

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, 2021. All comparisons herein are made with consolidated figures for fiscal year 2020, except when specified otherwise.

1. Opening remarks

In 2021, despite all the uncertainties caused by the pandemic, the economic recovery gave an impetus to the growth agenda and intensified business opportunities. In this context, despite all the challenges faced by it, the CPFL Energia group remained focused on putting into practice its strategic pillars: **Operating Efficiency, Corporate Governance, Sustainability, Financial Discipline** and **Synergistic Growth**.

Regarding **Operating Efficiency**, we further improved our indicators in all segments, an achievement made possible by the record annual investment by the CPFL Energia Group.

As for the "ESG" agenda, we further reinforced our **Corporate Governance** by establishing the Audit Committee and also revised and formulated several corporate policies in advance of the new requirements of B3's Novo Mercado listing segment. We also met our commitments set forth in the **Sustainability** Plan. Furthermore, the Company's stock remained in the portfolio of B3's Corporate Sustainability Index (ISE) and we came 4th in the overall ranking of the index selection process.

Financial Discipline is another pillar that guided our growth this year. We exercised this discipline through balanced capital leverage and by seeking a balance between growth and dividend payments.

In 2021, CPFL Energia considerably increased its stake in the Transmission segment by acquiring the Companhia Estadual de Transmissão de Energia Elétrica (CEEE-T), now called CPFL Transmissão. The new company will fuel tremendous **Synergistic Growth** using our plug & play platform to quickly adopt the best operational and financial management practices of the CPFL group and optimize its results.

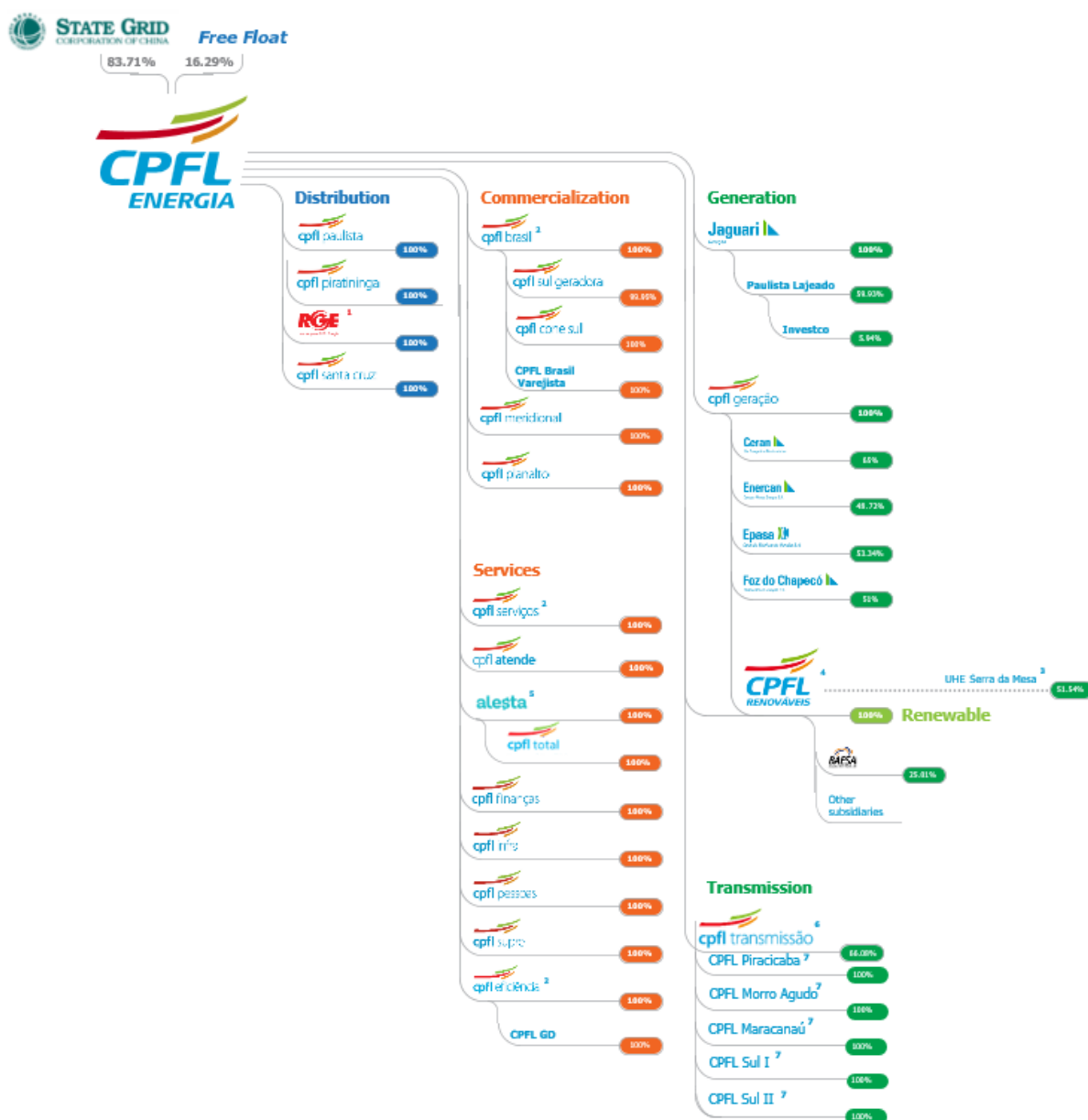
Strengthening these pillars enabled CPFL to deliver excellent results in 2021, in addition to paying 100% of the 2020 results as dividends to its shareholders and paying R\$804 million in advance related to the 2021 results.

During this period we also held intensive and challenging discussions with the Ministry of Mines & Energy (MME), the regulatory agency ANEEL and other players in the electricity sector on important topics related to the sector to arrive at the best solution for all stakeholders.

Lastly, the management of CPFL Energia reaffirms its commitment and confidence to the shareholders, clients, partners, society and other stakeholders, and thanks all the CPFL Group employees for the results achieved. For 2022, we remain optimistic about the advances in Brazil's electricity sector and are confident about our business platform while being prepared to face the emerging challenges and opportunities in the country.

SHAREHOLDERS' STRUCTURE (simplified)

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



Reference date: 12/31/2021

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 controlled by CPFL Energia (99.99%) and CPFL Brasil (0.01%). It is in the "Others" segment. In order to facilitate the visualization and due to the incorporation of CPFL Total shares, it is presented in the "Services" segment;
- (6) CPFL Transmissão (CEEE-T) is held by CPFL Cone Sul (66.08%).
- (7) CPFL Piracicaba, CPFL Morro Agudo, CPFL Maracanaú, CPFL Sul I and CPFL Sul II are consolidated in CPFL Geração.

2. Comments on the macroeconomic and regulatory scenario

MACROECONOMIC SCENARIO

The year 2021 witnessed the start of the phase of overcoming the COVID-19 pandemic. Though the world experienced the most lethal waves of the pandemic during the year, it was also the year when large-scale vaccination began, though with enormous inequality at the global level. The combination of vaccination and prior infection has brought some important protection to the population, although new variants continue to emerge, such as Delta and, more recently, Omicron. Looking at the evolution of the pandemic throughout 2021, the gradual relief experienced by healthcare systems and the recovery of transportation is clear. However, it should be noted that this progress is not uniform: there is stiff resistance to vaccination in some countries, while others face a shortage of vaccines. Despite the major advances made in overcoming the pandemic, it cannot yet be said that its economic impacts have been totally overcome in 2021.

The gradual normalization of activities was not enough to reverse the trend of higher consumption of goods than that of services. Three factors helped maintain the demand for goods historically high throughout the year:

- i) stimulus packages, both fiscal and monetary, helped sustain income and total consumption in 2020 and early 2021, despite the significant increase in household savings. This phenomenon was reinforced in the US in 2021 with the income stimulus packages rolled out at the start of the Biden administration;
- ii) the incomplete normalization of service consumption: in a scenario when income levels remained unchanged, whatever was not directed to savings was, by exclusion, spent; since during much of the year, restrictions on mobility and fears related to the pandemic still persisted, the shift of demand to pre-pandemic levels was incomplete;
- iii) the adjustment of optimum inventory levels: the production bottlenecks faced throughout 2020 continued to restrict supply in 2021 and the response by manufacturers and retailers was to ramp up inventories of both raw materials and finished goods, further driving up global demand.

As such, even as demand remained high, supply continued to suffer the negative impacts of lockdowns and disruptions in inputs chains. There was progress in the normalization of the chains, but it is a process that began only in 2021 and should be completed only by mid-2022.

The result of this incomplete economic normalization in 2021, with demand for goods still high but supply still restricted, resulted in higher prices across all stages of the chain – from commodities and freight to producer and consumer prices. The high inflation, as we have seen, was due much more to the insufficient response from the supply side than robust economic growth.

The rise in commodity prices, as one would expect, had positive effects on Brazilian exports. In 2021, exports totaled US\$280.4 billion, up 34%. Consequently, trade balance was US\$61.0 billion – a record – which helped maintain the external accounts in a comfortable situation.

In Brazil, despite the comfortable situation of external accounts and the hike in interest rate in the second half of the year, worsening fiscal uncertainties seem to have played a part in the depreciation of the Brazilian real. In fact, apart from the expected appreciation of the US dollar against other currencies, domestic debates about the proposed constitutional amendment on court-ordered payments (*PEC dos Precatórios*) and the change in the cap on public spending in order to fund the Brazil Aid program seem to have played a key role in pressuring the real in the

last quarter of the year. Despite the Central Bank's interventions, the worsening domestic and foreign scenarios caused the real to decline from an average of R\$5.23/US\$ in the third quarter of 2021 to R\$5.59/US\$ in the last quarter. In real terms, the Brazilian real ended 2021 about 35% above the average recorded between 2015 and 2019. The weaker real combined with rising commodity prices resulted in an inflationary shock, which was evident in both wholesale and consumer prices.

Inflation well above target and accelerating, with metrics at uncomfortable levels, spurred the Central Bank to react promptly. The year began with the basic interest rate at 2% p.a., the lowest in history, but after the Central Bank started adjusting the monetary and interest rate policies starting from March, it ended 2021 at 9.25% p.a.

Despite the hike in interest rates over the year, credit was still performed well in 2021 was a key factor in sustaining consumption, which was also favored by the recovery of the labor market and the government's aid payments. The Emergency Aid benefited fewer families in 2021 than in 2020, and had a lower average ticket, thus providing less relief to household budgets. On the other hand, the population employed was still hampered by pandemic-related restrictions in the first half of the year but recovered quickly in the second half with the advance of vaccination and the improved healthcare situation.

Due to these factors, consumption grew relatively little in 2021 compared to in end-2020. It surpassed the consumption figures of 2019, prior to the pandemic, during several months, but lost steam in the final months of the year.

REGULATORY ENVIRONMENT

The key changes in sector regulations in the distribution segment in 2021 are outlined below:

1) Accounting Guide for the Electricity Sector (MCSE)

On May 18, 2021, ANEEL approved amendments to the MCSE, resulting from the Request for Comments 01/2021, with specific improvements aimed at ANEEL's request for information that was previously provided through specific Official Letters.

2) White Tariff

The CPFL Group contributed to Request for Comments 02/2021 on improvements related to White Tariff, showing the results of pilot projects developed in-house, which reported low consumer adherence to this tariff regime.

3) Market Opening

CPFL contributed to the Request for Comments 10/2021 on a study of the regulatory measures needed to enable the opening of the free power market for consumers with loads of less than 500 kW, including the regulated energy trader and the proposed timetable for opening on January 1, 2024. It discussed the conditions necessary for opening up the market while preserving the economic and balance of concessions.

4) 2022/2023 Regulatory Agenda

ANEEL approved the Regulatory Agenda for 2022/2023, which included contributions from the CPFL Group regarding the need to refine the regulations for establishing continuity caps for the supply of electricity and improving the conditions for monitoring the electricity market.

5) Regulatory Operating Costs

ANEEL started discussing this topic through Public Consultation 62/2020, which is expected to end in the first half of 2022, as stated in the Regulatory Agenda approved for the 2022/2023 cycle. This Public Consultation proposes challenges to the distributors, with significant methodological changes, including in the products of the benchmarking model. During the 2nd phase, we detected a need for adjustments in the database presented by ANEEL of several distributors.

6) X Factor

On March 16, 2021, the ANEEL approved Normative Resolution 925/2021, which included changes to the X Factor methodology that will be applied in the upcoming Periodic Tariff Review (RTP) processes.

7) DEC / FEC

At the end of 2021, ANEEL announced the Request for Comments 22/2021 to improve the methodology for setting the DEC and FEC limits, corroborating CPFL's proposal in its contribution to the 2022/2023 Regulatory Agenda.

8) Other Revenues

The CPFL Group contributed to Public Consultation 69/2020 (2nd phase), which ran from October 7, 2021 to November 22, 2021 and sought to review sub-modules 2.7 and 2.7A of the Tariff Regulation Procedures (PRORET) regarding the sharing of Other Revenues in the electricity distribution segment. CPFL submitted its opinion on the proposal of reduced sharing of revenues stemming from new activities, enabled by the introduction of new technologies.

9) Non-Technical Losses and Irrecoverable Revenues

ANEEL concluded Public Consultation 29/2020 and established the new calculation methodology of non-technical losses that will be applied in the upcoming Periodic Tariff Review (RTP) processes. As for Irrecoverable Revenues, there was no significant change in the methodology and the new regulatory percentages per consumer class were updated.

10) CP 35/2020

ANEEL concluded the third and final phase of Public Consultation 35/2020 and defined the methodologies related to the involuntary over-contracting in 2020, the economic rebalancing due to market decline and increased defaults during the COVID-19 pandemic, as well as apportionment of the financial cost of the COVID Account, embodied in ANEEL Normative Resolution 952 of November 23, 2021. ANEEL also established a term of up to 60 days after it published the projected irrecoverable revenue calculated from March to December 2020, as defined in Paragraph 7 of Sub-module 2.10 of PRORET, ratified through said normative resolution, for distributors to analyze and request the economic rebalancing.

11) Water Scarcity Tariff Flag

Water scarcity pressured the cash position of distributors at the end of 2021, as energy costs rose due to the order for supply by fossil-fueled thermoelectric plants, while the Red Tariff Flag II was not enough to cover this deficit.

In light of this scenario, Resolution 3/2021-CREG/MME allowed the Water Scarcity Tariff Flag to be charged until April 2022.

12) Incentive Program for Voluntary Reduction of Electricity Consumption

With the water scarcity worsening in 2021, to prevent the situation from deteriorating further, the Incentive Program for Voluntary Reduction of Electricity Consumption was launched to reduce energy consumption in the Brazilian energy matrix by establishing a bonus to be compensated in the electricity bill of Jan/22 based on the reduction registered from Sep/21 through Dec/21.

13) Mitigation of 2021 Tariff Processes

The 2021 tariff processes were conducted by ANEEL to mitigate the average impact perceived by consumers and several measures were taken, both by the Agency and by the generation, transmission and distribution agents, to not burden consumers' bills amid the ongoing economic scenario, worsened by the COVID-19 pandemic.

Ratification Resolution 2,969/2021 determined the allocation of funds from the balance in the Itaipu Trading Account and the amount to be provided by Itaipu Binacional, among the eligible distributors, to help mitigate the impacts on tariff processes in 2021.

ANEEL also approved the reprofiling of indemnity compensation for investments made in old assets not yet amortized at transmission companies whose concessions were renewed (RBSE reprofiling), to help reduce tariffs in 2021.

14) R&D and EE

- a. Normative Resolution 929/2021 regulated Article 1 of Law 14,120/2021, due to the conversion of Provisional Presidential Decree 998/2020, specifically regarding the funds in research and development and energy efficiency projects not earmarked and will be allocated to ensure fair tariffs.

15) Tariff sandboxes

ANEEL unveiled a proposal for Tariff Sandboxes Governance Project, pursuing a more active role in the research & development projects of distributors.

Regarding new tariff models, the goal of this project model is to create tariff models that are more likely to be applied by distributors with due consent from the regulatory agency.

ELECTRICITY TARIFFS AND PRICES

Distribution Segment

Annual Tariff Adjustments (ATA) and Periodic Tariff Review (PTR):

The following distribution companies had tariffs adjusted as below:

Annual Tariff Adjustments (ATAs)				Periodic tariff reviews (PTRs)
	CPL Paulista	RGE	CPL Piratininga	CPL Santa Cruz
Ratifying Resolution	2,854	2,880	2,966	2,837
Adjustment	17.62%	15.23%	14.78%	17.19%
Parcel A	11.79%	5.88%	2.11%	11.90%
Parcel B	7.74%	10.81%	6.05%	5.08%
Financial Components	-1.91%	-1.45%	6.62%	0.21%
Effect on consumer billings	8.95%	9.95%	12.40%	9.95%
Date of entry into force	04/22/2021	06/19/2021	10/23/2021	03/22/2021

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) have GSF protection hedges and 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 2021, electricity sales to final consumers (quantity of electricity billed to final consumers) totaled 49,886 GWh, a reduction of 2.8% (1,445 GWh) compared to 2020.

It is noteworthy the performance of the residential, commercial and industrial segments, which accounted 82.7% of the electricity sales to final consumers:

- **Residencial Segment:** increase of 0.5%, mainly reflecting the increase in consumer units in 2021 compared to 2020, partially offset by the lower temperature;
- **Commercial and Industrial Segments:** reductions of 0.1% and 11.8%, respectively, reflecting the weak economic performance in the year, impact still reflecting the period of restriction of activities due to the covid-19 pandemic, in addition to the effects of customer migrations to the free market.

Electricity sales to wholesaler's, through other concessionaires, permissionaires and authorized, reached 11,430 GWh, which represented a reduction of 17.6% (2,447 GWh), mainly 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* ¹				
Distributor	SAIDI (hours)		SAIFI (interruptions)	
	2021	2020	2021	2020
CPFL Paulista	6.21	6.81	4.24	4.27
CPFL Piratininga	5.95	5.28	4.13	4.22
RGE	10.84	10.83	4.83	5.27
CPFL Santa Cruz	5.66	4.89	4.21	3.68

*¹ Annualized figures

PERFORMANCE IN THE ELECTRICITY GENERATION SEGMENT

On December 31, 2021, the installed capacity of the Generation segment of CPFL group totaled 4,385 MW, comprising 8 HPPs (1,966 MW), 49 wind farms (1,391 MW), 48 SHPPs and MHPPs (475 MW), 8 biomass-powered thermal power plants (370 MW), 2 thermal power plants (182 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 4,399 MW of projects to be developed in the coming years and currently have one project under construction, Cherobim SHPP, with 28.0 MW of installed capacity, located in the state of Paraná, scheduled to start operating in 2024.

4. Economic and financial performance

The results presented here are influenced by the consolidation of the results of CPFL Transmissão (CEEE-T) in the CPFL Energia group as of October 2021.

Operating Revenue

Gross operating revenue was of R\$ 56,341 million, representing an increase of 24.2% (R\$ 10,978 million), due to the following increases: (i) of 15.7% in electricity sales to final consumers (R\$ 3,287 million); (ii) of R\$ 2,359 million in the sectoral financial asset and liability; (iii) of 15.7% in other operating income (R\$ 3,053 million); (iv) of 15.5% in the electricity sales to wholesalers (R\$ 762 million); (v) of 199.9% in the update of concession's financial asset (R\$ 776 million); and (vi) of 28.8% in the revenue with construction of concession infrastructure (R\$ 740 million).

Deductions from operating revenue were of R\$ 17,131 million, presenting an increase of 18.4% (R\$ 2,666 million). Net operating revenue was of R\$ 39,210 million, representing an increase of 26.9% (R\$ 8,312 million).

Operating Cash Flow — EBITDA

Operating cash flow, as measured by EBITDA, reached R\$ 9,159 million, an increase of 35.1% (R\$ 2,380 million), mainly reflecting the increases of 26.9% (R\$ 8,312 million) in net operating revenue and of 27.4% (R\$ 112 million) in equity income. These effects were partially offset by the following increases: of 25.0% (R\$ 4,621 million) in the cost of electric energy and of 23.5% (R\$ 1,423 million) in operating costs and expenses, including expenses with private pension fund.

<i>Reconciliation of Net Income and EBITDA</i>		
	2021	2020
Net Income	4,853,751	3,706,986
Depreciation and Amortization	1,751,414	1,665,999
Assets Surplus Value Amortization	579	579
Financial Income/Loss	792,482	315,974
Social Contribution	477,563	297,137
Income Tax	1,284,145	793,219
EBITDA	9,159,934	6,779,894

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

Net Income

In 2021, net income reached R\$ 4,854 million, an increase of 30.9% (R\$ 1,147 million), mainly due to the increase of 35.1% (R\$ 2,380 million) in EBITDA. This effect was offset by the following increases: (i) of 150.8% (R\$ 477 million) in net financial expenses; (ii) of 61.6% (R\$ 671 million) in the income tax and social contribution; and (iii) of 5.1% (R\$ 85 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\$ thousand
Net income for the year - parent company	4,748,049
Realization of comprehensive income	28,265
Time-barred dividends	1,020
Net income considered for allocation	4,777,335
Legal reserve	(237,402)
Interim dividends	(804,000)
Proposed additional dividends	(3,735,932)

Dividends paid and declared in 2021

In 2021 was approved the dividend payment relative to the 2020 result, with payout ratio of 100%.

- In the April, 30, 2021 Annual General Meeting was approved the payment of dividends in an amount of R\$ 1,730 million, representing R\$ 1. 501834847 per common share. The shareholders able to receive dividends were those who had shares at least at April 30, 2021, and after May 3, 2021 the shares start being negotiated as "ex-dividend" share.
- In the August 12, 2021 meeting of the board of directors, was approved the declaration and distribution of R\$ 1,730 million equivalent a R\$ 1. 501834847 per common share as complementary dividends. The shareholders able to receive dividends were those who had shares at least at august 31, 2021, and after September 1st, 2021 the shares start being negotiated as "ex-dividend" share.

Additionally, in December 2, 2021, was approved the declaration and distribution of R\$ 804 million equivalent a R\$ 0.697762553 by share as intermediary dividends relative to the 2021 results. The shareholders able to receive dividends were those who had shares at least at December 9, 2021, and after December 10, 2021 the shares start being negotiated as "ex-dividend" share.

Thus, dividends in the amount of R\$4,264 million were paid throughout 2021, equivalent to R\$3.70 per common share

Dividend referring to 2021 net income basis for distribution

The Board of Directors propose the payment of R\$ 4,540 million in dividends to holders of common shares traded on B3 S.A. – Brasil, Bolsa, Balcão (B3). This proposed amount corresponds to R\$ 3.940043070 per share, related to the fiscal year of 2021.

Discounting the amount of R\$ 804 million, representing R\$ 0.697762553 per share, have already been paid on December 21, 2021, the amount to be distributed (after approval at the Annual General Meeting) is R\$ 3,736 million, equivalent to R\$ 3.242280516 per share.

Indebtedness

At the close of 2021, gross financial debt (including derivatives) of the Company reached R\$ 23,677 million, presenting an increase of 23.3%. Cash and cash equivalents totalled R\$ 2,786 million, a reduction of 51.9%. As such, net financial debt increased 55.8% to R\$ 20,892 million. This increase is mainly a consequence of the acquisition of CPFL Transmissão and the strong investment (CAPEX) made in all segments of the CPFL group.

5. Investments

In 2021, investments of BRL 3,997 million were made to maintain and expand the business, the highest CAPEX recorded by the CPFL group so far, of which BRL 3,028 million were allocated to distribution, BRL 466 million to generation and BRL 107 million marketing, services and others. In addition, there was an investment of R\$ 397 million related to the transmission segment, which, according to IFRIC 15, is recorded as "Contractual Assets of Transmitters" (in others credits). CPFL Energia's investments in 2021 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, 2021, our distributors had 10.2 million customers, an increase of 0.3 million customers. Our distribution network consisted of 336,053 kilometers of distribution lines (adding 3,268 kilometers of lines), including 498,155 distribution transformers (adding 10,853 transformers). Our four distribution subsidiaries had 13,103 kilometers of high voltage distribution lines of between 34.5 kV and 138 kV (adding 116 kilometers of lines). On that date, we had 565 transformer substations, from high voltage to medium voltage, for subsequent distribution (adding 6 substations), with total transformer capacity of 19,178 MVA (adding 140 MVA);

Generation: in 2021, R\$ 466 million were invested, spent mainly on the construction of Lucia Cherobim SHPP and the wind farms of Gameleira Complex;

Transmission: In 2021, investments of R\$ 397 million were made for the maintenance and expansion of the business. Included in this amount are the investments made in the subsidiary Transmissora de Energia Sul Brasil - TESB, which totaled R\$ 61 million in 2021. In 2020, the Company was successful in winning lot 6 in the Aneel Transmission Auction No. 01/2020, with RAP of R\$ 10 million and with ANEEL investment of around R\$ 200 million.

6. Corporate governance

CPFL Energia ("Company") is the holding company of the CPFL Group, operating in Brazil's electricity sector, implementing and operating projects and concessions in the energy distribution, generation, transmission and trading segments and related activities through its subsidiaries and affiliate companies.

The corporate governance model adopted by CPFL Energia is based on the four basic principles of the Corporate Governance System in Brazil: transparency, equity, accountability and corporate responsibility.

The Corporate Governance Guidelines, together with the Bylaws/Articles of Incorporation of the Company and its Subsidiaries and Affiliate companies, the Charters (Board of Executive Officers, Board of Directors, Fiscal Council, Advisory Commissions and Committees to the Board of Directors and Audit Committee), Shareholders Agreements, when in place, and the policies on governance already formulated and may be formulated in the future, outline the set of practices adopted by CPFL Energia.

In 2021, CPFL Energia completed 17 years of its IPO on B3. With a history spanning more than 100 years in Brazil, the Company has its shares listed on the Novo Mercado segment of B3 S.A. – Brasil, Bolsa e Balcão (“B3”), a special listing segment for companies that voluntarily comply with corporate governance best practices. All the shares of CPFL Energia are common shares, granting voting rights to all shareholders. In addition, shareholders are assured of 100% Tag Along rights in case of sale of shareholding control.

The Management of CPFL Energia is composed of the Board of Directors (“Board”) and the Board of Executive Officers.

The Board defines the strategic business direction of the CPFL Group and consists of seven members, two of them independent members, whose term of office is two years, with reelection allowed.

The Board has six advisory committees (Strategy and Management Processes, Human Resources Management, Related Parties, Risk Management, Budget and Corporate Finance and Audit), which assist in decision-making and monitor relevant and strategic topics. The establishment of the Audit Committee was approved in October 2021, which consists of three members, two of them independent Board members and one an external independent member, with term of office of two years and reelection allowed.

The Board of Executive Officers consists of one CEO and eight executive officers, whose term of office is two years and reelection is allowed. The Board of Executive Officers executes the strategy of the CPFL Group, defined by the Board, in line with corporate governance guidelines.

CPFL Energia has a permanent Fiscal Council consisting of three members and an equal number of alternate members, whose term of office is one year and may be reelected. Its responsibility is the independent supervision of management with the goal of preserving the company’s value.

The guidelines and documents related to corporate governance are available at the Investor Relations website: <http://www.cpfl.com.br/ri>.

7. Capital markets

As of December 31, 2021, CPFL Energia had 16.29% of its shares outstanding in the market (free float), with its shares traded in Brazil (B3).

In 2021, we observed great volatility in shares and the Ibovespa index in the capital market, still due to the uncertainties in the economy generated by the covid-19 pandemic, inflationary pressure and the consequent increase in interest rates promoted by the Central Bank. The Ibovespa index dropped by 11.9%, while CPFL Energia's shares dropped by 17.6%, ending the year at R\$26.83 per share. The average daily trading volume reached BRL 74.6 million,

B3				
Date	CPFE3	IEE	IBOV	
12/31/2021	R\$ 28.98	76,305	104,822	
12/31/2020	R\$ 32.55	82,846	119,017	
YoY	-11.0%	-7.9%	-11.9%	

representing a decrease of 23.3% compared to 2020.

