



ANNUAL REPORT

Social and Environmental Responsibility
and Economic-Financial Information

2017



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Summary

MANAGEMENT'S MESSAGE.....	5
ABOUT THE REPORT	7
GENERAL DIMENSION	9
THE COMPANY.....	11
CESP AND ITS MARKET	14
LOCATION OF THE PLANTS	14
STRATEGY AND MANAGEMENT	15
COMMITMENTS TO EXTERNAL INITIATIVES	16
PROCESS FOR THE DEFINITION OF CONTENT FOR THE REPORT	18
RELEVANT TOPICS AND REPORTED INDICATORS	19
MATERIALITY MATRIX	19
ECONOMIC-FINANCIAL DIMENSION	21
ECONOMIC-FINANCIAL PERFORMANCE.....	23
EBITDA	24
FINANCIAL RESULT	24
DIVIDENDS.....	24
REVENUE DISTRIBUTION	25
REVENUE	25
ADDED VALUE STATEMENT (AVS)	25
CREDIT RISK	26
CAPITAL MARKETS.....	26
CESP'S SHARES AT B3 S.A.	26
CORPORATE GOVERNANCE DIMENSION	27
TRANSPARENCY AND DISCLOSURE OF RESULTS	29
B3 S.A.'S LEVEL 1 AND OTHER DIFFERENTIATED PRACTICES.....	29
GOVERNANCE STRUCTURE.....	29
CODE OF ETHICS AND CORPORATE CONDUCT.....	33
CORPORATE POLICIES.....	34
MANAGEMENT SUPPORT COMMITTEE.....	36
RISK MANAGEMENT	37
ORGANIZATIONAL CHART	39
MANAGEMENT TOOLS	40
COMMITMENTS.....	42
SOCIAL AND SECTOR DIMENSION	47

INTERNAL RELATIONSHIP	49
COMPENSATION.....	50
BENEFITS.....	51
PROFESSIONAL DEVELOPMENT.....	52
CAREER PERFORMANCE AND DEVELOPMENT	54
RETIREMENT AND PENSION PLANS.....	55
OCCUPATIONAL SAFETY AND HEALTH	56
VALUATION OF DIVERSITY.....	58
EXTERNAL RELATIONSHIP.....	59
CIVIC CONSCIOUSNESS ACTIONS AT THE RESETTLEMENTS	61
SUPPORT FOR PROJECTS AND INSTITUTIONS	62
REGULATORY ASPECTS	65
HYDROLOGICAL RISK	65
GENERATION	67
ELECTRIC ENERGY PRODUCTION	68
ENERGY COMMERCIALIZATION.....	69
CESP'S ELECTRIC SYSTEM.....	70
IMPROVEMENTS IN PLANT FACILITIES AND EQUIPMENT	71
RESEARCH & DEVELOPMENT (R&D).....	72
ENVIRONMENTAL DIMENSION	75
ENVIRONMENT POLICY	77
ENVIRONMENTAL LICENSING.....	78
CLIMATE CHANGE.....	78
WASTE MANAGEMENT	80
SOCIAL AND ENVIRONMENTAL PROGRAMS	81
PROTECTED OR RESTORED	84
IMPACT MANAGEMENT IN BIODIVERSITY	86
MONITORING SYSTEMS.....	88
ANNEXES	90

MANAGEMENT'S MESSAGE

[GRI G4-1; G4-2]; [ANEEL 3.2.1]

CESP – Companhia Energética de São Paulo throughout its 51 years of existence has been adopting quality practices and commitment to social and corporate responsibility, maintaining its production of electrical energy exclusively from hydroelectric plants, in watersheds considered of low influence in the face of climate changes, showing higher values to those of reference established by ANEEL with respect to availability indexes and operational reliability

CESP initiated 2017 under the progress of studies contracted by its controlling shareholder in December 2016 for its economic-financial valuation, proposition of modeling and execution of the sale of its controlling stake, in the program of privatization of the State of São Paulo.

The studies and talks have been carried out and the auction sale marked, and on September 14, 2017, the Board of Directors of the State Privatization Program (CDPED) decided to suspend the process of alienation of the shareholding control of the company for as long as required to evaluate the relevance of any adjustments.

On January 29, 2018, in view of the publication of Federal Decree No. 9,271/18, which allows concessions of generation to be extended for up to 30 years in the context of the privatization, CDPED approved the resumption of the process of transfer of shareholding control of CESP, now in progress.

