution" private pension plans were implemented, being Bradesco Vida e Previdência for employees hired between 1997 and 2018 by the dissolved Rio Grande Energia S.A., and Itauprev for employees hired by RGE as from 2011, as well as for new employees to be hired after the event of merger of the distribution companies.

**CPFL Santa Cruz**

With the event of the grouping of subsidiaries in 2017, the company's official plan is the CMSPREV, managed by IHPREV Fundo de Pensão. The same plan was maintained for employees that had the benefits plan managed by BB Previdência - Fundo de Pensão from Banco do Brasil.

**CPFL Renováveis**

After the integration of CPFL Renováveis (note 13.5), part of the employees of the subsidiary CPFL Renováveis started to participate in the same pension plan as CPFL Paulista.

In addition, managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

## 20.2 Movements in the defined benefit plans

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | CPFL | | RGE | | |
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| Present value of actuarial obligations | 7,138,641 | 2,047,884 | 175,300 | 452,237 | 670,330 | 10,484,390 |
| Fair value of plan's assets | (4,980,047) | (1,484,375) | (122,879) | (463,399) | (493,886) | (7,544,586) |
| **Present value of obligations (fair value of assets), net** | **2,158,594** | **563,509** | **52,421** | **(11,162)** | **176,444** | **2,939,805** |
| Effect of asset ceiling | - | - | - | 11,162 | - | 11,162 |
| **Net actuarial liability recognized in the statement of financial position** | **2,158,594** | **563,509** | **52,421** | - | **176,444** | **2,950,968** |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | CPFL | | RGE | | |
| | CPFL Paulista | Piratininga | CPFL Geração | *Plan 1* | *Plan 2* | Total |
| Present value of actuarial obligations | 6,164,035 | 1,773,089 | 152,254 | 464,335 | 681,363 | 9,235,076 |
| Fair value of plan's assets | (4,517,265) | (1,353,050) | (105,914) | (466,390) | (503,867) | (6,946,486) |
| **Present value of obligations (fair value of assets), net** | **1,646,770** | **420,039** | **46,340** | **(2,055)** | **177,496** | **2,288,590** |
| Effect of asset ceiling | 74,849 | - | - | 2,055 | - | 76,904 |
| **Net actuarial liability recognized in the statement of financial position** | **1,721,619** | **420,039** | **46,340** | - | **177,496** | **2,365,494** |

The movements net liability occurred in the period in the present value of the actuarial obligations and the fair value of the plan's assets are as follows :

| | | CPFL | CPFL Geração / | RGE | | |
|---|---|---|---|---|---|---|
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| **Present value of actuarial obligations at December 31, 2018** | **5,123,238** | **1,416,391** | **119,964** | **382,993** | **553,493** | **7,596,079** |
| Gross current service cost | 925 | 5,449 | 84 | 185 | 2,352 | 8,995 |
| Interest on actuarial obligations | 449,173 | 125,059 | 10,507 | 34,342 | 48,796 | 667,877 |
| Participants' contributions transferred during the year | - | 1,886 | - | 620 | 1,136 | 3,642 |
| Actuarial loss (gain): effect of changes in demographic assumptions | (2,900) | (77) | (165) | - | - | (3,142) |
| Actuarial loss (gain): effect of financial assumptions | 1,037,048 | 321,011 | 31,516 | 73,759 | 113,836 | 1,577,170 |
| Benefits paid during the year | (443,449) | (96,628) | (9,652) | (27,564) | (38,250) | (615,543) |
| **Present value of actuarial obligations at December 31, 2019** | **6,164,035** | **1,773,089** | **152,254** | **464,335** | **681,363** | **9,235,076** |
| Gross current service cost | 1,344 | 7,565 | 108 | (24) | 1,873 | 10,866 |
| Interest on actuarial obligations | 457,841 | 130,848 | 11,274 | 34,289 | 50,135 | 684,387 |
| Participants' contributions transferred during the year | - | 1,942 | - | 1,423 | 1,263 | 4,628 |
| Actuarial loss (gain): effect of changes in demographic assumptions | (246) | (714) | (18) | - | - | (978) |
| Actuarial loss (gain): effect of financial assumptions | 985,054 | 239,764 | 22,053 | (18,607) | (24,665) | 1,203,599 |
| Benefits paid during the year | (469,387) | (104,610) | (10,371) | (29,179) | (39,639) | (653,186) |
| **Present value of actuarial obligations at December 31, 2020** | **7,138,641** | **2,047,884** | **175,300** | **452,237** | **670,330** | **10,484,392** |

| | | CPFL | CPFL Geração / | RGE | | |
|---|---|---|---|---|---|---|
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| **Fair value of actuarial assets at December 31, 2018** | **(4,215,431)** | **(1,205,647)** | **(98,836)** | **(413,043)** | **(463,571)** | **(6,396,529)** |
| Expected return during the year | (372,121) | (107,795) | (8,699) | (37,500) | (40,947) | (567,062) |
| Participants' contributions transferred during the year | - | (1,886) | - | (620) | (1,136) | (3,642) |
| Sponsors' contributions | (92,756) | (34,444) | (1,604) | (7,748) | (6,959) | (143,512) |
| Actuarial loss (gain): return on actuarial assets | (280,404) | (99,905) | (6,426) | (35,042) | (29,504) | (451,281) |
| Benefits paid during the year | 443,447 | 96,628 | 9,651 | 27,564 | 38,250 | 615,543 |
| **Fair value of actuarial assets at December 31, 2019** | **(4,517,265)** | **(1,353,050)** | **(105,914)** | **(466,390)** | **(503,867)** | **(6,946,486)** |
| Expected return during the year | (343,869) | (104,675) | (8,400) | (34,598) | (37,129) | (528,671) |
| Participants' contributions transferred during the year | - | (1,942) | - | (1,423) | (1,263) | (4,628) |
| Sponsors' contributions | (127,649) | (37,741) | (3,037) | (7,853) | (6,948) | (183,228) |
| Actuarial loss (gain): return on actuarial assets | (460,651) | (91,577) | (15,899) | 17,686 | 15,682 | (534,759) |
| Benefits paid during the year | 469,387 | 104,610 | 10,371 | 29,179 | 39,639 | 653,186 |
| **Fair value of actuarial assets at December 31, 2020** | **(4,980,047)** | **(1,484,375)** | **(122,879)** | **(463,399)** | **(493,886)** | **(7,544,586)** |

## 20.3 Movements in recognized assets and liabilities

The movements in net liability are as follows:

| | | CPFL | CPFL Geração / | RGE | | |
|---|---|---|---|---|---|---|
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| **Net actuarial liability at December 31, 2019** | **1,721,619** | **420,039** | **46,340** | - | **177,496** | **2,365,492** |
| Expenses (income) recognized in the statement of profit or loss | 122,573 | 33,738 | 2,982 | (295) | 14,879 | 173,877 |
| Sponsors' contributions transferred during the year | (127,649) | (37,741) | (3,037) | (7,853) | (6,948) | (183,228) |
| Actuarial loss (gain): effect of changes in demographic assumptions | (246) | (714) | (18) | - | - | (978) |
| Actuarial loss (gain): effect of financial assumptions | 985,054 | 239,764 | 22,053 | (18,607) | (24,665) | 1,203,599 |
| Actuarial loss (gain): return on actuarial assets | (460,651) | (91,577) | (15,899) | 17,686 | 15,682 | (534,759) |
| Effect of asset ceiling | (82,106) | - | - | 9,069 | - | (73,037) |
| **Net actuarial liability at December 31, 2020** | **2,158,594** | **563,509** | **52,421** | - | **176,444** | **2,950,968** |
| Other contributions | | | | | | 8,660 |
| **Total liability** | | | | | | **2,959,628** |
| Current | | | | | | **199,803** |
| Noncurrent | | | | | | **2,759,826** |

| | | CPFL | | RGE | | |
|---|---|---|---|---|---|---|
| | CPFL Paulista | Piratininga | CPFL Geração | *Plan 1* | *Plan 2* | Total |
| **Net actuarial liability at December 31, 2018** | **907,807** | **210,744** | **21,129** | - | **89,922** | **1,229,600** |
| Expenses (income) recognized in the statement of profit or loss | 77,977 | 22,711 | 1,892 | (178) | 10,201 | 112,602 |
| Sponsors' contributions transferred during the year | (92,756) | (34,444) | (1,604) | (7,748) | (6,959) | (143,512) |
| Actuarial loss (gain): effect of changes in demographic assumptions | (2,900) | (77) | (165) | - | - | (3,143) |
| Actuarial loss (gain): effect of financial assumptions | 1,037,048 | 321,011 | 31,516 | 73,759 | 113,836 | 1,577,170 |
| Actuarial loss (gain): return on actuarial assets | (280,404) | (99,905) | (6,426) | (35,042) | (29,504) | (451,281) |
| Effect of asset ceiling | 74,849 | | - | (30,791) | - | 44,058 |
| **Net actuarial liability at December 31, 2019** | **1,721,619** | **420,039** | **46,340** | - | **177,496** | **2,365,494** |
| Other contributions | | | | | | 12,683 |
| **Total liability** | | | | | | **2,378,178** |
| Current | | | | | | **224,851** |
| Noncurrent | | | | | | **2,153,327** |

### 20.4 Expected contributions and benefits

The expected contributions to the plans for 2021 are shown below:

**Expected contributions**

| | 2021 |
|---|---|
| CPFL Paulista | 214,273 |
| CPFL Piratininga | 71,846 |
| CPFL Geração | 4,384 |
| RGE - Plan 1 | 8,147 |
| RGE - Plan 2 | 7,209 |
| **Total** | **305,859** |

The expected benefits to be paid by in the next 10 years are shown below:

| | 2021 | 2022 | 2023 | 2024 | 2025 to 2030 | Total |
|---|---|---|---|---|---|---|
| CPFL Paulista | 542,063 | 555,131 | 567,202 | 578,553 | 3,649,364 | 5,892,313 |
| CPFL Piratininga | 126,220 | 130,692 | 135,459 | 140,728 | 947,938 | 1,481,037 |
| CPFL Geração | 13,321 | 13,578 | 13,850 | 14,074 | 87,983 | 142,806 |
| RGE | 30,215 | 31,469 | 32,454 | 33,376 | 219,284 | 346,798 |
| RGE Sul | 43,125 | 44,776 | 46,398 | 48,024 | 317,599 | 499,922 |
| **Total** | **754,944** | **775,646** | **795,363** | **814,755** | **5,222,168** | **8,362,876** |

At December 31, 2020, the average duration of the defined benefit obligation was 9.7 years for CPFL Paulista, 11.8 years for CPFL Piratininga, 10 years for CPFL Renováveis, 10.6 years for RGE Plan 1 and 11 years for RGE Plan 2.

### 20.5 Recognition of private pension plan income and expense

Supported by the opinion of external actuarial estimate, the Group's management presents the actuarial estimate of the expenses and/or income to be recognized in 2021 and the income/expense recognized in 2020 and 2019 are as follows:

| | 2021 estimated | | | | | |
|---|---|---|---|---|---|---|
| | | CPFL | | RGE | | |
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| Service cost | 1,676 | 9,324 | 149 | (1,167) | 1,142 | 11,124 |
| Interest on actuarial obligations | 530,180 | 153,225 | 13,019 | 33,746 | 50,085 | 780,255 |
| Expected return on plan assets | (371,807) | (112,568) | (9,141) | (34,980) | (36,792) | (565,288) |
| Effect of asset ceiling | - | - | - | 862 | - | 862 |
| **Total expense (income)** | **160,049** | **49,981** | **4,027** | **(1,539)** | **14,435** | **226,953** |

| | 2020 actual | | | | | |
|---|---|---|---|---|---|---|
| | | CPFL | CPFL Geração / | RGE | | |
| | CPFL Paulista | Piratininga | CPFL Renováveis | *Plan 1* | *Plan 2* | Total |
| Service cost | 1,344 | 7,565 | 108 | (24) | 1,873 | 10,866 |
| Interest on actuarial obligations | 457,841 | 130,848 | 11,744 | 34,289 | 50,135 | 684,857 |
| Expected return on plan assets | (343,869) | (104,675) | (8,400) | (34,598) | (37,129) | (528,671) |
| Effect of asset ceiling | 7,257 | - | - | 38 | - | 7,295 |
| **Total expense (income)** | **122,573** | **33,738** | **3,452** | **(295)** | **14,879** | **174,347** |

| | 2019 actual | | | | | |
|---|---|---|---|---|---|---|
| | | CPFL | | RGE | | |
| | CPFL Paulista | Piratininga | CPFL Geração | *Plan 1* | *Plan 2* | Total |
| Service cost | 925 | 5,449 | 84 | 185 | 2,352 | 8,993 |
| Interest on actuarial obligations | 449,173 | 125,059 | 10,507 | 34,342 | 48,796 | 667,877 |
| Expected return on plan assets | (372,121) | (107,795) | (8,699) | (37,500) | (40,947) | (567,062) |
| Effect of asset ceiling | - | - | - | 2,795 | - | 2,795 |
| **Total expense (income)** | **77,977** | **22,711** | **1,892** | **(178)** | **10,201** | **112,603** |

The main assumptions taken into consideration in the actuarial calculation at the end of the reporting period were as follows:

| | CPFL Paulista, CPFL Renováveis and CPFL Piratininga | | RGE (Plans 1 and 2) | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Nominal discount rate for actuarial liabilities: | 7.72% p.a. | 7.43% p.a. | 7.72% p.a. | 7.43% p.a. |
| Nominal return rate on plan assets: | 7.72% p.a. | 7.43% p.a. | 7.72% p.a. | 7.43% p.a. |
| Estimated rate of nominal salary increase: | 5.31% p.a.(*) | 5.56% p.a.(*) | 5.48% p.a.(**) | 5.97% p.a.(**) |
| Estimated rate of nominal benefits increase: | 3.75% p.a. | 4.00% p.a. | 3.75% p.a. | 4.00% p.a. |
| Estimated long-term inflation rate (basis for the nominal rates above) | 3.75% p.a. | 4.00% p.a. | 3.75% p.a. | 4.00% p.a. |
| General biometric mortality table: | AT-2000 (-10) | AT-2000 (-10) | BR-EMS sb v.2015 | BR-EMS sb v.2015 |
| Biometric table for the onset of disability: | Low Light (-30) | Low Light (-30) | Medium Light | Medium Light |
| Expected turnover rate: | ExpR_2012 | ExpR_2012 | Null | Null |
| Likelihood of reaching retirement age: | After 15 years of filiation and 35 years of service time for men and 30 years of service time for women | After 15 years of filiation and 35 years of service time for men and 30 years of service time for women | 100% when a beneficiary first becomes eligible for a full benefit | 100% when a beneficiary first becomes eligible for a full benefit |

(*) The estimated rate of nominal salary increase for CPFL Piratininga was 6.14% in 2020 and 6.39 in 2019
(**) The estimated rate of nominal salary increase for RGE (Plan 1) was 4,96% in 2020 and 5.15% in 2019

## 20.6 Plan assets

The following tables show the allocation (by asset segment) of the assets of the Group CPFL pension plans, at December 31, 2020 and 2019 managed by VIVEST and Fundação Família Previdência. The tables also show the distribution of the guarantee resources established as target for 2021, obtained in light of the macroeconomic scenario in December 2020.