At B3, CPFL Energia is part of the IBOVESPA, IBRX-100, IEE, IDIV, IGC, ITAG, ISE and ICO2 indexes, the last two of which are Brazilian stock indices that consider the topic of sustainability. It is worth noting that, in the process of selecting the ISE portfolio in 2021, the Company was in 4th place in the ranking, among the 73 participants.

CPFL Energia is rated ESG level “A” by the MSCI, one of the most important ESG risk assessment agencies in the world. It is also on the FTSE4Good emerging markets index of the London Stock Exchange, with a score of 3.3 (the minimum required for participation is 2.9). The Company was also recognized by the banks Santander and Credit Suisse in reports dealing with the subject.

8. Sustainability and corporate responsibility

We launch initiatives that generate value for the company and its stakeholders in order to ensure competitiveness through operational excellence and contribute to sustainable development in the areas of influence. In line with the Strategic Plan of the CPFL Group, the sustainability strategy is incorporated into the decision-making processes, actions and investments. See the highlights below.

Sustainability plan: structured on three pillars (Sustainable energy, Smart solutions and Value shared with society) and on key enablers (Ethics, Transparency, People development and Inclusion), it translates into 15 public commitments guided by 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 management 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 company.

Climate Change: we are committed to the transition to a low-carbon economy and are facing the challenges of climate change with a sense of urgency, responsibility and determination.

Environment management: our business model calls for a comprehensive capacity to manage environmental impacts. 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.

Sustainability recognitions in 2021: 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; featured in the "Brazil ESG Strategy" report published by Santander Corporate and Investment Banking and in the "Global ESG Research" by Credit Suisse.

Ethics management and development system (SGDE): CPFL Group's Integrity Program is based on the guidelines, values and principles of the Group and formalizes its commitment to conduct business guided by integrity and the highest standards of corporate governance. The program is based on 4 pillars consisting of mechanisms that set the tone and practice of discourse by top management, the existence of procedures and guidelines such as the Code of Ethical Conduct, as well as communication actions and training programs for employees and suppliers. The program also has the Ethics Hotline, an independent channel managed by a third-party, as well as mechanisms for evaluating and monitoring its actions. In 2021, we outline the notable actions taken: (i) maintenance of the Pró-Etica Seal 2020/2021, an award granted by the Federal Controller 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; (ii) on-site and virtual training for employees and suppliers on topics in the Integrity Program; (iii) Monthly Conversation on Integrity (CMI) at all units of the CPFL Group on topics such as sexual harassment, conflict of interests, disrespectful treatment, discrimination and prejudice, as well as gifts, presents and hospitality; and (iv) celebration of Integrity Day with an online event featuring Max Gehringer to reflect on the importance of this topic for CPFL. In addition, the Ethics Committee held 12 meetings in 2021 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. In 2021, the Institute ramped up its efforts in social transformation projects

and redefined its scope in five major work fronts that centralize the planning and execution of actions in line with the Social Investment Policy. In 2021, the CPFL Group allocated R\$27.5 million (through the tax incentive laws IR Cultura, IR Esporte, CMDCA, CMI, PRONON and PRONAS) to initiatives on five work fronts: CPFL in Hospitals, CPFL Young Generation, CPFL Brazil-China Exchange, CPFL Circuit and Café Filosófico CPFL.

2021 Results:

1) CPFL in Hospitals: Through the CPFL nos Hospitais front, which includes CPFL Energia's energy efficiency program, in 2021, the investment made in the project totaled BRL 155 million since its inception, with a total of 325 health institutions benefiting in our areas grant.

2) CPFL Young Generation: Through this front, we support 61 social institutions, benefiting 31,000 youth through music, literature and sports projects aimed at reducing social vulnerability among children and youth in the group's partner communities. This front coordinated the Carreta Literária project, which visited six cities with actions designed to support reading habits; Semear, an employee volunteer program that implemented 14 actions with the participation of around 650 volunteers in 2021. The actions were rolled out in seven cities in the concession area. Moreover, we organized the "Together against Hunger" campaign, which raised about R\$76,000, converted into meal vouchers, benefitting approximately 160 households in Campinas (São Paulo), and in Nonoai and Itatiba (Rio Grande do Sul).

3) CPFL Brazil-China Exchange: This front organizes a festival annually with activities that foster exchange between the Brazilian and Chinese cultures. In 2021, the front held the 5th consecutive edition of the festival, this time entirely virtual. This edition featured a live music session, a movie festival that streamed 10 movies, a playlist of 12 videos with Chinese themes on CPFL Institute's YouTube channel, two Spotify playlists with Chinese music, and episodes of Café Filosófico CPFL with Chinese themes on the TV Cultura channel and on YouTube. In all, the front reached 285,000 people online.

4) CPFL Circuit: This front organizes mobile cultural and sports activities across the country, such as a traveling movie screening structure powered by solar energy (CineSolar) and running events. Due to the COVID-19 pandemic, CineSolar's activities were adapted to the digital format through the "A brincadeira tá on" digital showcase, which selected 56 short films in 14 states (nationwide reach);

5) Café Filosófico CPFL: This is one of the best-known initiatives of the CPFL Institute. In 2021, 23 live episodes were produced and streamed on the social media profiles of the CPFL Institute and the Café. Over 170 million people were impacted by these actions.

6) Other social investments: leveraging the support to bid notices funded through the ICMS tax of Rio Grande do Sul, we benefited about 70,000 people across five cities in that state through welfare projects for homeless people. Through support to projects targeted at people with disabilities (PRONAS), we benefited 220 people in two cities.

Human Resources Management: In 2021, we trained 15,953 people. Of the active staff pool, 93% have already undergone some training, in 5,228 on-site batches and 76,000 hours of online training. We also held training programs for the community, with 55 schools to train electricians during the year (50 have already concluded and five are in the process of being concluded). A total of 902 people are expected to be trained.

Value Network: in 2021, the Value Network held two meetings, attended by 80 partners, who discussed the following topics: General Data Protection Law (GDPL), Information Security, ESG, Code of Ethics for Suppliers and Occupational Safety. As in 2020, meetings in 2021 too were held online due to the pandemic.

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 2021 KPMG provided services not related to external audit, whose aggregate fees were more than 11% of all fees paid for the audit service (corporate, regulatory and SOx).

For the fiscal year ended on December 31, 2021, 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
Tax compliance services – Bookkeeping and Tax Accounting (ECF)	12/28/2016	Fiscal Years from 2017 to 2021
“Accounting ECD” revision of 2019 calendar	06/01/2020	24 months

We contracted a total of R\$ 312 thousand for the above services, which corresponds to approximately 11% of the fees for external audit of the corporate and regulatory financial statements, revision of interim information and SOx audit for the fiscal year 2021, 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. Glossary of terms of electric sector

ACL: Free Contracting Environment. Segment of the market comprising the purchase of electric power by deregulated agents (such as Free Consumers and electric power traders).

ACR: Regulated Contracting Environment. Segment of the market comprising the purchase by distributing companies, by means of bids and other mechanisms provided by Aneel.

ANEEL: National Electric Energy Agency. The power sector’s regulatory body.

Annual General Shareholders’ Meeting (AGM): Mandatory annual meeting of the Company’s shareholders called by the Board of Directors, in order to: (a) acknowledge the management accounts; (b) analyze and vote on the Company’s financial statements;(c) decide on the allocation of net income;(d) pay dividends; and (e) elect the Board of Directors and the Fiscal Council.

Allowed Annual Revenue (RAP, in portuguese): revenue authorized by ANEEL, by Resolution, for making the transmission system facilities available. Annual revenue to which the concessionaire is entitled from the start of commercial operation of the transmission facilities.

Armored Base (Periodic Tariff Review): Amounts approved by an adjusted appraisal report, associated with assets in operation, excluding movements (write-offs and depreciation) and respective updates, in addition to the values for the Operations Warehouse accounts. The transmission facilities authorized to the extended concessionaires that were subject to indemnification, under the terms of the Interministerial Ordinance nº 580/MME/MF, of November 1th 2012, corresponding to the R2 revenue installments (associated with the cost of operating and maintenance expenses for transmission facilities) are also part of the Armored Base.

Assured energy or Physical Guarantee: Fixed amount of energy of a power plant, established by the granting power in the concession agreements. It represents the amount of energy available for sale in that enterprise.

B3 – B3 S.A. - Brasil, Bolsa, Balcão: São Paulo Stock Exchange.

Basic Network: Transmission installations of the National Interconnected System - SIN, owned by public transmission service concessionaires, with voltage equal or higher than 230 kV.

Biomass Thermoelectric Power Plant: a thermoelectric generator that uses the combustion of organic matter for the production of energy.

BNDES: National Bank of Economic and Social Development.

Brazilian Corporate Law: Federal Law No. 6,404, enacted on December 15, 1976, which governs, among other things, corporations (sociedade por ações) and the rights and duties of their shareholders, directors and officers.

Bylaws: the Company's Bylaws.

Captive consumers: Consumers who may only acquire energy from the concessionaire to whose network they are connected.

CCEE: Energy Trading Chamber.

CDE: Energy Development Account, instituted by Law 10,438 of April 26, 2002, and subsequent amendments thereto. A fund managed by CCEE to foster electricity development in general and its production from alternative energy sources in particular, as well as the universalization of energy services in Brazil. All concessionaires contribute to this fund.

Company or CPFL Energia: CPFL Energia S.A. or the group of companies comprising CPFL Energia and its subsidiaries.

Consumer: An individual or legal entity that requests power supply from a concessionaire, assuming the responsibility of paying the bills and complying with other obligations determined by ANEEL.

CVA: A tracking account used to offset the variation in estimated fixed costs passed on to consumers in distribution tariff adjustments and the variation in actual fixed costs. These costs include: Energy Purchase, transport from Itaipu, Basic Network Contract and sector charges.

CVM: Brazilian Securities and Exchange Commission.

Distribution: Electricity system that delivers energy to final consumers within a concession area.

Distribution network: The electricity system that delivers energy to final customers within a concession area.

Dividend yield: The amount of dividends paid by the company divided by the current share price.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): Measures a company's operating cash flow before it is impacted by financial charges, depreciation and taxes.

Extraordinary General Shareholders' Meeting (EGM): A meeting of the Company's shareholders to discuss and decide on corporate matters, other than those dealt with by the AGM.

Final consumers: Consumers who use electric power to meet their own needs.

Free consumers: Consumers, with contracted demand equal or higher than 2 MW, who are supplied by generators or traders through bilateral contracts signed within the ACL (Free Contracting Environment). These consumers still have to pay the distributor where it is located for the use of the distribution system.

Free Float: The shares of a company that are traded in the organized stock markets.

Granting power: The federal government.

Holding company: (1) A company whose main activity is to retain a controlling stake in one or more other companies; (2) A company which retains a controlling stake in one or more other companies and also controls these companies' managerial and business policies.

Hydroelectric Power Plant (or HPP): A generating unit that uses water power to drive the turbine.

IBrX-100 Brazil Index: is an index that measures the return on a theoretical portfolio composed by 100 stocks selected among B3's most actively traded securities, in terms of number of trades and financial value. The component stocks are weighted according to the outstanding shares' market value.

IBOV -Ibovespa Index: is the main indicator of the Brazilian stock market's average performance. IBOV's relevance comes from the fact that it reflects the variation of B3's most traded stocks.

ICO2 - Carbon Efficient Index: This index comprises the shares of companies participating in the IBrX-100 index that have agreed to join this initiative, by adopting transparent practices with respect to their greenhouse gas emissions (GHGs). It takes into account, for weighting the shares of the component companies, their degree of efficiency in GHG emissions, in addition to the free float of each one.

IDIV –Didividend Index: It is a total return index and is intended to be the indicator of the average performance of the quotations of the assets that stood out in terms of investor remuneration, in the form of dividends and interest on equity.

IEE - The Electric Power Index: It was launched in August 1996 to measure the performance of the electric power sector. In this sense, the index is an instrument that makes possible the performance analysis of portfolios specialized in the electric power sector.

IFRS – International Financial Reporting Standards: the International Accounting Standards, which seek for a standard accepted in many countries in order to facilitate the comparability of information between companies in different countries. In Brazil, IFRS was implemented in 2010.

IGC - Special Corporate Governance Stock Index: is designed to measure the return of a theoretical portfolio composed of shares of companies with a good level of corporate governance. Such companies should be traded on B3's "Novo Mercado" or should be classified at B3's "Level 1" or "Level 2".

IGP-M: General Market Price Index, calculated by the Fundação Getúlio Vargas.

Installed capacity: Maximum amount of energy that can be delivered by a particular generating unit on a full continuous charge basis under specific conditions as designated by the manufacturer.

ITAG - Special Tag Along Stock Index: is designed to measure the return of a theoretical portfolio composed of shares of companies which offer, in case of control sale, better conditions to minority shareholders than those required by law.

ISE - Corporate Sustainability Index: is designed to measure the return on a portfolio composed of shares of companies highly committed to social responsibility and corporate sustainability, and also to promote good practices in the Brazilian corporate environment

ITR: Quarterly Information.

IPCA: Extended National Consumer Price Index, calculated by the IBGE.

Itaipu: Itaipu Binacional, a hydroelectric facility jointly owned by Brazil and Paraguay.

MME: Brazilian Ministry of Mines and Energy (Ministério de Minas e Energia).

Novo Mercado: AB3 (São Paulo Stock Exchange) listing segment comprising companies committed to adopting the highest level of corporate governance and disclosing information over and above that which is determined by the regulations.

ONS (National Electric System Operator): A private law corporate entity authorized to carry out coordination and control activities of the electric energy generation and transmission operations in the interconnected systems.

Parcel A costs: Distributors' non-manageable costs, including the cost of electricity purchased for resale, connection and use of transmission system charges and sector charges.

Proinfa: Incentive Program for Alternative Electric Energy Sources, under Law 10,438 of April 26, 2002, and subsequent amendments thereto.

Regulated Market: Market segment in which distribution companies purchase all the electricity needed to supply customers through public auctions. The auction process is administered by ANEEL, either directly or through CCEE, under certain guidelines provided by the MME. Regulated Market is generally considered to be more stable in terms of supply of electricity.

RTA: Annual Tariff Adjustment (reajuste tarifário anual).

RTE: Extraordinary Tariff Adjustment (reajuste tarifário extraordinário).

RTP: Periodic Tariff Revision (revisão tarifária periódica).

SAIDI: System Average Interruption Duration Index, measured by the average duration of power interruptions in hours per consumer in a given period, normally a month or last 12 months.

SAIFI: System Average Interruption Frequency Index, measured by the average number of power interruptions in hours per consumer in a given period.

SDGs: United Nations Sustainable Development Goals, 17 sustainable development goals established by the United Nations and 169 specific targets that apply to all countries and cover a broad range of sustainability issues, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice.

SIN: National Interconnected System, comprising the Basic Network and other transmission installations connecting generators and distributors in Brazil.

Small Hydroelectric Power Plants (or SHPPs): Hydroelectric plants with an installed capacity of between 3 MW and 30 MW.

Special Free Consumer: Special category of free consumers, with contracted demand between 0.5 MW and 2 MW (or set of high voltage units in the same submarket that have a total demand greater than 0.5 MW), who are qualified to purchase energy on the free market only from incentivized sources (solar, wind, biomass or SHP).

Substation: A set of equipment that connects, alters and/or controls the voltage in a transmission and distribution system.

Tag along: The right of minority shareholders to sell their shares, at the same price of the controlling shareholders, in the event of the disposal of control.

Transmission: High-voltage lines conducting electricity over long distances with a voltage equal to or higher than 69 kV, connecting substations.

TUSD: Tariff for the Use of the Distribution Grid, annually adjusted by ANEEL.

Transmission network: Network or system for the transmission of electric energy between areas or countries to supply the distribution networks.

Thermoelectric Power Plant (or TPP): A generating unit which uses fossil fuels such as coal, oil, diesel, natural gas or others as the source of energy to drive the turbine.

11. 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 2021. 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.

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CPFL Energia S.A.

Statements of financial position at December 31, 2021 and 2020
(in thousands of Brazilian Reais)

ASSETS	Note	Parent company		Consolidated	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Current assets					
Cash and cash equivalents	5	8,287	395,745	2,199,952	3,918,796
Marketable securities	6	-	-	585,858	1,872,079
Consumers, concessionaires and licensees	7	-	-	5,425,177	5,206,854
Inventories		-	-	150,867	96,182
Dividends and interest on capital	13	87,081	1,166,469	134,613	80,647
Income tax and social contribution recoverable	8	67	3,464	97,083	87,779
Other taxes recoverable	8	13,905	4,600	375,680	337,266
PIS/COFINS on ICMS recoverable	8.1	-	-	1,288,824	-
Derivatives	34	-	-	357,350	744,660
Sector financial asset	9	-	-	2,373,727	558,884
Contract assets	15	-	-	845,025	24,833
Other assets	12	662	281	1,718,346	883,824
Total current assets		110,002	1,570,560	15,552,504	13,811,803
Noncurrent assets					
Consumers, concessionaires and licensees	7	-	-	259,173	828,314
Intragroup loans	32	168,943	472,775	-	-
Escrow Deposits	23	646	399	858,981	764,760
Income tax and social contribution recoverable	8	411	-	117,332	35,415
Other taxes recoverable	8	-	-	286,498	218,650
PIS/COFINS on ICMS recoverable	8.1	-	-	7,936,570	150,329
Sector financial assets	9	-	-	816,748	108,908
Derivatives	34	-	-	990,491	1,340,113
Deferred tax assets	10	2,178	25,080	231,594	585,869
Concession financial asset	11	-	-	13,281,686	10,347,567
Investments at cost		-	-	116,654	116,654
Other assets	12	2,159	3,059	199,500	172,140
Investments	13	14,940,841	13,182,704	1,202,944	1,015,918
Property, plant and equipment	14	1,515	2,140	8,754,616	8,797,903
Intangible assets	16	440	3,783	9,673,609	8,969,637
Contract asset	15	-	-	5,840,981	1,842,905
Total noncurrent assets		15,117,133	13,689,941	50,567,374	35,295,081
Total assets		15,227,134	15,260,501	66,119,878	49,106,884

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



CPFL Energia S.A.

Statements of financial position at December 31, 2021 and 2020

(in thousands of Brazilian Reais)

LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Current liabilities					
Suppliers	17	1,840	3,237	4,269,598	3,909,517
Borrowings and financings	18	-	-	2,246,711	2,797,195
Debentures	19	-	-	1,788,125	1,191,270
Private pension plan	20	-	-	604,254	199,803
Regulatory liabilities	21	-	-	551,966	108,371
Income tax and social contribution payable	22	10,880	8,443	288,412	91,470
Other taxes, fees and contributions payable	22	5,542	472	886,864	873,752
Intragroup loans	32	-	-	-	2,409,545
Dividends		22,118	874,954	100,478	906,852
Estimated payroll		-	-	165,074	133,429
Derivatives	34	4,018	-	5,067	1,354
Sector financial liability	9	-	-	-	41,514
Decommissioning of assets and environmental expenses		-	-	2,046	19,946
Use of public asset		-	-	16,212	12,573
PIS/COFINS consumers return	8.1	-	-	58,606	-
Other payables	24	19,169	23,212	1,930,303	1,709,358
Total current liabilities		63,568	910,317	12,913,717	14,405,951
Noncurrent liabilities					
Suppliers	17	-	-	408,082	456,658
Borrowings and financings	18	-	-	12,216,158	8,624,840
Debentures	19	-	-	6,164,877	6,257,032
Private pension plan	20	-	-	2,860,176	2,759,826
Income tax and social contribution payable	22	-	-	232,603	165,900
Other taxes, fees and contributions payable	22	-	-	6,092	839
Deferred tax liabilities	10	-	-	958,545	767,807
Provision for tax, civil and labor risks	23	106	114	1,035,364	616,136
Intragroup loans	32	-	400,025	2,518,150	-
Derivatives	34	-	-	86,196	-
Sector financial liability	9	-	-	-	185,592
Decommissioning of assets and environmental expenses		-	-	152,812	184,955
Use of public asset		-	-	141,118	112,055
PIS/COFINS consumers return	8.1	-	-	9,145,520	114,484
Other payables	24	17,259	14,266	474,591	219,032
Total noncurrent liabilities		17,364	414,406	36,400,283	20,465,155
Equity	25				
Issued capital		9,388,071	9,388,071	9,388,071	9,388,071
Capital reserves		(1,646,145)	(1,643,775)	(1,646,145)	(1,643,775)
Legal reserve		1,455,685	1,218,283	1,455,685	1,218,283
Statutory reserve - working capital improvement		4,072,689	5,803,185	4,072,689	5,803,185
Dividend		3,735,932	865,248	3,735,932	865,248
Accumulated comprehensive income		(1,860,030)	(1,695,235)	(1,860,030)	(1,695,235)
		15,146,202	13,935,777	15,146,202	13,935,777
Equity attributable to noncontrolling interests		-	-	1,659,676	300,001
Total equity		15,146,202	13,935,777	16,805,879	14,235,778
Total liabilities and equity		15,227,134	15,260,501	66,119,878	49,106,884

The accompanying notes are an integral part of these financial statements



CPFL Energia S.A.

Statements of income for the years ended December 31, 2021 and 2020
(in thousands of Brazilian Reais, except for Earnings per share)

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Net operating revenue	27	45	(3,986)	39,210,148	30,898,458
Cost of services					
Cost of electric energy	28	-	-	(23,107,257)	(18,486,027)
Cost of operation		-	-	(3,322,199)	(2,926,750)
Depreciation and amortization		-	-	(1,335,080)	(1,273,049)
Other cost of operation	29	-	-	(1,987,119)	(1,653,701)
Cost of services rendered to third parties	29	-	-	(3,523,210)	(2,564,593)
Gross profit		45	(3,986)	9,257,482	6,921,088
Operating expenses					
Selling expenses		-	-	(793,611)	(685,983)
Depreciation and amortization		-	-	(9,108)	(8,150)
Allowance for doubtful accounts		-	-	(338,707)	(227,338)
Other selling expenses	29	-	-	(445,796)	(450,495)
General and administrative expenses		(36,324)	(47,041)	(1,084,757)	(1,061,656)
Depreciation and amortization		(406)	(424)	(109,033)	(97,075)
Other general and administrative expenses	29	(35,918)	(46,617)	(975,724)	(964,581)
Other operating expenses		-	-	(492,979)	(469,740)
Amortization of concession intangible asset		-	-	(298,193)	(287,725)
Other operating expenses	29	-	-	(194,786)	(182,015)
Income from electric energy services		(36,278)	(51,027)	6,886,135	4,703,710
Equity interests in subsidiaries, associates and joint ventures	13	4,827,338	3,816,429	521,805	409,606
		4,791,060	3,765,402	7,407,940	5,113,316
Financial income (expenses)	30				
Financial income		39,033	(9,810)	1,125,153	936,782
Financial expenses		(22,582)	695	(1,917,634)	(1,252,756)
		16,451	(9,115)	(792,482)	(315,974)
Profit before taxes		4,807,511	3,756,287	6,615,458	4,797,341
Social contribution	10	(14,200)	(29,630)	(477,563)	(297,137)
Income tax	10	(45,262)	(83,508)	(1,284,145)	(793,219)
		(59,462)	(113,138)	(1,761,708)	(1,090,356)
Profit for the year		4,748,049	3,643,149	4,853,751	3,706,986
Profit (loss) for the year attributable to owners of the Company				4,748,049	3,643,149
Profit (loss) for the year attributable to noncontrolling interests				105,702	63,837
Earnings per share attributable to owners of the Company (R\$):	26			4.12	3.16

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, 2021 and 2020

(in thousands of Brazilian Reais)

	Parent company	
	2021	2020
Profit for the year	4,748,049	3,643,149
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Comprehensive income for the year of subsidiaries	(136,530)	(401,223)
Total comprehensive income for the year	4,611,519	3,241,926
	Consolidated	
	2021	2020
Profit for the year	4,853,751	3,706,986
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
- Actuarial gains (losses), net of tax effects	(130,519)	(397,979)
- Credit risk in fair value measurement of financial liabilities	(35,396)	(3,244)
Total comprehensive income for the year	4,687,836	3,305,763
Comprehensive income attributable to owners of the Company	4,611,519	3,241,926
Comprehensive income attributable to noncontrolling interests	76,317	63,837

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, 2021 and 2020
(in thousands of Brazilian Reals)

	Earnings reserves					Accumulated comprehensive income			Noncontrolling interests			
	Issued capital	Capital reserve	Legal reserve	Statutory reserve / Working capital	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, 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 year	-	-	-	-	-	-	-	3,643,149	3,643,149	-	63,837	3,706,986
Other comprehensive income - credit risk in fair value measurement of financial liabilities	-	-	-	-	-	-	(3,244)	-	(3,244)	-	-	(3,244)
Other comprehensive income - actuarial gains (losses), net of tax effects	-	-	-	-	-	-	(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)	-	-	-	-
Movement of the statutory reserve in 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
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
Total comprehensive income	-	-	-	-	-	-	(136,530)	4,748,049	4,611,519	-	76,317	4,687,836
Profit for the year	-	-	-	-	-	-	-	4,748,049	4,748,049	-	105,702	4,853,751
Other comprehensive income - credit risk in fair value measurement of financial liabilities	-	-	-	-	-	-	(35,396)	-	(35,396)	-	-	(35,396)
Other comprehensive income - actuarial gains (losses), net of tax effects	-	-	-	-	-	-	(101,134)	-	(101,134)	-	(29,385)	(130,519)
Internal changes in equity	-	-	237,402	-	-	(28,265)	-	(209,137)	-	(1,777)	1,565	(212)
Realization of deemed cost of property, plant and equipment	-	-	-	-	-	(42,826)	-	42,826	-	(2,693)	2,693	-
Tax effect on realization of deemed cost	-	-	-	-	-	14,561	-	(14,561)	-	916	(916)	-
Recognition of legal reserve	-	-	237,402	-	-	-	-	(237,402)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	(212)	(212)
Capital transactions with owners	-	(2,370)	-	(1,730,496)	2,870,684	-	-	(4,538,912)	(3,401,094)	-	1,283,570	(2,117,524)
Business combination (note 13.4)	-	-	-	-	-	-	-	-	-	-	1,370,307	1,370,307
Gain (loss) on interest in subsidiaries with no change in control	-	(2,370)	-	-	-	-	-	-	(2,370)	-	2,370	-
Additional proposed dividend	-	-	-	-	3,735,932	-	-	(3,735,932)	-	-	-	-
Time-barred dividends	-	-	-	-	-	-	-	1,020	1,020	-	-	1,020
Dividend proposal approved	-	-	-	(1,730,496)	(865,248)	-	-	-	(2,595,744)	-	(89,107)	(2,684,851)
Interim dividend	-	-	-	-	-	-	-	(804,000)	(804,000)	-	-	(804,000)
Balance at December 31, 2021	9,388,071	(1,646,145)	1,455,685	4,072,689	3,735,932	301,237	(2,161,267)	1	15,146,202	4,724	1,654,952	16,805,879

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, 2021 and 2020
(in thousands of Brazilian Reais)