Internally, and in continuing the plan of structural readjustment and reduction of costs, CESP concluded, at the end of the first quarter of 2017, its Voluntary Dismissal Program, which resulted in the dismissal of more than 100 employees, and a reduction of approximately 18% of the existing staff members in 2016, in addition to the ongoing process of reducing manageable expenditure, which was kept under strict control.

Under the commercial aspect, the electrical ballast for purposes of commercialization in 2017 was on average 1,056.6 megawatts (average in MW). A large part of this physical guarantee was traded in the Free Contracting Environment - ACL (78.3% of the contracts) by means of contracts for the sale of energy, in addition to the volumes commercialized in the Regulated Contracting Environment - ACR (21.7% of the contracts), representing an increase of 2.6% compared to 2016.

However, the Brazilian hydroelectric sector, observed the centralized command of the National Electricity System Operator - ONS, was once more impacted by the hydrological period of scarcity, demanding that the ONS should transfer an expressive volume of thermal energy, at the expense of the hydraulic production. The GSF - "Generation Scaling Factor", which measures the ratio between the effective national production of hydraulic power plants in relation to their physical guarantee, registered 81.5% in 2017 (86.9% in 2016), which is associated with the high Prices of Settlement of Differences - PLD, encumbered the Company, and resulted in costs of purchasing power and affected their results.

In this fiscal year, the Company had a loss of R\$168.5 million and, considering the 2016 balance of the profit accrued, from adjustments retroactive, the performance of reserves and equity assessment adjustments, is offering to its shareholders dividends in the amount of R\$25.7 million, under the Proposal do its Board of Directors.

CESP discloses its 2017 Social and Environmental Responsibility and Economic-Financial Report reinforcing our commitment to transparency in our accountability to society.

With regard to social and environmental issues, the Company maintains as a focus of its policy environmental conservation and the reduction of social impacts in populations affected by our reservoirs, in addition to developing ecosystem and biodiversity conservation programs in the surrounding regions.

This policy aims to keep the Company on the track of producing energy without compromising the renewal of natural resources, seeking to generate returns to the shareholders with the least environmental impact as possible, sharing the concept of sustainability among all stakeholders with whom it interacts.

ABOUT THE REPORT

[GRI G4-22; G4-23; G4-28; G4-29; G4-30; G4-31; G4-33; G4-37; G4-48; G4-49]

The purpose of CESP's Annual Social and Environmental Responsibility and Economic-Financial Report is to gather and present data assessed from January 1 to December 31, 2017, on the economic, financial, social and environmental issues of the Company.

The Company adheres to the GRI (Global Reporting Initiative) methodology (G4 version), Comprehensive option, including the Electric Energy Sector Supplement (GRI-EU) and guidelines for the Preparation Manual for the Annual Social and Environmental Responsibility and Economic-Financial Report issued by the Brazilian Electricity Regulatory Agency (ANEEL).

The GRI methodology, recognized internationally, sets a reporting standard in line with the best governance, environmental performance, economic and social practices for sustainability reports. The purpose of the guidelines in the G4 version is to expand the scope of disclosure for relevant information on sustainability issues, and ensure the interested parties have access to information referring to the Company.

Throughout 2017, there were no changes in the scope or the structure of CESP business, which is why the priority matters in this Report are in compliance with the materiality construction process performed in 2015, which identified the most relevant topics for sustainability management in the Company. The views of the main interested parties were taken into consideration in the materiality process.

This Report is validated by the Board of Directors and by the Fiscal Council. The critical topics are presented at the Sustainability Committee meetings that, after discussion, recommended that the executive office adhere to strategies in line with sustainability.

The Company's reports have annual periodicity and the previous report, referring to 2016 performance, was disclosed in April 2017. The Company has made available its reports from 2008 onwards at: <http://ri.cesp.com.br/a-companhia/sustentabilidade/>.

To learn more about the report, contact the team responsible for its preparation via the following emails: sustentabilidade@cesp.com.br or inform@cesp.com.br.

External verification of information

The data of the Financial Statements, the Value Added Statement and the Social Balance Sheet – Ibase, present in this Report, were audited by BDO RCS Auditores Independentes S/S.