Assets managed by the plans are as follows:

| | Assets managed by VIVEST | | | | Assets managed by Família Previdência | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | RGE | | | |
| | CPFL Paulista and CPFL Geração/CPFL Renováveis | | CPFL Piratininga | | Plan 1 | | Plan 2 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Fixed rate** | **77%** | **75%** | **78%** | **76%** | **78%** | **76%** | **76%** | **74%** |
| Federal governament bonds | 65% | 61% | 61% | 58% | 63% | 66% | 60% | 64% |
| Corporate bonds (financial institutions) | 1% | 1% | 1% | 2% | 10% | 5% | 7% | 5% |
| Corporate bonds (non financial institutions) | 0% | 0% | 0% | 0% | 3% | 2% | 3% | 3% |
| Multimarket funds | 2% | 4% | 2% | 4% | 4% | 2% | 6% | 2% |
| Other fixed income investments | 9% | 9% | 14% | 12% | 0% | 0% | 0% | 0% |
| **Variable income** | **18%** | **17%** | **18%** | **17%** | **18%** | **21%** | **18%** | **21%** |
| Investiment funds - shares | 18% | 17% | 18% | 17% | 18% | 21% | 18% | 21% |
| **Structured investments** | **1%** | **4%** | **1%** | **4%** | **0%** | **1%** | **1%** | **1%** |
| Real estate funds | 0% | 0% | 0% | 0% | 0% | 0% | 1% | 0% |
| Multimarket fund | 1% | 4% | 1% | 4% | 0% | 0% | 0% | 0% |
| **Total quoted in na active market** | **96%** | **96%** | **97%** | **97%** | **97%** | **96%** | **95%** | **96%** |
| **Real estate** | **1%** | **3%** | **1%** | **2%** | **1%** | **2%** | **2%** | **2%** |
| **Transactions with participants** | **1%** | **1%** | **1%** | **1%** | **2%** | **1%** | **3%** | **2%** |
| **Other investments** | **1%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** |
| Escrow deposits and othes | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Total no quoted in na active market** | **4%** | **4%** | **3%** | **3%** | **4%** | **4%** | **4%** | **4%** |

The plan assets do not include any properties occupied or assets used by the Company.

| | Target for 2021 | | | |
|---|---|---|---|---|
| | VIVEST | | Fundação Família Previdência | |
| | | | RGE | |
| | CPFL Paulista and CPFL Renováveis | CPFL Piratininga | Plan 1 | Plan 2 |
| Fixed income investments | 77.6% | 66.7% | 76.0% | 76.0% |
| Variable income investments | 18.6% | 29.6% | 9.0% | 11.0% |
| Real estate | 2.3% | 1.1% | 2.0% | 3.0% |
| Transactions with participants | 1.5% | 2.5% | 2.0% | 2.0% |
| Structured investments | 0.0% | 0.0% | 11.0% | 8.0% |
| Investments abroad | 0.0% | 0.1% | - | - |
| | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

The allocation target for 2021 was based on the recommendations for allocation of assets made at the end of 2020 by VIVEST and Fundação Família Previdência, in their Investment Policy. This target may change at any time during 2021, in light of changes in the macroeconomic situation or in the return on assets, among other factors.

The asset management aims at maximizing the return on investments, but always seeking to minimize the risks of actuarial deficit. Accordingly, investments are always made considering the liability that they must honor. The two main studies for VIVEST and Fundação Família Previdência to achieve the investment management objectives are the Asset Liability Management – ALM and the Technical Study of Compliance and Appropriateness of the Real Interest Rate, both conducted at least once a year, taking into consideration the projected flow of benefit payments (liability flow) of the pension plans managed by the Foundations.

The ALM study is used as a base to define the strategic allocation of assets, which comprises the target participations in the asset classes of interest, from the identification of efficient combinations of assets, considering the existence of liabilities and the need for return, immunization and liquidity of each plan, considering projections of risk and return. The simulations generated by the ALM studies assist in the definition of the minimum and maximum limits of allocation in the different asset classes, defined in the plans' Investment Policy, which is also used as a risk control mechanism.

The Technical Study of Compliance and Appropriateness of the Real Interest Rate aims at proving the appropriateness and compliance of the annual real interest rate to be adopted in the actuarial valuation of the plans and the projected annual real rate of return of the investments, considering their projected flows of revenues and expenses.

These studies are used as a base to determine the assumptions of estimated real return of the pension plans' investments for short-term and long-term horizons and assist in the analysis of their liquidity, since they consider the flow of benefit payments against the assets considered liquid. The main assumptions considered in the studies are, in addition to the liability flow projections, the macroeconomic and asset price projections, through which estimates of the expected short-term and long-term profitability are obtained, taking into account the current portfolios of the benefit plans.

### 20.7 Sensitivity analysis

The significant actuarial assumptions for determining the defined benefit obligation are discount rate and mortality. The following sensitivity analyses were based on reasonably possible changes in the assumptions at the end of the reporting period, with the other assumptions remaining constant.

In the presentation of the sensitivity analysis, the present value of the defined benefit obligation was calculated using the projected unit credit method at the end of the reporting period, the same method used to calculate the defined benefit obligation recognized in the statement of income, according to CPC 33 / IAS 19.

See below the effects on the defined benefit obligation if the discount rate were 0.25 percentage points lower (higher) and if general biometric mortality table were to be softened (aggravated) in one year:

| | | | | | RGE | | |
|---|---|---|---|---|---|---|---|
| | Gain (loss) | CPFL Paulista | CPFL Piratininga | CPFL Renováveis | Plan 1 | Plan 2 | Total |
| Nominal discount (*) | -0,25 p.p. | 175,424 | 61,122 | 4,457 | 12,112 | 18,711 | 271,826 |
| | +0,25 p.p. | (168,192) | (58,161) | (4,263) | (11,582) | (17,837) | (260,036) |
| General biometric mortality table (**) | +1 year | (192,339) | (46,034) | (4,525) | (10,580) | (16,387) | (269,864) |
| | -1 year | 191,241 | 45,364 | 4,504 | 10,420 | 16,170 | 267,699 * |

*The Company's assumption based on the actuarial report for the nominal discount rate was 7.72% p.a. The projected rates are decreased or increased by 0.25 p.p. to 7.47% p.a. and 7.97% p.a..

** The Company's assumption based on the actuarial report for the nominal discount rate was 7.72%. The projected rates are decreased or increased by 0.25 p.p. to 7.47% p.a. and 7.97% p.a. of the Fundação CEEE .The projections were carried out with increase or decrease of 1 year in the respective mortality tables.

### 20.8 Investment risk

The major part of the resources of the Company's benefit plans is invested in the fixed income segment and, within this segment, the greater part of the funds is invested in federal government bonds, indexed to the IGP-M, IPCA and SELIC, which are the index for adjustment of the actuarial liabilities of the Company's plans (defined benefit plans), representing the matching between assets and liabilities.

Management of the Company's benefit plans is monitored by the Investment and Pension Plan Management Committee, which includes representatives of active and retired employees, as well as members appointed by the Company. Among the duties of the Committee are the analysis and approval of investment recommendations made by VIVEST investment managers, which occurs at least quarterly.

VIVEST and Fundação CEEE uses the following tools to control market risks in the fixed income and variable income segments: *VaR, Tracking Risk, Tracking Error and Stress Test.*

Fundação Família Previdência also uses Sharpe, Generalized Sharpe and Drawn Down. In addition, to assess the market risk exposure of the plans' portfolios, the Base EBA Year Exposure is calculated and Stress Simulations are performed. The EBA consists of a metric that expresses the risk exposure of the portfolio as a percentage of equity, considering the sum of the exposures generated by each asset, based on the definition of increase/decrease of the respective risk factors.

VIVEST and Fundação Família Previdência Investment Policies determine additional restrictions that, along with those already established by law, define the percentages of diversification for investments and establish the strategy of the plans, including the limit of credit risk in assets issued or co-obligation of the same legal entity to be adopted internally.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 21 ) REGULATORY LIABILITIES

| | Consolidated | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Financial compensation for the use of water resources | 848 | 1,265 |
| Global reversal reserve - RGR | 17,258 | 17,260 |
| ANEEL inspection fee -TFSEE | 7,560 | 7,375 |
| Energy development account - CDE | 1,393 | - |
| Tariff flags and others | 81,312 | 206,352 |
| **Total** | **108,371** | **232,251** |

**Tariff flags and others** – The balance at December 31, 2020 basically refers to tariff flags (red, level 2) billed in December 2020, but not yet approved. At December 31, 2019, this balance basically refers to tariff flags billed in November (red, level 1) and in December (yellow), 2019, which were approved by the Centralizing Account For Tariff Flag Resources (“CCRBT”) in the first quarter of 2020.

## ( 22 ) TAXES, FEES AND CONTRIBUTIONS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| **Current** | | | | |
| IRPJ (corporate income tax) | - | 31,038 | 52,333 | 156,240 |
| CSLL (social contribution on net income) | 8,443 | 9,591 | 39,137 | 62,721 |
| **Income tax and social contribution** | **8,443** | **40,629** | **91,470** | **218,961** |
| ICMS (State VAT) | - | - | 568,598 | 435,155 |
| PIS (tax on revenue) | - | 4,423 | 36,229 | 36,657 |
| COFINS (tax on revenue) | - | 20,392 | 164,705 | 168,195 |
| PIS/COFINS payment | - | - | - | 9,323 |
| Income tax withholding on interest on capital | - | - | 24,176 | 40,099 |
| Other taxes | 472 | 500 | 80,044 | 52,105 |
| **Other taxes, fees and contributions payable** | **472** | **25,315** | **873,752** | **741,536** |
| **Total current** | **8,915** | **65,944** | **965,222** | **960,497** |
| **Noncurrent** | | | | |
| IRPJ (corporate income tax) | - | - | 161,970 | 156,198 |
| CSLL (social contribution on net income) | - | - | 3,929 | - |
| **Income tax and social contribution** | - | - | **165,900** | **156,198** |
| ICMS (State VAT) | - | - | 839 | 805 |
| **Other taxes, fees and contributions payable** | - | - | **839** | **805** |
| **Total noncurrent** | - | - | **166,738** | **157,003** |

**Corporate Income tax – IRPJ:** in noncurrent, this refers to the reclassification of provision for tax risks related to taxes on profit. The largest case amount refers to the Writ of Mandamus filed by the subsidiary CPFL Piratininga, which discussed the possibility of excluding the Social Contribution on Profit (CSLL) from the calculation base of the Corporate Income Tax (IRPJ); for such case, it is more probable that the Tax Authorities will not accept the procedure in question.

The Group has some uncertain income tax treatments for which management concluded that it is probable more likely than not that they will be accepted by the tax authority and for which the effect of potential contingencies is disclosed in note 23 – Provision for tax, civil and labor risks and escrow deposits.

## ( 23 ) PROVISION FOR TAX, CIVIL AND LABOR RISKS AND ESCROW DEPOSITS

| | Consolidated | | | |
|---|---|---|---|---|
| | December 31, 2020 | | December 31, 2019 | |
| | Provision for tax,civil and labor risks | Escrow Deposits | Provision for tax,civil and labor risks | Escrow Deposits |
| **Labor** | 219,113 | 91,156 | 235,085 | 96,094 |
| **Civil** | 284,766 | 72,274 | 245,464 | 66,243 |
| **Tax** | | | | |
| Income tax and tax contribution | 89 | 425,528 | 7,571 | 417,664 |
| Others | 44,836 | 175,718 | 46,255 | 177,369 |
| | 44,924 | 601,246 | 53,825 | 595,033 |
| **Others** | 67,332 | 83 | 66,401 | 1 |
| **Total** | **616,136** | **764,760** | **600,775** | **757,370** |

The movements in the provision for tax, civil, labor and other risks are shown below:

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | At December 31, 2019 | Additions | Reversals | Payments | Monetary adjustment | Reclassification (nota 22) | At December 31, 2020 |
| Labor | 235,085 | 97,977 | (34,677) | (100,690) | 21,419 | - | 219,113 |
| Civil | 245,464 | 137,565 | (29,885) | (120,801) | 52,424 | - | 284,766 |
| Tax | 53,825 | 6,845 | (5,900) | (5,779) | 2,801 | (6,867) | 44,924 |
| Others | 66,401 | 14,809 | (1,832) | (12,379) | 332 | - | 67,332 |
| **Total** | **600,775** | **257,196** | **(72,294)** | **(239,649)** | **76,976** | **(6,867)** | **616,136** |

The provision for tax, civil, labor and other risks was based on the assessment of the risks of losing the lawsuits to which the Group is part, where the likelihood of loss is probable in the opinion of the outside legal counselors and the Management of the Group.

The principal pending issues relating to litigation, lawsuits and tax assessments are summarized below:

a. **Labor:** The main labor lawsuits relate to claims filed by former employees or labor unions for payment of salary adjustments (overtime, salary parity, severance payments and other claims).

b. **Civil**

**Bodily injury -** refer mainly to claims for indemnities relating to accidents in the Company's electrical grids, damage to consumers, vehicle accidents, etc.

**Tariff increase -** refer to various claims by industrial consumers as a result of tariff increases imposed by DNAEE Administrative Rules 38 and 45, of February 27 and March 4, 1986, when the “Plano Cruzado” economic plan price freeze was in effect.

c. **Tax -** this refers to lawsuits in progress at the judicial and administrative levels resulting from the subsidiaries' operations, related to tax matters involving INSS, FGTS, SAT, PIS and COFINS.

d. **Others:** The line item of “others” refers mainly to lawsuits involving regulatory matters.