	Parent company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Profit before taxes	4,807,511	3,756,287	6,615,458	4,797,341
Adjustment to reconcile profit to cash from operating activities				
Depreciation and amortization	406	424	1,751,414	1,665,999
Provision for tax, civil and labor risks	1,003	153	274,151	207,912
Allowance for doubtful accounts	-	-	338,707	227,338
Interest on debts, monetary adjustment and exchange rate changes	(26,185)	(11,947)	319,659	431,354
Pension plan expense (income)	-	-	248,754	174,347
Equity interests in subsidiaries, associates and joint ventures	(4,827,338)	(3,816,429)	(521,805)	(409,606)
Loss (gain) on disposal of noncurrent assets	-	-	157,049	140,733
Repatriation of hydrological risk	-	-	(189,949)	(55,163)
Others	-	-	(37,666)	12,016
	(44,603)	(71,512)	8,955,772	7,192,272
Decrease (increase) in operating assets				
Consumers, concessionaires and licensees	-	-	(246,053)	(574,499)
Dividend and interest on capital received	5,336,292	3,288,899	296,524	412,952
Taxes recoverable	5,808	69,877	14,105	(46,950)
Escrow deposits	(241)	60	23,191	8,249
Sector financial asset	-	-	(2,326,727)	500,209
Receivables - CDE	-	-	(47,374)	5,067
Transmission asset additions	-	-	(396,522)	(316,964)
Advance to suppliers	-	-	79,511	(79,738)
Orders in progress	-	1	(133,821)	(176,088)
Other operating assets	5,597	1,372	(35,422)	(146,408)
Increase (decrease) in operating liabilities				
Trade payables	(1,397)	(1,461)	251,681	746,051
Other taxes and social contributions	1,431	(24,724)	91,861	130,732
Other liabilities with private pension plan	-	-	(391,177)	(185,455)
Regulatory charges	-	-	443,595	(123,880)
Tax, civil and labor risks paid	(1,017)	(167)	(219,082)	(239,649)
Sector financial liability	-	-	(588,364)	70,251
Payables - CDE	-	-	(37,250)	(16,609)
Other operating liabilities	(1,050)	(4,932)	244,464	498,416
Cash flows provided (used) by operations	5,300,820	3,257,413	5,978,913	7,657,959
Interest paid on debts and debentures	-	-	(651,960)	(761,216)
Income tax and social contribution paid	(18,588)	(62,250)	(1,465,362)	(718,170)
Cash flows provided (used) by operations activities	5,282,232	3,195,163	3,861,591	6,178,573
Investing activities				
Capital increase of shareholders	-	(94)	-	(3,348)
Business combinations net of cash acquired	-	-	(2,191,595)	-
Purchases of property, plant and equipment	-	(314)	(537,562)	(326,337)
Purchases of contract asset	-	-	(3,027,732)	(2,131,005)
Purchases and construction of intangible assets	(1,515)	(3,689)	(37,917)	(30,731)
Securities, pledges and restricted deposits - investment	-	(350)	(307,497)	(1,947,054)
Securities, pledges and restricted deposits - redemption	-	-	1,676,049	1,499,745
Advances for future capital increases	(1,350,000)	(1,122,000)	-	-
Intragroup loans to subsidiaries	-	(499,445)	-	-
Receiving of intragroup loans from subsidiaries	320,383	461,065	-	-
Others	-	-	219,737	(1,942)
Net cash generated by (used) In investing activities	(1,031,132)	(1,164,827)	(4,206,517)	(2,940,672)
Financing activities				
Public offering costs	-	(10)	-	(5,869)
Capital decrease (increase) in existing equity interest	-	-	-	6,563
Borrowings and debentures raised	-	-	6,121,146	4,665,557
Repayment of principal of borrowings and debentures	-	-	(3,996,902)	(7,096,247)
Repayment of derivatives	26,980	-	800,334	919,188
Dividend and interest on capital paid	(4,251,559)	(2,068,489)	(4,298,495)	(2,116,379)
Intragroup loans raised	-	400,000	-	2,380,000
Intragroup loans paid	(413,978)	-	-	(9,082)
Net cash generated by (used in) financing activities	(4,638,557)	(1,668,499)	(1,373,917)	(1,256,269)
Net increase (decrease) in cash and cash equivalents	(387,457)	361,836	(1,718,845)	1,981,633
Cash and cash equivalents at the beginning of the year	395,745	33,909	3,918,795	1,937,163
Cash and cash equivalents at the end of the year	8,287	395,745	2,199,952	3,918,796

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, 2021 and 2020

(in thousands of Brazilian Reais)

	Parent company		Consolidated	
	2021	2020	2021	2020
1. Revenues	(3,266)	29	56,544,894	45,489,994
1.1 Operating revenues	50	(3,974)	53,028,427	42,790,123
1.2 Revenues related to the construction of own assets	(3,316)	4,003	543,076	354,556
1.3 Revenue from infrastructure construction of the concession	-	-	3,312,656	2,572,653
1.4 Allowance for doubtful accounts	-	-	(339,265)	(227,338)
2. (-) Inputs	(6,432)	(18,672)	(31,433,849)	(24,968,852)
2.1 Electricity Purchased for Resale	-	-	(25,618,449)	(20,492,383)
2.2 Material	(157)	(369)	(2,510,615)	(1,768,469)
2.3 Outsourced Services	(3,580)	(15,333)	(2,293,049)	(1,879,239)
2.4 Other	(2,695)	(2,970)	(1,011,736)	(828,760)
3. Gross added value (1 + 2)	(9,698)	(18,644)	25,111,046	20,521,142
4. Retentions	(406)	(424)	(1,759,502)	(1,674,246)
4.1 Depreciation and amortization	(406)	(424)	(1,461,309)	(1,386,521)
4.2 Amortization of intangible assets of the concession	-	-	(298,193)	(287,725)
5. Net added value generated (3 + 4)	(10,104)	(19,067)	23,351,544	18,846,896
6. Added value received in transfer	4,882,090	3,831,850	1,716,691	1,410,521
6.1 Financial Income	54,752	15,420	1,194,886	1,000,914
6.2 Equity interests in subsidiaries, associates and joint ventures	4,827,338	3,816,429	521,805	409,606
7. Added value to be distributed (5 + 6)	4,871,987	3,812,782	25,068,235	20,257,417
8. Distribution of added value				
8.1 Personnel and Charges	21,368	26,872	1,731,008	1,540,262
8.1.1 Direct Remuneration	9,691	11,378	928,562	833,122
8.1.2 Benefits	10,771	13,860	724,349	643,223
8.1.3 Government severance indemnity fund for employees - F.G.T.S.	906	1,633	78,097	63,918
8.2 Taxes, Fees and Contributions	79,692	143,180	16,435,877	13,626,127
8.2.1 Federal	79,607	143,097	8,294,676	6,790,013
8.2.2 Estate	85	83	8,100,367	6,799,248
8.2.3 Municipal	-	-	40,834	36,866
8.3 Interest and Rentals	22,878	(419)	2,047,600	1,384,042
8.3.1 Interest	22,580	(714)	1,950,005	1,278,573
8.3.2 Rental	298	295	97,595	105,469
8.4 Interest on capital	4,748,049	3,643,149	4,853,751	3,706,986
8.4.1 Dividend (including additional proposed)	4,539,932	1,730,536	4,629,039	1,789,543
8.4.2 Retained Earnings	208,117	1,912,613	224,712	1,917,443
	4,871,987	3,812,782	25,068,235	20,257,417

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

CPFL ENERGIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
AT DECEMBER 31, 2021 AND 2020

(Amounts in thousands of Brazilian reais – R\$, unless otherwise stated)

(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	4,776	30 years	November 2027
Companhia Piratininga de Força e Luz (“CPFL Piratininga”)	Publicly-held corporation	Direct 100%	Interior and coast of São Paulo	27	1,869	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	3,030	30 years	November 2027
Companhia Jaguaré de Energia (“CPFL Santa Cruz”)	Privately-held corporation	Direct 100%	Interior of São Paulo, Paraná and Minas Gerais	45	487	30 years	July 2045

Energy generation	Company type	Equity interest	Location (state)	Number of plants / type of energy	Installed power (MW)	
					Total	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
BAESA - Energética Barra Grande S.A. (“BAESA”)	Privately-held corporation	Indirect 25.01%	Santa Catarina and Rio Grande do Sul	1 Hydropower	690	173
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

Energy transmission	Company type	Equity interest	Location (state)
CPFL Transmissão Piracicaba S.A. (“CPFL Transmissão Piracicaba”)	Limited liability company	Indirect 100%	São Paulo
CPFL Transmissão Morro Agudo S.A. (“CPFL Transmissão Morro Agudo”)	Limited liability company	Indirect 100%	São Paulo
CPFL Transmissão Maracanaú S.A. (“CPFL Maracanaú”)	Limited liability company	Indirect 100%	Ceará
CPFL Transmissão Sul I S.A. (“CPFL Sul I”)	Limited liability company	Indirect 100%	Santa Catarina
CPFL Transmissão Sul II S.A. (“CPFL Sul II”)	Limited liability company	Indirect 100%	Rio Grande do Sul
Companhia Estadual de Transmissão de Energia Elétrica – CEEE-T (“CPFL Transmissão”) (d)	Publicly-held corporation	Indirect 66.08%	Rio Grande do Sul
Transmissora de Energia Sul Brasil S.A. (TESB)	Privately-held corporation	Indirect 62.26%	Rio Grande do Sul

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, Indústria 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 Serviços Administrativos de Recursos Humanos Ltda ("CPFL Pessoas")	Limited liability company	Provision of human resources services	Direct 100%
Nect Serviços Administrativos Financeiros Ltda ("CPFL Finanças")	Limited liability company	Provision of financial services	Direct 100%
Nect Serviços Adm de Suprimentos E Logística 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 Jaguarí de Geração de Energia Ltda ("Jaguarí 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")	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, Rio Grande do Sul and Goiás 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, 2021, CPFL Renováveis had a portfolio of 108 enterprises with 3,1 GW of installed capacity (3,090.4 MW in operation):

- Hydropower generation: 47 small hydroelectric plants and central hydroelectric generators - SHPs/CHGs (485 MW) with 46 SHPs/CHGs in operation (457.1 MW) and 1 SHP under construction/development (28 MW), 3 hydroelectric power plants (HPP) in operation (848 MW - 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);
- Wind power generation: 49 projects (1,390.2 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) Companhia Estadual de Transmissão de Energia Elétrica - CEEE-T ("CPFL Transmissão") is a publicly traded company whose corporate purpose is to carry out analyses, projects, construction and operation of electric power transmission lines. The end of this concession in accordance with the last agreement signed is scheduled for March 31, 2051. CPFL Transmissão's direct subsidiary is Transmissora de Energia Sul Brasil S.A. ("TESB") with a 94.22% interest, and the Company fully consolidates its financial statements. TESB's corporate purpose is to explore the concession of the public electricity transmission service, provided through the construction, assembly, operation and maintenance of transmission facilities, lines and substations for a period of 30 years. The end of this concession is scheduled for July 27, 2041. CPFL Group assumed control of CPFL Transmissão on October 14, 2021, for more details see Note 13.4.1.

1.1 Impacts of COVID-19

On March 11, 2020, the World Health Organization (WHO) declared that the COVID-19 had become a pandemic. The outbreak triggered significant decisions by governments and private sector entities, which, added to the potential impact of the outbreak at the time, increased to some extent the degree of uncertainty for economic agents, which may have significant impacts on these interim financial statements. The main economies in the world and the main economic blocs have been studying and implementing economic stimulus packages to minimize impacts that COVID-19 has been causing and may still cause.

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;
- Negotiation with equipment suppliers to evaluate delivery times in view of the pandemic scenario, without, so far, there being any indication of relevant risks of delay that may impact on 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, especially in the light of the suspension from April 1st to June 30, 2021, which was extended until September 30, 2021, according to REN n° 936 of ANEEL of default cuts for low-income residential subclasses. In addition to specific rules to be complied with in order to make the cuts in the other consumer classes and restrictions in the collection of fine and interest due to default.

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 was 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) was 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 is being done by means of 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.

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. The Group will continue to regularly monitor the effects of the crisis and the impacts on their operations and financial statements.

Financial economic rebalancing

Due to the effects of the restrictive measures adopted by government to contain the advance of the pandemic, the Group's distributors, as well as other energy distribution concessionaires in the country, suffered some extraordinary and immediate impacts, the main ones being 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.

Continuing with the process of defining the regulation to restore the economic balance of distribution concessionaires during the pandemic, ANEEL opened the 3rd Phase of Public Consultation No. 35 at the end of 2020, in which the rules for allocating the Covid Account borrowing costs and involuntary overcontracting for the 2020 calendar year, reflecting the pandemic scenario, were also discussed.

With the third and final phase of CP35/2020 completed, the Agency defined the methodologies regarding the involuntary overcontracting of 2020, the economic rebalancing due to the market downturn and the increase in default rates during the pandemic, as well as the apportionment of the financial cost of the COVID Account, substantiated in ANEEL Normative Resolution No. 952, of November 23, 2021. The CPFL Group continues to analyze the impacts caused by the pandemic on the Group's distributors and will decide on the need to request the restoration of the economic balance within 60 days after the publication, by ANEEL, of the projection of irrecoverable revenue carried out in the months from March to December 2020, as defined in paragraph 7 of Sub-module 2.10 of PRORET, approved through said normative resolution. In addition, the portion of the finance cost of the COVID Account to be allocated to CPFL Group distributors in the 2022 tariff processes was estimated and recorded.

(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 14, 2022.

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 8 – Taxes recoverable (Criteria and assumptions on the exclusion of ICMS from the PIS and COFINS basis);
- 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 13.4 - Business combination (main assumptions for determining the fair value of assets acquired and liabilities assumed, measured on a provisional basis);
- Note 14 – Property, plant and equipment (application of estimated useful lives and main assumptions regarding recoverable amounts);

- Note 15 – Contract Asset (key assumptions regarding recoverable amounts);
- Note 16 – Intangible assets (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 22 – Taxes, fees and contributions (uncertainties about income taxes);
- 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 ("Generation"); (iii) electric energy transmission ("Transmission") (iv) energy commercialization ("Commercialization"); (v) service activities ("Services"); and (vi) 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, 2021 and 2020 the noncontrolling interests in the consolidated balances refer to interests held by third parties in subsidiaries CERAN, Paulista Lajeado, not wholly-owned subsidiaries of CPFL Renováveis, CPFL Transmissão TESB.

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.

(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, investments in construction and improvements and not only to the passage of time.

Based on the Concession Agreements and in compliance with the requirements of Technical Pronouncement CPC 47 - Revenue from Customer Agreement and CPC 48 (IFRS 9) - Financial Instruments guided by Circular Letter No. 04 published by CVM on December 1, 2020, the Company assigned margins for the recognition of revenue from construction and infrastructure operation and maintenance, as well as the rate used to remunerate the concession contracts, which must correspond to the implicit rate remaining for each project, after allocating the respective margins.

In compliance with accounting requirements and in accordance with its accounting policies, it clarifies that:

- i. It assigned expected construction margins between 5.1% and 7.8%, before taxes, and operation and maintenance between 7% and 45% at the beginning of each project for the recognition of the respective revenues. In relation to indemnity contracts, as they are exclusively about indemnification and not construction of assets, no margins are recognized.
- ii. The monetary restatement of the contractual asset recognized at the implicit rate is established at the beginning of each project after the allocation of construction and operating margins. The implicit rate that remunerates the contract asset varies between 4% p.a. and 18% p.a..
- iii. The company monitors the return on its transmission investments and currently the nominal pre-tax rate 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 and losses, including any 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 derecognition is recognized in profit or loss.

Debt instruments 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 for interest income calculated using the effective interest method, foreign exchange gains and losses and impairment, which are recognized in profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. 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. All gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss, except dividends which are recognized as income in profit or loss (unless the dividend clearly represents a recovery of part of the cost of the investment). The Group holds no financial assets of 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 fair value through profit or loss.

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.

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.

On March 30, 2021, REN No. 930 was published, rectifying the understanding on the scope of benefits and granting compensation to generators that renegotiated energy from the regulated contracting environment (ACR) for the years 2012 to 2014.

After publication of REN no. 930/2021, the Federal Court of Accounts (TCU) presented a representation requesting clarification from ANEEL and determining the abstention from the practice of any act arising from REN no. 930/2021, including the approval of compensation amounts or extend the grant period for plants that are part of the MRE that adhere to art. 2 of Law No. 14.052/2020, until the merits of the representation were analyzed.

On July 13, 2021, however, Law No. 14.182/2021 was enacted, which reworded Law No. 13.203/2015, extending the calculation of the grant extension period of the plants that renegotiated the hydrological risk and including the structuring plants in the calculation of financial compensation and grant extension.

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 the portion of the profit established in the Bylaws as a mandatory dividend, which cannot be less than 25% of the adjusted profit pursuant to item I of article 202 of law 6404/76, or if the Bylaws are silent, distribute half of the adjusted profit as per the aforementioned item. 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, updated on December 16, 2021, 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.

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 annually 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 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, joint ventures and associates

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. For associates at the time of acquisition of interest.

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, Alesta and CPFL Transmissão 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 13.5.

(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 CPC48/IFRS 9, CPC 38/ IAS39, CPC 40/IFRS7, CPC11/IFRS4 e CPC06/IFRS16 on Reform of the Benchmark

Interest Rate as of January 1, 2021. A number of other standards also came into effect as of January 1, 2021 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, 2021. The Group has not adopted the new standards early 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) Definition of Accounting Estimates (amendments to CPC 23/IAS 8)

In February 2021, the IASB issued amendments to IAS 8 (standard equivalent to CPC 23), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The Group is assessing the amendments to the pronouncement, but does not expect material impacts on the disclosures and amounts recognized in its consolidated financial statements.

(c) Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1)

In February 2021, the IASB issued amendments to IAS 1 (standard equivalent to CPC 26 (R1)) and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

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

(d) 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 35) 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Bank balances	332	9,789	916,324	481,532
Short-term financial investments	7,954	385,957	1,283,628	3,437,264
Overnight investment (a)	7,954	-	13,827	703
Private credit notes (b)	-	385,957	1,195,745	3,320,840
Investment funds (c)	-	-	74,055	115,721
Total	8,287	395,745	2,199,952	3,918,796

- 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).
- Short-term investments in: (i) Bank Certificates of Deposit (CDB) amounting to R\$ 716,939 (R\$ 2,595,585 in December 31, 2020, and (ii) secured debentures amounting to R\$ 478,806 (R\$ 725,255 in December

31, 2020. All these operations have daily liquidity, short-term maturity, low credit risk and remuneration equivalent, on average, to 98.52% of the CDI (99.67% of the CDI on December 31, 2020).

- c) Investments funds, with high liquidity and interest equivalent, on average, to 101.4 % of the CDI (81.64% of the CDI on December 31, 2020), subject to floating rates tied to the CDI 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	
	December 31, 2021	December 31, 2020
Through investment funds (a)	474,169	308,482
Direct investment (b)	111,689	1,563,597
Total	585,858	1,872,079

(a) It represents amounts invested in government securities, Financial Bills ("LF") and Financial Treasury Bills ("LFT"), through investment fund quotas, yielding on average 101.4% (81.64% of CDI in December 31, 2020).

(b) In 2021, it mainly represents amounts invested by the indirect subsidiary CPFL Transmissão in national treasury notes, series B (NTN-B) with remuneration of 100% of the IPCA plus 6% p.a. default interest. In 2020, it represented public debt securities, LFT, whose remuneration was equivalent, on average, to 100% of the 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, 2021 and 2020:

	Amounts not due	Consolidated		Total	
		Past due		December 31, 2021	December 31, 2020
		until 90 days	> 90 days		
Current					
Consumer classes					
Residential	1,218,868	775,069	108,630	2,102,567	1,683,354
Industrial	171,791	82,924	93,788	348,504	355,145
Commercial	299,529	104,812	37,709	442,050	374,824
Rural	120,077	37,232	14,727	172,036	140,061
Public administration	89,564	8,151	11,888	109,602	74,865
Public lighting	139,769	7,213	3,439	150,422	84,902
Public utilities	70,848	22,182	9,274	102,303	93,163
Billed	2,110,446	1,037,583	279,455	3,427,484	2,806,314
Unbilled	1,356,948	-	-	1,356,948	1,554,563
Financing of consumers' debts	261,255	75,635	49,350	386,240	330,529
CCEE transactions	470,376	14,276	25,438	510,090	411,718
Concessionaires and licensees	479,702	18,480	20,968	519,150	391,401
Incentive program for the voluntary reduction of electricity consumption	(371,511)			(371,511)	-
Others	56,173	-	-	56,173	56,365
	4,363,389	1,145,974	375,211	5,884,573	5,550,890
Allowance for doubtful accounts				(459,396)	(344,037)
Total				5,425,177	5,206,854
Noncurrent					
Financing of consumers' debts	168,961	-	-	168,961	193,088
Free energy	7,230	-	-	7,230	6,925
CCEE transactions	13,211	-	69,771	82,982	628,301
Total	189,402	-	69,771	259,173	828,314

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 electricity in the short-term market. Long-term amounts mainly comprise: (i) accounting adjustments carried out by the CCEE to contemplate judicial determinations (injunctions) in the accounting processes for the period from September 2000 to December 2002; (ii) provisional book-entry records determined by the CCEE and (iii) outstanding balances resulting from the temporary situation of the CCEE due to court injunctions (injunctions) from generators, note 3.6 renegotiation of hydrological risk. The subsidiaries understand that there are no significant risks in the realization of these assets and, consequently, no provision was recorded for this purpose.

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

Program to encourage the voluntary reduction of electricity consumption - created by the Federal Government within the scope of the Chamber of Exceptional Rules for Hydropower Management (CREG) as one of the measures to face the worst scenario of water scarcity in Brazil's history. Consumers who reduced electricity consumption by an amount equal to or greater than 10% (ten percent), limited to 20% (twenty percent), in the period from September to December 2021 compared to September to December 2020, received a bonus of fifty reais (R\$ 50.00) for every one hundred (100) kWh reduced, provided they had a measurement history. Said bonus will be paid for by a specific sector charge, called System Service Charges (ESS), to be transferred by CCEE to the distributors. The distribution subsidiaries recorded the credit in consumers, concessionaires and licensees against a debit in other credits of the same amount. The bonus will be granted to consumers on bills for January and February 2022, and reimbursement to distributors will be made in the January CCEE accounting, to be settled in March of the same year.

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 12)	Total
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)
Business combination	(3,906)	-	(3,906)
Allowance - reversal (recognition)	(545,780)	(1,307)	(547,087)
Revenue recovery	208,200	180	208,380
Write-off of accrued receivables	226,128	(180)	225,948
At December 31, 2021	(459,396)	(30,138)	(489,534)
Current	(459,396)	(29,820)	(489,534)

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

	Consolidated	
	December 31, 2021	December 31, 2020
Current		
Prepayments of social contribution – CSLL	4,641	1,705
Prepayments of income tax - IRPJ	19,459	2,911
Income tax and social contribution to be offset	72,983	83,163
Income tax and social contribution to be offset	97,083	87,779
Withholding income tax - IRRF on interest on capital	7,817	1,414
Withholding income tax - IRRF	73,311	97,507
State VAT - ICMS to be offset	186,451	153,576
Social Integration Program - PIS	19,656	15,921
Contribution for Social Security Funding - COFINS	83,451	62,176
Others	4,994	6,672
Other taxes to be offset	375,680	337,266
Total current	472,763	425,045
Noncurrent		
Social contribution to be offset - CSLL	8,398	680
Income tax to be offset - IRPJ	108,934	34,735
Income tax and social contribution to be offset	117,332	35,415
State VAT - ICMS to be offset	271,003	208,066
Social Integration Program - PIS	2,646	1,378
Contribution for Social Security Funding - COFINS	8,647	5,005
Others	4,202	4,201
Other taxes to be offset	286,498	218,650
Total noncurrent	403,830	254,065

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

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

	Consolidated	
	December 31, 2021	December 31, 2020
Assets		
Current		
PIS over ICMS	226,042	-
COFINS over ICMS	1,062,781	-
Total current	1,288,824	-
Noncurrent		
PIS over ICMS	1,421,731	27,183
COFINS over ICMS	6,514,839	123,146
Total noncurrent	7,936,570	150,329
Liabilities - PIS/COFINS consumers return		
Current	(58,606)	-
Noncurrent	(9,145,520)	(114,484)

Some CPFL Energia subsidiaries have filed lawsuits involving the Federal Government seeking recognition of the right to exclude ICMS from the PIS and COFINS calculation basis, as well as the right to recover amounts previously paid.

In January 2019, subsidiary CPFL Santa Cruz was handed down the final and unappealable decision for its lawsuit, recording tax assets to be offset (R\$ 248,933) and tax liabilities with consumers (R\$ 307,540), adjusted through December 2021. In March 2021, in the subsidiary's tariff adjustment, the early reversal of amounts arising from credits from the aforementioned lawsuit was considered as an extraordinary negative financial component of R\$ 20,241.

In February 2021, subsidiary RGE was handed down a final and unappealable decision in its lawsuit. As a result, the subsidiary recorded tax assets to be offset and tax liabilities with consumers of R\$ 2,197,769. In June 2021, in the subsidiary's tariff adjustment, the early reversal of amounts arising from credits from the aforementioned lawsuit was considered an extraordinary negative financial component of R\$ 228,800.

The recognition of PIS and COFINS credits on lawsuits that did not have final and unappealable judicial decisions until the first half of 2021 was based on the decision of the Federal Supreme Court (STF), which rejected the motion for clarification filed by the National Treasury in the records of the RE No. 574,706 of May 2021. After a careful analysis of each case, similarities were observed in relation to the final and unappealable lawsuits for which the Company has already been successful, on the understanding that, given the similarity of the cases, the provisions of item 33 of CPC 25/IAS 37, which provides for the concept of asset classification considered "virtually certain".

Accordingly, in June 2021, the following subsidiaries recorded tax assets to be offset and tax liabilities with consumers: (i) RGE (R\$ 739,273, related to the company established in December 2018), (ii) CPFL Santa Cruz (R\$ 127,079, related to the company established in December 2017). Subsidiary CPFL Santa Cruz also recorded the difference of the credit calculated based on the paid ICMS exclusion criterion, for the ICMS highlighted in energy bills, (iii) CPFL Paulista (R\$ 4,087,795) and (iv) CPFL Piratininga (R\$ 1,816,859)

In October 2021, subsidiaries CPFL Paulista and CPFL Piratininga were handed down a final and unappealable decision, which did not generate an additional accounting impact since these subsidiaries had already recorded tax assets to be offset and tax liabilities with consumers given the similarity of the cases as described above.

Of the amounts previously mentioned, the amounts of R\$ 236,556 for RGE and R\$ 58,695 for CPFL Santa Cruz have already been offset throughout 2021.

It is important to point out that, based on the opinion of its legal advisors, the Company understands that the need for reimbursement to consumers of amounts received after the final and unappealable judicial decision, such as PIS and COFINS tax credits, is limited to the statute of limitations of 10 years. This position was even expressed by the Company through a contribution presented in the process of Public Consultation No. 05/2021, still in progress.

Therefore, the Group's accounting decision, at this time, not to record any tax credit to its favor does not mean any waiver of rights, but only serves to reflect the position of the aforementioned Public Consultation in progress by ANEEL.

For subsidiary CPFL Brasil, a final and unappealable decision was handed down in October 2021, and PIS and COFINS credit, as with other companies under the same circumstances, was recognized in June 2021. The credit of approximately R\$ 85,078 was recorded as a deduction of PIS/COFINS revenue and monetary adjustment.