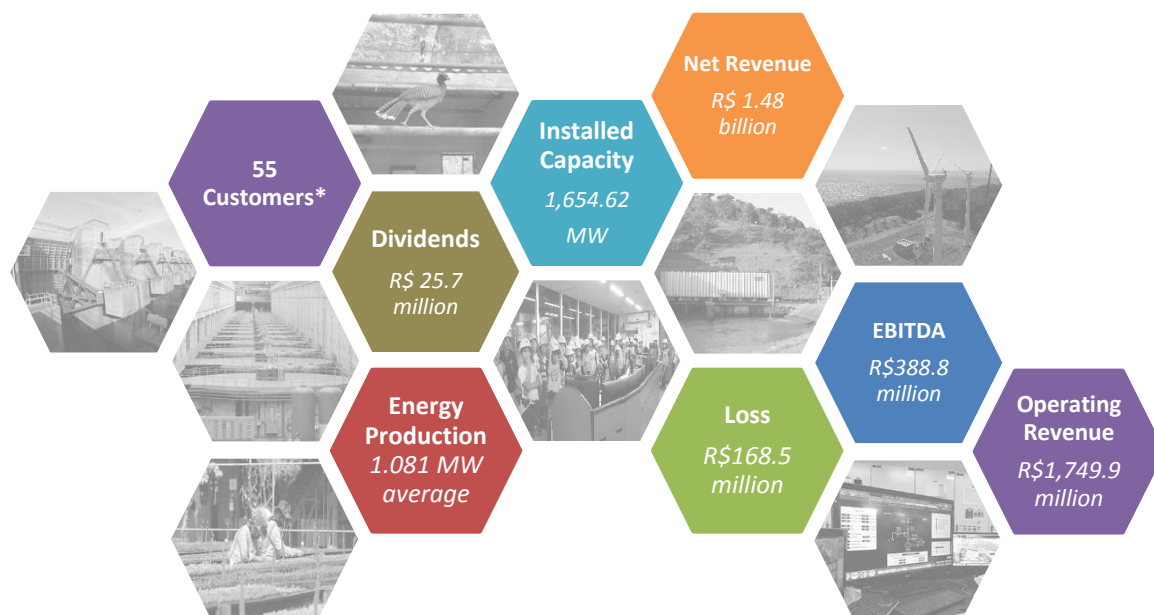
GENERAL DIMENSION



THE COMPANY

[GRI G4-9; ANEEL 3.2.2]

The following is a summary of the Company's main operating and financial indexes relating to the fiscal year ended on December 31, 2017:



*45 distribution companies, 4 commercialization companies and 6 free consumers

PROFILE

[GRI G4-3; G4-4; G4-5; G4-6; G4-7; G4-9]; [ANEEL 3.2.2]

CESP - Companhia Energética de São Paulo is a public corporation controlled by the Government of the State of São Paulo, headquartered in the City of São Paulo, whose main activities are the planning, construction and operation of electric energy generation and commercialization systems. The Company maintains other operating activities of a supplementary nature, such as forestation, reforestation and fish farming as a medium to protect the environments modified from constructing its reservoirs and facilities. [GRI G4-DMA]

CORPORATE COMPOSITION

[GRI G4-9]; [ANEEL 3.2.2]

SHAREHOLDERS	COMMON %	CLASS A PREFERRED %	CLASS B PREFERRED %	TOTAL CAPITAL %
CONTROL GROUP				
SÃO PAULO STATE TREASURY	94,08	0,00	7,18	35,98
COMPANHIA DO METROPOLITANO DE SÃO PAULO	1,08	0,00	0,00	0,36
COMPANHIA DE SANEAMENTO BÁSICO DE SÃO PAULO	0,01	0,00	0,00	0,01
COMPANHIA PAULISTA DE PARCERIAS	0,00	0,00	6,54	4,21
SUB-TOTAL	95,17	0,00	13,72	40,56
FREE FLOAT				
CREDIT SUISSE SECURITIES	0,00	0,00	6,30	3,23
UBS AG	0,00	0,00	7,58	4,95
CENTRAIS EL. BRAS. S.A - ELETROBRÁS	0,03	90,07	0,00	2,05
HSBC BANK PLC LONDON	0,00	0,00	8,89	6,08
SPX INVESTIMENTOS	0,00	0,00	5,46	0,06
OTHER LEGAL ENTITIES	0,00	0,00	47,41	35,19
INDIVIDUALS	3,57	7,40	10,64	3,64
OTHER	1,22	2,53	0,00	0,01
SUB-TOTAL	4,82	100,00	86,28	55,21
TOTAL	100,00	100,00	100,00	100,00

RELEVANT HISTORICAL FACTS

[ANEEL 3.2.2]

CESP was organized in 1966 by the Government of the State of São Paulo upon merging 11 electric energy companies in the State of São Paulo. By the late 90s, the Company was vertically integrated, operating in electricity generation, transmission and distribution activities in the State.