**Possible losses**

The Group is part to other lawsuits in which Management, supported by its external legal counselors, believes that the chances of a successful outcome are possible due to a solid defensive position in these cases, therefore no provision was recognized. It is not yet possible to predict the outcome of the courts' decisions or any other decisions in similar proceedings considered probable or remote.

The claims relating to possible losses at December 31, 2020 and 2019 were as follows:

| | Consolidated | | |
|---|---|---|---|
| | At December 31, 2020 | At December 31, 2019 | |
| Labor | 609,335 | 583,348 | Work accidents, risk premium for dangerousness at workplace and overtime |
| Civil | 2,139,333 | 1,815,143 | Compensation claims, electrical damages, overfed tariffs, review of contracts and charges for occupation of the right-of-way. |
| Tax | 4,774,906 | 4,350,740 | Income tax and social contribution (note 22) |
| Tax - Others | 2,345,775 | 2,654,331 | INSS, ICMS, FINSOCIAL, PIS and COFINS |
| Regulatory | 100,358 | 76,404 | Technical, commercial and economic-financial supervisions |
| **Total** | **9,969,707** | **9,479,966** | |

**Tax :**

(i) One of the main cases refers to litigation about deductibility for income tax purposes of expenses recognized in 1997 relating to novation of debt in connection with the pension plan of employees of subsidiary CPFL Paulista to Fundação CESP ("VIVEST") in the estimated amount of 1,495,455, with escrow deposits in the amount of R$ 22,895 and financial guarantees (insurance and letters of guarantee) in the total amount of R $ 1,876,315, under the terms required by the relevant procedural law. In addition, the litigation includes interest that was levied on the escrow deposit withdrawn by the Company, in the amount of R$ 254,786 and that is deposited in court. On May 23, June 6 and September 17, 2019, the special appeal of the main proceeding was judged by the Second Panel of the Higher Court of Justice (STJ), which handed down a decision unfavorable to the subsidiary, fully published on June 26, 2020, which embargoes of declaration were opposed on August 4, 2020, awaiting judgment.. Additionally, the controlled property has an extraordinary appeal in the initial stage of processing at the Supreme Federal Court (STF). Additionally, the subsidiary has an extraordinary appeal in the initial stage at the Federal Supreme Court (STF). Consequently, based on the current stage of the appeal, both at the STJ and at the STF, and based on the opinion of its legal advisors, the subsidiary remains confident in the legal grounds consubstantiating the appeal and will continue to defend its arguments before the judiciary branch, assessing the chances of loss as not probable, there is a new opportunity for the analysis of the case at the Federal Supreme Court (STF), with a constitutional approach with solid bases, indicating possible success in the extraordinary appeals, and will continue to try to avoid possible cash outflows should it be required to replace existing judicial guarantees with cash deposits.

(ii) in 2016, the subsidiary CPFL Renováveis received a tax infringement notice in the update amount of R$ 348,006 relating to the collection of Withholding Income Tax - IRRF on the remuneration of capital gain incurred with parties resident and/or domiciled abroad, arising from the sale of Jantus SL in December 2011, for which the Company's management, supported by the opinion of its outside legal counselors, assessing the chances of loss as not probable;

(iii) in 2016 the subsidiary CPFL Geração received a tax infringement notice in the inflation adjusted amount of R$ 541,921 related to the collection of IRPJ and CSLL for the calendar year 2011, calculated on the alleged capital gain identified on the acquisition of ERSA Energias Renováveis S.A. and on the recording of differences in the fair value remeasurement of SMITA Empreendimentos e Participações S.A., company acquired in a downstream merger, for which the Company's management, supported by the opinion of its outside legal counselors, assessing the chances of loss as not probable. As of September 2020, as a result of the integration of CPFL Renováveis (note 13.5), the processes migrated to CPFL Renováveis.

**Labor:**

Regarding labor contingencies, the effects of the decision of the Federal Supreme Court (STF) that changed the monetary restatement index adopted by the Labor Court are under discussion. Currently, there is a decision of the STF, subject to appeal, which definitively ruled out the application of TR, an index previously practiced by the Labor Court, for the application of the IPCA-E for debts in the pre-procedural phase and the SELIC for after the summons, however, it did not delimit the temporality of this application for cases without a defined index, nor did it clarify the application of interest, reactivating the previously suspended lawsuits. The Group's Management clarifies that it carries out the individual settlement of labor cases, in accordance with the respective decisions and did not identify a material change in the preliminary analysis. Thus, the Company awaits the publication of the final decision by the STF and any resources to estimate with reasonable certainty the amounts involved in the discussion.

Based on the opinion of their outside legal counselors, the Group's management believes that the amounts provided for reflect the current best estimate.

## ( 24 ) OTHER PAYABLES

| | Consolidated | | | |
|---|---|---|---|---|
| | Current | | Noncurrent | |
| | At December 31, 2020 | At December 31, 2019 | At December 31, 2020 | At December 31, 2019 |
| Consumers and concessionaires | 199,833 | 114,610 | 177,693 | 183,938 |
| Energy efficiency program - PEE | 375,746 | 230,451 | 911 | 89,522 |
| Research & Development - P&D | 216,021 | 93,658 | 26,075 | 125,111 |
| EPE / FNDCT / PROCEL (*) | 35,112 | 49,275 | - | - |
| Reversion fund | 1,712 | 1,712 | 10,904 | 12,615 |
| Advances | 507,167 | 234,556 | 44,026 | 43,263 |
| Tariff discounts - CDE | 60,023 | 76,632 | - | - |
| Payroll | 19,128 | 18,004 | - | - |
| Profit sharing | 111,788 | 98,713 | 26,836 | 29,631 |
| Collection agreements | 102,954 | 93,740 | - | - |
| Business acquisition | 9,838 | 7,901 | - | - |
| Others | 70,036 | 50,533 | 47,071 | 71,406 |
| **Total** | **1,709,358** | **1,069,784** | **333,516** | **555,487** |

(*) EPE - Energy Research Company;
FNDCT- National Fund for Scientific and Technological Development;
PROCEL - National Electricity Conservation Program.

**Consumers and concessionaires:** refer to liabilities with consumers in connection with overpayments and adjustments of billing to be offset or returned. In noncurrent, this refers mainly to the transfer of PIS and COFINS to consumers (Note 8) and to spot market electricity (CCEE) related to ANEEL Order No. 288.

**Research & Development, PROCEL National Electric Conservation Program and Energy Efficiency Programs:** the subsidiaries recognized liabilities relating to amounts already billed in tariffs (1% of net operating revenue), but not yet invested in the research & development and energy efficiency programs. These amounts are subject to adjustment at the SELIC rate, through the date of their realization.
Additionally, in compliance with Provisional Measure 998/2020, from September 1, 2020 to December 31, 2025, up to 30% of the amounts provided for the R&D and Energy Efficiency Programs, not committed to projects contracted or started, until August 31, 2020, should be allocated to CDE in favor of low tariffs. ANEEL will regulate the method of payment of these amounts in 2021.

**Advances:** refer mainly to advances from customers in relation to advance billing by the subsidiary CPFL Renováveis, before the energy or service has actually been provided or delivered.

**Tariff discounts – CDE:** refer to the difference between the tariff discount granted to consumers and the amounts received via the CDE.

**Profit sharing:** mainly comprised by:

(i) in accordance with a collective labor agreement, the Group introduced an employee profit-sharing program, based on the achievement of operating and financial targets previously established;

(ii) Long-Term Incentive Program: refers to the Long-Term Incentive Plan for the Group's Executives, approved by the Board of Directors, which consists in an incentive in financial resources based on salary multiples and that are driven by the company's results and average performance in the three fiscal years after each concession.

**Collection agreements:** refer to agreements signed with city halls and companies for collection through the electric energy bill and subsequent transfer of amounts referring to the contribution of public lighting, newspapers, medical assistance, home insurance, among others.

## ( 25 ) EQUITY

The shareholders' interest in the Company's Equity at December 31, 2020 and 2019 is shown below:

| | Number of shares | | | |
|---|---|---|---|---|
| | At December 31, 2020 | | At December 31, 2019 | |
| **Shareholders** | **Common shares** | **Interest %** | **Common shares** | **Interest %** |
| State Grid Brazil Power Participações S.A. | 730,435,698 | 63.39% | 730,435,698 | 63.39% |
| ESC Energia S.A. | 234,086,204 | 20.32% | 234,086,204 | 20.32% |
| Members of the Executive Board | 102,100 | 0.01% | 189 | 0.00% |
| Other shareholders | 187,630,438 | 16.28% | 187,732,349 | 16.29% |
| **Total** | **1,152,254,440** | **100.00%** | **1,152,254,440** | **100.00%** |

### 25.1 Capital management

The Company's policy is to maintain a solid capital base in order to keep the trust of the investor, the creditors and the market and to ensure the business sustainability. Management monitors the return on capital and the strategy of rising dividends from the subsidiaries to the Company and from the Company to the controlling shareholders.

The Company manages the leverage ratio analyzing the advantages and the security provided by an improved equity capital position. The Company monitors capital using the gearing ratio calculated by net debt to EBITDA.

In 2020, the consolidated capital structure and leverage ratio of CPFL Energia remained at adequate levels. The Company's net debt reached 2.24 times the EBITDA at the end of 2020 (2.52 times at December 31,2019) under the criterion for measuring the Company's financial covenants, lower than in the prior year. The Group's policy is to keep such ratio below 3.75, since most of its agreements use this measurement. Historically, the Company has not acquired its own shares in the market.

### 25.2 Public Offering of Shares – CPFL Renováveis

On December 19, 2019, the Company's Board of Directors and the Executive Board of CPFL Geração approved the holding of a public tender offer of the common shares issued by CPFL Energias Renováveis, outstanding in the market, for the purpose of converting its registration as a publicly-held company category "A" into category "B" ("OPA Conversion of Registration") and/or exit from the New Market ("OPA Exit from the New Market", and, together with the OPA Conversion of Registration, "OPA"), to be carried out by CPFL Geração, direct controlling shareholder of CPFL Renováveis. The holding of the OPA is subject to its registration by the CVM and its authorization by B3 and will be intended for the acquisition of up to 291,550 common shares issued by CPFL Renováveis outstanding in the market, which represent, on that date, 0.056% equity interest in CPFL Renováveis ("Outstanding Shares").

On April 27, 2020, the Company received approval from the CVM related to the OPA Conversion of Registry request as well as to the OPA Exit from the New Market. The Public Offering Notice, containing all the terms and conditions of the OPA, was released by CPFL Geração on May 6, 2020.

On May 21, 2020, the Company, by means of a Material News Release, informed that, on that date, its Board of Directors expressed its agreement with acceptance of the OPA by the Company's shareholders, pursuant to the opinion approved at the meeting held on that date.

On June 5, 2020, CPFL Geração, through a Material News Release, informed that the definitive acquisition price for the OPA auction, after the adjustments provided for in item 4.5 of the Notice, was R$ 18.24 per common share, to be fully paid in cash on the financial settlement date (June 15, 2020) of the OPA auction.

On June 10, 2020, CPFL Renováveis, by means of a Material News Release, informed the result of the public offering auction of the Company's common shares outstanding in the market, unifying the modalities for the purpose of converting its registration as a publicly-held company category "A" into category "B" ("OPA Conversion of Registration") and leaving the New Market ("OPA Exit from the New Market"), and, together with OPA Conversion of Registration, "OPA" and "Auction", respectively) carried out on that date on B3 S.A. – Brasil, Bolsa, Balcão ("B3"). As a result of the Auction, CPFL Geração ("the Offering Party") acquired 183,539 common shares issued by the Company outstanding in the market, representing 0.035% of its issued capital. The shares were acquired at the unit price of R$ 18.24, totaling R$ 3,347,751.36. With the financial settlement of the acquisitions made at the Auction, which took place on June 15, 2020, the remaining outstanding shares now represent 0.021% of the Company's share capital. Considering that the number of shares acquired by the Offering Party at the Auction exceeded the minimum amount necessary for the conversion of its registration as a publicly-held company category "A" into category "B" with the CVM, of 2/3rd of the shares offered at the Auction, the Company proceeded with the necessary acts for the conversion. The Company's shares immediately ceased to be part of B3's New Market segment, moving on to B3's basic segment until CVM issues a statement regarding the category conversion.

On June 19, 2020, CPFL Renováveis, through a Material News Release, informed that the Board of Directors approved, on that date, the call for the Extraordinary General Meeting ("EGM") of the Company's shareholders, to be held on July 7, 2020, to decide about the redemption of all common shares issued by the Company that remained outstanding after the OPA auction. The EGM took place on that date and the share redemption was approved. The redemption price is R$ 18.28 per share, equivalent to the price of the OPA, adjusted by the variation of the SELIC rate from June 15, 2020, the settlement date of the OPA, until the date of deposit of the redemption amount (July 22, 2020).

### 25.3 Capital reserve

This refers basically to the registration of operations involving subsidiary CPFL Renováveis: (i) business combination in 2011 (R$ 228,322); (ii) public offering of shares in 2013 (R$ 59,308); (iii) association with DESA in 2014 (R$ 180,297); decrease due to: (iv) acquisition, by the Company, of equity interest previously held by the parent company State Grid in 2019 (R$ 2,034,920), (v) change in equity interest without change in control in 2019 (R$ 75,298) and 2020 (R$ 2,915) note 13.5.

In accordance with ICPC 09 (R2) and IFRS 10/CPC 36, these effects were recognized as transactions between shareholders, directly in Equity.

### 25.4 Earnings reserve

The balance of earnings reserve at December 31, 2020 is R$ 7,021,428 that refers to : i) Legal Reserve of R$ 1,218,283; e ii) statutory reserve - working capital improvement of R$ 5,803,145.

### 25.5 Accumulated comprehensive income

Accumulated comprehensive income is comprised of:

(i) Deemed cost: Refers to the recognition of the fair value adjustment of the deemed cost of the generating plants' property, plant and equipment, of R$ 329,502;

(ii) Private pension plan: the debt balance of R$ 2,072,506 (net of income taxes) refers to the effects recognized directly in comprehensive income, in accordance with IAS 19 / CPC 33 (R2); and

(iii) Effects of the credit risk in the fair value measurement of financial liabilities, net of income taxes, in accordance with IFRS 9 / CPC 48 (credit amount of R$ 47,768).