(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, 2020			Operating revenue (note 27)			At December 31, 2021			
	Deferred	Approved	Total	Constitution	Through billing	Adjustment for inflation (note 30)	Others	Deferred	Approved	Total
Parcel "A"	846,468	126,225	972,694	2,708,170	(579,632)	110,092	(255,437)	2,373,119	582,769	2,955,886
CVA ⁽¹⁾										
CDE ⁽²⁾	(1,397)	95,905	94,508	(69,781)	(142,018)	1,734	-	(137,471)	21,916	(115,556)
Electric energy cost	(14,381)	(284,385)	(298,765)	(703,552)	575,877	11,239	-	(228,156)	(187,046)	(415,202)
ESS and EER ⁽³⁾	217,177	(193,807)	23,370	1,465,269	70,124	7,244	-	1,415,965	150,042	1,566,007
Proinfa	(4,146)	(22,590)	(26,736)	48,566	1,150	1,190	-	992	23,178	24,170
Basic network charges	300,579	86,572	387,151	84,495	(251,579)	13,708	-	112,460	121,316	233,776
Pass-through from Itaipu	627,066	413,761	1,040,827	2,056,645	(838,357)	77,371	(255,437) ⁽⁴⁾	1,554,343	526,707	2,081,050
Transmission from Itaipu	42,186	15,307	57,493	(8,283)	(33,612)	1,768	-	865	16,501	17,366
Neutrality of sector charges	(141,768)	16,554	(125,214)	(16,903)	5,660	(956)	-	(86,990)	(50,423)	(137,413)
Overcontracting	(178,848)	(1,092)	(179,940)	(148,287)	33,123	(3,207)	-	(258,889)	(39,422)	(298,312)
Other financial components	(440,264)	(91,744)	(532,008)	832,169	209,819	(26,352)	(249,041) ⁽⁵⁾	440,582	(205,994)	234,588
Total	406,204	34,481	440,686	3,540,339	(369,813)	83,740	(504,477)	2,813,701	376,775	3,190,475
Current assets			558,884							2,373,727
Noncurrent assets			108,908							816,748
Current liabilities			(41,514)							-
Noncurrent liabilities			(185,592)							-

(1) Deferred tariff costs and gains variations from Parcel "A" items

(2) Energy Development Account – CDE

(3) System Service Charge (ESS) and Reserve Energy Charge (EER)

(4) Receipt of commercialization account from Itaipu

(5) Approval of the return of the PIS/COFINS credit

CVA: refers to the variations of the Parcel A account, in accordance with note 3.15. 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 1.1.

(10) DEFERRED TAX ASSETS AND LIABILITIES

10.1 Breakdown of tax assets and liabilities

	Consolidated	
	December 31, 2021	December 31, 2020
<u>Social contribution credit/(debit)</u>		
Tax losses carryforwards	198,774	196,979
Tax benefit of merged intangible	73,956	81,733
Temporarily nondeductible/taxable differences	(468,358)	(331,326)
Subtotal	(195,629)	(52,614)
<u>Income tax credit / (debit)</u>		
Tax losses carryforwards	553,464	550,159
Tax benefit of merged intangible	235,884	262,643
Temporarily nondeductible/taxable differences	(1,293,467)	(918,139)
Subtotal	(504,119)	(105,339)
<u>PIS and COFINS credit/(debit)</u>		
Temporarily nondeductible/taxable differences	(27,203)	(23,985)
Total	(726,951)	(181,938)
Total tax credit	231,594	585,869
Total tax debit	(958,545)	(767,807)

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 in the projections of future taxable income.

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 16.

	Consolidated			
	December 31, 2021		December 31, 2020	
	Social Contribution	Income tax	Social Contribution	Income tax
CPFL Paulista	27,369	76,024	31,994	88,873
CPFL Piratininga	7,074	24,279	8,110	27,832
RGE	39,513	127,397	41,629	136,137
CPFL Renováveis	-	8,184	-	9,800
Total	73,956	235,884	81,733	262,643

10.3 Accumulated balances on nondeductible temporary / taxable differences

	Consolidated					
	December 31, 2021			December 31, 2020		
	Social Contribution	Income tax	PIS/COFINS	Social Contribution	Income tax	PIS/COFINS
Temporarily nondeductible/ taxable differences						
Provision for tax, civil and labor risks	62,905	174,736	-	42,961	119,337	-
Private pension fund	10,161	28,226	-	5,283	14,674	-
Allowance for doubtful accounts	44,029	122,303	-	33,927	94,241	-
Free energy supply	10,237	28,436	-	9,861	27,390	-
Research and development and energy efficiency programs	17,674	49,094	-	23,990	66,638	-
Personnel-related provisions	8,969	24,913	-	7,066	19,629	-
Depreciation rate difference	2,796	7,767	-	3,477	9,657	-
Derivatives	(134,790)	(374,417)	-	(174,570)	(484,916)	-
Recognition of concession - adjustment of intangible asset	(3,714)	(10,315)	-	(4,521)	(12,558)	-
Recognition of concession - adjustment of financial asset	(311,378)	(864,939)	-	(206,554)	(579,845)	-
Recognition of concession - adjustment of contract asset	(99,765)	(269,775)	(26,835)	(2,923)	(6,082)	(23,069)
Actuarial losses	25,153	69,870	-	25,798	71,660	-
Fair value measurement - Derivatives	20,470	56,861	-	(12,634)	(35,094)	-
Fair value measurement - Debts	(28,455)	(79,041)	-	2,661	7,389	-
Other	(11,343)	(31,662)	(368)	(27,208)	(80,682)	(916)
Temporarily nondeductible differences - accumulated comprehensive income:						
Property, plant and equipment - adjustment of deemed cost	(39,157)	(108,769)	-	(40,438)	(112,327)	-
Actuarial losses	135,697	376,937	-	189,514	526,429	-
Fair value measurement - Derivatives	600	1,667	-	1,519	4,222	-
Fair value measurement - Debts	(2,610)	(7,251)	-	(8,164)	(22,678)	-
Temporarily nondeductible differences - business combination						
Deferred taxes - asset:						
Provision for tax, civil and labor risks	17,806	49,462	-	10,209	28,357	-
Fair value of property, plant and equipment (negative value added of assets)	15,779	43,829	-	16,965	47,125	-
Deferred taxes - liability:						
Fair value of property, plant and equipment (value added of assets)	-	-	-	-	-	-
Value added derived from determination of deemed cost	(16,375)	(45,487)	-	(18,323)	(50,897)	-
Intangible asset - exploration right/authorization in indirect subsidiaries acquired	(189,269)	(525,418)	-	(205,445)	(559,317)	-
Other temporary differences	(3,778)	(10,494)	-	(3,778)	(10,494)	-
Total	(468,358)	(1,293,467)	(27,203)	(331,326)	(918,139)	(23,985)

10.4 Expected period of recovery

The expected period of recovery of the deferred tax assets recorded in noncurrent 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:

	Consolidated
<u>Expectation of recovery</u>	
2022	82,783
2023	411,065
2024	245,074
2025	138,312
2026	106,329
2027 to 2029	839,239
2030 to 2032	3,511
Total	1,826,312

10.5 Reconciliation of the income tax and social contribution amounts recognized in the statements of profit or loss for 2021 and 2020:

	Parent Company			
	2021		2020	
	Social Contribution	Income tax	Social Contribution	Income tax
Income before taxes	4,807,511	4,807,511	3,756,287	3,756,287
Adjustments to reflect effective rate:				
Equity in subsidiaries	(4,827,338)	(4,827,338)	(3,816,429)	(3,816,429)
Amortization of intangible asset acquired	(13,528)	-	(13,528)	-
Interest on capital expenses	155,979	155,979	265,014	265,014
Other permanent additions (exclusions), net	9,432	14,223	20,479	31,058
Tax base	132,056	150,375	211,823	235,930
Statutory rate	9%	25%	9%	25%
Tax credit/(debit)	(11,885)	(37,594)	(19,064)	(58,982)
Tax credit adjustments	(2,315)	(7,668)	(10,566)	(24,526)
Total	(14,200)	(45,262)	(29,630)	(83,508)
Current	(8,831)	(27,729)	(12,847)	(39,892)
Deferred	(5,369)	(17,533)	(16,783)	(43,616)

	Consolidated			
	2021		2020	
	Social Contribution	Income tax	Social Contribution	Income tax
Profit before taxes	6,615,458	6,615,458	4,797,341	4,797,341
Reconciliation to reflect effective rate:				
Equity in subsidiaries	(521,805)	(521,805)	(409,606)	(409,606)
Amortization of intangible asset acquired	48,711	62,756	48,664	62,756
Effect of presumed profit system	(670,323)	(760,494)	(541,420)	(617,379)
Adjustment of revenue from excess demand and excess reactive power	179,950	179,950	145,446	145,446
Other permanent additions (exclusions), net	73,609	(19,398)	165,553	134,270
Tax base	5,725,600	5,556,467	4,205,978	4,112,828
Statutory rate	9%	25%	9%	25%
Tax credit/(debit)	(515,304)	(1,389,117)	(378,538)	(1,028,207)
Tax credit adjustments	36,615	107,786	82,611	235,160
Provision for tax risks	1,125	(2,814)	(1,209)	(172)
Total	(477,563)	(1,284,145)	(297,137)	(793,219)
Current	(444,922)	(1,188,071)	(194,872)	(514,152)
Deferred	(32,641)	(96,074)	(102,264)	(279,066)

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- refers to the net between (i) tax credit refers to the amount of tax credit on tax loss carryforwards recorded as a result of review of projections of future profits and (i) 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\$ 128,715 (R\$ 381,330 in 2020) mainly refers to (i) tax income carryforwards pf R\$ 5,100 in 2021 (R\$ 276,824 in 2020; (ii) expense with realization of tax benefit of the merged goodwill of R\$ 34,536 in 2021(R\$ 33,889 in 2020 and (iii) expenses with temporary differences of R\$ 99,279 in 2021 (R\$ 624,265 in 2020).

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 2021 and 2020 were as follows:

	Consolidated			
	2021		2020	
	Social Contribution	Income tax	Social Contribution	Income tax
Actuarial losses (gains)	(63,733)	(63,733)	667,862	667,862
Limits on the asset ceiling	(12,024)	(12,024)	(73,037)	(73,037)
Basis of calculation	(75,757)	(75,757)	594,825	594,825
Statutory rate	9%	25%	9%	25%
Calculated taxes	6,818	18,939	(53,534)	(148,706)
Limitation on recognition (reversal) of tax credits	49,965	130,554	1,630	5,199
Taxes recognized in other comprehensive income	56,783	149,493	(51,904)	(143,506)
Credit risk fair value measurement of financial liabilities	53,630	53,630	4,915	4,915
Deemed cost of property, plant and equipment	42,826	42,826	38,707	38,707
Subtotal	96,456	96,456	43,622	43,622
Statutory rate	9%	25%	9%	25%
Calculated taxes	(8,681)	(24,114)	(3,926)	(10,906)
Total taxes recognized in other comprehensive income	48,102	125,379	(55,830)	(154,412)

10.7 Unrecognized tax credits

As of December 31, 2021, the parent company has tax credits on tax loss carryforwards that were not recognized amounting to R\$ 127,661 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. As of December 31, 2021, the main subsidiaries that have such unrecorded credits are CPFL Renováveis R\$ 292,018, Sul Geradora R\$ 72,788, CPFL Telecom R\$ 35,101, CPFL Eficiência Energética 131, Jaguari Geração R\$ 2,493), CPFL Brasil R\$ 47,413, CPFL Clion R\$ 171 and CPFL Cone Sul R\$ 9,960. 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 1.1.

(11) CONCESSION FINANCIAL ASSET

	Consolidated
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
Transfer - contract asset	1,810,965
Transfer - intangible asset	7,108
Fair value adjustment	1,193,870
Disposals	(77,825)
At December 31, 2021	13,281,686
Noncurrent	13,281,686

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 2021, the balance of write-offs of R\$ 77,825 (R\$ 46,078 in 2020) refers to the write-off of the adjustment related to the asset in the amount of R\$ 29,163 (R\$ 17,548 at 2020) and the write-off of the asset of R\$ 48,622 (R\$ 28,531 at 2020).

(12) OTHER ASSETS

	Consolidated			
	Current		Noncurrent	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Advances - Pension plan	8,877	8,621	6,797	6,797
Advances to suppliers	43,814	123,325	-	-
Pledges, funds and restricted deposits	27,214	1,592	18,026	13,994
Orders in progress	440,863	307,042	10,594	10,813
Services rendered to third parties	36,129	17,747	-	-
Energy pre-purchase agreements	-	-	3,015	7,751
Prepaid expenses	119,436	83,542	17,045	10,860
Receivables - CDE	189,776	142,403	-	-
Advances to employees	27,536	22,674	-	-
Incentive program for the voluntary reduction of electricity consumption (note 7)	371,511	-	-	-
Borrowings	187,180	-	-	-
Others	296,148	205,709	144,022	121,924
(-) Allowance for doubtful debts (note 7)	(30,138)	(28,831)	-	-
Total	1,718,346	883,824	199,500	172,140

Advances to suppliers – Refers mainly to advances to suppliers of projects under construction of generation and transmission companies.

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\$ 34,135 (R\$ 26,663 at December 31, 2020), (ii) other tariff discounts granted to consumers amounting to R\$ 155,641 (R\$ 115,740 at December 31, 2020).

Borrowings – refers to a borrowings raised between the indirect subsidiary CPFL Transmissão and Companhia Estadual de Distribuição de Energia Elétrica (CEEE-D), previously a partner company. In 2020, an instrument was signed to refinance the debt balance of the Borrowings Agreement between the companies. Amortization in 23 installments, with 100% restatement of CDI.

(13) INVESTMENTS

	Parent Company		Consolidated	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Equity method				
By equity method of the subsidiary and joint venture	14,517,982	11,594,504	1,194,622	1,007,016
Advances for future capital increases	-	1,092,000	-	-
Subtotal	14,517,982	12,686,504	1,194,622	1,007,016
Fair value of assets, net	416,805	490,146	8,322	8,902
Goodwill	6,054	6,054	-	-
Total	14,940,841	13,182,704	1,202,944	1,015,918

At December 31, 2020, the advance for future capital increase refers to advances to the subsidiary CPFL Geração, paid up in 2021.

13.1 Equity interests – equity method

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

	December 31, 2021				December 31, 2021	December 31, 2020	2021	2020
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	18,252,154	1,343,323	1,551,033	1,312,746	1,551,033	839,291	1,312,746	971,969
CPFL Piratininga	7,079,081	258,497	387,459	500,398	387,459	188,193	500,398	373,487
CPFL Santa Cruz	2,108,206	170,413	432,359	87,389	432,359	529,951	87,389	90,427
RGE	15,609,962	2,831,534	3,724,442	967,781	3,271,259	3,128,857	873,797	616,097
CPFL Geração	5,215,525	2,022,783	4,207,597	1,217,513	4,207,597	4,558,486	1,217,513	1,198,337
CPFL Renováveis	10,130,487	4,032,292	5,728,681	1,463,194	2,815,646	2,882,354	719,160	391,359
CPFL Jaguarí Geração	59,306	40,108	59,214	26,960	59,214	56,775	26,960	11,313
CPFL Brasil	3,676,507	1,352,828	1,319,878	35,888	1,319,878	89,871	35,888	133,423
CPFL Planalto	3,876	630	3,014	4,419	3,014	4,926	4,419	4,582
CPFL Serviços	384,959	150,929	183,357	27,192	183,357	183,179	27,192	28,849
CPFL Atende	26,062	5,991	17,645	11,943	17,645	12,211	11,943	11,501
CPFL Infra	13,337	38	4,841	4,243	4,841	598	4,243	553
CPFL Pessoas	12,903	811	8,004	11,901	8,004	5,183	11,901	8,410
CPFL Finanças	19,320	385	12,565	15,103	12,565	8,047	15,103	14,085
CPFL Supre	9,299	826	5,432	6,950	5,432	3,652	6,950	4,861
CPFL Total	48,563	9,005	28,833	32,696	-	-	-	25,542
CPFL Telecom	3,707	1,928	3,293	63	3,293	3,231	63	(957)
CPFL Centrais Geradoras	-	-	-	-	-	-	-	(214)
CPFL Eficiência	151,675	95,234	145,850	12,064	145,850	133,786	12,064	5,418
AUTHI	23,426	10	12,650	224	12,650	12,425	224	579
Alesta	79,015	38,126	76,627	32,690	76,627	45,490	32,690	2,279
Clion	280	206	260	54	260	-	38	-
Subtotal - by subsidiary's equity					14,517,982	12,686,504	4,900,680	3,891,900
Amortization of fair value adjustment of assets					-	-	(73,342)	(75,471)
Total					14,517,982	12,686,504	4,827,338	3,816,429
Investment					14,517,982	11,594,504		
Advances for future capital increases					-	1,092,000		

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\$ 73,342 (R\$ 75,471 at December 2020) 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 2021 and 2020 are as follows:

Investment	Investment at December 31, 2020	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, 2021
CPFL Paulista	839,291	-	1,312,746	(81,723)	(519,281)	-	-	1,551,033
CPFL Piratininga	188,193	-	500,398	(626)	(300,506)	-	-	387,459
CPFL Santa Cruz	529,951	-	87,389	(1,581)	(183,400)	-	-	432,359
RGE	3,128,857	-	873,797	3,766	(735,162)	-	-	3,271,259
CPFL Geração	4,558,486	1,087,000	1,217,513	1,357	(1,568,667)	(1,087,000)	(1,091)	4,207,597
CPFL Renováveis	2,882,354	-	719,160	1,312	(786,125)	-	(1,055)	2,815,646
CPFL Jaguarí Geração	56,775	-	26,960	-	(24,521)	-	-	59,214
CPFL Brasil	89,871	1,350,000	35,888	(59,259)	(96,400)	-	(222)	1,319,878
CPFL Planalto	4,926	-	4,419	-	(6,330)	-	-	3,014
CPFL Serviços	183,179	-	27,192	-	(27,013)	-	-	183,357
CPFL Atende	12,211	-	11,943	-	(6,509)	-	-	17,645
CPFL Infra	598	-	4,243	-	-	-	-	4,841
CPFL Pessoas	5,183	-	11,901	-	(9,080)	-	-	8,004
CPFL Finanças	8,047	-	15,102	-	(10,584)	-	-	12,565
CPFL Supre	3,652	-	6,950	-	(5,170)	-	-	5,432
CPFL Telecom	3,231	-	62	-	-	-	-	3,293
CPFL Eficiência	133,786	5,000	12,064	-	-	(5,000)	-	145,850
AUTHI	12,425	-	224	-	-	-	-	12,650
Alesta	45,490	-	32,690	-	(1,553)	-	-	76,627
Clion	-	-	38	-	-	-	222	260
	12,686,504	2,442,000	4,900,680	(136,754)	(4,280,302)	(1,092,000)	(2,145)	14,517,982

In October 2021, the Company made an advance for a future capital increase at CPFL Brasil of R\$ 1,350,000 as part of the CPFL Transmissão business combination plan (note 13.4).

Investment	Investment at December 31, 2019	Capital increase/ payment of capital	Share of profit (loss) of investees	Other comprehensive income	Corporate restructuring	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 Jaguarí 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 the consolidated, the investment balances refer to interests in joint ventures accounted for using the equity method:

	December 31, 2021	December 31, 2020	2021	2020
Investments	Share of equity		Share of profit (loss)	
Baesa	155,703	170,166	9,721	36,531
Enercan	307,459	279,064	204,249	200,432
Chapecoense	433,866	319,723	233,816	127,599
EPASA	281,544	238,062	71,355	45,623
CPFL Transmissão investments	16,050	-	3,244	-
Fair value adjustments of assets, net	8,322	8,902	(579)	(579)
	1,202,944	1,015,918	521,805	409,606

In 2021, the joint ventures Baesa and Enercan recognized R\$ 139,537 referring to the GSF related to contracts signed in the Free Trading Environment ("ACL") and Regulated Trading Environment ("ACR") (R\$ 370,317 in 2020). Subsidiaries CPFL Geração and CPFL Renováveis recognized R\$ 36,507 (R\$ 84,930 in 2020) in equity in the results of these joint ventures, related to ACL and ACR net of tax effects. 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 16).

13.3 Dividends and interest on capital receivable

At December 31, 2021 and 2020, the Company has the following amounts receivable from the subsidiaries below, relating to dividends and interest on capital:

Subsidiary	Parent Company					
	Dividend		Interest on capital		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
CPFL Paulista	-	142,692	31,260	88,151	31,260	230,843
CPFL Piratininga	-	320,186	6,037	28,191	6,037	348,377
CPFL Santa Cruz	-	3,337	5,714	19,206	5,714	22,543
RGE	-	145,362	-	-	-	145,362
CPFL Geração	-	205,120	-	87,820	-	292,940
Jaguari de Geração	-	11,042	-	-	-	11,042
CPFL Brasil	8,523	-	-	1,315	8,523	1,315
CPFL Serviços	23,903	6,852	-	-	23,903	6,852
CPFL Atende	-	-	90	580	90	580
CPFL Infra	-	4,000	-	-	-	4,000
AUTHI	10,000	10,000	-	-	10,000	10,000
CPFL Renováveis	-	92,509	-	-	-	92,509
Alesta	1,553	108	-	-	1,553	108
	43,979	941,208	43,101	225,263	87,081	1,166,469

The consolidated balance includes dividends and interest on capital receivable amounting to R\$ 134,813 at December 31, 2021 and R\$ 80,647 at December 31, 2020 related basically to joint ventures.

After resolutions of the AGMs/EGMs of its subsidiaries, the Company recognized in 2021 R\$ 507,536 relating to dividends and interest on capital for 2020. In addition, the subsidiaries declared in 2021 (i) R\$ 2,189,940 relating to interim dividends on the interim results for 2021, and reversal of statutory reserves; (ii) interest on capital on the results for 2021 of R\$ 132,582 and (iii) R\$ 16,534 relating to minimum mandatory dividend for 2021.

From the amounts recognized as receivables, R\$ 3,925,980 were paid to the Company by subsidiaries in 2021.

13.4 Business combination

Acquisition of Companhia Estadual de Transmissão de Energia Elétrica (“CPFL Transmissão”)

On July 16, 2021, subsidiary CPFL Cone Sul was ranked first in the scope of Auction No. 01/2021, referring to disposal of shareholding control of CPFL Transmissão, held by B3 - Brasil, Bolsa, Balcão S.A. (“Auction”).

CPFL Energia, within the scope of the public session of the Auction, through CPFL Cone Sul, presented the winning offer, amounting to two billion, six hundred and seventy million reais (R\$ 2,670,000), for the acquisition of shares representing approximately 66.08% of the total capital stock of CPFL Transmissão (approximately 67.12% of common shares and 0.72% of preferred shares), previously held by the state of Rio Grande do Sul. The portion of 33.92% of non-controlling interests was measured by the proportional share in fair value, as provided for by CPC 15/IFRS 3.

On September 24, 2021, the transaction was approved by the Brazilian Antitrust Agency (CADE), and, on September 30, 2021, authorization was obtained from ANEEL.

On October 14, 2021 (“acquisition date”), a Material Fact was announced to the market that the acquisition was concluded after all conditions precedent for the transaction were met, when CPFL Transmissão’s control was undertaken by CPFL Cone Sul and the ownership of the shares was transferred and the payment made. This acquisition resulted in a business combination in accordance with CPC 15 (R1)/IFRS 3, as CPFL Cone Sul now controls CPFL Transmissão.

The acquisition is in line with CPFL Energia's strategic objective and will enable greater value creation for its shareholders, through (i) optimization of operating expenses; (ii) exploration of a low-risk asset with a high potential for expanding investments and consequent increase in remuneration; (iii) diversification of CPFL Energia's portfolio through a segment that will allow synergies with the other operations of the Group; and (iv) optimization of financing conditions, improving financial leverage.

As mentioned in note 1, CPFL Transmissão holds a 94.22% interest in Transmissora de Energia Sul Brasil S.A. (“TESB”) and fully consolidates its financial statements.

Additionally, CPFL Transmissão holds a 9.65% investment in TPAE (Transmissora Porto Alegreense de Energia) and 10% in ETAU (Empresa de Transmissão do Alto Uruguai).

Its administrative head office is located in the city of Porto Alegre, state of Rio Grande do Sul, with the state of Rio Grande do Sul as the controlling shareholder until October 13, 2021. Non-controlling interests were measured by the proportional share in the calculated fair value.

CPFL Transmissão has 6,037 km of transmission lines, 72 substations and holds three concessions for the exploitation of public electricity transmission services:

- a. Concession Agreement No. 055/2001: With Provisional Executive Order (MP) No. 579 in effect (Law No. 12,783/2013), the term of the Concession Agreement was extended for another 30 years and is valid through December 31, 2042;
- b. Concession Agreement No. 080/2002: Effective for thirty (30) years, as of the start of operation of the respective transmission facilities, and may be renewed for an equal period. The end of this concession is scheduled for December 18, 2032;
- c. Concession Agreement No. 4/ 2021-ANEEL: Works in progress with an established deadline for energization until September 30, 2024. The end of this concession is scheduled for March 31, 2051.

TESB has a concession agreement for the exploitation of public electricity transmission services, Agreement No. 001/2011-ANEEL and has a term of thirty (30) years, as of the date the contract is signed. The end of this concession is scheduled for July 27, 2041.

Additional information regarding the acquisition (acquisition of CPFL Transmissão)

a) Considerations

The consideration transferred amounted to R\$ 2,670,000, paid in cash, in a single installment, at the acquisition date. This consideration will not undergo any type of adjustment, for example, due to changes in working capital and net debt.

b) Assets acquired, liabilities recognized and non-controlling interests at the acquisition date

The allocation of the price paid for the assets and liabilities acquired as well as the initial accounting for the acquisition of CPFL Transmissão was determined for the financial statements as of October 14, 2021 and at the end of the base period of the consolidated financial statements, based on analyses conducted by Management, that is, the measurement of fair value was carried out on a provisional basis, as permitted by technical pronouncement CPC 15/IFRS 3. Valuation techniques vary according to the group of accounts evaluated, and can be: income approach, cost approach, among others. Considering the complexity involved in the fair value measurement process of assets acquired and liabilities assumed, which mainly involve the definition of assumptions about the discount rate, growth rate and the projection of revenues and operating margins of the acquired company, these amounts will be confirmed after the conclusion of an economic-financial appraisal report by an independent appraiser. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date indicates adjustments to fair values calculated by management, or any additional provision that existed at the acquisition date, accounting of the acquisition will be reviewed.

The entire amount paid in the transaction was allocated, at the acquisition date, to the assets acquired and liabilities assumed at fair values, including the intangible asset related to the right to exploit the concession, which started to be amortized over the remaining term of the concession. Consequently, as the entire amount paid was provisionally allocated to identified assets and assumed liabilities, no residual value was allocated as goodwill in this transaction.

The acquisition-related costs, recorded as an expense in the 2021 statement of profit or loss, amounted to R\$ 24,550.