In the late 1990s, its assets were reorganized in order to comply with the Privatization Program of the State of São Paulo. The distribution assets and operations were gathered in a single Company, Elektro e Serviços S.A., which was privatized thereafter. The energy transmission assets were transferred to Companhia de Transmissão de Energia Paulista (CTEEP), which was also privatized. The generation assets and operations were divided into three companies: CESP itself, in addition to two other companies that also were privatized: Companhia de Geração de Energia Elétrica Tietê, currently named AES Tietê S.A., and Companhia de Geração de Energia Elétrica Paranapanema, currently named Duke Energy International – Geração Paranapanema. CESP continued as the concessionaire of six hydropower plants: Ilha Solteira, Jupia, Porto Primavera, Três Irmãos, Paraibuna and Jaguari.

On November 1, 2000, the Government of the State published an invitation to bid establishing the sales conditions of its shareholding at the Company, equivalent to 38.67% of its entire share capital, being, respectively, 61.62% and 14% of all common shares and preferred shares. The sale was suspended as none of the six pre-qualified companies bid.

In May 2001, there was a new privatization attempt, which was further suspended by the Government of the State prior to the date of proposal for auction, May 16, 2001, in virtue of the uncertainty generated by the imminent energy crisis, along with other factors. The Government of the State announced then that CESP's privatization was suspended.

On June 28, 2006, the Company completed the Primary Public Offering for class B preferred shares, in the amount of R\$3.2 billion, arising from the market share of R\$2 billion and the controlling company,

the Treasury of the State of São Paulo, at R\$1.2 billion, pursuant to the Share Subscription and Payment Agreement entered into on July 10, 2006.

In July 2006, the Company adhered to Level 1 Differentiated Corporate Governance Practices of Brasil, Bolsa, Balcão S.A. (B3 S.A.). In addition, the Company undertook a set of good corporate governance practices, incorporated into its Bylaws, including the creation of a new preferred share class – Class B Preferred Share –, to which the right to receive 100% of the price paid for common shares in the event of tag-along was granted; the adhesion to B3 S.A. Arbitration Chamber to settle disputes of a corporate nature; the maintenance of at least 20% of the obligatorily independent Board Members.

In February 2008, a new attempt for CESP's privatization was made, for which there were no interested parties.

Provisional Measure 579, of September 11, 2012 (converted into Law No. 12,783/2013), dealt with the concessions of generation, transmission and distribution of electrical energy. This Provisional Measure offered to CESP the anticipation, for January 2013 of the renewal of concessions of the plants of Ilha Solteira and Jupia, maturing on July 7, 2015. The same treatment was given to the Três Irmãos Plant, whose maturity of its first term of concession had occurred in November 2011. This plant was transferred to Tijoá Participações e Investimentos S.A. in September 2014, the winner of the auction promoted by the Grantor.

The conditions established referred to new revenues to be earned by the Company for the operation of these plants, and the values of compensation for assets not yet depreciated, related to the basic project. It was also established that the plants whose anticipated renewals were not accepted would be auctioned at the end of the concessions.

In the meeting held on December 3, 2012 the shareholders of the Company decided for the non-renewal in advance of the concessions. With this decision, CESP continued to operate the Plants of Ilha Solteira and Jupia normally until the end of the concession, on July 7, 2015.

In August 2016, the Board of Directors of the State Privatization Program (CDPED) recommended to the Government of the State of São Paulo, the resumption of work and studies necessary to achieve the sale of the shareholding control of CESP.

The studies and talks have been carried out and the auction sale marked, and on September 14, 2017, the Board of Directors of the State Privatization Program (CDPED) decided to suspend the process of alienation of the shareholding control of the Company for as long as required to evaluate the relevance of any adjustments.

On January 29, 2018, in view of the publication of Federal Decree No. 9,271/18, which allows concessions of generation to be extended for up to 30 years in the context of the privatization, CDPED approved the resumption of the process of transfer of shareholding control of CESP, now in progress.

CESP AND ITS MARKET

[GRI G4-6; G4-8; G4-9; G4-17]

CESP owns three hydropower plants: one located at Rio Paraná - Engenheiro Sergio Motta HPP (Porto Primavera – 1,540 MW), another located at Rio Paraibuna - Paraibuna HPP (87.02 MW) and a third one located at Rio Jaguari - Jaguari HPP (27.6 MW), amounting to 1,654.6 MW of installed capacity.

With the publication by the Ministry of Mines and Energy of Ordinance No. 258, of December 22, 2016, Porto Primavera HPP's physical guarantee was decreased from 1,017 to 992.6 MW, amounting to 1,056.6 MW on average, which constituted the amount of company energy that CESP may commercialize in 2017.