### 25.6 Dividends

At the Ordinary and Extraordinary General Meeting of July 27, 2020, the declaration of mandatory minimum dividend of R $ 641,884 and the proposed additional dividend of R $ 1,433,295 for the year of 2019 was approved.

The Company also declared in 2020 R$ 865,248 relating to minimum mandatory dividend, as set forth by Law 6,404/76, and for each share the amount of R$ 0.7509174 was attributed.

In 2020, the Company paid R$ 2,068,489 relating to the dividend for 2019.

### 25.7 Allocation profit for the year

The Company's bylaws establish the payment of minimum dividend of 25% of the profit for the year, adjusted as required by law, to the holders of its shares.

The proposal for allocation of profit for the year is shown in the table below:

| | 2020 |
|---|---|
| **Profit for the year - Parent company** | **3,643,149** |
| Realization of comprehensive income | 25,547 |
| Time-barred dividends | 837 |
| **Profit base for allocation** | **3,669,533** |
| Legal reserve | (182,157) |
| Statutory reserve - working capital improvement | (1,756,880) |
| Mandatory dividend | (865,248) |
| Addicional dividend | (865,248) |

Considering the current macroeconomic scenario and the Company's assessments for potential new businesses, the Company's management is proposing the allocation of R $ 1,756,880 to the statutory reserve - reinforcement of working capital. Any changes in these perspectives that reflect adjustments in the reserve may be made during the year 2021, upon approval by the Management.

## ( 26 ) EARNINGS PER SHARE

**Earnings per share – basic and diluted**

The calculation of the basic and diluted earnings per share as at December 31, 2020 and 2019 was based on the profit for the year attributable to controlling shareholders and the weighted average number of common shares outstanding during the reporting years:

| | 2020 | 2019 | |
|---|---|---|---|
| **Numerator** | | | |
| Profit attributable to controlling shareholders | 3,643,149 | 2,702,671 | |
| **Denominator** | | | |
| Weighted average number of shares held by shareholders | 1,152,254,440 | 1,087,828,995 | (**) |
| **Earnings per share - basic** | **3.16** | **2.48** | |
| **Numerator** | | | |
| Profit attributable to controlling shareholders | 3,643,149 | 2,702,671 | |
| Dilutive effect of convertible debentures of subsidiary CPFL Renováveis (*) | - | (13,764) | |
| Profit attributable to controlling shareholders | 3,643,149 | 2,688,907 | |
| **Denominator** | | | |
| Weighted average number of shares held by shareholders | 1,152,254,440 | 1,087,828,995 | (**) |
| **Earnings per share - diluted** | **3.16** | **2.47** | |

(*)The numerator dilutive effect in the calculation of diluted earnings per share takes into consideration the dilutive effect from the debentures convertible into shares issued by indirect subsidiaries of the Company (note 19). These financial instruments reduce the amount of earnings available to the Company's controlling shareholders. The effects were calculated taking into account the assumption that said debentures would be converted into common shares of the subsidiaries at the beginning of each year.

## ( 27 ) NET OPERATING REVENUE

| Revenue from Eletric Energy Operations | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Number of Consumers (*) | | In GWh (*) | | R$ thousand | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Consumer class** | | | | | | |
| Residential | 8,926,689 | 8,721,256 | 20,944 | 20,355 | 15,621,829 | 15,356,697 |
| Industrial | 55,865 | 57,116 | 11,865 | 13,198 | 4,515,501 | 5,222,522 |
| Commercial | 520,139 | 529,815 | 9,761 | 10,700 | 5,896,640 | 6,674,870 |
| Rural | 362,325 | 363,500 | 3,346 | 3,231 | 1,563,204 | 1,430,315 |
| Public administration | 63,350 | 61,868 | 1,172 | 1,468 | 770,753 | 957,935 |
| Public lighting | 12,300 | 11,809 | 2,035 | 2,039 | 826,758 | 838,116 |
| Public services | 10,786 | 10,512 | 2,173 | 2,348 | 1,175,575 | 1,241,696 |
| **Billed** | **9,951,454** | **9,755,876** | **51,296** | **53,339** | **30,370,260** | **31,722,151** |
| Own comsuption | - | - | 34 | 36 | - | - |
| Unbilled (net) | - | - | - | - | 260,678 | 39,477 |
| (-) Reclassificacion to Network Usage Charge - TUSD - Captive Consumers | - | - | - | - | (13,438,340) | (12,769,168) |
| **Electricity sales to final consumers** | **9,951,454** | **9,755,876** | **51,331** | **53,375** | **17,192,598** | **18,992,460** |
| Furnas Centrais Elétricas S.A. | | | 2,158 | 2,875 | 624,782 | 578,603 |
| Other concessionaires and licensees | | | 13,876 | 18,351 | 3,279,519 | 4,215,041 |
| (-) Reclassificacion to Network Usage Charge - TUSD - Captive Consumers | | | - | - | (124,255) | (133,073) |
| Spot market energy | | | 8,453 | 4,208 | 1,128,085 | 1,309,117 |
| **Electricity sales to wholesalers** | | | **24,488** | **25,435** | **4,908,131** | **5,969,688** |
| Revenue due to Network Usage Charge - TUSD - Captive Consumers | | | | | 13,562,595 | 12,902,241 |
| Revenue due to Network Usage Charge - TUSD - Free Consumers | | | | | 3,851,133 | 3,359,298 |
| (-) Compensation paid for failure to comply with the limits of continuity | | | | | (85,136) | (84,461) |
| Revenue from construction of concession infrastructure | | | | | 2,572,653 | 2,087,995 |
| Sector financial asset and liability (Note 9) | | | | | 811,445 | (602,461) |
| Concession financial asset - fair value adjustment (Note 11) | | | | | 388,394 | 280,632 |
| Energy development account - CDE - Low-income, Tariff discounts - judicial injunctions ,and other tariff discounts | | | | | 1,500,308 | 1,516,077 |
| Other revenues and income | | | | | 660,813 | 587,668 |
| **Other operating revenues** | | | | | **23,262,205** | **20,046,989** |
| **Total gross operating revenue** | | | | | **45,362,934** | **45,009,138** |
| **Deductions from operating revenues** | | | | | | |
| ICMS | | | | | (6,792,896) | (6,936,560) |
| PIS | | | | | (683,172) | (676,174) |
| COFINS | | | | | (3,144,621) | (3,173,715) |
| ISS | | | | | (24,545) | (19,830) |
| Global reversal reserve - RGR | | | | | (152) | - |
| Energy development account - CDE | | | | | (3,476,264) | (3,642,384) |
| Research and development and energy efficiency programs | | | | | (231,551) | (224,642) |
| PROINFA | | | | | (174,054) | (175,283) |
| Tariff flags and others | | | | | 108,001 | (180,572) |
| Financial compensation for the use of water resources - CFURH | | | | | (6,857) | (9,359) |
| Other | | | | | (38,364) | (38,145) |
| | | | | | **(14,464,476)** | **(15,076,664)** |
| **Net operating revenue** | | | | | **30,898,458** | **29,932,474** |

In 2020, of the total amount of R$ 660,813 (R$ 587,668 in 2019) included in the line item of other revenues and income, R$ 42,967 (R$35,312 in 2019) refer to remuneration of contract asset of transmission companies.

### 27.1. Adjustment of revenues from excess demand and excess reactive power

As provided for in Sub-module 2.7 of the Tariff Regulation Procedures – PRORET, approved through Normative Resolution No. 463/2011, since the 4th cycle of period tariff review of the distribution subsidiaries, the revenues earned from excess demand and excess reactive power have been recorded as sector liability. Since May 2015. The recorded amounts will be amortized as from the 5th cycle, (already in effect for subsidiary CPFL Piratininga) when they will be deducted from Portion B (portion of manageable costs of the tariffs), except for subsidiary CPFL Santa Cruz, whose amortization started in the Annual Tariff Review – RTA of March 2017 due to the renewal of its concession in 2015.

### 27.2. Periodic tariff review ("RTP") and Annual tariff adjustment ("RTA")

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| Distributor | Month | RTA / RTP | Effect perceived by consumers (a) | RTA / RTP | Effect perceived by consumers (a) |
| CPFL Paulista | April (b) | 14.90% | 6.05% | 12.02% | 8.66% |
| CPFL Piratininga | October | 18.31% | 9.82% | 1.88% | -7.80% |
| RGE | June | 15.74% | 6.09% | 10.05% | 8.63% |
| RGE Sul (RGE) | June | 15.74% | 6.09% | 10.05% | 1.72% |
| CPFL Santa Cruz | March | 10.71% | 0.20% | 13.70% | 13.31% |

(a) Represents the average effect perceived by the consumer, as a result of the elimination from the tariff base of financial components that had been added in the prior tariff adjustment.

### 27.3. Energy Development Account (CDE) – Low income, other tariff subsidies and tariff discounts - injunctions

Law 12,783 of January 11, 2013 determined that the amounts related to the low-income subsidy, as well as other tariff discounts shall be fully subsidized by amount from the CDE.

Income of R$ 1,500,308 was recognized in 2020 (R$ 1,516,077 in 2019), of which (i) R$ 198,044 for the low-income subsidy (R$78,277 in 2019), (ii) R$ 1,207,466 for other tariff discounts (R$ 1,255,000 in 2019) and (iii) R$ 94,798 for tariff discounts – CCRBT injunctions and subsidy (R$ 182,800 in 2019). These items were recognized against other assets in the line item Receivables – CDE (note 12) and other payables in line item Tariff discounts – CDE (note 24).

## ( 28 ) COST OF ELECTRIC ENERGY

| | Consolidated | | | |
|---|---|---|---|---|
| | GWh | | R$ thousand | |
| **Electricity Purchased for Resale** | **2020** | **2019** | **2020** | **2019** |
| Itaipu Binacional | 10,973 | 11,021 | 3,827,810 | 2,793,901 |
| PROINFA | 1,098 | 1,102 | 291,894 | 397,242 |
| Energy purchased through auction in the regulated market,bilateral contracts and spot | 62,644 | 66,283 | 12,722,132 | 14,199,139 |
| PIS and COFINS credit | - | - | (1,499,918) | (1,483,542) |
| **Subtotal** | **74,715** | **78,406** | **15,341,918** | **15,906,740** |
| | | | | |
| **Electricity network usage charge** | | | | |
| Basic network charges | | | 2,541,229 | 2,080,667 |
| Transmission from Itaipu | | | 320,762 | 281,185 |
| Connection charges | | | 177,650 | 173,593 |
| Charges for use of the distribution system | | | 46,463 | 47,828 |
| System service charges - ESS net of CONER pass through (*) | | | 127,931 | 4,385 |
| Reserve energy charges - EER | | | 244,716 | 122,553 |
| PIS and COFINS credit | | | (314,643) | (245,958) |
| **Subtotal** | | | **3,144,109** | **2,464,254** |
| | | | | |
| **Total** | | | **18,486,027** | **18,370,994** |

(*) Energy reserve account

In 2020, the Company recorded credits related to energy purchased through auction in the regulated environment, bilateral agreements, and spot market energy in the amount of R$ 46,484 related to the renegotiation of the GFS, as described in Note 16.2.

## ( 29 ) OTHER OPERATING COSTS AND EXPENSES

| | Consolidated | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Operating Expenses | | | | | | | |
| | Cost of operation | | Cost of Services Rendered to Third Parties | | Selling expenses | | General and administrative expenses | | Other operating expenses | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Personnel | 949,045 | 945,628 | - | 2 | 166,522 | 173,133 | 359,012 | 361,787 | - | - | 1,474,579 | 1,480,550 |
| Private Pension Plans | 174,347 | 112,603 | - | - | - | - | - | - | - | - | 174,347 | 112,603 |
| Materials | 254,087 | 256,423 | 1,251 | 1,039 | 17,651 | 13,708 | 7,780 | 8,118 | - | - | 280,769 | 279,288 |
| Third party services | 183,565 | 219,464 | 3,046 | 2,641 | 169,842 | 173,376 | 296,661 | 319,403 | - | - | 653,114 | 714,884 |
| Costs of infrastructure construction | - | - | 2,560,276 | 2,086,057 | - | - | - | - | - | - | 2,560,276 | 2,086,057 |
| Others | 92,657 | 81,776 | 19 | (7) | 96,480 | 101,057 | 301,128 | 228,789 | 182,015 | 198,555 | 672,299 | 610,169 |
| Collection fees | - | - | - | - | 94,638 | 99,520 | - | - | - | - | 94,638 | 99,520 |
| Leases and rentals | 62,142 | 50,974 | - | - | - | - | 20,626 | 22,397 | - | - | 82,768 | 73,371 |
| Publicity and advertising | 88 | 55 | - | - | - | - | 17,972 | 21,272 | - | - | 18,060 | 21,327 |
| Legal, judicial and indemnities | (3) | - | - | - | - | - | 237,909 | 172,495 | - | - | 237,906 | 172,495 |
| Donations, contributions and subsidies | - | 1,687 | - | - | - | - | 9,956 | 3,849 | - | - | 9,956 | 5,536 |
| Gain (loss) on disposal, retirement and other noncurrent assets | - | - | - | - | - | - | - | - | 172,676 | 189,566 | 172,676 | 189,566 |
| Amotization of the risk premium paid -GSF | 17,778 | 13,470 | - | - | - | - | - | - | - | - | 17,778 | 13,470 |
| Others | 12,652 | 15,589 | 19 | (7) | 1,842 | 1,537 | 14,665 | 8,776 | 9,339 | 8,989 | 38,517 | 34,884 |
| **Total** | **1,653,701** | **1,615,893** | **2,564,593** | **2,089,732** | **450,495** | **461,275** | **964,581** | **918,098** | **182,015** | **198,555** | **5,815,385** | **5,283,553** |

## ( 30 ) FINANCE INCOME (COSTS)

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| **Financial income** | | |
| Income from financial investments | 168,913 | 263,241 |
| Late payment interest and fines | 302,902 | 312,450 |
| Adjustment for inflation of tax credits | 14,359 | 35,328 |
| Adjustment for inflation of escrow deposits | 15,414 | 33,721 |
| Adjustment for inflation and exchange rate changes | 286,448 | 62,969 |
| Discount on purchase of ICMS credit | 14,890 | 23,605 |
| Adjustments to the sector financial asset (note 9) | 17,371 | 88,079 |
| PIS and COFINS on other financial income | (39,616) | (46,035) |
| PIS and COFINS on interest on capital | (24,515) | (32,040) |
| Others | 180,615 | 162,285 |
| **Total** | **936,782** | **903,575** |
| **Financial expenses** | | |
| Interest on debts | (799,332) | (1,130,447) |
| Adjustment for inflation and exchange rate changes | (232,874) | (295,189) |
| (-) Capitalized interest | 30,131 | 25,641 |
| Use of public asset | (33,982) | (12,911) |
| Others | (216,697) | (216,916) |
| **Total** | **(1,252,756)** | **(1,629,822)** |
| **Financial income (expenses), net** | **(315,974)** | **(726,247)** |

Interests were capitalized at an average rate of 8.09% p.a. in 2020 (8.09% p.a. in 2019) on qualifying assets, in accordance with CPC 20 (R1) and IAS 23.