The provisional allocation of the price paid to the fair values of the assets and liabilities acquired is presented below:

		October 14, 2021
		CPFL Transmissão
	Note	preliminary
Current assets		
Cash and cash equivalents		478,405
Concessionaires and licensees		109,389
Investments in Government Bonds		110,763
Contract assets	15	787,504
Other assets		108,205
Noncurrent assets		
Contract assets	15	3,315,027
Borrowings disposed		205,490
Asset available for sale		217,552
Property, plant and equipment	14	89,148
Intangible exploration concession	16	849,070
Other assets		140,918
Current liabilities		
Suppliers		34,244
Labor obligations		57,713
Borrowings, financings and other funding	18	50,291
Provision for Employee Benefits	20.3	97,658
Provision for tax, civil and labor risks	23	18,884
Other current liabilities		118,975
Noncurrent liabilities		
Borrowings, financings and other funding	18	624,793
Provision for Employee Benefits	20.3	619,674
Provision for tax, civil and labor risks	23	296,509
Deferred Income Tax and Social Contribution		243,368
Other noncurrent liabilities		209,054
Net assets acquired		4,040,307
Goodwill arising in acquisition		
Consideration paid, net		2,670,000
(+) Participation of noncontrolling interests		1,370,307
(-) Fair value of net assets acquired		(4,040,307)
Goodwill		-

Additionally, no fair value adjustment of assets and liabilities was recognized in the period between the acquisition date and the base date of the consolidated financial statements.

c) Contingent consideration

There is no clause in the agreement related to contingent consideration to be paid to the seller.

d) Indemnification assets

The agreement does not provide for any situations in which subsidiary CPFL Cone Sul may be indemnified.

e) Contingent liabilities recognized

Following are the contingent liabilities provisionally recognized in the amount of R\$107,348 at the acquisition date:

	CPFL Transmissão
	October 14, 2021
Labor lawsuits (i)	45,669
Civil lawsuits (i)	16,100
Regulatory lawsuits (i)	45,578
Preliminary contingent liabilities	107,347
Provisions recognized in the subsidiaries	208,046
Provisions for tax, civil and labor risks	315,393

i. These amounts represent the fair values of labor, civil, regulatory and tax proceedings whose concept fits into contingent liabilities that can be measured reliably. Considering that the settlement of these proceedings depends on third parties, whether at judicial or administrative levels, it is not possible to estimate a timetable for the occurrence of potential

cash outflows associated with these contingent liabilities. No indemnification assets were recognized for these contingent liabilities.

f) Receivables acquired

The fair value of the receivables acquired is R\$ 109,389, which is the same gross contractual value of the receivables and represents Management's best estimate of expected receipt.

g) Acquired assigned borrowings

The fair value of the assigned borrowings acquired is R\$205,490, which is the same gross contractual value of the receivables and represents Management's best estimate of expected receipt.

h) Provision for employee benefits

The fair value of the provision for employee benefits was measured considering Management's best estimate, note 20.

i) Net cash outflow on acquisition

Considering that CPFL Transmissão had a cash balance of R\$ 478,405 on October 14, 2021 and that the consideration transferred amounted to R\$2,670,000, the net cash outflow on acquisition was R\$ 2,191,595.

j) Financial information of the acquiree

In the three-month period ended December 31, 2021, CPFL Transmissão contributed with a revenue of R\$ 289,919 and profit of R\$ 41,141 to the consolidated financial statements. Had the acquisition taken place at January 1, 2021, Management estimates that consolidated revenue would be R\$ 40,092,461 and consolidated profit for the year would be R\$5,131,461. To determine these amounts, Management took into account that the fair value adjustments, determined at the acquisition date, would be the same if the acquisition had taken place on January 1, 2021.

k) Information on the Public Offering of Shares ("OPA")

As a condition of the Agreement for the Purchase and Sale of Shares and Other Covenants ("Agreement"), CPFL Cone Sul requested to CVM, within thirty (30) days as from the execution of the Agreement, the registration of an OPA held by the other shareholders of CPFL Transmissão, pursuant to article 254-A et seq. of the Corporation Law, CVM Instruction No. 361, of March 5, 2002, as amended, and the Agreement.

No circumstance provided for in article 256 of the Corporation Law was found and, therefore, the Company's shareholders will not be granted the right to withdraw.

On February 25, 2022 and March 7, 2022, the Company disclosed a material fact on the subject, notes 38.2 and 38.3.

13.5 Noncontrolling interests and joint ventures

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

13.5.1 Movements in noncontrolling interests

	CERAN	LUDESA	Other subsidiaries of CPFL Renováveis	Paulista Lajeado	CPFL Transmissão and subsidiaries	Total
At December 31, 2019	104,134	42,007	62,526	80,191	-	288,856
Equity interest and voting capital	35.00%	40.00%	Between 5% and 10%	40.07%	-	-
Equity attributable to noncontrolling interests	41,383	12,310	1,201	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)	-	(106)
At December 31, 2020	107,485	37,907	67,746	86,864	-	300,001
Equity interest and voting capital	35.00%	40.00%	Between 5% and 10%	40.07%	-	-
Equity attributable to noncontrolling interests	49,526	20,442	1,782	21,523	12,429	105,702
Gain (loss) on interest with no change in control	-	-	2,370	-	-	2,370
Dividends	(43,418)	(17,513)	(3,446)	(19,226)	(5,507)	(89,107)
Other movements	-	-	-	(212)	(29,385)	(29,597)
Business combination CPFL Transmissão	-	-	-	-	1,370,307	1,370,307
At December 31, 2021	113,593	40,836	68,451	88,949	1,347,844	1,659,676
Equity interest and voting capital	35.00%	40.00%	Between 5% and 10%	40.07%	66.08%	-

13.5.2 Summarized financial information on subsidiaries that have noncontrolling interests

The summarized financial information on subsidiaries that have noncontrolling interests at December 31, 2021 and 2020, is as follows:

BALANCE SHEET

	December 31, 2021					December 31, 2020				
	CERAN	CPFL Transmissão and subsidiaries	LUDESA	Other subsidiaries of CPFL Renováveis	Paulista Lajeado	CERAN	CPFL Transmissão and subsidiaries	LUDESA	Other subsidiaries of CPFL Renováveis	Paulista Lajeado
Current assets	138,247	2,054,120	14,790	72,838	18,745	48,362	-	10,470	122,038	26,472
Cash and cash equivalents	94,537	747,165	647	4,854	11,244	14,580	-	2,918	20,968	18,458
Noncurrent assets	778,464	4,453,762	91,939	507,645	137,125	755,415	-	88,636	373,666	151,258
Current liabilities	381,197	1,008,497	4,639	77,373	10,438	237,318	-	4,340	87,983	37,039
Borrowings and debentures	106,008	656,088	-	25,198	-	105,718	-	-	47,429	-
Other financial liabilities	28,807	69,894	740	3,991	1,935	22,551	-	927	11,895	297
Noncurrent liabilities	210,964	1,520,787	-	125,095	810	259,359	-	-	107,965	792
Borrowings and debentures	-	23,591	-	112,581	-	105,531	-	-	-	-
Other financial liabilities	141,118	-	-	-	-	112,055	-	-	-	-
Equity	324,550	3,978,599	102,089	378,015	144,622	307,100	-	94,767	299,756	139,899
Equity attributable to owners of the Company	210,957	2,630,755	61,253	309,564	55,673	199,615	-	56,860	232,010	139,899
Equity attributable to noncontrolling interests	113,593	1,347,844	40,836	68,451	88,949	107,485	-	37,907	67,746	86,864

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	2021					2020				
	CERAN	CPFL Transmissão and subsidiaries	LUDESA	Other subsidiaries of CPFL Renováveis	Paulista Lajeado	CERAN	CPFL Transmissão and subsidiaries	LUDESA	Other subsidiaries of CPFL Renováveis	Paulista Lajeado
Net operating revenue	355,676	289,919	58,266	112,910	59,079	291,163	-	48,025	59,292	40,301
Operational costs and expenses	(67,180)	(171,584)	(189)	(33,963)	(8,604)	(29,972)	-	(1,100)	(14,165)	(21,726)
Depreciation and amortization	(37,940)	(15,136)	(5,254)	(17,174)	(721)	(42,463)	-	(4,953)	(17,605)	(2)
Interest income	4,731	9,904	197	2,949	796	2,188	-	55	1,853	388
Interest expense	(42,258)	(4,825)	-	(11,510)	(43,322)	-	-	-	(9,122)	-
Income tax expense	(70,956)	(57,796)	(1,928)	(5,736)	(4,771)	(59,794)	-	(1,561)	(3,045)	(4,037)
Profit (loss) for the year	141,503	41,141	51,106	53,008	53,714	118,236	-	40,526	18,079	22,423
Attributable to owners of the Company	91,977	28,711	30,664	51,226	32,191	76,853	-	24,316	20,158	19,101
Attributable to noncontrolling interests	49,526	12,429	20,442	1,782	21,523	41,383	-	16,210	(2,079)	3,322

13.5.3 Joint ventures

The summarized financial information on joint ventures at December 31, 2021 and December 31, 2020, is as follows:

BALANCE SHEET

	December 31, 2021				December 31, 2020			
	Enercan	Baesa	Chapecoense	Epasa	Enercan	Baesa	Chapecoense	Epasa
Current assets	365,457	128,692	491,037	475,419	265,347	88,780	265,109	349,437
Cash and cash equivalents	168,970	52,609	209,790	165,040	108,113	15,338	122,642	104,598
Noncurrent assets	1,073,375	1,127,147	2,410,469	279,538	1,036,903	1,062,369	2,328,892	382,076
Current liabilities	599,825	104,123	408,941	104,682	446,195	74,545	371,414	90,428
Borrowings and debentures	130,766	-	137,959	16,452	129,386	-	138,128	35,583
Other financial liabilities	34,855	78,236	111,100	26,841	5,577	36,057	79,396	1,281
Noncurrent liabilities	207,973	529,052	1,641,847	122,480	283,300	396,099	1,595,678	194,804
Borrowings and debentures	-	-	642,698	26,603	127,895	-	778,003	80,750
Other financial liabilities	40,044	435,853	964,135	-	30,081	321,057	789,590	-
Equity	631,034	622,664	850,718	527,795	572,756	680,505	626,909	446,282

INCOME STATEMENT

	2021				2020			
	Enercan	Baesa	Chapecoense	Epasa	Enercan	Baesa	Chapecoense	Epasa
Net operating revenue	880,125	458,130	1,067,381	1,370,875	719,581	296,078	933,403	405,674
Operational costs and expenses	(180,561)	(251,130)	(47,141)	(1,125,249)	(31,749)	61,621	(225,902)	(203,805)
Depreciation and amortization	(55,522)	(51,114)	(109,431)	(90,616)	(49,757)	(51,701)	(124,580)	(90,400)
Interest income	6,523	2,371	16,211	3,388	2,904	803	9,522	4,027
Interest expense	(18,695)	(102,569)	(223,114)	(4,588)	(18,639)	(85,139)	(209,183)	(10,346)
Income tax expense	(212,135)	(16,525)	(230,884)	(18,621)	(209,879)	(75,762)	(134,981)	(22,255)
Profit (loss) for the year	419,204	38,877	458,463	133,765	411,370	146,090	250,194	85,528
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.

13.5.4 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.

(14) PROPERTY, PLANT AND EQUIPMENT

	Consolidated							
	Lands	Reservoirs, dams and water mains	Buildings, construction and improvement s	Machinery and equipment	Vehicles	Furniture and fittings	In progress	Total
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	327,309
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	-	-	-	(2,173)	-	-	4,152	1,979
Depreciation	(3,375)	(54,627)	(53,580)	(427,810)	(14,582)	(870)	-	(554,845)
Write-off of depreciation	40	1,938	691	77,593	3,548	24	-	83,834
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)
Additions	-	-	-	-	-	-	540,458	540,458
Disposals	-	-	(84,282)	(54,301)	(2,446)	-	(94)	(141,124)
Transfers	3,035	1,193	74,887	614,516	21,635	2,396	(717,662)	-
Transfers from/to other assets	-	-	-	(156)	-	-	3,365	3,209
Business combination	922	-	3,038	30,019	6,342	333	48,493	89,148
Depreciation	(4,246)	(51,112)	(49,655)	(447,622)	(16,669)	(964)	-	(570,268)
Write-off of depreciation	-	-	6,474	26,885	1,931	-	-	35,290
At December 31, 2021	163,415	1,211,800	878,637	6,066,224	63,895	9,161	361,484	8,754,616
Historical cost	227,822	2,245,337	1,655,176	10,696,480	160,474	33,816	361,484	15,380,589
Accumulated depreciation	(64,406)	(1,033,536)	(776,539)	(4,630,256)	(96,580)	(24,655)	-	(6,625,973)
Average depreciation rate 2021	3.86%	2.42%	3.23%	4.28%	12.11%	5.67%		
Average depreciation rate 2020	3.86%	2.29%	3.08%	4.23%	12.40%	3.77%		

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\$ 272,122 at December 31, 2021 (R\$ 419,814 at December 31, 2020), with emphasis on maintenance works especially in wind farms.

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 year 2021, R\$ 5,216 were capitalized and in 2020 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, 2021, the total amount of property, plant and equipment pledged as collateral for borrowings, as mentioned in note 18, is approximately R\$ 679,350 (R\$ 818,561 at December 31, 2020, mainly relating to the subsidiary CPFL Renováveis).

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 2021 and 2020 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 1.1.

(15) CONTRACT ASSET

	Distribution	Transmission	Consolidated
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
Additions	3,065,832	396,990	3,469,183
Transfer - intangible assets in service	(866,903)	-	(866,903)
Transfer - financial assets	(1,810,965)	-	(1,810,965)
Monetary adjustment	-	(6,300)	(12,660)
Cash inputs - RAP	-	(62,918)	(62,918)
Business combination (note 13.4)	-	4,102,531	4,102,531
At December 31, 2021	1,826,598	4,859,407	6,686,005
Current	-	845,025	845,025
Noncurrent	1,826,598	4,014,382	5,840,981

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.

Of the amount of R\$396,990 added by the transmission subsidiaries, R\$80,028 comes from CPFL Transmissão and TESB (note 13.4)

Asset impairment test

For all the years presented, the Company evaluated any indications of devaluation of its assets that could generate the need for tests on the recovery value. This assessment was based on external and internal sources of information, taking into account variations in interest rates, changes in market conditions, among others. For the years 2021 and 2020, there was no need for a recovery provision.

The actions and considerations related to the assessment of the indicators regarding the recoverable value of the assets, resulting from the pandemic caused by Covid-19, are described in note 1.1.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.1.

(16) INTANGIBLE ASSETS

	Consolidated					Total
	Goodwill	Acquired in business combinations	Concession right Distribution infrastructure - operational	Public utilities/Concession asset	Other intangible assets	
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	233,880	20,586,267
Accumulated amortization	(37)	(4,011,708)	(7,086,896)	(12,774)	(153,900)	(11,265,315)
Additions	-	-	-	55,163	30,731	85,894
Amortization	-	(287,725)	(816,224)	(1,419)	(17,425)	(1,122,793)
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)	(84,305)
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)
Additions	-	-	-	193,116	29,492	222,608
Amortization	-	(298,193)	(865,703)	(8,789)	(14,662)	(1,187,347)
Transfer - contract assets	-	-	866,903	-	-	866,903
Transfer - financial asset	-	-	(8,307)	-	1,198	(7,108)
Disposal and transfer - other assets	-	(1,613)	(70,583)	-	11,106	(61,090)
Business combination	-	849,070	-	-	20,937	870,007
At December 31, 2021	6,115	3,731,861	5,528,035	261,136	146,462	9,673,609
Historical cost	6,152	8,344,528	14,296,858	284,119	336,920	23,268,578
Accumulated amortization	(37)	(4,612,667)	(8,768,823)	(22,983)	(190,459)	(13,594,969)

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 2021, R\$ 33,709 were capitalized (R\$ 30,131 at December 31, 2020) at a rate of 8.09% p.a. (at a rate of 8.09% p.a. at December 31,2020).

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:

	Consolidated					
	December 31, 2021			December 31, 2020	Annual amortization rate	
	Historic cost	Accumulated amortization	Net value	Net value	2021	2020
Intangible asset - acquired in business combinations						
Intangible asset acquired and not merged						
CPFL Paulista	304,861	(246,944)	57,917	67,902	3.28%	3.28%
CPFL Piratininga	39,065	(30,218)	8,846	10,141	3.31%	3.31%
RGE	3,768	(2,721)	1,047	1,223	4.67%	4.67%
CPFL Geração	54,555	(42,869)	11,686	13,531	3.38%	3.38%
Jaguari Geração	7,896	(4,930)	2,966	3,236	3.41%	3.41%
CPFL Renováveis	3,653,906	(1,542,222)	2,111,685	2,271,452	4.37%	4.71%
CPFL Transmissão	849,070	(10,827)	838,243	-	5.10%	0.00%
Subtotal	4,913,121	(1,880,731)	3,032,390	2,367,486		
Intangible asset acquired and merged						
RGE	1,433,007	(1,127,380)	305,627	357,683	3.63%	3.63%
CPFL Renováveis	426,450	(363,329)	63,121	73,087	2.34%	2.34%
Subtotal	1,859,457	(1,490,709)	368,748	430,769		
Intangible asset acquired and merged – reassembled						
CPFL Paulista	1,074,026	(883,483)	190,543	222,747	3.00%	3.00%
CPFL Piratininga	115,762	(89,547)	26,214	30,050	3.31%	3.31%
Jaguari Geração	15,275	(10,216)	5,059	5,518	3.01%	3.01%
RGE	366,887	(257,980)	108,907	126,025	4.67%	4.67%
Subtotal	1,571,950	(1,241,227)	330,723	384,340		
Total	8,344,528	(4,612,667)	3,731,861	3,182,597		

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 recompute it.

16.2 Use of public asset/concession intangible asset

On September 9, 2020, Law No. 14,052 was published, establishing mainly new conditions for the renegotiation of the hydrological risk of electricity generation, with a view to compensating for non-hydrological risks to plants participating in the Energy Reallocation Mechanism (MRE). On December 1, 2020, ANEEL approved Normative Resolution (REN) No. 895, which regulates Law No. 14,052/2020 and that will allow for the ordinary course of the spot market settlements, market recovery and efficiency, with a perception of less risk in the electricity sector.

Based on this resolution, CCEE presented to the market and to ANEEL the individual calculations per plant with the respective extension term of each grant.

On March 30, 2021, REN No. 930 was published, rectifying the understanding on the scope of benefits and granting compensation to generators that renegotiated energy from the Regulated Trading Environment (ACR) for the years 2012 to 2014.

After the publication of REN No. 930/2021, the Federal Audit Court (TCU) presented a representation requesting clarifications from ANEEL and determining the abstention from the practice of any act arising from REN No. 930/2021, including the approval of compensation amounts or extension of the concession period for

plants that are part of the MRE that adhere to article 2 of Law No. 14,052/2020, until the merits of the representation were analyzed.

On July 13, 2021, however, Law No. 14,182/2021 was enacted, which reworded Law No. 13,203/2015, expanding the calculation of the grant extension period of plants that renegotiated the hydrological risk and including structuring plants in the calculation of financial compensation and grant extension.

As a result, certain subsidiaries and joint ventures of the Group recognized intangible assets arising from the extension of the concession as a balancing entry to "Operating costs". The asset was recognized in the total amount of R\$ 175,904 in 2021 (R\$ 55,163 in 2020). These amounts represent the fair value of the reimbursement to which the Group's subsidiaries are entitled to receive, using as a basis the calculations made by the CCEE plus a cost of equity equivalent to 9.63%.

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 2021 and 2020, 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 1.1.

(17) TRADE PAYABLES

	Consolidated	
	December 31, 2021	December 31, 2020
<u>Current</u>		
System service charges	926,667	275,379
Energy purchased	2,064,676	2,571,296
Electricity network usage charges	343,755	336,451
Materials and services	759,070	558,390
Free market energy	175,432	168,001
Total	4,269,598	3,909,517
<u>Noncurrent</u>		
Energy purchased	378,388	431,037
Materials and services	29,694	25,621
Total	408,082	456,658

(18) BORROWINGS

The movement in borrowings are as follows:

Category	Consolidated							At December 31, 2021
	At December 31, 2020	Raised	Repayment	Interest, monetary adjustment and fair value measurement	Exchange rates variation	Interest paid	Business combination	
Local currency								
Measured at cost								
Pre fixed	8,691	-	(3,566)	5,349	-	(5,353)	-	5,121
Post fixed								
TJLP	476,405	-	(52,948)	30,172	-	(30,168)	31,988	455,448
IPCA	2,791,276	1,724,988	(232,855)	505,100	-	(148,175)	-	4,640,334
CDI	129,843	960,000	(33,800)	22,875	-	(3,082)	-	1,075,836
IGP-M	38,922	-	(16,124)	9,568	-	(3,161)	-	29,205
Subtotal	3,445,137	2,684,988	(339,293)	573,064	-	(189,939)	31,988	6,205,945
Measured at fair value								
Pre fixed	-	572,000	-	25,100	-	(18,117)	-	578,983
Fair value measurement	-	-	-	(43,009)	-	-	-	(43,009)
Subtotal	-	572,000	-	(17,908)	-	(18,117)	-	535,975
Total at local currency	3,445,137	3,256,988	(339,293)	555,155	-	(208,056)	31,988	6,741,919
Borrowing costs	(49,894)	(3,045)	-	5,907	-	-	-	(47,032)
Foreign currency								
Measured at cost								
Dollar	-	-	(12,340)	21,050	-	(2,443)	643,096	649,363
Subtotal	-	-	(12,340)	21,050	-	2,443	643,096	649,363
Measured at fair value								
Dollar	5,072,184	1,343,000	(1,882,057)	111,890	345,944	(121,500)	-	4,869,460
Euro	3,053,302	-	(595,759)	17,380	(35,458)	(17,760)	-	2,421,705
Fair value measurement	(98,695)	-	-	(73,850)	-	-	-	(172,545)
Subtotal	8,026,792	1,343,000	(2,477,816)	55,420	310,486	(139,260)	-	7,118,620
Total at foreign currency	8,026,792	1,343,000	(2,490,156)	76,470	310,486	(141,703)	643,096	7,767,983
Total	11,422,035	4,596,943	(2,829,449)	637,531	310,486	(349,760)	675,084	14,462,869
Current	2,797,195							2,246,711
Noncurrent	8,624,840							12,216,158

Category	Consolidated							At December 31, 2020
	At December 31, 2019	Raised	Repayment	Interest, monetary adjustment and fair value measurement	Exchange rates variation	Interest paid		
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
UMBNDDES	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, borrowings costs refer to costs directly attributable to debts and these are classified 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, 2021, the unrealized accumulated gains obtained from the fair value measurement of these debts were R\$ 215,554 (R\$ 98,685 at December 31, 2020) which reduced by the unrealized losses obtained with the fair value measurement of derivative financial instruments of R\$ 155,475 (gain of R\$ 45,046 on December 31, 2020), contracted to hedge against the exchange rate variation (note 35), generated a net gain not realized of R\$ 60,079 (R\$ 143,751 on December 31, 2020).

The detail on borrowings are as follows:

Category	Annual interest		Consolidated		Maturity range	Collateral
			December 31, 2021	December 31, 2020		
Measured at cost - Local currency						
Pre fixed						
FINAME	Fixed rate from 2.5% to 10%	(a)	5,121	8,691	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
Post Fixed						
TJLP						
FINEM	TJLP and TJLP + from 1.72% to 5.5%	(b)	424,707	474,288	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
FINEP	TJLP + 5% to 6%		427	2,117	2017 to 2022	Bank guarantee
BNDES	TJLP + 3.05%		30,315	-	2029	Fiduciary Assignment of Federal Public Securities, denominated National Treasury Notes - Series B
			455,448	476,405		
IPCA						
FINEM	IPCA + 4.27% to 4.80%		4,434,659	2,791,276	2020 to 2040	CPFL Energia guarantee and receivables
BNB	IPCA + from 1.06 to 2.08%		205,676	-	2022 to 2044	Bank guarantee
			4,640,334	2,791,276		
CDI						
Bank loans	(i) 105% of CDI	(c)	97,432	129,843	2012 to 2023	(i) CPFL Energia guarantee; (ii) Structure of redeemable preferred shares and (iii) CPFL Renováveis guarantee
Promissory notes	(ii) CDI form - 1.25% to + 1.90%		978,404		2024	CPFL Energia guarantee
IGPM	CDI+0.96%		1,075,836	129,843		
Bank loans	IGPM + 8.63%		29,205	38,922	2023	(i) Liens on equipment and receivables (ii) Pledge of shares of SPE and rights authorized by ANEEL and receivables of operation contracts
Subtotal			6,205,945	3,445,137		
Measured at fair value - Local currency						
Pre fixed						
Bank loans (Law 4,131)	Pre fixed of 6.1574% to 7.3780%		578,983	-	2024	CPFL Energia guarantee and Promissory notes
Fair value measurement			(43,009)	-		
Subtotal			535,975	-		
Total - Local currency			6,741,919	3,445,137		
Borrowing costs			(47,032)	(49,894)		
Measured at cost - Foreign Currency						
Dollar						
French Development Agency (FDA)	US\$ + 4.59%		258,530	-	2036	Federative Republic of Brazil and the State of Rio Grande do Sul
Inter-American Development Bank (IDB)	US\$ + 2.93%		390,833	-	2037	Federative Republic of Brazil and the State of Rio Grande do Sul
			649,363	-		
Measured at fair value - Foreign Currency						
Dollar						
Bank loans (Law 4,131)	US\$ + Libor 3 months + from 0.87% to 1.41%		558,630	728,348	2019 to 2025	CPFL Energia guarantee and Promissory notes
Bank loans (Law 4,131)	US\$ + from 1.83% to 4.32%		4,310,829	4,343,836	2018 to 2026	CPFL Energia guarantee and Promissory notes
			4,869,460	5,072,184		
Euro						
Bank loans (Law 4,131)	Euro + from 0.43% to 0.82%		2,421,705	3,053,302	2021 to 2025	CPFL Energia guarantee and Promissory notes
Fair value measurement			(172,545)	(98,695)		
Total in foreign currency			7,767,983	8,026,792		
Total			14,462,869	11,422,035		
Certain borrowings, mainly those contracted in foreign currency, have swap converting exchange variation and fixed rate to interest rate variation. For further information about the considered rates, see note 34.						
Effective rate:						
(a) 30% to 70% of CDI	(b) 60% to 110% of CDI	(c) 100% to 130% of CDI				

Certain borrowings, mainly those contracted in foreign currency, have swap converting exchange variation and fixed rate to interest rate variation. For further information about the considered rates, see note 34.

Effective rate:

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

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

<u>Maturity</u>	<u>Consolidated</u>
2023	3,032,696
2024	1,558,263
2025	2,711,560
2026	1,025,512
2027	3,357,665
2028 to 2032	495,715
2033 to 2037	145,341
2038 to 2042	85,955
2043 to 2047	9,129
Subtotal	12,421,837
Fair value measurement	(205,679)
Total	12,216,158

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:

Index	Accumulated variation %		Consolidated % of debt	
	2021	2020	December 31, 2021	December 31, 2020
TJLP	4.80	4.87	3.1	4.2
IPCA	10.06	4.52	32.1	24.4
CDI	4.40	2.78	60.0	71.0
Others			4.7	0.5
			100	100

Borrowings raised in the year:

Category Subsidiary	Released (R\$ thousand)			Interest payment	Repayment	Utilization	Annual rate and effective annual rate	Effective rate with derivative
	Total approved	Released in 2021	Net of fundraising costs					
Local currency								
IPCA - BNB								
Costa das dunas	70,482	62,500	62,500	Quarterly until February 2022	Monthly from February 2022	Investment plan	IPCA + 1.36%	not applicable
Farol de Touros	61,672	30,262	30,262	Quarterly until May 2022	Monthly from May 2022	Investment plan	IPCA + 1.48%	not applicable
Figueira Branca	26,430	23,000	23,000	Quarterly until May 2022	Monthly from May 2022	Investment plan	IPCA + 1.48%	not applicable
Gameleira	44,051	62,738	62,738	Quarterly until May 2022	Monthly from May 2022	Investment plan	IPCA + 1.48%	not applicable
Transmissão Maracanaú	42,422	20,648	20,648	Quarterly until August 2022	Monthly from August 2022	Investment plan	IPCA + 1.06%	not applicable
IPCA - BNDES								
CPFL Paulista	312,596	135,778	135,778	Quarterly until July 2023	Monthly from July 2023	Investment plan	IPCA + 4.34%	not applicable
CPFL Paulista	1,002,912	435,622	435,622	Quarterly	Bullet in June 2027	Investment plan	IPCA + 4.34%	not applicable
CPFL Piratininga	126,086	63,125	63,125	Quarterly until July 2023	Monthly from July 2023	Investment plan	IPCA + 4.34%	not applicable
CPFL Piratininga	298,402	149,395	149,395	Quarterly	Bullet in June 2028	Investment plan	IPCA + 4.34%	not applicable
CPFL Jaguarí	244,385	80,440	80,440	Quarterly until July 2023	Monthly from July 2023	Investment plan	IPCA + 4.34%	not applicable
RGE	353,019	157,183	157,183.37	Quarterly until July 2023	Monthly from July 2023	Investment plan	IPCA + 4.34%	not applicable
RGE	1,132,601	504,297	504,296.63	Quarterly	Bullet in June 2027	Investment plan	IPCA + 4.34%	not applicable
CDI								
CPFL Brasil	960,000	960,000	956,955	Final	Bullet in October 2024	Working capital	CDI + 1.08%	not applicable
Law 4131								
CPFL Piratininga	340,000	340,000	340,000	Semiannually	Bullet in March 2024	Working capital	BRL + 6.1574%	CDI + 0.69%
CPFL Brasil	125,000	125,000	125,000	Semiannually	Bullet in June 2024	Working capital	BRL + 7.3780%	CDI + 0.88%
CPFL Piratininga	107,000	107,000	107,000	Semiannually	Bullet in June 2024	Working capital	BRL + 7.3780%	CDI + 0.88%
Foreign currency								
Law 4131								
CPFL Piratininga	200,000	200,000	200,000	Quarterly	Bullet in September 2026	Working capital	US\$ + 1.9400%	CDI + 0.88%
CPFL Jaguarí	142,000	142,000	142,000	Semiannually	Bullet in September 2026	Working capital	US\$ + 1.853%	CDI + 1.29%
RGE	340,000	340,000	340,000	Semiannually	Two Installments June 2025 and June 2026	Working capital	US\$ + 1.8258%	CDI + 1.26%
CPFL Brasil	100,000	100,000	100,000	Semiannually	Bullet in December 2024	Working capital	US\$ + 1.7368%	CDI + 1.02%
CPFL Piratininga	121,000	121,000	121,000	Semiannually	Bullet in October 2023	Working capital	US\$ + 0.7820%	CDI + 0.74%
CPFL Geração	135,000	135,000	135,000	Semiannually	Bullet in October 2023	Working capital	US\$ + 0.7820%	CDI + 0.74%
CPFL Geração	305,000	305,000	305,000	Annually	Bullet in October 2023	Working capital	US\$ + 1.1600%	CDI + 0.55%
	6.590.057	4.599.988	4.596.943					

Pre-payment

During 2021, there were no relevant early settlements of borrowings. 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, 2021.

