



actis

Atlantic Energias Renovaveis

Driving the future
of renewable
energy in Brazil

July 2016

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Atlantic is a renewable energy company headquartered in Curitiba in southern Brazil. Founded in 2009, it develops, implements and operates power projects from renewable sources, with a focus on wind farms.

Context

Brazil is Latin America's largest energy market with strong fundamentals for renewable energy growth. Responding to this, the government established a supportive regulatory framework that makes investment in renewable energy very attractive.

Brazil's wind resources are among the best in the world and Atlantic wind farms are among the most productive in Brazil. For instance, on April 17th 2016 a record of wind generation was set in Brazil when the average net capacity factor of all wind farms operating in the 8 states of the country's north eastern region reached 65%. In August 2015, Atlantic's 30MW Eurús wind farm in the northeast reached 78% net capacity factor, the highest in Brazil. Atlantic's Renascença 30MW wind farm reached 75% net capacity factor in the same month, the 9th highest in Brazil.

Wind energy feeds into the country's vast existing hydro-thermal interconnected grid that stretches across the country, connecting remote projects to large demand centers such as Sao Paulo, Rio de Janeiro and Belo Horizonte. The operation of hydroelectric plants in Brazil depends on the hydrological regime, which is subject to significant seasonal fluctuations and which currently faces critical levels of storage. Hydropower accounts for two thirds of the country's energy generation and poses a challenge for grid stabilization. Usually, such fluctuations are complemented by thermal power, though wind power has grown in importance over the recent past. Energy generated by wind saves water in hydro plants' reservoirs, which can be stored for energy generation during peak periods, reducing expensive thermal dispatch. Wind and hydro in Brazil are highly complementary due to the fact that winds are stronger during the dry season.

The Actis approach

Our proven, replicable strategy is to aggregate energy assets into scalable regional platforms in high growth markets. Actis has considerable experience in the renewable energy sector in Latin America; Atlantic is one of four energy platforms in Latin America along with Aela in Chile, Zuma in Mexico and GME in Central America.

What did we do?

When Actis invested in 2013, Atlantic was technically and financially overstretched and projects were delayed. We provided much needed capital, governance and managerial skills to turn the company around, into what has become widely recognized as a world-class owner, developer and operator of renewable energy assets.

Actis acquired 60% of Atlantic for an initial commitment of US\$169 million. At that time the company had 220 MW of projects in development with long-term power purchase agreements as well as a proprietary land bank with 1.4 GW of wind potential. In July 2016 Actis consolidated its ownership position to 100% of the company via the acquisition of the shares held by minority shareholders Pattac and Servinoga.

We convened a Board that incorporated experienced non-executive directors with complementary skills, established a clear business plan and brought a cadre of senior project management, tax, legal and financial acumen. All 220 MW of contracted projects became operational just one year after we acquired the company. The key to our success has been our careful, methodical approach to project development, sustainably building a scale business.

The positive power of capital

Atlantic regards sustainable development as an integral part of its strategy. Sound governance is the foundation of every aspect of Atlantic's health and safety practices as well as its environmental and social activities.

Beyond simple adherence to local laws, Atlantic recognises the strong business case for developing and fairly rewarding employees for their performance. Our standards are extended to all our contractors and their subcontractors, ensuring the provision of quality working

conditions. The company introduced a company-wide balanced scorecard system and an incentive scheme for management. Atlantic also provides specialised training programmes to fill identified capacity gaps and provides financial assistance to employees to fund higher education.

Atlantic also believes in playing an active role in the communities in which it operates. In 2014 the company commenced sponsorship of the Joao Paulo II Child Care Centre for disadvantaged children; an example that we hope will stimulate other businesses with whom we engage to follow suit. We fully sponsor one child per employee every year and our employees spend time with the children, teaching them about sustainability and renewable energy.

Responsible Investment

Many of Actis' energy investments are majority or wholly owned platforms. We are thus able to ensure there is a Head of ESG appointed at the platform level and to establish an ESG sub-committee to the Board. We periodically host meetings for portfolio company ESG managers globally to share best practice and discuss commonalities.

Established in 2011, the Actis Energy Impact Model assesses the value drivers in all our energy investments across six categories: Finance, People, Social/Community, Infrastructure, Environment and Governance. It helps us track a company's performance over time against these focus areas, and develop new targets as initial action points are progressed.

How did we do?

Actis appointed a new CEO in January 2015 and subsequently Atlantic progressed on many fronts, achieving 250 MW fully operational and another 402 MW under construction. A large inventory of development projects have been identified, most of which are adjacent to our existing facilities, significantly expediting their development.

In the words of a leading European investment bank, Atlantic is considered 'a jewel' in a highly competitive sector with a reputation for delivering on promises.