In line item of monetary adjustment and exchange rate changes, the expense includes the effects of gains of R$ 2,368,945 at 2020 (gain of R$ 207,055 at 2019) on derivative instruments (note 35).

## ( 31 ) SEGMENT INFORMATION

The segregation of the Group's operating segments is based on the internal financial information and management structure and is made by type of business: electric energy distribution, electric energy generation, electric energy commercialization and services rendered activities.

Profit or loss segment include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis, if applicable. Prices charged between segments are determined based on similar market transactions. Note 1 presents the subsidiaries according to their areas of operation and provides further information on each subsidiary and its business line and segment.

The information segregated by segment is presented below, according to the criteria established by the Group's officers:

| | Distribution | Generation | ommercializatio | Services | Subtotal | Other (*) | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | |
| Net operating revenue | 25,523,282 | 2,317,841 | 2,949,657 | 111,557 | 30,902,336 | (3,878) | - | 30,898,458 |
| (-) Intersegment revenues | 9,042 | 989,240 | 32,948 | 613,132 | 1,644,362 | - | (1,644,362) | - |
| Cost of electric energy | (16,263,211) | (378,696) | (2,875,488) | - | (19,517,394) | - | 1,031,368 | (18,486,027) |
| Operating costs and expenses | (5,331,076) | (661,288) | (49,808) | (565,795) | (6,607,967) | (47,750) | 612,994 | (6,042,722) |
| Depreciation and amortization | (872,823) | (698,575) | (3,477) | (27,982) | (1,602,856) | (63,143) | - | (1,665,999) |
| Income from electric energy service | 3,065,213 | 1,568,522 | 53,833 | 130,912 | 4,818,481 | (114,771) | - | 4,703,710 |
| Equity interests in subsidiaries, associates and joint ventures | - | 409,606 | - | - | 409,606 | - | - | 409,606 |
| Financial income | 753,985 | 132,950 | 67,854 | 3,907 | 958,695 | (9,726) | (12,188) | 936,782 |
| Financial expenses | (732,503) | (507,089) | (23,658) | (2,379) | (1,265,628) | 685 | 12,188 | (1,252,756) |
| Profit (loss) before taxes | 3,086,695 | 1,603,989 | 98,029 | 132,440 | 4,921,153 | (123,812) | - | 4,797,341 |
| Income tax and social contribution | (975,330) | 60,642 | (32,167) | (30,363) | (977,218) | (113,138) | - | (1,090,356) |
| Profit (loss) for the period | 2,111,366 | 1,664,631 | 65,861 | 102,077 | 3,943,935 | (236,949) | - | 3,706,986 |
| Purchases of contract asset PP&E and intangible assets | 2,316,780 | 417,115 | 5,010 | 65,356 | 2,804,261 | 4,003 | - | 2,808,264 |
| **2019** | | | | | | | | |
| Net operating revenue | 24,217,986 | 2,137,378 | 3,487,008 | 87,791 | 29,930,163 | 2,311 | - | 29,932,474 |
| (-) Intersegment revenues | 42,311 | 1,003,514 | 3,696 | 526,574 | 1,576,095 | - | (1,576,095) | - |
| Cost of electric energy | (15,623,488) | (452,668) | (3,342,502) | - | (19,418,659) | - | 1,047,664 | (18,370,994) |
| Operating costs and expenses | (4,940,793) | (527,354) | (48,710) | (476,006) | (5,992,863) | (52,544) | 528,431 | (5,516,977) |
| Depreciation and amortization | (820,206) | (764,295) | (7,048) | (26,511) | (1,618,061) | (62,992) | - | (1,681,053) |
| Income from electric energy service | 2,875,809 | 1,396,575 | 92,443 | 111,848 | 4,476,675 | (113,225) | - | 4,363,450 |
| Equity interests in subsidiaries, associates and joint ventures | - | 349,090 | - | - | 349,090 | - | - | 349,090 |
| Financial income | 624,459 | 217,982 | 33,461 | 6,062 | 881,963 | 49,578 | (27,966) | 903,575 |
| Financial expenses | (821,739) | (774,290) | (56,160) | (4,270) | (1,656,459) | (1,329) | 27,966 | (1,629,822) |
| Profit (loss) before taxes | 2,678,529 | 1,189,356 | 69,744 | 113,639 | 4,051,269 | (64,976) | - | 3,986,293 |
| Income tax and social contribution | (843,954) | (218,746) | (22,269) | (30,357) | (1,115,326) | (122,671) | - | (1,237,996) |
| Profit (loss) for the period | 1,834,575 | 970,610 | 47,475 | 83,282 | 2,935,943 | (187,647) | - | 2,748,296 |
| Purchases of contract asset PP&E and intangible assets | 2,033,342 | 158,694 | 8,577 | 52,058 | 2,252,671 | 1,778 | - | 2,254,449 |

(*) Others – refer basically to assets and transactions which are not related to any of the identified segments.

## ( 32 ) RELATED PARTY TRANSACTIONS

The Company's controlling shareholders are as follows:

- State Grid Brazil Power Participações S.A.

  Indirect subsidiary of State Grid Corporation of China, a Chinese state-owned company primarily engaged in developing and operating businesses in the electric energy sector.

- ESC Energia S.A.

  Subsidiary of State Grid Brazil Power Participações S.A.

The direct and indirect interests in operating subsidiaries are described in note 1.

Controlling shareholders, subsidiaries, associates, joint ventures and entities under common control and that in some way exercise significant influence over the Company and its subsidiaries and associates were considered as related parties.

The main transactions are listed below:

a) **Purchase and sale of energy and charges -** refer basically to energy purchased or sold by distribution, commercialization and generation subsidiaries through short or long-term agreements and tariffs for the use of the distribution system (TUSD). Such transactions, when conducted in the free market, are carried out under conditions considered by the Company as similar to market conditions at the time of the trading, according to internal policies previously established by the Company's management. When conducted in the regulated market, the prices charged are set through mechanisms established by the regulatory authority.

b) **Intangible assets, Property, plant and equipment, Materials and Service** – refers mainly to rendered services in advisory and management of energy plants, consulting and engineering.

c) **Advances –** refer to advances for investments in research and development.

In September 2019, the Company acquired from its parent company State Grid 243,771,824 shares from its subsidiary CPFL Renováveis, as described in note 1(c).

Certain Company's subsidiaries have retirement supplementation plans with Vivest and Família Previdência, offered to their employees. For additional information, see note 20 Private Pension Plan.

The Group has a "Related Parties Committee", comprising representatives of two independent members and one officer of the Company, which evaluates the main transactions with related parties.

Management has considered the closeness of relationship with the related party together with other factors to determine the level of detail of the disclosed transactions and believes that significant information regarding transactions with related parties has been adequately disclosed.

The total compensation of key management personnel in 2020, in accordance with CVM Decision 642/2010 and CPC 05(R1), was R$ 76,496 (R$ 87,282 in 2019). This amount comprises R$ 62,326 (R$ 70,330 in 2019) in respect of short-term benefits and R$ 3,387 (R$ 2,251 in 2019) of post-employment benefits, and a recovery of R$ 10,783 of expenses related to other long-term benefits ( R$ 14,701 in 2019) , and refers to the amount registered under the accrual method.

The intercompany loan balance at the parent company in 2020 in the amount of R$ 472,775 refers mainly to the loan raised in the year to the subsidiary CPFL Renováveis, with maturity until March 2021 and subject to interest equivalent to 107% of the CDI. The balance recorded in 2019 of intercompany loan was received by the parent company in 2020 and refers substantially to the intercompany loan with the subsidiary CPFL Renováveis.

The balance of the intercompany loan payable in the consolidated, in the amount of R$ 2,409,545, mainly refers to the loan between subsidiary CPFL Renováveis and the parent company State Grid Brazil Power - SGBP, maturing up to December 2021 and bearing interest corresponding to CDI + 1.1% p.a. spread.

Transactions with entities under common control basically refers to transmission system charge paid by the Company's subsidiaries to the direct or indirect subsidiaries of State Grid Corporation of China.

**Transactions involving controlling shareholders, entities under common control or significant influence and joint ventures:**

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ASSETS | | LIABILITIES | | INCOME | | EXPENSES | |
| | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 | 2020 | 2019 | 2020 | 2019 |
| **Energy purchase and sales, and charges** | | | | | | | | |
| Entities under common control (State Grid Corporation of China subsidiaries) | - | - | - | 2,998 | 1,490 | - | 318,876 | 200,771 |
| BAESA – Energética Barra Grande S.A. | - | 3,082 | 16,785 | 6,544 | 13 | 3,095 | 78,228 | 33,792 |
| Foz do Chapecó Energia S.A. | 1,745 | 1,773 | 47,822 | 45,009 | 20,626 | 20,901 | 527,927 | 495,111 |
| ENERCAN - Campos Novos Energia S.A. | 1,226 | 1,017 | 72,021 | 62,330 | 13,452 | 11,674 | 401,070 | 364,383 |
| EPASA - Centrais Elétricas da Paraiba | - | - | 20,994 | 6,737 | 4 | - | 84,526 | 79,701 |
| **Intangible assets, property, plant and equipment, materials and service rendered** | | | | | | | | |
| Entities under common control (State Grid Corporation of China subsidiaries) | - | - | 474 | - | - | - | 2,234 | 77 |
| BAESA – Energética Barra Grande S.A. | 161 | 198 | - | - | 2,211 | 2,240 | - | - |
| Foz do Chapecó Energia S.A. | 17 | 11 | - | - | 2,256 | 2,148 | - | - |
| ENERCAN - Campos Novos Energia S.A. | - | 2 | - | - | 3,352 | 1,991 | 1 | - |
| EPASA - Centrais Elétricas da Paraíba S.A. | - | - | - | - | 184 | 392 | - | - |
| **Intragroup loans** | | | | | | | | |
| State Grid Brazil Power Participações S.A. | - | - | 2,409,545 | - | - | - | 38,056 | - |
| **Dividends and interest on capital** | | | | | | | | |
| BAESA – Energética Barra Grande S.A. | 3,545 | 3,504 | - | - | - | - | - | - |
| Foz do Chapecó Energia S.A. | - | 37,090 | - | - | - | - | - | - |
| ENERCAN - Campos Novos Energia S.A. | 77,102 | 59,289 | - | - | - | - | - | - |
| **Others** | | | | | | | | |
| Instituto CPFL | - | - | - | - | - | - | 9,314 | 3,771 |

## ( 33 ) INSURANCE

The subsidiaries maintain insurance policies with coverage based on specialized advice and takes into account the nature and degree of risk. The amounts are considered sufficient to cover any significant losses on assets and/or responsibilities. The main insurance policies are:

| Description | Type of coverage | December 31, 2020 |
|---|---|---|
| Concession financial asset / Intangible assets | Operational Risks, Loss of Profits, Named Risks, Engineering Risks and Multi-Risk | 3,442,998 |
| Transport | National and international transport | 815,059 |
| Civil liability | General, Civil Works Installation and Assembly, Concessionaires of Electricity Distribution and Environmental Risks | 250,078 |
| Personnel | Group life and personal accidents | 1,378,713 |
| Guarantee | Guarantee insurance | 5,907,638 |
| Others | Civil liability of administrators and others | 160,000 |
| **Total** | | **11,954,486** |

For the civil liability insurance of the officers, the insured amount is shared among the companies of the CPFL Energia Group. The premium is paid individually by each company involved, and the revenue is the base for the apportionment criterion.

## ( 34 ) RISK MANAGEMENT

The Group's businesses comprise mainly the generation, transmission, trading and distribution of electricity. As concessionaire of public services, the activities and/or tariffs of its major subsidiaries are regulated by ANEEL.

**Risk management structure**

At CPFL Group, the risk management is conducted through a structure that involves the Board of Directors and Supervisory Board, Advisory Committees, Executive Board, Audit Board, Corporate Risks, Compliance and DPO (Data Protection Officer), as well as business areas. This management is regulated by the Corporate Risk Management Policy, which describes the risk management model as well as the attributions of each agent and the exposures of the main risks.

The Board of Directors of CPFL Energia is responsible for deciding on the risk limit methodologies recommended by the Executive Board, and for being aware of the exposures and mitigation plans presented in the event these limits are exceeded. This forum is also responsible for being aware of and monitoring any important weaknesses in controls and/or processes, as well as relevant regulatory compliance failures, following up on the plans proposed by the Executive Board to correct them.

The Advisory Committee(s) of the Board of Directors, in its role(s) of technical body(ies), is responsible for becoming aware of (i) the risk monitoring models, (ii) the exposures to risks, and (iii) the control levels (including their effectiveness), and follow the mitigation actions indicated for the reframing of the exposures of the approved limits, supporting the Board of Directors in the performance of its statutory role related to risk management .

The Fiscal Council of CPFL Energia is responsible for, among other things, certifying that Management has means to identify the risks on the preparation and disclosure of the financial statements to which the CPFL Group is exposed as well as for monitoring the effectiveness of the control environment.

The Executive Board of CPFL Energia is responsible for conducting businesses within the risk limits defined, and should take the required measures to avoid that the exposure to risks exceeds such limits and report any excess of the limit to the Board of Directors of CPFL Energia, presenting mitigation actions.