Ratios 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.
- Equity divided by equity plus net debt greater than or equal to 0.28.

Ratios required in the individual financial statements of subsidiaries of CPFL Renováveis, holders of the contract

- 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 to 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, 2021.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.1.

(19) DEBENTURES

The movement in debentures are as follows:

Category	Consolidated					At December 31, 2021
	At December 31, 2020	Raised	Repayment	Interest, monetary adjustment and fair value measurement	Interest paid	
Measured at cost - Post fixed						
TJLP	-					
CDI	5,600,262	603,000	(1,104,782)	232,114	(185,353)	5,145,242
IPCA	1,379,121	-	(62,671)	210,495	(69,301)	1,457,645
Total at cost	6,979,384	603,000	(1,167,453)	442,610	(254,653)	6,602,887
Borrowing costs	(26,355)	(32,797)	-	8,965	-	(50,188)
Measured at fair value - Post fixed						
IPCA	464,414	954,000	-	168,185	(47,547)	1,539,051
Fair value measurement	30,860	-	-	(169,608)	-	(138,748)
Total at fair value	495,274	954,000	-	(1,424)	(47,547)	1,400,303
Total	7,448,303	1,524,203	(1,167,453)	450,149	(302,200)	7,953,002
Current	1,191,270					1,788,125
Noncurrent	6,257,032					6,164,877

Consolidated					
Category	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

The detail on debentures are as follows :

		Consolidated		Maturity range	Collateral	
Category	Annual Interest	December 31, 2021	December 31, 2020			
Measured at cost - Post fixed						
CDI	(i) From 103.6% to 109.75% of CDI	(a)	4,297,874	4,760,146	2018 to 2025	CPFL Energia guarantee
	(ii) CDI + 0.75% to 0.83% From 104.75% to 110% of CDI	(a)	847,368	840,117	2020 to 2023	No guarantee
IPCA	IPCA + 5.8%	(b)	1,457,645	1,379,121	2021 to 2031	CPFL Energia guarantee
			6,602,887	6,979,384		
Borrowing costs			(50,188)	(26,355)		
Measured at fair value - Post fixed						
IPCA	IPCA + 4.30% to 5.80%	(b)	1,539,051	464,413	2024 to 2031	CPFL Energia guarantee
Fair value measurement			(138,748)	30,860		
Total			7,953,002	7,448,303		

Certain debentures have swap exchanging the variation based on IPCA for variation based on CDI. For further information on the rates considered, see note 34.

Effective rate

(a) From 104.68% to 110.77% of CDI | CDI + from 0.76% to 0.89%

(b) IPCA + 4.84% to 6.31% and CDI + 8.2%

In accordance with CPC 48, borrowings costs refer to costs directly attributable to debts and these are classified as (i) financial liabilities measured at amortized cost and (ii) financial liabilities measured at fair value through profit or loss.

The classification as financial liabilities of debentures measured at fair value aims to compare the effects of the recognition of income and expenses arising from the fair value measurement of hedge derivatives, linked to the respective debentures, in order to reduce the accounting mismatch.

Changes in the fair values of these debentures are recognized in the Group's financial results, except for the credit risk calculation component, which is recorded in other comprehensive income. As of December 31, 2021, the accumulated unrealized gains obtained in the fair value measurement of said debentures amounted to R\$ 138,748 (loss of R\$ 30,860 on December 31, 2020), which deducted from the unrealized losses obtained with the mark-to-market derivative financial instruments of R\$ 92,879 (gain of R\$ 73,339 on December 31, 2020), contracted to hedge against interest rate variations (Note 35), generated a total net unrealized gain of R\$ 45,869 (R\$ 42,478 as of December 31, 2020).

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

<u>Maturity</u>	<u>Consolidated</u>
2023	1,956,100
2024	2,227,019
2025	408,308
2026	251,314
2027	252,847
2028 to 2032	1,208,036
Subtotal	6,303,624
Fair value measurement	(138,748)
Total	6,164,877

Debentures raised in the year:

Released (R\$ thousand)									
Category Subsidiary	Issued quantity	Released in 2021	Net of borrowing costs	Interest payment	Repayment	Utilization	Annual rate	Effective annual rate	Effective rate with derivative
Local currency - IPCA									
11 th Issuing - RGE	680,000	680,000	659,490	Semiannually	03 annual installments from May 2029	Investment, debt financing and working capital	IPCA + 4.3%	CDI + 8.20%	CDI + 0.43%
12 th Issuing - CPFL Piratininga	274,000	274,000	265,636	Semiannually	03 annual installments from May 2029	Investment, debt financing and working capital	IPCA + 4.3%	CDI + 8.20%	CDI + 0.43%
12 th Issuing - RIGEA2	603,000	603,000	599,076	Semiannually	03 annual installments from September 2026	Reinforcement of the Company's working capital	CDI + 1.4%	CDI + 1.58%	n.a.
		<u>1,557,000</u>	<u>1,524,203</u>						

Pre-payment

At 2021, R\$ 11,367 (R\$ 726,227 at December 31, 2020) 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, 2021.

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, 2021.

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.1.

(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 Família Previdência. before called 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 grouping of subsidiaries that took place in 2017, the company's official plan became CMSPREV, managed by IHPREV Fundo de Pensão. Employees who had the benefit plan managed by BB Previdência - Banco do Brasil Pension Fund, maintained the same plan.

CPFL Renováveis

After the integration of CPFL Renováveis in 2020, part of the employees of the subsidiary CPFL Renováveis started to participate in the same pension plan as CPFL Paulista. For managers may opt for a Free Benefit Generator Plan – PGBL (defined contribution), operated by either Banco do Brasil or Bradesco.

CPFL Transmissão

The indirect subsidiary CPFL Transmissão maintains supplementary retirement and pension plans for its employees and former employees, managed by Fundação Família Previdência, formerly called Fundação CEEE de Previdência Privada, as follows:

"CEEEPREV Plan": CEEEPREV is a plan with defined contribution characteristics, except for the risk benefits and part of the settled benefits.

The CEEEPREV Plan contains a defined contribution part and a defined benefit part.

In 2014, a lawsuit was filed (Case nº 0065790-57.2014.4.01.3400) related to non-parity contributions, filed by Fundação Família Previdência (Former Fundação ELETROCEEE) against PREVIC, due to the Ordinance of the regulatory body that required the presentation of definitive solution on the articles of the Regulation of the Benefit Plan that deal with the employer's liability in the event of a possible insufficiency of equity coverage in the reserves that support the benefits, which are irregular under the applicable legislation.

This is because the CEEEPREV Benefit Plan provided for the sponsor's exclusive liability in the event of an eventual insufficiency of equity coverage, which, according to PREVIC, and an understanding supported by the subsidiary's Management, violates the provisions of Complementary Law No. 108/2001. The result in the 1st and 2nd instance was unfavorable to the Foundation and favorable to the subsidiary, with no suspensive effect on pending appeals.

The second lawsuit (Case No. 5051477-51.2019.8.21.0001) of 2019 was filed by CEEE-GT (before the split between the Generation and Transmission segments), whose purpose is to recognize the nullity of the clauses of the CEEEPREV Benefit Plan, in order to make the sponsors' exclusive liability null and void in the event of an eventual insufficiency of equity coverage.

On October 14, 2021, the sentence was judged partially valid, determining the nullity of the clauses of the Benefit Plan that do not apply the contributory parity. After the 1st degree judgment, the process is in the 2nd instance awaiting judgment of the appeal filed by the parties, the legal advisors assess the chance of success as possible with a probable bias.

Considering the legal grounds, supported by recent court decisions, in the cases that deal with the matter in detail, the subsidiary, as a sponsor of the CEEEPREV Plan, understands that from the new court decision, the best estimate for measuring this liability is to use risk sharing as a reducer of the actuarial liability.

On December 31, 2021, the subsidiary reassessed the estimate related to the actuarial liability of the CEEEPREV Plan referring to the sharing of risk on actuarial deficits, and considering the legal grounds, corroborated by recent court decisions in the proceedings that deal in detail with the matter, the The liability of the CEEEPREV Plan was recognized on an equal basis, showing a reduction of R\$ 412,896 on the net value of the defined benefit liability previously recorded, reaching a balance of R\$ 498,066. The movement in the last quarter of 2021 was an increase in the "risk sharing" effect in the amount of R\$ 45,428, representing an actuarial gain in the period.

Previously, the liability of the CEEEPREV Plan was evaluated without considering risk sharing, and with this evaluation of the subsidiary, there was a change in estimate in light of what is defined in "CPC 23 - Accounting policies, change in estimate and error correction". The effects of this change in estimate were recognized in other comprehensive income in Shareholders' Equity.

“Plan Único”: Plan Único has a defined benefit modality and has been closed to new participants since September 2, 2002. This plan receives equal contributions between the sponsor and employees.

The Plan Único Regulation establishes that any insufficiencies (deficits) will be addressed in accordance with the applicable legislation. CNPC Resolution No. 30 of 10/30/2018 (Article 14) establishes that for the allocation of the special reserve or deficit equation, the amounts attributable to participants and beneficiaries and which attributable to the sponsor must be identified, observing the contributory proportion of the normal contributions in the period in which the special reserve was constituted (in the case of a surplus), and contributions in force in the period in which the deficit result was determined (in the case of a deficit). Without prejudice to regressive action against directors or third parties who have caused damage or loss to the benefit plan managed by EFPC (Closed Private Pension Entity), the Company as a sponsor of the Single Plan, according to the content of the Brazilian legal system, cannot exceed the contributory parity in case of deficit equation, that is, the liability of the Single Plan is recognized in the parity proportion.

“Accounts Payable Incentive Retirement – CTP”: As a result of a collective bargaining agreement, as of 1997, the Company was responsible for paying the pension supplementation benefit for length of service that has been granted by the Social Security to the participant regularly enrolled with Fundação Família Previdência and who has not yet completed all the requirements for its enjoyment, at which time the former employee was definitively retired by the Foundation. Currently, they receive the complement of funds that were not included in the INSS calculation, and the company is sentenced by the court to pay for life. For this, the Company provisioned the full amounts of future commitments related to these salary supplements, considering the average payment term of these benefits, adjusted to present value, including contributions to the Foundation.

20.1.1 Movements in the defined benefit plans

December 31, 2021								
	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão		
				Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD
Present value of actuarial obligations	7,159,489	2,021,407	173,628	472,498	622,201	1,505,501	3,857	2,314,147
Fair value of plan's assets	(5,180,254)	(1,561,436)	(128,975)	(451,413)	(482,742)	(951,605)	-	(1,403,183)
Present value of obligations not covered by assets						553,896		910,964
Effect of risk sharing (parcel attributed to participants)	-	-	-	-	-	(257,756)	-	(412,896)
Net actuarial liability recognized in the statement of financial	1,979,235	459,971	47,653	21,084	139,459	296,140	3,857	498,068

December 31, 2020								
	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão		
				Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD
Present value of actuarial obligations	7,138,841	2,047,884	175,300	452,237	670,330	-	-	-
Fair value of plan's assets	(4,980,047)	(1,484,375)	(122,879)	(483,399)	(493,886)	-	-	-
Present value of obligations (fair value of assets), net	2,158,793	563,508	52,421	(11,163)	176,444			
Effect of asset ceiling	-	-	-	11,163	-	-	-	-
Net actuarial liability recognized in the statement of financial	2,158,793	563,508	52,421	-	176,444			2,950,965

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 Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão			Total
				Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD	
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	7,138,841	2,047,884	175,300	452,237	670,330	-	-	-	10,484,392
Business combination	-	-	-	-	-	1,271,262	4,136	1,922,942	3,198,340
Gross current service cost	1,676	9,324	149	(1,167)	1,142	(111)	-	1,692	12,705
Interest on actuarial obligations	530,180	153,225	13,019	33,746	50,085	11,151	64	41,120	832,590
Participants' contributions transferred during the year	-	1,656	-	205	554	-	-	307	7,031
Actuarial loss (gain): effect of changes in demographic assumptions	(1,812)	(1,508)	(45)	25,026	14,221	2,044	199	13,670	51,795
Actuarial loss (gain): effect of financial assumptions	66,832	(58,827)	(2,308)	(9,252)	(76,057)	-	-	(45,428)	(82,254)
Effect of risk sharing (parcel attributed to participants)	-	-	-	-	-	(36,826)	-	-	(36,826)
Benefits paid during the year	(576,028)	(130,347)	(12,487)	(28,297)	(38,074)	(43,724)	(93)	(48,888)	(877,938)
Present value of actuarial obligations at December 31, 2021	7,159,489	2,021,407	173,628	472,498	622,201	1,247,745	3,857	1,901,251	13,602,074

	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão			Total
				Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD	
Fair value of actuarial assets at December 31, 2019	(4,517,265)	(1,353,050)	(105,914)	(466,390)	(603,867)	-	-	-	(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	(127,849)	(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)	(483,399)	(493,886)	-	-	-	(7,544,586)
Business combination	-	-	-	-	-	(995,696)	-	(1,485,313)	(2,481,009)
Expected return during the year	(371,807)	(112,568)	(9,141)	(34,980)	(36,792)	(7,560)	-	(24,555)	(597,403)
Participants' contributions transferred during the year	-	(1,856)	-	(205)	(554)	(4,309)	-	(307)	(7,031)
Sponsors' contributions	(269,954)	(89,074)	(5,607)	(2,160)	(3,201)	(6,946)	-	(18,278)	(395,220)
Actuarial loss (gain): return on actuarial assets	(134,472)	(4,110)	(834)	21,033	13,616	19,183	-	76,382	(9,202)
Benefits paid during the year	576,028	130,347	12,487	28,297	38,074	43,724	-	48,888	877,845
Fair value of actuarial assets at December 31, 2021	(5,180,254)	(1,561,436)	(125,975)	(451,413)	(482,742)	(951,605)	-	(1,403,183)	(10,156,608)

20.3 Movements in recognized assets and liabilities

The movements in net liability are as follows:

	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão	CTP	CEEEPREV BD	Total
	Plan 1	Plan 2	Plan Único						
Net actuarial liability at December 31, 2020	2,158,592	563,508	52,419	-	176,444	-	-	-	2,950,968
Business combination	-	-	-	-	-	275,566	4,136	437,629	717,331
Expense (income) recognized in income statement	160,049	49,981	4,027	(1,539)	14,435	3,480	64	18,257	248,754
Sponsors' contributions transferred during the period	(269,954)	(89,074)	(5,607)	(2,160)	(3,201)	(8,946)	(93)	(18,278)	(395,313)
Actuarial loss (gain): effect of changes in demographic assumptions	(1,812)	(1,508)	(45)	25,026	14,221	2,044	199	13,670	51,795
Actuarial loss (gain): effect of financial assumptions	66,832	(58,827)	(2,308)	(9,252)	(76,057)	39,640	(449)	15,834	(24,587)
Actuarial loss (gain): return on actuarial assets	(134,472)	(4,110)	(834)	21,033	13,616	19,183	-	76,382	(9,202)
Risk sharing effect	-	-	-	-	-	(36,826)	-	(45,428)	(82,254)
Effect of asset ceiling	-	-	-	(12,024)	-	-	-	-	(12,024)
Net actuarial liability at December 31, 2021	1,979,235	459,970	47,652	21,084	139,458	296,140	3,857	498,068	3,445,465
Other contributions	-	-	-	-	-	-	-	-	18,903
Total liability									3,464,428
Current									604,253
Noncurrent									2,860,176

	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão	CTP	CEEEPREV BD	Total
	Plan 1	Plan 2	Plan Único						
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	2,158,592	563,508	52,419	-	176,444	-	-	-	2,950,968
Other contributions	-	-	-	-	-	-	-	-	8,691
Total liability									2,959,659
Current									199,803
Noncurrent									2,759,826

20.4 Expected contributions and benefits

The expected contributions to the plans for 2022 are shown below:

	2022
CPFL Paulista	375,407
CPFL Piratininga	121,520
CPFL Renováveis	7,700
RGE - Plan 1	2,115
RGE - Plan 2	3,460
CPFL Transmissão - Plan Único	22,574
CPFL Transmissão - CEEEPREV BD	59,331
Total	592,107

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

	2022	2023	2024	2025	2026 to 2031	Total
CPFL Paulista	626,315	641,701	656,265	669,825	4,232,630	6,826,736
CPFL Piratininga	147,461	152,868	158,918	164,879	1,109,625	1,733,751
CPFL Renováveis	15,294	15,574	15,864	16,126	100,774	163,632
RGE - Plan 1	30,215	31,469	32,454	33,376	219,284	346,798
RGE - Plan 2	49,583	51,286	53,044	54,879	369,892	578,684
CPFL Transmissão - Plan Único	146,683	148,972	150,913	152,473	922,289	1,521,330
CPFL Transmissão - CEEEPREV BD	187,848	196,948	206,826	217,197	1,552,221	2,361,040
Total	1,203,399	1,238,818	1,274,284	1,308,755	8,506,715	13,531,971

At December 31, 2021, the average duration of the defined benefit obligation was 8.6 years for CPFL Paulista, 10.3 years for CPFL Piratininga, 8.8 years for CPFL Renováveis, 10 years for RGE Plan 1 and 10.5 years for RGE Plan 2, and 9.8 years for plan único and 11.6 years for plan CEEEPREV BD of CPFL Transmissão.

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 2022 and the income/expense recognized in 2021 and 2020 are as follows:

	2022 estimated								
	CPFL			RGE		CPFL Transmissão			Total
	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD	
Service cost	1,399	8,032	34	(79)	1,367	(15,067)	-	(406)	(4,720)
Interest on actuarial obligations	645,392	183,514	15,637	42,801	56,456	74,329	383	120,104	1,138,616
Expected return on plan assets	(476,809)	(145,986)	(11,515)	(40,933)	(43,517)	(46,559)	-	(74,394)	(839,713)
Total income	169,982	45,560	4,156	1,789	14,306	12,703	383	45,304	294,183

	2021 actual								
	CPFL			RGE		CPFL Transmissão			Total
	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD	
Service cost	1,676	9,324	149	(1,167)	1,142	(111)	-	1,692	12,705
Interest on actuarial obligations	530,180	153,225	13,019	33,746	50,085	11,151	64	41,120	832,590
Expected return on plan assets	(371,807)	(112,568)	(9,141)	(34,980)	(36,792)	(7,560)	-	(24,555)	(597,403)
Amortization of unrecognized actuarial gains	-	-	-	862	-	-	-	-	862
Total income	160,049	49,981	4,027	(1,539)	14,435	3,480	64	18,257	248,754

	2020 actual								
	CPFL			RGE		CPFL Transmissão			Total
	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	Plan 1	Plan 2	Plan Único	CTP	CEEEPREV BD	
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
Expected return on plan assets	(343,869)	(104,675)	(8,400)	(34,598)	(37,129)	-	-	-	(528,671)
Amortization of unrecognized actuarial gains	7,257	-	-	38	-	-	-	-	7,295
Total income	122,573	33,738	2,982	(295)	14,879	-	-	-	173,877

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)				CPFL Transmission (Plan Único and CEEEPREV BD)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Nominal discount rate for actuarial liabilities:	9.41% p.a.	7.72% p.a.	9.41% p.a.	7.72% p.a.	10.38% p.a.	-	-	-	-	-
Nominal return rate on plan assets:	9.41% p.a.	7.72% p.a.	9.41% p.a.	7.72% p.a.	5.09% p.a.	-	-	-	-	-
Estimated rate of nominal salary increase:	6.40% p.a. (*)	5.31% p.a. (*)	5.74% p.a. (**)	5.48% p.a. (**)	5.03% p.a.	-	-	-	-	-
Estimated rate of nominal benefits increase:	4.00% p.a.	3.75% p.a.	4.00% p.a.	3.75% p.a.	5.03% p.a.	-	-	-	-	-
Estimated long-term inflation rate (basis for the nominal rates above)	4.00% p.a.	3.75% p.a.	4.00% p.a.	3.75% p.a.	5.03% p.a.	-	-	-	-	-
General biometric mortality table:	AT-2000 (-10)	AT-2000 (-10)	BR-EMS sb v.2015	BR-EMS sb v.2015	BR-EMSsb-2015	-	-	-	-	-
Biometric table for the onset of disability:	Low Light (-30)	Low Light (-30)	Medium Light	Medium Light	MF (***)	-	-	-	-	-
Expected turnover rate:	ExpR_2012	ExpR_2012	Null	Null	Low Light	-	-	-	-	-
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	When filling the regulatory grace period	-	-	-	-	-

(*) The estimated rate of nominal salary increase for CPFL Piratininga was 6.55% in 2021 and 6.14% in 2020

(**) The estimated rate of nominal salary increase for RGE (Plan 1) was 5.22% in 2020 and 4.96% in 2020

(***) The biometric table for the onset of disability for the "Plan Único" is the AT-2000 by sex.

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, 2021 and 2020 managed by VIVEST and Fundação Família Previdência. The tables also show the distribution of the guarantee resources established as target for 2022, obtained in light of the macroeconomic scenario in December 2021.

Assets managed by the plans are as follows:

	Assets managed by VIVEST				Assets managed by Fundação Família Previdência				Assets managed by CEEEPREV			
	CPFL Paulista and CPFL Renováveis		CPFL Piratininga		RGE		CPFL Transmissão		CPFL Transmissão		CPFL Transmissão	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fixed rate	69%	77%	71%	78%	78%	78%	77%	76%	70%	-	64%	-
Federal government bonds	38%	65%	37%	61%	68%	63%	65%	60%	59%	-	56%	-
Corporate bonds (financial institutions)	1%	1%	1%	1%	4%	10%	5%	7%	4%	-	5%	-
Corporate bonds (non financial institutions)	1%	0%	1%	0%	3%	3%	3%	3%	3%	-	3%	-
Multimarket funds	1%	2%	1%	2%	4%	4%	4%	6%	3%	-	1%	-
Other fixed income investments	28%	9%	30%	13%	-	-	-	-	0%	-	0%	-
Variable income	26%	18%	26%	18%	12%	18%	14%	18%	21%	-	23%	-
Investment funds - shares	26%	18%	26%	18%	12%	18%	14%	18%	21%	-	23%	-
Structured investments	1%	1%	1%	1%	7%	1%	5%	1%	6%	-	8%	-
Equity funds	-	-	-	-	-	0%	0%	0%	0%	-	0%	-
Real estate funds	-	-	-	-	0%	0%	0%	1%	0%	-	0%	-
Multimarket fund	1%	1%	1%	1%	7%	-	5%	-	6%	-	7%	-
Listed on an active market	96%	96%	98%	97%	98%	96%	97%	95%	97%	-	95%	-
Real estate	1%	1%	0%	1%	1%	1%	1%	2%	2%	-	1%	-
Transactions with participants	1%	1%	2%	1%	2%	2%	3%	3%	2%	-	4%	-
Other investments	2%	1%	0%	0%	-1%	0%	-1%	0%	-1%	-	-1%	-
Escrow deposits and others	2%	1%	0%	0%	-1%	0%	-1%	0%	-1%	-	-1%	-
Not listed on an active market	4%	4%	2%	3%	2%	4%	3%	5%	3%	-	5%	-

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

	VIVEST		Target for 2022 FAMÍLIA PREVIDÊNCIA		CEEEPREV	
	CPFL Paulista and CPFL Renováveis	CPFL Piratininga	RGE		CPFL Transmissão	
			Plan 1	Plan 2	Plan Único	CEEEPREV BD
Fixed income investments	45.0%	46.4%	72.0%	69.0%	57%	48%
Variable income investments	32.6%	29.6%	14.0%	17.0%	26%	31%
Real estate	2.4%	1.7%	2.0%	2.0%	2%	5%
Transactions with participants	1.4%	2.2%	2.0%	3.0%	2%	4%
Structured investments	10.0%	10.0%	7.0%	5.0%	6%	7%
Investments abroad	8.6%	10.0%	3%	4%	7%	8%
	100.0%	100.0%	100.0%	100.0%	100.00%	100.00%

The allocation target for 2022 was based on the recommendations for allocation of assets made at the end of 2021 by VIVEST and Fundação Família Previdência, in their Investment Policy. This target may change at any time during 2022, 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:

	Gain (loss)	CPFL Paulista	CPFL Piratininga	CPFL Renováveis	RGE		CPFL Transmissão***		Total
					Plan 1	Plan 2	Plan Único	CEEEPREV BD	
Nominal discount (*)	-0.25 p.p.	155,371	52,805	3,879	11,919	16,559	30,790	138,070	409,393
	+0.25 p.p.	(149,502)	(50,481)	(3,727)	(11,410)	(15,816)	(29,674)	29,373	(231,237)
General biometric mortality table (**)	+1 ano	(176,368)	(40,829)	(4,143)	(8,985)	(12,040)	(43,201)	31,807	(253,759)
	-1 ano	174,362	39,962	4,099	8,760	11,761	42,886	132,387	414,217

(*) The Company's assumption based on the actuarial report for the nominal discount rate was 10.38%. Projected rates are eased or increased by 0.25 p.p., to 10.13% p.a. and 10.63% p.a.

** The assumption used in the actuarial report for the mortality table was AT-2000(-10) for Fundação CESP plans and BREMS sb v.2015 for plans of the CEEE Foundation. The projections were made with a 1-year aggravation or smoothing in the respective mortality tables.

*** Not including estimates for the CTP plan.

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.

At Vivest, the Company's benefit plans are monitored by the Company's Investment and Pension Management Committee, which includes representatives of active and retired employees in addition to members appointed by the Company. Among the tasks of the aforementioned Committee is the analysis and approval of investment recommendations made by VIVEST's investment managers, which occurs at least quarterly.

In the Família Previdência, the management of the Company's benefit plans is monitored by the Investment Management, Investment Advisory Committee, Executive Board and Deliberative Council, in addition to supervisory bodies such as the Fiscal Council and external and internal audits. Among the tasks of the Investment Advisory Committee, there is the analysis, maintenance, disapproval and approval of investment recommendations made by the investment managers of Fundação Família Previdência, which occurs at least monthly.

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 1.1.

(21) REGULATORY LIABILITIES

	Consolidated	
	December 31, 2021	December 31, 2020
Financial compensation for the use of water resources - CFURH	933	848
Global reversal reserve - RGR	17,248	17,258
ANEEL inspection fee - TFSEE	8,949	7,560
Energy development account - CDE	46,909	1,393
Tariff flags and others	477,927	81,312
Total	551,966	108,371

Tariff flags and others – The balance at December 31, 2021 basically refers to tariff flags (red water scarcity) billed in December 202, but not yet approved.

(22) TAXES, FEES AND CONTRIBUTIONS

	Consolidated	
	December 31, 2021	December 31, 2020
Current		
IRPJ (corporate income tax)	210,896	52,333
CSLL (social contribution on net income)	77,517	39,137
Income tax and social contribution payable	288,412	91,470
ICMS (State VAT)	669,830	568,598
PIS (tax on revenue)	23,340	36,229
COFINS (tax on revenue)	111,933	164,705
Income tax withholding on interest on capital	7,606	24,176
Other taxes	74,156	80,044
Other taxes payable	886,864	873,752
Total current	1,175,276	965,222
Noncurrent		
IRPJ (corporate income tax)	214,430	163,677
CSLL (social contribution on net income)	18,173	4,544
Income tax and social contribution payable	232,603	168,221
ICMS (State VAT)	874	839
IRPJ/CSLL installment	5,218	-
Other taxes payable	6,092	839
Total noncurrent	238,695	169,059

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 discusses 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 effects 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, 2021		December 31, 2020	
	Provision for tax, civil and labor risks	Escrow deposits	Provision for tax, civil and labor risks	Escrow deposits
Labor	435,822	150,788	219,113	91,156
Civil	416,029	45,319	284,766	72,274
Tax				
Income Tax and social contribution	-	438,106	89	425,528
Others	92,046	224,636	44,836	175,718
	92,046	662,742	44,924	601,246
Others	91,467	131	67,332	83
Total	1,035,364	858,981	616,136	764,760

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

	Consolidated						At December 31, 2021
	At December 31, 2020	Additions	Reversals	Payments	Monetary adjustment	Business combination	
Labor	219,113	51,386	(21,347)	(52,380)	21,248	217,802	435,822
Civil	284,766	289,998	(103,781)	(151,199)	58,380	37,865	416,029
Tax	44,924	24,635	(6,628)	(6,340)	2,367	33,088	92,046
Others	67,332	7,462	(1,591)	(9,162)	788	26,638	91,467
Total	616,136	373,481	(133,348)	(219,082)	82,783	315,393	1,035,364

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, 2021 and 2020 were as follows:

	Consolidated		Main causes
	December 31, 2021	December 31, 2020	
Labor	574,607	609,335	Work accidents, risk premium for dangerousness at workplace and overtime
Civil	2,186,898	2,139,333	Compensation claims, electrical damages, overfed tariffs, review of contracts and charges for occupation of the right-of-way.
Tax	4,939,624	4,774,906	Income tax and social contribution
Tax - Others	2,512,047	2,345,775	INSS, ICMS, FINSOCIAL, PIS and COFINS
Regulatory	135,765	100,358	Technical, commercial and economic-financial supervisions
Total	10,348,941	9,969,707	

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 1,517,293, with escrow deposits in the amount of R\$ 23,700 and financial guarantees (insurance and letters of guarantee) in the total amount of R \$ 1,648,985, 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\$ 262,523 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. In August 3, 2021 a monocratic decision was handed down by one of the Ministers of the Second Panel, dismissing the Interlocutory appeal and not admitting the extraordinary appeal based on formal and procedural aspects, without evaluating the merits of the case. This decision was appealed to the collegiate of the Second Panel, when all other Ministers will have the opportunity to evaluate the appeal. Based on the current stage of the appeals, both at the STJ and at the STF, and the opinion of its legal advisors, the subsidiary remains confident in the legal grounds substantiating 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\$ 356,870 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 possible loss;

(iii) in 2016 the subsidiary CPFL Geração received a tax infringement notice in the inflation adjusted amount of R\$ 607,527 related to the collection of IRPJ and CSLL for the calendar year 2011, calculated on the alleged capital gain identified on the acquisition of ERSÁ 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 possible loss. As of September 2020, as a result of the integration of CPFL Renováveis in 2020, the processes migrated to CPFL Renováveis.

Labor:

With regard to labor contingencies, the Federal Supreme Court reaffirmed in December the application of the IPCA-E for debts in the pre-procedural phase and SELIC for after the filing of the actions, maintaining modulation of the effects of the decision, according to the procedural progress, supporting the payments already carried out with the update by TR. 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 any material changes in the preliminary analysis. Thus, the Group continues to monitor the application of the STF's decisions to its cases until a legislative solution to amend the TR arises. 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	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Consumers and concessionaires	219,444	199,833	75,415	63,209
Energy efficiency program - PEE	394,443	375,746	17,149	911
Research & Development - P&D	221,806	216,021	27,660	26,075
EPE / FNDCT / PROCEL (*)	106,301	35,112	-	-
Reversion fund	1,666	1,712	9,192	10,904
Advances	529,182	507,167	56,970	44,026
Tariff discounts - CDE	22,772	60,023	-	-
Payroll	59,639	19,128	-	-
Profit sharing	104,826	111,788	33,909	26,836
Collection agreements	113,991	102,954	-	-
Business acquisition	11,317	9,838	-	-
Others	144,916	70,036	254,296	47,071
Total	1,930,303	1,709,358	474,591	219,032

(*) 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.

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.

Energy efficiency - EEP and research and development programs – R&D: the distribution subsidiaries recognized liabilities related to amounts already billed in tariffs (1% of net operating revenue), but not yet invested in EEP and R&D programs. Such amounts are subject to monthly monetary restatement, based on the SELIC rate, until their effective realization. Additionally, Law No. 14,120 on March 1, 2021 and ANEEL Dispatch No. 904 of March 30, 2021, establish that between September 1, 2020 and December 31, 2025, up to 30% of the amounts provided for the Programs R&D and EEP, not committed to projects contracted or started by August 31, 2020, should be allocated to the CDE in favor of low tariffs. The collections to CDE are made on the 10th of each month, and the first payment was made in April 2021.

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, 2021 and 2020 is shown below:

Shareholders	Number of shares			
	December 31, 2021		December 31, 2020	
	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 Board of Directors	163,600	0.01%	-	0.00%
Members of the Executive Board	2,300	0.00%	102,100	0.01%
Other shareholders	187,566,638	16.28%	187,630,438	16.28%
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 2021, the consolidated capital structure and leverage ratio of CPFL Energia remained at adequate levels. The Company's net debt reached 2.12 times the EBITDA at the end of 2021 (2.19 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 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); and (v) change in equity interest without change in control in 2019 (R\$ 75,298) and 2020 (R\$ 2,915) and 2021 (R\$2,371).

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

25.3 Earnings reserve

The balance of earnings reserve at December 31, 2021 is R\$ 9,264,306 that refers to: i) dividends of R\$ 3,735,932, ii) Legal Reserve of R\$ 1,455,685; e ii) working capital improvement reserve of R\$ 4,072,689.

25.4 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\$ 301,238;
- (ii) Private pension plan: the debt balance of R\$ 2,173,640 (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\$ 12,373).

25.5 Dividends

At the Ordinary and Extraordinary General Meeting of April 30, 2021, the declaration of mandatory minimum dividend of R \$ 865,248 and the proposed additional dividend of R\$ 865,248 for the year of 2020 was approved.

In 2021, through an Extraordinary Meeting of the Board of Directors, the Company approved the declaration of: (i) dividends using the balance of the working capital reinforcement reserve in the amount of R\$ 1,730,495 and (ii) interim dividends of R\$ 804,000, which are included in the mandatory minimum dividends of 2021. Additionally, the Company is proposing for the year 2021, the amount of R\$ 3,735,932 of proposed additional dividend.

In 2021, the Company paid R\$4,251,559 in dividends, of which R\$801,436 refers to the 2021 interim dividend.

25.6 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:

	2021
Net income for the year - parent company	4,748,049
Realization of comprehensive income	28,265
Time-barred dividends	1,020
Lucro líquido base para destinação	4,777,335
Legal reserve	(237,402)
Interim dividend	(804,000)
Proposed additional dividends	(3,735,932)

Compliance with art. 202 of Law 6404/76, referring to the minimum mandatory dividends for the year 2021, was satisfied through the allocation of interim dividends using the interim result ended in June/2021 (R\$ 804,000) and dividends using the reserve for reinforcement of working capital (R\$ 1,730,496).

(26) EARNINGS PER SHARE

Earnings per share – basic and diluted

The calculation of the basic and diluted earnings per share as at December 31, 2021 and 2020 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:

	2021	2020
Numerator		
Profit attributable to controlling shareholders	4,748,049	3,643,149
Denominator		
Weighted average number of shares held by shareholders	1,152,254,440	1,152,254,440
Earnings per share	4.12	3.16

(27) NET OPERATING REVENUE

	Consolidated		Consolidated		Consolidated	
	Number of consumers	GWh	R\$ thousand			
	2021	2020	2021	2020	2021	2020
Revenue from Eletre Energy Operations						
Consumer class						
Residential	9,148,715	8,926,689	21,051	20,944	18,745,160	15,621,829
Industrial	52,735	55,865	10,460	11,865	4,743,170	4,515,501
Commercial	515,427	520,139	9,751	9,761	6,838,021	5,896,640
Rural	359,804	362,325	3,236	3,346	1,940,854	1,563,204
Public administration	63,891	63,350	1,243	1,172	970,441	770,753
Public lighting	10,181	12,300	2,007	2,035	1,064,449	826,758
Public services	11,108	10,786	2,103	2,173	1,382,926	1,175,575
Billed	10,161,861	9,951,454	49,851	51,296	35,685,021	30,370,260
Own consumption	-	-	34	34	-	-
Unbilled (net)	-	-	-	-	(234,693)	260,678
(-) Reclassification to Network Usage Charge - TUSD - Captive Consumers	-	-	-	-	(14,970,379)	(13,438,340)
Electricity sales to final consumers	10,161,861	9,951,454	49,885	51,331	20,479,949	17,192,598
Electricity sales to wholesalers						
Furnas Centrais Elétricas S.A.			3,111	2,158	779,717	624,782
Other concessionaires and licensees			11,430	13,876	3,341,761	3,279,519
(-) Reclassification to Network Usage Charge - TUSD - Captive Consumers			-	-	(147,576)	(124,255)
Spot market energy			6,914	8,453	1,696,478	1,128,085
Electricity sales to wholesalers			21,455	24,488	5,670,380	4,908,131
Revenue due to Network Usage Charge - TUSD - Captive Consumers					15,117,956	13,562,595
Revenue due to Network Usage Charge - TUSD - Free Consumers					4,854,501	3,851,133
(-) Compensation paid for failure to comply with the limits of continuity					(95,560)	(85,136)
Revenue from construction of concession infrastructure					3,312,656	2,572,653
Sector financial asset and liability (Note 9)					3,170,527	811,445
Concession financial asset - fair value adjustment (Note 11)					1,164,707	388,394
Energy development account - CDE - Low-income, Tariff discounts - judicial injunctions and other tariff discounts					1,610,203	1,500,308
Other revenues and income					1,055,766	660,813
Other operating revenues					30,190,756	23,262,205
Total gross operating revenue					56,341,084	45,362,934
Deductions from operating revenues						
ICMS					(8,094,133)	(6,792,896)
PIS					(765,115)	(683,172)
COFINS					(3,527,584)	(3,144,621)
ISS					(28,078)	(24,545)
Global reversal reserve - RGR					(807)	(152)
Energy development account - CDE					(3,736,253)	(3,476,264)
Research and development and energy efficiency programs					(298,247)	(231,551)
PROINFA					(211,715)	(174,054)
Tariff flags and others					(412,388)	108,001
Financial compensation for the use of water resources - CFURH					(8,403)	(6,857)
Other					(47,539)	(38,364)
					(17,130,935)	(14,464,476)
Net operating revenue					39,210,148	30,898,458

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”)

Distributor	Month	2021		2020	
		Effect perceived by consumers		Effect perceived by consumers	
		RTA / RTP	(a)	RTA / RTP	(a)
CPFL Paulista	April	17.62%	8.95%	14.90%	6.05%
CPFL Piratininga	October	14.78%	12.40%	18.31%	9.82%
RGE	June	15.23%	9.95%	15.74%	6.09%
CPFL Santa Cruz	March	17.19%	9.95%	10.71%	0.20%

(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\$ 1,610,253 was recognized in 2021 (R\$ 1,500,308 in 2020), of which (i) R\$ 176,868 for the low-income subsidy (R\$198,044 in 2020), (ii) R\$ 1,275,206 for other tariff discounts (R\$ 1,207,466 in 2020) and (iii) R\$ 158,122 for tariff discounts – CCRBT injunctions and subsidy (R\$ 94,798 in 2020). 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).

27.4 Energy development account (“CDE”)

ANEEL, through Ratifying Resolution (“REH”) n° 2,814, of December 1, 2020 and (“REH”) n° 2,833, of February 17, 2021, established the temporary monthly quotas of the Energy development account (“CDE”), related to the period from January to February 2021, respectively.

Additionally, through REH n° 2,834, of March 2, 2021, it established the temporary monthly quotas of CDE effective as from March 2021 until the approval of the annual budget of CDE 2021 and related annual quotas.

Finally, the final ratification of the 2021 quotas was made through REH No. 2864, of May 5, 2021.

Furthermore, ANEEL, through Technical Note (“NT”) n°05, of January 27, 2021, established the CDE COVID annual quotas to be effective from the respective 2021 tariff processes; therefore, it is already recorded in CPFL Santa Cruz, CPFL Paulista and RGE.

In addition, ANEEL, through Technical Note (“NT”) No. 05, of January 27, 2021, established the annual quotas of CDE COVID, effective from the respective tariff processes of 2021, therefore, already registered at CPFL Santa Cruz, CPFL Paulista and RGE.

(28) COST OF ELECTRIC ENERGY

	Consolidated			
	GWh		R\$ thousand	
<u>Electricity Purchased for Resale</u>	2021	2020	2021	2020
Itaipu Binacional	10,489	10,973	3,711,587	3,827,810
PROINFRA	1,041	1,098	355,409	291,894
Energy purchased through auction in the regulated market, bilateral contracts and spot market	56,344	62,644	15,711,811	12,722,132
PIS and COFINS credit	-	-	(1,756,760)	(1,499,918)
Subtotal	67,874	74,715	18,022,046	15,341,918
<u>Electricity network usage charge</u>				
Basic network charges			2,798,398	2,541,229
Transmission from Itaipu			302,177	320,762
Connection charges			190,592	177,650
Charges for use of the distribution system			66,161	46,463
System service charges - ESS net of CONER pass through (*)			2,081,037	127,931
Reserve energy charges - EER			168,776	244,716
PIS and COFINS credit			(521,928)	(314,643)
Subtotal			5,085,211	3,144,109
Total			23,107,257	18,486,027

(*) Energy reserve account

In 2021, 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\$ 193,116 related to the renegotiation of the GFS, as described in Note 16.2.

The increase in the net ESS of the CONER transfer mainly represents the significant increase in the cost of energy security to face the unfavorable energy scenario in 2021.

(29) OTHER OPERATING COSTS AND EXPENSES

	Consolidated											
	Cost of operation		Cost of Services Rendered to Third Parties		Operating expenses						Total	
					Selling expenses		General and administrative		Other operating expenses			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Personnel	1,115,165	949,045	-	-	170,020	166,522	346,144	359,012	-	-	1,631,329	1,474,579
Private Pension Plans	248,754	174,347	-	-	-	-	-	-	-	-	248,754	174,347
Materials	346,947	254,087	1,321	1,251	9,955	17,651	(2,936)	7,780	-	-	355,287	280,769
Third party services	147,770	183,565	4,157	3,046	173,169	169,842	344,257	296,661	-	-	669,353	653,114
Costs of infrastructure construction	-	-	3,514,799	2,560,276	-	-	-	-	-	-	3,514,799	2,560,276
Others	128,484	92,657	2,933	19	92,651	96,480	288,259	301,128	194,786	182,015	707,112	672,299
Collection fees	-	-	-	-	91,991	94,638	-	-	-	-	91,991	94,638
Leases and rentals	69,743	62,142	-	-	-	-	20,149	20,626	-	-	89,892	82,768
Publicity and advertising	10	88	-	-	-	-	20,785	17,972	-	-	20,795	18,060
Legal, judicial and indemnities	15,461	(3)	-	-	-	-	254,995	237,909	-	-	270,456	237,906
Donations, contributions and subsidies	-	-	-	-	-	-	4,816	9,956	-	-	4,816	9,956
Gain (loss) on disposal, retirement and other noncurrent assets	-	-	-	-	-	-	-	-	157,049	172,676	157,049	172,676
Amotization of the risk premium paid -GSF	22,477	17,778	-	-	-	-	-	-	-	-	22,477	17,778
Others	20,792	12,652	2,933	19	660	1,842	(12,486)	14,665	37,737	9,339	49,636	38,517
Total	1,987,119	1,653,701	3,523,210	2,564,593	445,796	450,495	975,724	964,581	194,786	182,015	7,126,636	5,815,385

(30) FINANCE INCOME (COSTS)

	Consolidated	
	2021	2020
<u>Financial income</u>		
Income from financial investments	170,438	168,913
Late payment interest and fines	334,457	302,902
Adjustment for inflation of tax credits	110,487	14,359
Adjustment for inflation of escrow deposits	23,140	15,414
Adjustment for inflation and exchange rate changes	260,151	286,448
Discount on purchase of ICMS credit	16,916	14,890
Adjustments to the sector financial asset (note 9)	83,740	17,371
PIS and COFINS on other financial income	(55,204)	(39,616)
PIS and COFINS on interest on capital	(14,529)	(24,515)
Other	195,558	180,615
Total	1,125,153	936,782
<u>Financial expenses</u>		
Interest on debts	(781,155)	(799,332)
Adjustment for inflation and exchange rate changes	(775,938)	(232,874)
(-) Capitalized interest	39,015	30,131
Use of public asset	(32,794)	(33,982)
Other	(366,762)	(216,697)
Total	(1,917,634)	(1,252,756)
Financial income (expenses), net	(792,482)	(315,974)

Interests were capitalized at an average rate of 8.09% p.a. in 2021 and 2020 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\$ 307,359 at 2021 (R\$ 2,368,945 at 2020) 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.

Due to the acquisition of CPFL Transmissão (note 13.4), a new transmission segment was created. In 2020, the amounts refer to the transmission companies CPFL Piracicaba, CPFL Morro Agudo, CPFL Maracanaú, CPFL Sul I and CPFL Sul II, which previously made up the generation segment.

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

	Distribution	Generation	Transmission	Commercialization	Services	Subtotal	Other (*)	Elimination	Total
2021									
Net operating revenue	33,222,929	2,811,513	506,153	2,545,625	121,910	39,208,129	2,019	-	39,210,148
(-) Intersegment revenues	12,171	1,077,182	114,453	10,084	748,412	1,962,303	-	(1,962,303)	-
Cost of electric energy	(21,236,374)	(503,982)	-	(2,578,068)	-	(24,318,423)	-	1,211,166	(23,107,257)
Operating costs and expenses	(6,190,149)	(599,720)	(632,528)	(77,918)	(678,217)	(8,178,531)	(37,947)	751,137	(7,465,342)
Depreciation and amortization	(924,619)	(711,472)	(15,137)	(4,024)	(33,043)	(1,688,295)	(63,120)	-	(1,751,414)
Income from electric energy service	4,883,958	2,073,522	(27,059)	(104,301)	159,062	6,985,183	(99,048)	-	6,886,135
Equity interests in subsidiaries, associates and joint ventures	-	518,562	3,244	-	-	521,805	-	-	521,805
Financial income	859,746	136,048	27,722	94,382	8,392	1,126,291	39,159	(40,297)	1,125,153
Financial expenses	(1,423,216)	(407,209)	(36,018)	(64,523)	(4,325)	(1,935,291)	(22,641)	40,297	(1,917,634)
Profit (loss) before taxes	4,320,489	2,320,923	(32,112)	(74,441)	163,129	6,697,988	(82,530)	-	6,615,458
Income tax and social contribution	(1,452,175)	(118,790)	(71,974)	(18,539)	(40,813)	(1,702,291)	(59,417)	-	(1,761,708)
Profit (loss) for the year	2,868,314	2,202,133	(104,085)	(92,981)	122,317	4,995,697	(141,947)	-	4,853,751
Purchases of contract asset PP&E and intangible assets	3,027,732	466,045	399,432	7,970	91,783	3,992,961	6,772	-	3,999,733
2020									
Net operating revenue	25,523,282	2,177,458	140,383	2,949,657	111,557	30,902,336	(3,878)	-	30,898,458
(-) Intersegment revenues	9,042	968,020	21,220	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)	(536,144)	(125,144)	(49,808)	(565,795)	(6,607,967)	(47,750)	612,994	(6,042,723)
Depreciation and amortization	(872,823)	(698,564)	(11)	(3,477)	(27,982)	(1,602,856)	(63,143)	-	(1,665,999)
Income from electric energy service	3,065,213	1,532,074	36,449	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	131,258	1,692	67,854	3,907	958,695	(9,726)	(12,188)	936,782
Financial expenses	(732,503)	(506,798)	(291)	(23,658)	(2,379)	(1,265,628)	685	12,188	(1,252,756)
Profit (loss) before taxes	3,086,695	1,566,139	37,850	98,029	132,440	4,921,153	(123,812)	-	4,797,341
Income tax and social contribution	(975,330)	64,358	(3,716)	(32,167)	(30,363)	(977,218)	(113,138)	-	(1,090,356)
Profit (loss) for the year	2,111,366	1,630,497	34,134	65,861	102,077	3,943,935	(236,949)	-	3,706,986
Purchases of contract asset PP&E and intangible assets	2,316,780	283,011	134,104	5,010	65,356	2,804,261	4,003	-	2,808,264

(*) 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:

- 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.
- Intangible assets, Property, plant and equipment, Materials and Service** – refers mainly to rendered services in advisory and management of energy plants, consulting and engineering.
- Advances** – refer to advances for investments in research and development.

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 2021, in accordance with CVM Decision 642/2010 and CPC 05(R1), was R\$ 51,633 (R\$ 76,496 in 2020). This amount comprises R\$ 40,093 (R\$ 63,326 in 2020) in respect of short-term benefits and R\$ 1,210 (R\$ 3,387 in 2020) of post-employment benefits, and a recovery of R\$ 9,956 of expenses related to other long-term benefits (R\$ 10,783 in 2020) , and refers to the amount registered under the accrual method.

The intercompany loan received balance at the parent company at December 31, 2021 in the amount of R\$ 168,943 refers mainly to the loan raised in the year to the subsidiary RGE and CPFL Serviços, with maturity until December 2022 and subject to interest equivalent to 107% of the CDI (R\$ 472,775 at December 31, 2020 refers mainly to the loan raised to the subsidiary CPFL Renováveis). The balance recorded in 2020 of intercompany loan was payable in the parent company in 2020 and refers substantially to the intercompany loan with the subsidiary CPFL Geração.

The balance of the intercompany loan payable in the consolidated, in the amount of R\$ 2,518,150 (R\$ 2,409,545 at December 31,2020), mainly refers to the loan between subsidiary CPFL Renováveis and the parent company State Grid Brazil Power - SGBP, maturing up to June 2024 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Energy purchase and sales, and charges								
Entities under common control (State Grid Corporation of China subsidiaries)	6	-	-	-	31	756	350,924	217,432
BAESA – Energética Barra Grande S.A.	-	-	17,635	16,785	13	10	84,833	35,711
Foz do Chapeço Energia S.A.	-	1,745	61,972	47,822	19	15,442	634,733	389,623
ENERCAN – Campos Novos Energia S.A.	1,560	1,226	88,426	72,021	16,964	9,867	488,441	294,170
EPASA – Centrais Elétricas da Paraíba	-	-	26,393	20,994	4	3	291,976	41,783
Intangible assets, property, plant and equipment, materials and service rendered								
Entities under common control (State Grid Corporation of China subsidiaries)	-	-	7,724	474	-	-	40,669	645
BAESA – Energética Barra Grande S.A.	163	161	-	-	2,163	1,654	-	-
Foz do Chapeço Energia S.A.	2	17	-	-	2,316	1,706	-	-
ENERCAN – Campos Novos Energia S.A.	3	-	-	-	2,608	1,530	-	1
EPASA – Centrais Elétricas da Paraíba S.A.	-	-	-	-	192	153	-	-
Intragroup loans								
State Grid Brazil Power Participações S.A.	-	-	2,518,150	2,409,545	-	-	132,847	20,176
Dividends and interest on capital								
BAESA – Energética Barra Grande S.A.	2,474	3,545	-	-	-	-	-	-
ENERCAN – Campos Novos Energia S.A.	131,149	77,102	-	-	-	-	-	-
Others								
Instituto CPFL	-	-	-	-	-	-	3,407	8,651

(33) INSURANCE

The Group 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:

<u>Description</u>	<u>Type of coverage</u>	<u>December 31, 2021</u>
Fixed asset	Operational Risks, Loss of Profits, Named Risks, Engineering Risks and Multi-Risk	2,368,239
Transport	National and internacional transport	709,678
Civil liability	General, civil works, installation and assembly, electricity distribution concessionaires or not, environmental risks and resp. professional civilian	387,147
Personnel	Group life and personal accidents	1,577,091
Guarantee	Guarantee insurance	5,643,887
Others	Operational risks and others	150,000
Total		10,836,043

Certain policies for coverage of fixed assets and civil liability are shared between Group companies. The premium is paid proportionately by each company involved in accordance with criteria defined by Management.

(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 the Group, the risk management is conducted through a structure that involves the Board of Directors and Supervisory Board, Advisory Committees, Executive Board, Internal Audit, Risk and Compliance Officer, DPO Officer, and business areas. This management is regulated by the Corporate Risk Management Policy, which describes the risk management model as well the main responsibilities of the parties involved and the limits of exposure to the main risks.

CPFL Energia's Board of Directors is responsible for:

- Deciding on the proposed risk indicators and risk limit methodologies recommended by CPFL Energia's Executive Board, in addition to knowing the exposures and mitigation plans presented in the event of any exceeding of these limits.
- Guiding the conduct of business, observing, among others, the monitoring of business risks exercised through the corporate risk management model adopted by the Company;
- Observing the responsibilities provided for in the Internal Regulations of the Board of Directors.
- Ensuring that the Executive Board has mechanisms and internal controls to know and assess the Risks
- Observing and monitoring any important weaknesses in controls and/or processes, as well as relevant regulatory compliance failures, following up on plans proposed by CPFL Energia's Executive Board to remedy 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), as well as for monitoring the progress of the mitigation actions signaled to reframe the exposures to the approved limits, supporting the Board of Directors in the performance of its statutory role related to risk management. Additionally, guiding the work of Internal Audit and preparation of improvement proposals.

The Supervisory Board 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 is responsible for:

- Recommending risk indicators and risk limit methodologies or limits to CPFL Energia's Board of Directors for deliberation;
- Observing the defined risk limits, taking the necessary measures to prevent exposure to risks from exceeding such limits and reporting any excesses to CPFL Energia's Board of Directors, presenting mitigation actions;
- Recommending changes to the Corporate Risk Map to CPFL Energia's Board of Directors for deliberation;
- Evaluating, at least annually, the effectiveness of this Policy and of the risk management and internal controls systems, as well as of the integrity/compliance program and reporting to the board of directors on this assessment;
- Submitting to CPFL Energia's Board of Directors matters it deems relevant for the effective monitoring of corporate risks.

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 2021, an unfavorable hydrology sequence was observed, being the worst in history for the period from April to September. This led to a series of mitigating actions by the government regarding the supply risk.

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 include 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 1.1.