The Audit Board, Risks, Compliance and DPO (Data Protection Officer) Management is responsible for the (i) coordination of the risk management process at the CPFL Group, developing and keeping updated Corporate Risk Management methodologies that involve the identification, measurement, monitoring and reporting of the risks to which the CPFL Group is exposed; (ii) periodic monitoring of the risk exposures and monitoring of the implementation of mitigation actions by the business managers; (iii) monitoring and reporting of the status of the mitigation plans signaled by for reclassification of the exposures to the approved limits; and (iv) assessment of the internal control environment of the CPFL Group companies and interaction with the respective Business Managers, seeking the definition of action plans in the event of deficiencies identified.

The business areas have the primary responsibility for the management of the risks inherent to its processes, and should conduct them within the exposure limits defined and implementing mitigation plans for the main exposures as well as develop and maintain an proper environment of operational controls to effectiveness and business continuity and its associated business units.

The main market risk factors that affect the businesses are as follows:

**Foreign exchange risk:** This risk derives from the possibility of the Group incurring losses and cash constraints due to fluctuations in exchange rates, increasing the balances of liabilities denominated in foreign currency or decreasing the portion of revenue arising from annual adjustment of part of the tariff based on the fluctuation of the dollar, in power sale agreements of the joint venture ENERCAN. The exposure related to foreign currency loans is covered by swap financial operations. The quantification of these risks is presented in note 35. In addition, the subsidiaries are exposed in their operating activities to fluctuations in exchange rates on purchase of electricity from Itaipu. The compensation mechanism - CVA protects the distribution subsidiaries against any economic losses.

**Interest rate risk and inflation indexes:** This risk arises due to the possibility of the Group incurring losses due to fluctuations in interest rates and in inflation indexes, which would increase the finance costs related to borrowings and debentures. The quantification of this risk is presented in note 35.

**Credit risk:** this risk arises from the possibility of the subsidiaries incurring losses resulting from difficulties in collecting amounts billed to customers. This risk is managed by the sales and services segments through norms and guidelines applied in terms of the approval, guarantees required and monitoring of the operations. In the distribution segment, even though it is highly pulverized, the risk is managed through monitoring of defaults, collection measures and cutting off supply. In the generation segment there are contracts under the regulated environment (ACR) and bilateral agreements that call for the posting of guarantees.

**Risk of under/overcontracting from distributors:** risk inherent to the energy distribution business in the Brazilian market to which the distributors of the CPFL Group and all distributors in the market are exposed. Distributors are prevented from fully passing through the costs of their electric energy purchases in two situations: (i) volume of energy contracted above 105% of the energy demanded by consumers and (ii) level of contracts lower than 100% of such demanded energy. In the first case, the energy contracted above 105% is sold in the CCEE (Electric Energy Trading Chamber) and is not passed through to consumers, that is, in PLD (Spot price used to evaluate the energy traded in the spot market – “Preço de Liquidação de Diferenças”) scenarios lower than the purchase price of these contracts, there is a loss for the concession. In the second case, the distributors are required to purchase energy at the PLD amount at the CCEE and do not have guarantees of full pass-through to the consumer tariffs, there is a penalty for insufficiency of contractual guarantee. These situations may be mitigated if the distributors are entitled to exposures or involuntary surpluses.

**Market risk of commercialization companies:** this risk arises from the possibility of commercialization companies incurring financial losses due to variations in the prices that will value the positions of energy surplus and/or deficit of its portfolio in the free market, which are marked at the market price of electricity.

**Risk of shortage of hydroelectric energy:** The energy sold by the Company is mostly generated by hydro power plants. The lack of rain for a long period may result in reduction of the water volume in plants’ dams, which jeopardizes the recovery of its volume, and may result in losses due to an increase in costs for purchasing energy or in revenue reduction due to the implementation of extensive energy saving programs or the adoption of a new rationing program, as occurred in 2001.

In 2020, the rain levels were below the normal average, mainly in the second half of the year, leading to a reduction in storage levels in dams. Despite this scenario, there was no critical supply scenario.

**Risk of acceleration of debts:** the Company has borrowing agreements and debentures with restrictive covenants normally applicable to these types of transactions. These covenants are monitored and do not restrict the capacity to operate normally, if met at the contractual intervals or if prior agreement is obtained from the creditors for failure to meet.

**Regulatory risk:** The electric energy supplied tariffs charged to captive consumers by the distribution subsidiaries are set by ANEEL, at intervals established in the concession agreements entered into with the Federal Government and in accordance with the periodic tariff review methodology established for the tariff cycle. Once the methodology has been ratified, ANEEL establishes tariffs to be charged by the distributor to the final consumers. In accordance with Law 8,987/1995, the tariffs set shall ensure the economic and financial equilibrium of the concession agreement at the time of the tariff review, but could result in lower adjustments than expected by the electric energy distributors.

**Financial instruments risk management**

The Group maintains operating and financial policies and strategies to protect the liquidity, safety and profitability of their assets. Accordingly, control and follow-up procedures are in place as regards the transactions and balances of financial instruments, for the purpose of monitoring the risks and current rates in relation to market conditions. An assessment of this potential impact arising from the volatility of risk factors and their correlations is performed periodically to execute the decision making process and to comply with the risk management strategy, which may incorporate financial instruments, including derivatives.

Portfolios composed of these financial instruments are monitored monthly, allowing the monitoring of financial results and their impact on cash flow.

For the construction contracts for transmission subsidiaries signed in 2019, the Group is also exposed to market risks related to the volatility of commodity and construction material prices, such as the aluminum needed for the construction stage. In line with its risk management policy, risk mitigation strategies can be used to reduce this volatility in cash flows. These mitigation strategies can included derivative instruments, mainly forward transactions, futures and options.

**Risk management controls**: In order to manage the risks inherent to the financial instruments and to monitor the procedures established by Management, the Group has a financial adviser contracted to perform and report the calculation of the Mark-to-Market, Stress Testing and Duration of the instruments, in addition to using the Bloomberg software system to assist in this process, assessing the risks to which the Group is exposed. Historically, the financial instruments contracted by the Group supported by these tools have produced adequate risk mitigation results. It must be stressed that the Company and its subsidiaries routinely contract derivatives, always with the appropriate levels of approval, only in the event of exposure that Management regards as a risk. The Group does not enter into transactions involving speculative derivatives.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 35 ) FINANCIAL INSTRUMENTS

The main financial instruments, at fair value and/or the carrying amount is significantly different of the respective fair value, classified in accordance with the Group's accounting practices, are:

| | | | | Consolidated | |
|---|---|---|---|---|---|
| | | | | December 31,2020 | |
| | Note | Category / Measurement | Level (*) | Carrying amount | Fair value |
| **Assets** | | | | | |
| Cash and cash equivalent | 5 | (a) | Level 2 | 3,918,796 | 3,918,796 |
| Securities | 6 | (a) | Level 1 | 1,872,079 | 1,872,079 |
| Derivatives | 35 | (a) | Level 2 | 2,084,772 | 2,084,772 |
| Concession financial asset - distribution | 11 | (a) | Level 3 | 10,347,567 | 10,347,567 |
| **Total** | | | | **18,223,214** | **18,223,214** |
| **Liabilities** | | | | | |
| Borrowings - principal and interest | 18 | (b) | Level 2 (***) | 3,395,244 | 3,393,135 |
| Borrowings - principal and interest (**) | 18 | (a) | Level 2 | 8,026,791 | 8,026,791 |
| Debentures - Principal and interest | 19 | (b) | Level 2 (***) | 6,953,029 | 6,851,907 |
| Debentures - principal and interest (**) | 19 | (a) | Level 2 | 495,274 | 495,274 |
| Derivatives - others | 35 | (a) | Level 3 | 1,354 | 1,354 |
| **Total** | | | | **18,871,692** | **18,768,462** |

(*) Refers to the hierarchy for fair value measurement

(**) As a result of the initial designation of this financial liability, the consolidated balances reported a gain of R$ 98,965 in 2020 (a loss of R$ 127,102 in 2019).

(***) Only for disclosure purposes, in accordance with CPC 40 (R1) / IFRS 7

**Key**

**Category / Measurement:**

(a) - Measured at fair value throgh profit or loss

(b) - Measured at amortized cost

The classification of financial instruments in “amortized cost” or “fair value through profit or loss” is based on the portfolio business model and in the characteristics of expected cash flow for each instrument.

The financial instruments for which the carrying amounts approximate the fair values, due to their nature, at the end of the reporting year are:

- Financial assets: (i) consumers, concessionaires and licensees, (ii) leases, (iii) intercompany loans between associates, subsidiaries and parent company, (iv) receivables – CDE, (v) pledges, funds and restricted deposits, (vi) services rendered to third parties, (vii) collection agreements and (viii) sector financial asset;

  - Financial liabilities: (i) trade payables, (ii) regulatory charges, (iii) use of public asset, (iv) Intragroup loans, (v) consumers and concessionaires, (vi) FNDCT/EPE/PROCEL, (vii) collection agreement, (viii) reversal fund, (ix) payables for business combination, (x) tariff discounts – CDE and (xi) sector financial liability.

In addition, in 2020 there were no transfers between the fair value hierarchy levels.

**a) Measurement of financial instruments**

As mentioned in note 4, the fair value of a security corresponds to its maturity value (redemption value) adjusted to present value by the discount factor (relating to the maturity date of the security) obtained from the market interest curve, in Brazilian reais.

The three levels of the fair value hierarchy are:

Level 1: Quoted prices in an active market for identical instruments;

Level 2: Observable inputs other than quoted prices in an active market that are observable for the asset or liability, directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Instruments whose relevant factors are not observable market inputs.

Pricing of forward and futures contracts is on the basis of future curves of the underlying assets. Said curves are usually provided by the stock exchanges on which these assets are traded, or other market price providers. When price is not available for the intended maturity, it is obtained on the basis of interpolation between available maturities.

As the distribution concessionaries classified the respective concession financial assets as fair value through profit or loss, the relevant factors for fair value measurement are not publicly observable. Therefore, the fair value hierarchy classification is level 3. The movements and respective gains (losses) in profit for or loss at the period are R$ 388,394 (R$ 281,340 in 2019) and the main assumptions are described in note 11 and 27.

The Company recognizes in “Investments in equity instruments” in the financial statements the 5.94% interest held by the indirect subsidiary Paulista Lajeado Energia S.A. in the total capital of Investco S.A. (“Investco”), in the form of 28,154,140 common shares and 18,593,070 preferred shares. As Investco’s main objective of its operations is to generate electric energy for commercialization by the shareholders holding the concession, the Company opted to recognize the investment at fair value, that is the best estimate of their cost, since there are no available recent information for the fair value calculation, according to CPC48/IFRS 9.

**b) Derivatives**

The Group adopts a policy of using derivatives with the purpose of hedge (economic hedge) against the risks of fluctuations in exchange rates and interest rates, mostly comprising currency and interest rate swaps. The derivative transactions are entered into with first-tier banks and financial institutions with a rating of at least AA-, rated by at least one of the S&P, Moody’s or Fitch agencies, and in the case of more than 1, it is considered the lowest rating among them. Management has not identified for the period of 2020 and the year 2019 that the derivative financial assets had a significant impairment using the criterion of expected losses.

The Group adopts the policy of offering financial guarantees for the obligations of its subsidiaries and joint ventures. At December 31, 2020 and December 31, 2019, the Company had provided guarantees to certain financial institutions for the credit facilities granted to its subsidiaries and joint ventures, as mentioned in notes 18 and 19.

The hedging instruments entered into by the Group are currency or interest rate swaps with no leverage component, margin call requirements or daily or periodic adjustments. In addition, the subsidiary CPFL Geração contracted in 2020, a forward purchase derivative of aluminum without physical delivery.

As a large part of the derivatives entered into by the subsidiaries have their terms fully aligned with the hedged debts, and in order to obtain more relevant and consistent accounting information through the recognition of income and expenses, these debts were designated for accounting recognition at fair value (notes 18 and 19). Other debts that have terms different from the derivatives contracted as a hedge continue to be recognized at amortized cost. Furthermore, the Group did not adopt hedge accounting for transactions with derivative instruments.

In 2020, the subsidiary CPFL Geração, aiming at hedging input purchases for the construction of new transmission projects, carried out transactions with derivatives, through forward purchases of aluminum for future settlement, in order to reduce the risk of price fluctuation for the aluminum (pure) purchase period.

At December 31, 2020, the Group had the following swap transactions, all traded on the over-the-counter market:

| | Fair values (carrying amounts) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Strategy** | **Assets** | **Liabilities** | **Fair value, net** | **Values at cost, net (1)** | **Gain (loss) on fair value measurement** | **Currency / debt index** | **Currency / swap index** | **Maturity range** | **Notional** |
| **Derivatives to hedge debts designated at fair value** | | | | | | | | | |
| **Exchange rate hedge** | | | | | | | | | |
| Bank Loans - Law 4.131 | 1,299,414 | - | 1,299,414 | 1,227,713 | 71,701 | US$ + (Libor 3 months + 0.87% to 0.99%) or (1.83% to 3.66%) | 99.80% a 116% do CDI or CDI + 0.61% to 0.90% | May/19 to February/25 | 3,831,553 |
| Bank Loans - Law 4.131 | 667,572 | - | 667,572 | 694,218 | (26,645) | Euro + 0.43% to 0.82% | 102.6% to 105.8% do CDI ou CDI +0.58% a 1.10% | May/21 to March/25 | 2,355,270 |
| | **1,966,986** | **-** | **1,966,986** | **1,921,930** | **45,056** | | | | |
| **Hedge variation price index** | | | | | | | | | |
| Debentures | 117,786 | - | 117,786 | 44,447 | 73,339 | IPCA + 5.8% | 104.3% of CDI | August/24 to August/25 | 416,600 |
| **Subtotal debt hedge** | **2,084,772** | **-** | **2,084,772** | **1,966,378** | **118,395** | | | | |
| **Others derivatives (2)** | | | | | | **Currency / debt index** | **Maturity range** | **Notional in US$** | |
| Commodity forward contract (aluminum) | - | (336) | (336) | - | (336) | aluminum (US$/ton) | may/21 | 3,989 | |
| NDF Dollar | - | (1,019) | (1,019) | (978) | (41) | US$ | may/21 | 6,349 | |
| **Subtotal others** | **-** | **(1,354)** | **(1,354)** | **(978)** | **(377)** | | | | |
| **Total** | **2,084,772** | **(1,354)** | **2,083,418** | **1,965,400** | **118,018** | | | | |
| **Current** | **744,660** | **(1,354)** | | | | | | | |
| **Noncurrent** | **1,340,113** | **-** | | | | | | | |

For further details on terms and information on debts and debentures, see notes 18 and 19

(1) The value at cost are the derivative amount without the respective fair value measurement, while the notional refers to the balance of the debt and is reduced according to the respective amortization;

(2) Due to the characteristics of derivatives, the notional amount is presented in U.S. dollar.