(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:

	Note	Category / Measurement	Level (*)	Consolidated	
				December 31, 2021	
				Carrying amount	Fair value
Assets					
Cash and cash equivalent	5	(a)	Level 2	2,199,952	2,199,952
Securities	6	(a)	Level 1	585,858	585,858
Derivatives	35	(a)	Level 2	1,347,333	1,347,333
Derivatives - others	35	(a)	Level 3	508	508
Concession financial asset	11	(a)	Level 3	13,281,686	13,281,686
Total				17,415,337	17,415,337
Liabilities					
Borrowings - principal and interest	18	(b)	Level 2 (***)	6,808,274	6,767,264
Borrowings - principal and interest (**)	18	(a)	Level 2	7,654,594	7,654,595
Debentures - Principal and interest	19	(b)	Level 2 (***)	6,552,699	6,379,869
Debentures - Principal and interest (**)	19	(a)	Nível 2	1,400,303	1,400,303
Derivatives	35	(a)	Level 2	86,195	86,195
Derivatives - others	35	(a)	Level 3	5,067	5,067
Total				22,507,133	22,293,293

(*) 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\$ 243,459 in 2021 (a gain of R\$ 98,965 in 20120).

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

Key

Category / Measurement:

- (a) - Measured at fair value through 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) receivables – CDE, (iv) pledges, funds and restricted deposits, (v) services rendered to third parties, (vi) collection agreements, (vii) sector financial asset and (viii) intragroup loans;
- Financial liabilities: (i) suppliers, (ii) regulatory charges, (iii) use of public asset, (iv) consumers and concessionaires, (v) FNDCT/EPE/PROCEL, (vi) collection agreement, (vii) reversal fund, (viii) payables for business combination, (ix) tariff discounts – CDE and (x) sector financial liability and (xi) intragroup loans.

In addition, in 2021 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 subsidiaries have classified the respective financial assets of the concession as fair value through profit or loss, the factors relevant to the assessment at fair value are not publicly observable. Therefore, the classification of the fair value hierarchy is level 3. The Company records in the consolidated, under "Investments in equity instruments", the 5.94% interest that the indirect subsidiary Paulista Lajeado Energia SA holds in the total capital of Investco SA, of which 28,154,140 are common shares and 18,593,070 are preferred shares, not listed on the stock exchange. The main objective of its operations is to generate electricity that will be sold by the respective holders of the concession, the Company records the respective investment at its fair value, which cost represents its best estimate, since there is no recent information available to determination of fair value, in accordance with CPC 48/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 local rating of at least AA- or B- global, 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 years ended 2021 and 2020 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, 2021 and December 31, 2020, 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.

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.

At December 31, 2021, the Group had the following swap transactions, all traded on the over-the-counter market:

Strategy	Fair values (carrying amounts)			Values at cost, net (1)	Gain (loss) on fair value measurement	Currency / debt index	Currency / swap index	Maturity range	Notional
	Assets	Liabilities	Fair value, net						
Derivatives to hedge debts designated at fair value									
Exchange rate hedge									
Bank Loans - Law 4.131	840,098	(14,528)	825,570	899,888	(74,317)	US\$ + (Libor 3 months + 0.87% to 0.99%) or (0.78% to 3.66%)	104.6% to 106.40% of CDI or CDI + 0.55% to 1.29%	May/19 to February/21	3,916,145
Bank Loans - Law 4.131	420,288	-	420,288	464,275	(43,987)	Euro + 0.43% to 0.82%	102.6% to 105.8% of CDI or CDI + 0.58% to 1.10%	May/21 to March/25	1,944,270
	1,260,387	(14,528)	1,245,858	1,364,163	(118,305)				
Hedge variation price index									
Debentures	86,946	(33,857)	53,089	145,968	(92,879)	IPCA + 4.3% to 5.8%	104.3% a 111.07% do CDI	August/24 to May/31	1,370,600
Bank Loans - Law 4.131	-	(37,810)	(37,810)	(639)	(37,171)	6.16% to 7.38%	CDI + 0.69% to 0.88%	March/2024 to June/24	572,000
	86,946	(71,667)	15,279	145,328	(130,049)				
Subtotal debt hedge	1,347,333	(86,195)	1,261,137	1,509,491	(248,354)				
Others derivatives (2)						Currency / debt index	Maturity range	Notional in US\$	
Commodity forward contract (aluminum)	-	(990)	(990)	-	(990)	aluminum (US\$/ton)	August/21 to January/22	3,002	
NDF Dollar	508	-	508	356	152	US\$	August/21 to January/22	4,326	
NDF	-	(4,018)	(4,018)	(1,620)	(2,397)	US\$	January/22 to June/22	76,510	
NDF	-	(60)	(60)	(55)	(5)	EUR	October/21	479	
Subtotal others	508	(5,067)	(4,559)	(1,319)	(3,240)				
Total	1,347,841	(91,262)	1,256,578	1,508,172	(251,594)				
Current	357,350	(5,067)							
Noncurrent	990,491	(86,196)							

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 31,2020	Monetary adjustment and exchange rate and fair value	Repayment	At December 31,2021
Derivatives				
To debts designated at fair value	1,966,378	308,397	(765,284)	1,509,491
Others	(978)	34,709	(35,050)	(1,319)
Fair value measurement (*)	118,018	(369,612)	-	(251,594)
Total	2,083,418	(26,506)	(800,334)	1,256,578
Assest - Current	744,660			357,350
Assets - Noncurrent	1,340,113			990,491
Liabilities - Current	(1,354)			(5,067)
Liabilities - Noncurrent	-			(86,196)

(*) The effects of the fair value adjustments of derivatives on profit or loss and comprehensive income for 2021 are: (i) loss of R\$ 368,958 for debts designated at fair value and (ii) loss of R\$ 654 for others derivatives.

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, 2021 and 2020, 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:

Hedged risk / transaction	Gain (Loss)		Gain (Loss) in Comprehensive Income	
	2021	2020	2021	2020
Interest rate variation	118,694	32,710	-	-
Fair Value Measurement	(193,503)	6,589	(3,268)	(3,767)
Exchange variation	224,412	2,336,235	-	-
Fair Value Measurement	(186,048)	31,956	13,207	(16,651)
Total	(36,446)	2,407,489	9,940	(20,418)

c) Concession financial assets

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 for 2021 are R\$ 1,164,707 (R\$ 388,94 in 2020) and the main assumptions are described in note 11 and 27.

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.

e) 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:

e.1) Exchange rates variation

Considering that the net exchange rate exposure at December 31, 2021 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/ depreciation of 25%(c)	Currency appreciation/depreciation of 50%(c)
Financial liability instruments	(5,404,376)		(568,668)	(2,061,929)	(3,555,189)
Derivatives - Plain Vanilla Swap	5,299,099		557,590	2,021,762	3,485,934
	(105,277)	dollar apprec.	(11,078)	(40,167)	(69,255)
Financial liability instruments	(2,363,608)		(273,798)	385,553	1,044,905
Derivatives - Plain Vanilla Swap	2,398,268		277,813	(391,207)	(1,060,227)
	34,660	drop in the euro	4,015	(5,654)	(15,322)
Total	(70,617)		(7,063)	(45,821)	(84,577)
Effects in the accumulated comprehensive income			1,026	3,111	5,197
Effects in the income of the year			(8,089)	(48,932)	(89,774)

Instruments	Exposure (a) US\$ thousand	Risk	Income (expense) on result		
			Currency depreciation (b)	Currency depreciation of 25% (c)	Currency depreciation of 50% (c)
			Currency depreciation (b)	Currency depreciation of 25% (c)	Currency depreciation of 50% (c)
Commodity forward contract (aluminum)	3,002 (d)	drop in aluminium (US\$/ton)	-	(2,706)	(3,443)
NDF Dollar	4,326 (d)	drop in the dollar	-	(6,030)	(12,060)

(a) The exchange rates considered as of December 31, 2021 were R\$ 5.58 per US\$ 1.00 and R\$ 6.33 per 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\$ 6.17 and R\$ 7.06, and the currency depreciation at 10.52% and 11.58% for USD and EUR, respectively at 12/31/2021.

(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.

(d) Due to the characteristics of these derivatives, the notional is presented in US dollars, and the devaluation rate takes into account the maturity of each contract.

Due to the net exchange rate exposure of the dollar being a liability, the risk is high in the dollar, therefore the exchange rate is depreciated by 25% and 50% in relation to the probable exchange rate. For the euro and other instruments, as they are an asset, the risk is low for the dollar and the euro, therefore, the exchange rate is appreciated by 25% and 50% in relation to the probable exchange rate.

e.2) Interest rates variation

Assuming that the scenario of net exposure of the financial instruments indexed to floating interest rates at December 31, 2021 is maintained, the net finance cost for the next 12 months for each of the three scenarios defined, would be:

Instruments	Consolidated						
	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)
Financial asset instruments	1,822,257				222,133	277,666	333,200
Financial liability instruments	(6,221,078)				(758,349)	(947,937)	(1,137,524)
Derivatives - Plain Vanilla Swap	(8,074,337)				(984,262)	(1,230,327)	(1,476,393)
	(12,473,158)	CDI apprec.	4.40%	12.19%	(1,520,478)	(1,900,598)	(2,280,717)
Financial liability instruments	(186,535)				(12,367)	(15,459)	(18,551)
	(186,535)	IGP-M apprec.	17.79%	6.63%	(12,367)	(15,459)	(18,551)
Financial liability instruments	(455,448)				(27,691)	(34,614)	(41,357)
	(455,448)	TJLP apprec.	4.80%	6.08%	(27,691)	(34,614)	(41,357)
Financial liability instruments	(7,498,282)				(404,907)	(303,680)	(202,454)
Derivatives - Plain Vanilla Swap	1,512,837				81,693	61,270	40,847
Financial instruments - assets	13,393,375				723,242	542,432	361,621
	7,407,930	drop in the IPCA	10.06%	5.40%	400,028	300,022	200,014
Setorial financial assets and liabilities	3,190,475				388,919	291,689	194,459
	3,190,475	drop in the SELIC	4.40%	12.19%	388,919	291,689	194,459
Total	(2,516,737)				(771,589)	1,358,960	1,946,332
Effects on the comprehensive income					213	(263)	(740)
Effects on the net profit					(771,802)	(1,358,697)	(1,945,592)

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

(b) In compliance with CVM Instruction 475/08, the percentage of raising index are applied to the likely scenario.

f) 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.

Receivables and contract assets - Consumers, Concessionaires and Licensees

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").

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.

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. Derivatives are contracted with first-tier banks and financial institutions with a rating of at least global AA- or B-, rated by at least one of the agencies, S&P, Moodys or Fitch, and in the case of more than one, it is considered the lowest rating among them (Note 34). For 2021 and 2020, Management did not identify impairment of these derivative financial assets using the expected loss criterion.

The Group adopts a policy of providing financial guarantees for the obligations of its subsidiaries and joint ventures. At December 31, 2021 and December 31, 2020, the Company had provided guarantees to certain financial institutions with respect to the credit lines granted to its subsidiaries and joint ventures, as presented in notes 18 and 19.

g) 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, 2021, 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, 2021	Note	Consolidated						Total
		Less than 1 month	1-3 months	3 months to 1 year	1-3 years	4-5 years	More than 5 years	
Trade payables	17	4,224,227	11,239	34,132	190,282	-	217,800	4,677,680
Borrowings - principal and interest	18	85,732	1,561,984	2,097,704	7,796,511	3,805,384	3,331,410	18,678,725
Derivatives	35	60	108	5,852	78,013	278	9,724	94,035
Debentures - principal and interest	19	19,699	407,221	1,932,186	5,038,576	852,074	1,673,768	9,923,524
Regulatory charges	21	551,966	-	-	-	-	-	551,966
Use of public asset		1,351	4,053	10,808	32,424	48,636	60,057	157,329
Other		31,691	309,665	111,363	3,423	3,423	77,761	537,326
Consumers and concessionaires		31,320	188,124	-	-	-	75,415	294,859
EPE / FNDCT / PROCEL		228	7,265	98,808	-	-	-	106,301
Collections agreement		-	113,991	-	-	-	-	113,991
Reversal fund		143	285	1,238	3,423	3,423	2,346	10,858
Business Acquisition		-	-	11,317	-	-	-	11,317
Total		4,914,726	2,294,270	4,192,045	13,139,229	4,709,795	5,370,520	34,620,585

The effects and disclosures in these financial statements, resulting from the pandemic caused by Covid-19, are described in note 1.1.

(36) NON-CASH TRANSACTIONS

	Consolidated	
	December 31, 2021	December 31, 2020
Transactions resulting from business combinations		
Contratual assets	4,102,531	-
Intangible asset acquired in business combination, net of tax effects	849,070	-
Borrowings and financings	(624,973)	-
Deferred tax	(243,368)	-
Other net assets acquired in business combination	(521,538)	-
	3,561,722	-
Consideration paid with acquired cash	478,405	-
Other transactions		
Interest capitalized	39,015	30,131
Transfer between property, plant and equipment and other assets	(3,209)	1,979
Provision (reversal) for socio environmental costs capitalized in property, plant and equipment	70,507	32,400

(37) COMMITMENTS

The Group's commitments as regards long-term energy purchase agreements and plant construction projects at December 31, 2021, as follows:

Subsidiaries

Commitments at December 31, 2021	Duration	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Leases and rents	up to 11 years	31,957	34,230	36,359	123,187	225,733
Energy purchase agreements (except Itaipu)	up to 23 years	14,639,369	43,128,541	27,380,391	23,921,171	109,069,472
Energy purchase from Itaipu	up to 23 years	3,295,053	9,362,013	5,869,531	6,109,650	24,636,247
Electricity network usage charge	up to 31 years	3,866,680	15,247,196	10,806,647	17,750,951	47,671,474
GSF renegotiation	up to 31 years	70,048	130,124	127,632	1,644,017	1,971,821
Power plant construction projects	up to 5 years	1,235,928	244,821	2,831	-	1,483,580
Total		23,139,035	68,146,925	44,223,391	49,548,976	185,058,327

Joint ventures

Commitments at December 31, 2021	Duration	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Power plant construction projects	up to 3 years	22,423	15,394	-	-	37,817
Electricity network usage charge	up to 15 years	290,629	668,242	725,183	4,094,501	5,778,555
GSF renegotiation	up to 15 years	112,501	201,798	177,521	374,837	866,658
Total		425,553	885,434	902,704	4,469,338	6,683,029

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 New debt funding

As of January 1, 2022 and until the approval of these financial statements, the following funding was added to the debts:

Category	Month of release	Released	Interest payment	Repayment	Effective annual rate	Utilization	Covenants
Local currency Debentures							
CPFL Paulista	January 2022	750,000	Semiannually	02 annual installments from December 2027	CDI + 1.50%	Working capital	(a)
CPFL Piratininga	January 2022	250,000	Semiannually	02 annual installments from December 2027	CDI + 1.50%	Working capital	(a)
FINEM							
CPFL Paulista	February 2022	200,587	Quarterly	Final	IPCA + 4.27%	Investment plan	(b)
CPFL Paulista	February 2022	62,521	Quarterly until July 2023	Monthly from July 2023	IPCA + 4.27%	Investment plan	(b)
RGE	February 2022	226,532	Quarterly	Final	IPCA + 4.27%	Investment plan	(b)
RGE	February 2022	70,607	Quarterly until July 2023	Monthly from July 2023	IPCA + 4.27%	Investment plan	(b)
CPFL Santa Cruz	February 2022	48,945	Quarterly until July 2023	Monthly from July 2023	IPCA + 4.27%	Investment plan	(b)

(a) Ratios required in CPFL Energia's consolidated financial statements: net debt divided by EBITDA less than or equal to 3.75 and EBITDA divided by financial result greater than or equal to 2.25.

(b) (i) Ratios required in the subsidiary's financial statements: Net debt divided by adjusted EBITDA less than or equal to 4. (ii) Ratios required in CPFL Energia's consolidated financial statements: Net debt divided by EBITDA less than or equal to 3.75 and equity divided by the total between equity and net debt greater than or equal to 0.28.

38.2 Information about Tender Offer

In a material fact, disclosed on February 25, 2022, the Company pursuant to Article 157, paragraph 4th, of Law No. 6.404, of December 15th, 1976, as amended ("Brazilian Corporation Law"), and pursuant to the Brazilian Securities Commission ("CVM") Resolution No. 44, of August 23rd, 2021, and in continuity with the Material Fact disclosed on July 16th, 2021, October 14th, 2021, and with the Notices to the Market disclosed on September 27th, 2021, October 1st, 2021, and November 12th, 2021, announces to its shareholders and the market in general that on this date, by means of Official Letter No. 93/2022/CVM/SRE/GER-1, CVM granted the registration and authorization for the unified tender offer for the mandatory acquisition of common shares by disposal of control and voluntary of preferred shares issued by Companhia Estadual de Transmissão de Energia Elétrica – CEEE-T ("Tender Offer").

The Tender Offer Notice will be disclosed within the period set forth in Article 11 of CVM Instruction No. 361, of March 5th, 2002.

38.3 Public Notice of Tender Offer for the Acquisition of Common and Preferred Shares Issued by Companhia Estadual de Transmissão de Energia Elétrica

In a material fact, disclosed on March 7, 2022, the Company announces to its shareholders and the market in general that the "Edital de Oferta Pública Unificada de Aquisição de Ações Ordinárias e Preferenciais de Emissão da Companhia Estadual de Transmissão de Energia Elétrica" ("Notice") was disclosed, on this date, containing all the terms and conditions of the unified tender offer for the mandatory acquisition of common shares by disposal of control and voluntary of preferred shares issued by Companhia Estadual de Transmissão de Energia Elétrica ("CEEE-T") ("Tender Offer"), to be carried out by its subsidiary CPFL Comercialização de Energia Cone Sul Ltda., in compliance with the obligation to make a tender offer due to the disposal of control of CEEE-T, in accordance with the provisions in Article 254-A of the Brazilian Corporation Law, and in Law No.6.385, of December 7th, 1976, pursuant to the rules established in CVM Ruling No. 361, of March 5th, 2002. The registration of the Tender Offer and the authorization for its execution were granted by CVM by means of Official Letter No.93/2022/CVM/SRE/GER-1 of February 25, 2022.

As indicated in the Notice, the Tender Offer auction will be held at B3 S.A. - Brasil, Bolsa, Balcão on April 6, 2022.



PARECER DO CONSELHO FISCAL	REPORT OF THE FISCAL COUNCIL
<p>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 2021 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 2022, 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 29 de abril de 2022.</p> <p>Campinas, 17 de março de 2022.</p>	<p>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 2021 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, 2022, 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 29th, 2022.</p> <p>Campinas, March 17, 2022.</p>

Vinicius Nishioka

Ran Zhang

Ricardo Florence dos Santos

BOARD OF DIRECTORS

Bo Wen

Chairman

Yuehui Pan

Zhao Yumeng

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

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

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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, 2021 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, 2021, and of its individual and consolidated 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 2.3 and 7 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.

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.

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.

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.

In addition, we tested the integrity and accuracy of the data used in that calculation and performed a valuation test by comparing the recognized amounts of revenue with the independent expectations generated from our audit tests.

We also assess whether the disclosures made in the consolidated financial statements are in accordance with applicable standards.

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, 2021.

Measurement of the fair value of assets acquired and liabilities assumed, in the acquisition of the subsidiary Companhia Estadual de Transmissão de Energia Elétrica (CEEE-T)

Notes 2.3 and 13.4 to the individual and consolidated financial statements

Key audit matter

How this matter has been conducted in our audit

The Company acquired equity interest in 2021, which resulted in the acquisition of control of Companhia Estadual de Transmissão de Energia Elétrica - CEEE-T, accounted for by the acquisition method based on the technical pronouncement CPC 15 (IFRS 3). Accounting for such an acquisition requires the use of estimates by the Company to determine the fair value of the assets acquired and liabilities assumed, which are subject to a high degree of uncertainty as they are based on assumptions such as the definition of the discount rate, the growth rate and projection of revenues and operating margins.

Due to the high degree of uncertainty in determining the assumptions and methodology used to measure the fair value of assets acquired and liabilities assumed, as well as the impact that any changes in assumptions may have on the individual and consolidated financial statements, we consider this a significant matter in our audit.

Our audit procedures included, but were not limited to:

- Assessment of the design and implementation of key internal controls related to the determination of the fair value of assets acquired and liabilities assumed;
- Reading of the documents that formalized the transaction, such as contracts and minutes that supported the acquisition of control;
- Analysis, with the assistance of our specialists in corporate finance, of the methodology used to measure the acquired interest at fair value, of the assets acquired and liabilities assumed and evaluated of the assumptions used, comparing them with market information, as well as the calculations made by Company;
- Evaluation of the disclosures in the individual and consolidated financial statements considering the relevant information.

During our audit, we identified adjustments that would affect the measurement of the fair value of assets acquired and liabilities assumed, which were not recorded by the Company, as they were considered immaterial.

Based on the evidence obtained from the procedures summarized above, we consider acceptable the measurement of the fair value of assets acquired and liabilities assumed in the context of the individual and consolidated statements taken as a whole, for the year ended December 31, 2021.

Other matters - Statements of Value Added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2021, 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, 2022.

KPMG Auditores Independentes Ltda.

CRC (Regional Accounting Council) 2SP027612/O-4

(Original in Portuguese signed by)

Marcio José dos Santos

Accountant CRC 1SP252906/O-0



ANNUAL REPORT OF THE AUDIT COMMITTEE FISCAL YEAR 2021

Introduction

Always in search of the best corporate governance practices, and in compliance with the Novo Mercado Regulation, the Board of Directors (“BoD”) of CPFL Energia S.A (“CPFL Energia or Company”), on October 14th, 2021, approved the installation of the Audit Committee (“CoAud”), a permanent, autonomous and independent body that will serve as an assistant, consultant, and advisor to the Company's Board of Directors.

CPFL Energia's CoAud subsidizes the BoD with information, opinions, and proposals to ensure that the Company's business and operations are guided by sound and quality accounting and financial controls, serving as an auxiliary advisory and evaluation body, without decision-making power or executive attributions.

The body is governed by its own Internal Regulation, available on the Company's Investor Relations website at the link <https://cpfl.riweb.com.br/>.

Composition of the Committee

Observing Article 4 of its Bylaws, the CoAud is composed of 3 (three) members elected by the Board of Directors of CPFL Energia: Mr. Marcelo Amaral Moraes (CoAud coordinator) and Antonio Kandir, independent members of the Board of Directors of CPFL Energia, and Mr. Ricardo Florence dos Santos, that previously integrated the Fiscal Council of CPFL Energia (April 2017 to April 2021), all members having recognized expertise in corporate accounting matters, according to the regulation of the Comissão de Valores Mobiliários (“CVM”).

All members were elected by CPFL Energia BoD, at a meeting held on October 14th, 2021, with a term of office as of the date of their investiture, until the first Company's Board of Directors Ordinary Meeting to be held after the 2023 Ordinary General Meeting, according to the art. 16 of the CoAud bylaws.

Committee Competencies

The CoAud is responsible for advising the BoD with the following themes:

- i) Hiring, replacement, destitution, and compensation of independent auditors.
- ii) Evaluation of the quarterly information, interim statements, and financial statements.
- iii) Internal audit and internal controls area activities supervision.
- iv) Evaluation and monitoring of the Company's risk exposures and compliance.
- v) Monitoring and controlling the quality of the financial statements, internal controls, risk management and compliance.
- vi) Evaluating, monitoring, and recommending the correction or improvement of internal policies; and
- vii) Receiving and processing information about the breach of legal and regulatory provisions applicable to the Company, in addition to internal regulations and codes.

To exercise these attributions, CoAud maintains constant contact with the Company's internal and independent auditors, also serving as an interface between them and the Board of Directors.

Transition of attributions

Previously to the CoAud constitution, the Company's Fiscal Council, in addition to its other attributions, was also transitorily in charge of the Audit Committee activities.

In addition, the Risk Management Committee, established by the BoD on June 26th, 2019, was responsible for advising the BoD on internal audit, risk, and compliance matters, and on Audit Committee activities.

Audit Committee Activities

During 2021 two (2) ordinary meetings of the Audit Committee were held, which had fifteen (15) topics in total - six (6) topics in the first and nine (9) topics in the second - and 100% (one hundred percent) attendance of members in both.

In accordance with art. 10 of its Internal Regulation, the CoAud will meet ordinarily, at least every 3 (three) months, or, extraordinarily, when necessary.

Internal Audit, Risk, Compliance and DPO

The Company's Internal Audit, Risk, Compliance and DPO activities are reported directly to the CoAud and to the BoD, and are structured to allow efficient performance in meeting its objectives.

In addition to meetings to discuss and monitor the projects and the results of the work, the Audit Committee also considered the respective measures to be taken by management, and must monitor them throughout their execution in order to strengthen the Company's internal audit, risk, compliance and DPO systems.

Independent Audit

The Company's independent audit, held until the end of fiscal year 2021 by KPMG Auditores Independentes ("KPMG"), was responsible for evaluating the financial statements of the Company and its subsidiaries, in order to issue a report containing an opinion about its adherence to the applicable rules, for planning and performing audits according to the recognized rules, as well as for reviewing the Company's Quarterly Reports ("ITRs"), sent to Comissão de Valores Mobiliários ("CVM") and made available to the market.

The independent audit report must ensure that the Company's financial statements adequately represent the Company's equity and financial position, in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards ("IRFS"), issued by the International Accounting Standards Board (IASB).

Main topics discussed by the Audit Committee in 2021

The CoAud met with the Company's directors, internal auditors, and independent auditors to deepen and monitor processes, internal controls, risks, and possible improvement plans, as well as to issue its recommendations to the Company's management.

The main subjects covered, and recommendations made by the Audit Committee were:

1st CoAud Meeting - Held on 11/10/2021	
Topic	Act
Hiring of an Independent Auditing	Take knowledge and favorable manifestation by CoAud
Quarterly Financial Information (3T21)	Take knowledge and favorable manifestation by CoAud.
KPMG's Report to CoAud.	Take knowledge by CoAud

2nd Meeting - Held on 07/12/2021	
Topic	Act
Hearing Plan of the Audit Committee and Minimum Agenda for 2022	Approved by the CoAud
Monitoring of the Internal Audit Plan 2021	Take knowledge and favorable manifestation by CoAud
Proposal for Internal Audit Annual Plan 2022	Take knowledge and favorable manifestation by CoAud
Status of the 2021 Internal Control Evaluation	Take knowledge and favorable manifestation by CoAud
Status of the Internal Controls Letter of 2020	Take knowledge and favorable manifestation by CoAud
KPMG's Annual Audit Planning 2022	Take knowledge and favorable manifestation by CoAud
Corporate Risk Map	Take knowledge and favorable manifestation by the CoAud.

Audit Committee's Report

During the work, the members of the Audit Committee did not identify any situation that could affect the business developed by CPFL Energia and its subsidiaries.

The members of the CoAud, in the exercise of their legal attributions and responsibilities, according to art. 7 of its bylaws, analyzed the financial statements, with the independent auditors' preliminary report and the annual management report for the fiscal year ending December 31st, 2021 ("Annual Financial Statements 2021").

In view of the information provided by the Company's management and KPMG auditores Independentes, as well as the activities performed and monitored by the Audit Committee during the fiscal year 2021, the members of the CoAud unanimously express their opinion that the Financial Statements adequately reflect, in all aspects, the Company's equity and financial position, and recommend the approval by the Company's Board of Directors.

Campinas, March 15, 2022.

MARCELO AMARAL MORAES

Coordinator of the Audit Committee and

Independent Member of the Board of Directors of CPFL Energia

ANTÔNIO KANDIR

Member of the Audit Committee and

Independent Member of the Board of Directors of CPFL Energia

RICARDO FLORENCE DOS SANTOS

Audit Committee Member



DECLARAÇÃO

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:

- 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 2021;
- b) reviram, discutiram e concordam com as demonstrações financeiras da **CPFL Energia S.A.** de 31 de dezembro de 2021.

Campinas, 17 de março de 2022.

STATEMENT

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) 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, 2021;
- b) they have reviewed and discussed, and agree with, the financial statements of **CPFL Energia S.A.**, of December 31, 2021.

Campinas, March 17, 2022.

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