Changes in derivatives are stated below:

| | Consolidated | | | |
|---|---|---|---|---|
| | **At December 31,2019** | **Monetary adjustment and exchange rate and fair value measurement** | **Repayment** | **Saldo em 31/12/2020** |
| **Derivatives** | | | | |
| To debts designated at fair value | 515,591 | 2,360,808 | (910,021) | 1,966,378 |
| Others | 52 | 8,137 | (9,167) | (978) |
| Fair value measurement (*) | 99,893 | 18,126 | - | 118,018 |
| **Total** | **615,536** | **2,387,071** | **(919,188)** | **2,083,418** |
| | 281,326 | | | 744,660 |
| Assest - Current | 369,767 | | | 1,340,113 |
| Assets - Noncurrent | (29,400) | | | (1,354) |
| Liabilities - Noncurrent | (6,157) | | | - |

| | Consolidated | | | |
|---|---|---|---|---|
| | **At December 31, 2018** | **Monetary adjustment and exchange rate and fair value measurement** | **Repayment** | **At December 31, 2019** |
| **Derivatives** | | | | |
| To debts designated at fair value | 631,368 | 75,241 | (191,018) | 515,591 |
| To debts not designated at fair value | 21,548 | (857) | (20,691) | - |
| Others | - | 7,600 | (7,548) | 52 |
| Fair value measurement (*) | (27,722) | 127,615 | - | 99,893 |
| | **625,194** | **209,599** | **(219,257)** | **615,536** |
| Assest - Current | 309,484 | | | 281,326 |
| Assets - Noncurrent | 347,507 | | | 369,767 |
| Liabilities - Current | (8,139) | | | (29,400) |
| Liabilities - Noncurrent | (23,659) | | | (6,157) |

(*) The effects of the fair value adjustments of derivatives on profit or loss and comprehensive income for 2020 are: (i) gain of R$ 23,659for debts designated at fair value and (ii) loss of R$ 5,534 for debts not designated at fair value.

As mentioned above, certain subsidiaries elected to fair value measurement debts for which they have fully debt-related derivatives instruments (note 18 and 19).

The Group has recognized gains and losses on their derivatives. However, as these derivatives are used as a hedging instrument, these gains and losses minimized the impacts of fluctuations in exchange and interest rates on the hedged debts. For years ended at December 31, 2020 and 2019, the derivatives generated the following impacts on the consolidated profit or loss, recognized in the line item of Finance costs on monetary adjustment and exchange rate changes and in the consolidated comprehensive income in the credit risk in the fair value measurement, the latter related to debts at fair value:

| | Gain (Loss ) on income | | Gain (Loss ) in Comprehensive Income | |
|---|---|---|---|---|
| **Hedged risk / transaction** | **2020** | **2019** | **2020** | **2019** |
| Interest rate variation | 32,710 | 16,559 | - | - |
| Fair value measurement | 6,589 | 46,243 | (3,767) | 2,685 |
| Exchange variation | 2,336,235 | 65,424 | - | - |
| Fair value measurement | 31,956 | 78,829 | (16,651) | (148) |
| **Total** | **2,407,489** | **207,055** | **(20,418)** | **2,537** |

**c) Concession financial assets**

As the distribution subsidiaries have classified the respective financial assets of the concession as measured at fair value through profit or loss, the relevant factors to measure the fair value are not publicly observable and there is no active market. Therefore, the classification of the fair value hierarchy is level 3.

**d) Market risk**

Market risk is the risk that changes in market prices – e.g. foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group uses derivatives to manage market risks.

**Sensitivity analysis**

The Group performed sensitivity analyses of the main risks to which their financial instruments (including derivatives) are exposed, mainly comprising changes in exchange and interest rates.

When the risk exposure is considered asset, the risk to be taken into account is a reduction in the pegged indexes, due to a consequent negative impact on the Group's profit or loss. Similarly, if the risk exposure is considered liability, the risk is of an increase in the pegged indexes and the consequent negative effect on the profit or loss. The Group therefore quantify the risks in terms of the net exposure of the variables (dollar, euro, CDI, IGP-M, IPCA, TJLP and SELIC), as shown below:

**d.1) Exchange rates variation**

Considering that the net exchange rate exposure at December 31, 2020 is maintained, the simulation of the effects by type of financial instrument for three different scenarios would be:

| Instruments | Exposure (a) R$ thousand | Risk | Consolidated Income (expense) Currency depreciation (b) | Currency appreciation of 25% (c) | Currency appreciation of 50% (c) |
|---|---|---|---|---|---|
| Financial liability instruments | (5,055,257) | | (104,866) | 1,185,165 | 2,475,196 |
| Derivatives - Plain Vanilla Swap | 5,199,669 | | 107,862 | (1,219,021) | (2,545,904) |
| | **144,412** | drop in the dollar | **2,996** | **(33,856)** | **(70,708)** |
| Financial liability instruments | (2,971,534) | | (85,240) | 678,954 | 1,443,147 |
| Derivatives - Plain Vanilla Swap | 3,060,480 | | 87,791 | (699,277) | (1,486,344) |
| | **88,946** | drop in the euro | **2,551** | **(20,323)** | **(43,197)** |
| **Total** | **233,358** | | **5,547** | **(54,179)** | **(113,905)** |
| **Effects in the accumulated comprehensive income** | | | **1,163** | **(11,818)** | **(24,800)** |
| **Effects in the income of the year** | | | **4,384** | **(42,361)** | **(89,105)** |

| Instruments | Exposure (a) R$ thousand | | Risk | Income (expense) on result Currency depreciation (b) | Currency appreciation of 25% (c) | Currency appreciation of 50% (c) |
|---|---|---|---|---|---|---|
| Commodity forward contract (aluminum) | 3,989 | (d) | drop in aluminum (US$/ton) | (1) | (3,657) | (4,787) |
| NDF Dollar | 6,349 | (d) | drop in the dollar | - | (8,218) | (16,437) |

(a) The exchange rate considered at 12/31/2020 was R$ 5.20 to US$ 1.00 and R$ 6.39 to €$ 1.00.

(b) As per the exchange rate curves obtained from information made available by B3 S.A. - Brasil, Bolsa, Balcão, with the exchange rate being considered at R$ 5.30 and R$ 6.58, and the currency depreciation at 2.07% and 2.87% for USD and EUR, respectively at 12/31/2020.

(c) As required by CVM Instruction No. 475/2008, the percentage increases in the ratios applied refer to the information made available by B3 S.A. – Brasil, Bolsa, Balcão.

(d) Due to the characteristics of these derivatives, the notional amount is presented in USD.

Due to the net exchange exposure of the dollar and the euro for the other derivative instruments is an asset, the risk is a drop in the dollar, and the euro, therefore, the exchange rate is appreciated by 25% and 50% in relation to the probable exchange rate.

### d.2) Interest rates variation

Assuming that the scenario of net exposure of the financial instruments indexed to floating interest rates at December 31, 2020 is maintained, the net finance cost for the next 12 months for each of the three scenarios defined, would be:

| Instruments | Exposure R$ thousand | Risk | Rate in the period | Likely scenario rate (a) | Income(expense) Likely scenario | Raising/Drop index by 25% (b) | Raising/Drop index by 50% (b) |
|---|---|---|---|---|---|---|---|
| | Consolidated | | | | | | |
| Financial asset instruments | 3,780,421 | | | | 111,522 | 139,403 | 167,284 |
| Financial liability instruments | (8,139,650) | | | | (240,120) | (300,150) | (360,180) |
| Derivatives - Plain Vanilla Swap | (6,707,232) | | | | (197,863) | (247,329) | (296,795) |
| | **(11,066,461)** | CDI apprec. | **2.78%** | **2.95%** | **(326,461)** | **(408,076)** | **(489,691)** |
| Financial liability instruments | (163,551) | | | | 5,986 | 7,482 | 8,979 |
| | **(163,551)** | IGP-M apprec. | **23.14%** | **-3.66%** | **5,986** | **7,482** | **8,979** |
| Financial liability instruments | (476,404) | | | | (20,914) | (26,143) | (31,371) |
| | **(476,404)** | TJLP apprec. | **4.87%** | **4.39%** | **(20,914)** | **(26,143)** | **(31,371)** |
| Financial liability instruments | (4,665,671) | | | | (216,021) | (162,015) | (108,010) |
| Derivatives - Plain Vanilla Swap | 531,855 | | | | 24,625 | 18,469 | 12,312 |
| Concession financial asset | 10,347,567 | | | | 479,092 | 359,319 | 239,546 |
| | **6,213,751** | drop in the IPCA | **4.52%** | **4.63%** | **287,696** | **215,773** | **143,848** |
| Setorial financial assets and liabilities | 440,686 | | | | 13,000 | 9,750 | 6,500 |
| Financial asset instruments | 1,563,597 | | | | 46,126 | 34,595 | 23,063 |
| | **2,004,283** | drop in the SELIC | **2.78%** | **2.95%** | **59,126** | **44,345** | **29,563** |
| **Total** | **(3,488,382)** | | | | **5,433** | **(166,619)** | **(338,672)** |
| **Effects in the accumulated comprehensive income** | | | | | **1,352** | **764** | **178** |
| **Effects in the income of the year** | | | | | **4,081** | **(167,383)** | **(338,850)** |

(a) The indexes were obtained from information available in the market.

(b) As required by CVM Instruction number 475/2008, the percentages of increase were applied to the indexes in the probable scenario.

**e) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from Consumers, Concessionaires and Licensees and financial instruments. Monthly, the risk is monitored and classified according to the current exposure, considering the limit approved by Management.

Impairment losses on financial assets recognized in profit or loss are presented in note 7 – Consumers, Concessionaires and Licensees.

<u>Receivables and contract assets - Consumers, Concessionaries and Licensees</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base.

The Group uses a provision matrix to measure the expected credit losses of trade receivables according to the consumer class (Residential, Commercial, Rural, Public Power, Public Lighting, Public Services), Other Revenues and Unbilled Revenue, comprising mostly a large number of dispersed balances.

Loss rates are based on actual experience of credit loss verified in recent years. These rates reflect differences between economic conditions during the period over which the historical data have been collected, current conditions and the Group's view of future economic conditions over the expected lives of the receivables. Accordingly, an "Adjusted Revenue" was calculated, reflecting the Group's perception of expected loss. Such "adjusted" revenue was allocated by consumption class (matrix) according to the interval currently used in the allowance guided by the regulatory parameters as follows:

| Class | Days | Period |
|---|---|---|
| Residential | 90 | Revenue of 3 months prior to the current month |
| Commercial and other revenues | 180 | Revenue of 6 months prior to the current month |
| Industrial, rural, public power in general | 360 | Revenue of 12 months prior to the current month |
| Unbilled | - | Uses revenue of the same month |

Therefore, based on the assumptions above, an "Adjusted" ratio of the expected credit losses ("ECL") allowance for the month is calculated, which was determined dividing the "Actual ECL" allowance by the "Adjusted Revenue" for each month. Then, the ECL allowance is estimated monthly, considering the

respective moving average for the months of the "Adjusted" monthly ratios and applied to the actual revenue for the current month.
Based on this criterion, the ECL allowance percentage to be applied is changed monthly to the extent that the moving average is calculated. The methodology used by Management includes a percentage that is compliant with the IFRS rule described as expected credit losses, including in a single percentage the probability of loss, weighted by the expected loss and possible outcomes, that is, including Probability of default ("PD"), Exposure at default ("EAD") and Loss Given Default ("LGD").
Effects of COVID-19 on allowance for doubtful accounts during 2020
In order to capture the effects of an increase in delinquency in a timely manner, especially due to the suspension of power cuts, the Company opted to adopt a change in the calculation of the allowance for doubtful accounts in the 2nd and 3rd quarters of 2020. However, for December 31, 2020 it returned to the previous criterion, as detailed above.

It is important to mention that the Group continues to monitor the results of the current crisis in its results, seeking to evaluate the methodology that timely reflects the expected loss.

Macroeconomic factors

After studies developed by the Group to assess which variables present a correlation ratio with the actual amount of Expected Credit Losses Allowance, in addition to the effects of the COVID-19 pandemic and which are considered in our calculation methodology, no other ratios or macroeconomic factors that would have material impacts or that had direct correlation with the default level were identified, due to the electric sector characteristic of having instruments that mitigate the risk of losses, such as cutting energy supply to default customers.

Cash, cash equivalents, marketable securities

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least AA-.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Management did not identify for the years 2019 and 2020 that the securities had a significantly change in credit risk.

## f) Liquidity analysis

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of its financial liabilities. The table below sets out details of the contractual maturities of the financial liabilities as at December 31, 2020, taking into account principal and future interest, and is based on the undiscounted cash flow, considering the earliest date on which the Group has to settle their respective obligations.

| December 31, 2020 | Note | Less than 1 month | 1-3 months | 3 months to 1 year | 1-3 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Trade payables | 17 | 3,902,370 | 7,100 | 36 | 274,120 | - | 182,550 | 4,366,175 |
| Intragroup loans | | - | - | 2,441,769 | - | - | - | 2,441,769 |
| Borrowings - principal and interest | 18 | 163,434 | 657,041 | 3,405,221 | 5,453,680 | 3,328,732 | 2,165,807 | 15,173,915 |
| Derivatives | 35 | - | - | 1,354 | - | - | - | 1,354 |
| Debentures - principal and interest | 19 | 12,909 | 326,930 | 995,740 | 4,622,061 | 2,137,546 | 127,290 | 8,222,476 |
| Regulatory charges | 21 | 107,678 | 693 | - | - | - | - | 108,371 |
| Use of public asset | | 1,048 | 3,143 | 8,382 | 37,720 | 25,147 | 49,188 | 124,628 |
| Others | 24 | 76,662 | 232,920 | 30,047 | 3,423 | 3,423 | 181,733 | 528,208 |
| Consumers and concessionaires | | 76,331 | 123,475 | 44 | - | - | 177,676 | 377,526 |
| EPE / FNDCT / PROCEL | | 188 | 6,206 | 28,719 | - | - | - | 35,112 |
| Collections agreement | | - | 102,954 | - | - | - | - | 102,954 |
| Reversal fund | | 143 | 285 | 1,284 | 3,423 | 3,423 | 4,057 | 12,616 |
| **Total** | | **4,264,101** | **1,227,827** | **6,882,549** | **10,391,004** | **5,494,848** | **2,706,568** | **30,966,896** |

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.3.

## ( 36 ) NON-CASH TRANSACTIONS

| | Consolidated | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Interest capitalized | 30,131 | 25,641 |
| Transfer between fixed assets / intangible assets and other assets | 1,979 | 1,662 |
| Intercompany loan payment with dividend of noncontrolling shareholders | - | 81 |
| (Reversal) / Provision of social and environmental costs capitalized in property, plant and equipment | (32,400) | 83,334 |

## ( 37 ) COMMITMENTS

The Group's commitments as regards long-term energy purchase agreements and plant construction projects at December 31, 2020, as follows:

### Subsidiaries

| Commitments at December 31, 2020 | Duration | Less than 1 year | 1-3 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Leases and rentals | up to 30 years | 80,835 | 131,651 | 105,429 | 373,515 | 691,430 |
| Energy purchase agreements (except Itaipu) | up to 24 years | 12,432,940 | 24,817,890 | 24,911,035 | 33,479,783 | 95,641,648 |
| Energy purchase from Itaipu | up to 24 years | 3,521,714 | 6,348,651 | 6,049,060 | 9,753,380 | 25,672,805 |
| Electricity network usage charge | up to 32 years | 3,616,185 | 8,996,852 | 10,148,146 | 21,870,471 | 44,631,654 |
| GSF renegotiation | up to 27 years | 28,268 | 53,706 | 51,352 | 222,867 | 356,193 |
| Power plant construction projects | up to 4 years | 878,290 | 265,235 | 377 | - | 1,143,902 |
| | | **20,558,232** | **40,613,985** | **41,265,399** | **65,700,016** | **168,137,632** |

### Joint ventures

| Commitments at December 31, 2020 | Duration | Less than 1 year | 1-3 years | 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Power plant construction projects | up to 5 years | 18,402 | 11,166 | 2,245 | - | 31,812 |
| Electricity network usage charge | up to 16 years | 219,936 | 485,091 | 555,899 | 3,668,630 | 4,929,555 |
| GSF renegotiation and others | up to 16 years | 66,511 | 161,293 | 161,293 | 421,873 | 810,971 |
| | | **304,849** | **657,550** | **719,437** | **4,090,503** | **5,772,338** |

The power plant construction projects include commitments made basically to construction related to the subsidiaries of the renewable energy segment.

## ( 38 ) EVENTS AFTER THE REPORTING PERIOD

### 38.1 Taxes to be offset – Exclusion of ICMS from PIS and COFINS tax base

On February 9, 2021, subsidiary RGE had a final and unappealable decision rendered by the Federal Regional Court of the 4$^{th}$ Region, in connection with the lawsuit in which the right to not include the ICMS amounts in the PIS and COFINS tax base, as well as to recover amounts previously paid, was acknowledged. The Company estimates the recoverable amount at approximately R$ 1.8 billion (based on the Federal Revenue Guideline 13/2018) and is evaluating the amounts to be reimbursed to consumers in accordance with legal and regulatory aspects, as well as the respective accounting and financial impacts of said decision, together with its legal advisors.

### 38.2 Borrowings raised

In March 2021, subsidiary CPFL Piratininga raised borrowings in the amount of R$ 340,000, with interest to be paid on a semiannual basis and the principal in a lump sum in March 2024. The effective interest rate of the transaction is 6.1574%, for which a swap agreement was entered into, with cost pegged to CDI + 0.69% p.a.. The restrictive conditions of the operation will be determined in the consolidated financial statements of CPFL Energia every six months, being: (i) net debt divided by EBITDA less than or equal to 3.75 and (ii) EBITDA divided by the financial result greater than or equal to 2.25.

### 38.3 Renegotiation of hydrological risk (Generation Scaling Factor - GSF)

On February 24, 2021, certain generation subsidiaries made payments that amount to R$ 147,777, referring to liabilities related to GSF, which were temporarily suspended together with CCEE due to court injunctions, see note 16.2.

| PARECER DO CONSELHO FISCAL | REPORT OF THE FISCAL COUNCIL |
|---|---|
| Os membros do Conselho Fiscal da CPFL Energia S.A., no desempenho de suas atribuições legais e estatutárias, examinaram o Relatório da Administração, as Demonstrações Financeiras do Exercício Social de 2020 e, ante os esclarecimentos prestados pela Diretoria da Companhia, e nos exames efetuados e considerando o relatório, sem ressalvas dos auditores independentes, KPMG Auditores Independentes, datado de 17 de março de 2021, são de opinião que os referidos documentos estão em condição de serem apreciados e votados pela Assembleia Geral Ordinária de Acionistas, a ser realizada em 30 de abril de 2021. | The members of the Fiscal Council of CPFL Energia S.A., in performing their legal and statutory attributions, have examined the Management Report, the Financial Statements for the Fiscal Year 2020 and, with the clarifications provided by the Company's Directors and considering the examinations made and the unqualified report of the independent auditors, dated from March 17th, 2021, are of the opinion that these documents are authorized to be analyzed and voted by the Annual General Shareholders' Meeting to be held in April 30th, 2021. |
| Campinas, 24 de março de 2021. | Campinas, March 24, 2021. |

**Vinicius Nishioka** **Ran Zhang** **Ricardo Florence dos Santos**

## BOARD OF DIRECTORS

**Bo Wen**
Chairman

**Yuehui Pan**
**Anselmo Henrique Seto Leal**
**Gustavo Estrella**
**Antonio Kandir**
**Marcelo Amaral Moraes**
**Li Hong**
Directors

## EXECUTIVE BOARD

**GUSTAVO ESTRELLA**
Chief Executive Officer (CEO)

**YUEHUI PAN**
Chief Financial Officer (CFO) and of Investors Relations Officer

**Futao Huang**
Executive Vice President (interim)
Strategy, Innovation and Business Excellence Vice President

**GUSTAVO PINTO GACHINEIRO**
Legal and Institutional Relations Vice President

**FLÁVIO HENRIQUE RIBEIRO**
Business Management Vice President

**LUIS HENRIQUE FERREIRA PINTO**
Regulated Operations Vice President

**KARIN REGINA LUCHESI**
Market Operations Vice President

**VITOR FAGALI**
Business Development Vice President

## ACCOUNTING DIVISION

**SERGIO LUIS FELICE**

Accounting Director

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# Independent auditors' report on the individual and consolidated financial statements

**To the Directors and Shareholders of**

**CPFL Energia S.A.**

Campinas - SP

## Opinion

We have audited the individual and consolidated financial statements of CPFL Energia S.A. (the "Company"), identified as the parent company and consolidated, respectively, which comprise the statement of financial position as of December 31, 2020 and the respective statements of income, comprehensive income, changes in shareholder´s equity and cash flows for the year then ended, and the corresponding notes comprising significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the individual and consolidated financial position of CPFL Energia S.A. as of December 31, 2020, and of its operations and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements of Ethics Standards Boards for Accountants and Professional Standard issued by Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition from energy distributed, but not billed

Notes 3.11 and 27 to the individual and consolidated financial statements

| Key audit matter | How this matter has been conducted in our audit |
|---|---|
| Distributed, but not billed revenue recognized by the Company corresponds to the electricity energy distributed, but not billed to the consumers, and its billing is measured based on the reading cycles that, which in some cases, exceed the closing accounting period. Recognition of the not billed revenue is determined based on historical data obtained mainly through computerized system parameters such as the volume of energy consumption of each distributor made available for the month and the annualized index of technical and commercial losses.<br><br>Due to the complexity of the data used in the determining the estimate of recognition of distributed, but not billed revenue that may impact the amount of revenue in the individual and consolidated financial statement, we considered this matter as significant for our audit. | We evaluated the design, implementation, and effectiveness of key internal controls related to the determination of the amount of the revenue recognized from energy distributed, but not billed. We involved our information technology specialists to evaluate the systems and the information technology environment used in the determination of the balances recorded.<br><br>We analyzed the data used to determine the estimate of distributed, but not billed revenue, specifically, the data of the total energy load received in the distribution network, and of the load actually invoiced, segregated by type of consumer, as well as the technical and commercial loss indexes, in order to determine the percentage of application in the portion of distributed, but not billed revenue, thus reaching the net captive load by consumption class.<br><br>We recalculated the amount of distributed, but not billed revenue through the net captive charge by multiplying this charge by the rates defined by the regulatory agency for each class of consumer in their groups and modalities.<br><br>In addition, we tested the integrity and accuracy of the data used in that calculation and performed an valuation test by comparing the recognized amounts of revenue with the independent expectations generated from our audit tests.<br><br>We also assess whether the disclosures made in the consolidated financial statements are in accordance with applicable standards.<br><br>In the course of our audit, we identified adjustments that would affect the measurement and disclosure of the recognition of energy distributed, but not billed, which were not recorded by management, as they were considered immaterial. Based on the evidence obtained from the procedures summarized above, we consider acceptable the revenue recognition from energy distributed, but not billed, in the context of the individual and consolidated financial statements taken as a whole, for year ended December 31, 2020. |

| Impairment of the deferred tax assets from the subsidiary CPFL Energias Renováveis S.A. | |
|---|---|
| Notes 3.12 and 10 to the individual and consolidated financial statements | |
| **Key audit matter** | **How this matter has been conducted in our audit** |
| The individual and consolidated financial statements include tax credits over tax loss carryforwards and temporary differences from the subsidiary CPFL Energias Renováveis S.A., for which the realization is supported by estimates of future taxable income prepared by the Company based on its judgments and on its business plan.<br><br>Due to the uncertainties that are inherent to the assumptions used to determine the estimates of future taxable income, which support the recognition of the recoverable amount of the tax credits, and the fact that any change in the assumptions may have a relevant impact the estimate of future taxable income and, consequently, the individual and consolidated financial statements, we considered this matter as significant for our audit. | As part of our audit procedures in relation to the deferred tax assets of the subsidiary CPFL Energias Renováveis S.A .:<br><br>• we evaluated the documentation on the design, implementation and operational effectiveness of the key internal controls implemented by the subsidiary related to the preparation and review of the business plan, budget, technical studies and analyzes regarding the probability of the existence of future taxable income;<br><br>• with the assistance of our specialists in corporate finance, we evaluated the component auditor's documentation relating to (i) main assumptions, especially those related to projected economic growth and energy sales volume and price; (ii) comparisons with the data available in the market used in the projections of future taxable income and with the business plan approved by the subsidiary; and<br><br>• we discussed the results reached and further assessed whether the disclosures in the individual and consolidated financial statements considered the relevant information.<br><br>During the course of our audit, we identified adjustments that would affect the measurement and disclosure of deferred tax assets, which were not recorded by management, as they were considered immaterial. Based on the evidence obtained through the procedures summarized above, we consider that the recoverable amount of the subsidiary's deferred tax assets, as well as the related disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole, for the year ended 31 December 2020. |

## Other matters - Statements of Value Added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted for the auditing procedures jointly with audit of the Company's financial statements. For the purposes of forming our opinion, we evaluate whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria as defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, this statement of value added have been properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and is consistent with the individual and consolidated financial statements taken as a whole.

## Other information that accompanies the individual and consolidated financial statements and the auditor’s report

Management is responsible for the other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Management Report, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of the financial statements are free from material misstatement, due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual and consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the group entities or business activities within the Company to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, and therefore, responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter, or, when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, March 17, 2021.

KPMG Auditores Independentes

CRC (Regional Accounting Council) 2SP027612/O-4

(Original in Portuguese signed by)

Marcio José dos Santos

Accountant CRC 1SP252906/O-0

| DECLARAÇÃO | STATEMENT |
|---|---|
| Em atendimento ao disposto nos incisos V e VI do artigo 25 da Instrução CVM nº 480, de 07 de dezembro de 2009, alterada pela Instrução CVM nº 586, de 8 de junho de 2017, o presidente e os diretores da **CPFL Energia S.A.**, sociedade por ações de capital aberto, com sede na Rua Jorge de Figueiredo Corrêa, nº 1.632 – parte - Jardim Professora Tarcília – CEP: 13087-397, na Cidade de Campinas, Estado de São Paulo, inscrita no CNPJ sob nº 02.429.144/0001-93, declaram que: | In compliance with the provisions in items V and VI of article 25 of the Brazilian Securities & Exchange Commission (CVM) Instruction No. 480, of December 7, 2009, as amended by CVM Instruction No. 586, of June 8, 2017, the chief executive officers and the officers of **CPFL Energia S.A.**, a publicly traded company, with its registered office at Rua Jorge de Figueiredo Corrêa, nº 1.632 – parte - Jardim Professora Tarcília – CEP: 13087-397, Campinas, Estado de São Paulo - Brazil, enrolled with the National Register of Legal Entities (CNPJ) under No. 02.429.144/0001-93, hereby stated that: |
| a) reviram, discutiram e concordam com as opiniões expressas no parecer da KPMG Auditores Independentes, relativamente às demonstrações financeiras da **CPFL Energia S.A.** de 31 de dezembro de 2020; | a) they have reviewed and discussed, and agree with, the opinions expressed in the opinion of KPMG Auditores Independentes on the financial statements of **CPFL Energia S.A.**, of December 31, 2020; |
| b) reviram, discutiram e concordam com as demonstrações financeiras da **CPFL Energia S.A.** de 31 de dezembro de 2020. | b) they have reviewed and discussed, and agree with, the financial statements of **CPFL Energia S.A.**, of December 31, 2020. |
| Campinas, 16 de março de 2021. | Campinas, March 16, 2021. |

**Sergio Luis Felice**
Diretor de Contabilidade
Chief Accounting Officer
CT CRC: 1SP192.767/O-6
CPF: 119.410.838-54

**Yuehui Pan**
Diretor Financeiro e de Relações com Investidores
Chief Financial and Investor Relations Officer
CPF: 061.539.517-16

**Gustavo Estrella**
Diretor Presidente
Chief Executive Officer