Ilha Solteira HPP (3,444 MW) and Jupia HPP (1,551.2 MW), whose concessions ended on July 7, 2015, remained under CESP's operation and maintenance, in the quota regimen, until the takeover by the new utility, which occurred on July 1, 2016.

INSTALLED CAPACITY AND PHYSICAL GUARANTEE

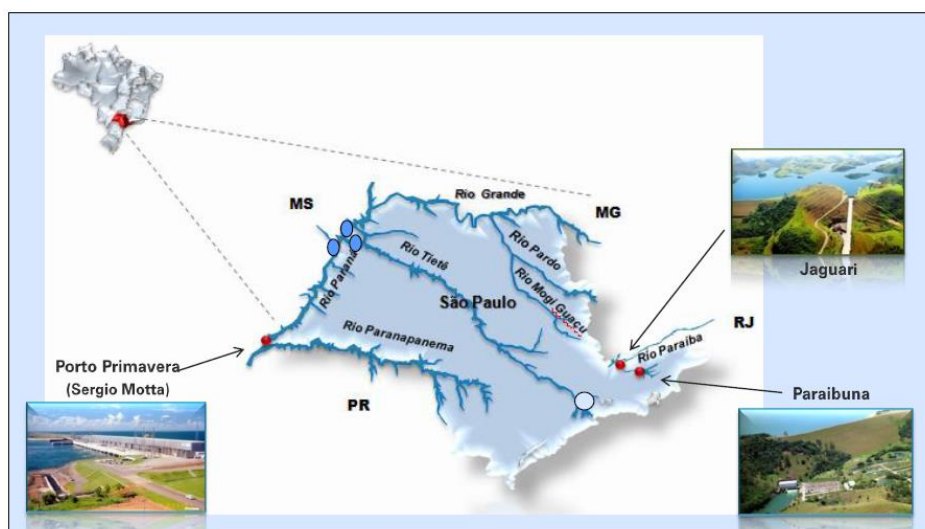
[GRI G4-EU1; G4-EU2]; [ANEEL 3.2.2]

UHE	Year of Completion	Generation Units	Dam Length	Reservoir Area	Installed Capacity	Physical Guarantee (*)
			km	km2	MW	MW average
Engº Sergio Motta	2003	14	10,2	2.250,0	1.540,0	941,8
Paraibuna	1978	2	0,5	177,0	87,0	47,5
Jaguari	1972	2	1,0	56,0	27,6	13,3
TOTAL		18	11,7	2.483,0	1.654,6	1.002,6

(*) On May 3, 2017, through MME Decree No. 178, the Ministry of Mines and Energy conducted the ordinary review of the physical guarantees of the hydroelectric plants of the National Interconnected System (SIN). The physical guarantees of CESP will suffer a reduction from an average of 1,056.6 MW to an average of 1,002.6 MW, as of January 1, 2018.

LOCATION OF THE PLANTS

[GRI G4-17]



STRATEGY AND MANAGEMENT

[GRI G4-42; G4-46]; [ANEEL 3.2.2]

PRINCIPLES AND VALUES

The Code of Corporate Ethics and Conduct, in effect since 2009, revised in 2015, sets our principles and values:

- **Integrity:** respect for the laws of the Country, as citizens and professionals, as well as the internal rules governing the Company's business;
- **Transparency:** in the concept established by the corporate governance, complying with the criterion of relevance, disclosing information, whether it is required by laws and regulations or not, that actually interest its stakeholders;
- **Solidarity:** highest level of human relationships, since the common good is the final goal;
- **Human capital valuation:** the Company acknowledges that its success will depend on the degree of customer satisfaction and the motivation level of its personnel;
- **Respect for the environment:** in line with the principle of sustainability, the Company must protect the environment and assist society in creating a culture of respect;
- **Commitment to the Company:** managers and employees must be committed to the Company's improvement of results, taking into account its nature as an economic entity;
- **Constructive relationships:** Both internal and external relationships are important, in virtue of the role that the companies play in modern society;
- **Responsible leadership:** under the prism of ethics, the power of authority is replaced by the power of responsibility. The leaders are responsible for the success of their employees, either at home, at school, in the government, in organizations of other natures and, in particular, at the companies.
- **Combat Corruption:** The Company declares its strong opposition to any acts or practices corroborating fraud and corruption. Based on these principles and values, we have defined conduct rules applicable to all of our managers, fiscal council members, employees, suppliers and partners.

MISSION

To act with excellence in the energy sector by adhering to practices that reflect our commitment to corporate sustainability.

- **To operate in the energy sector:** carrying out surveys, planning, projects, construction, process, the maintenance and commercialization of energy from its production systems;
- **Excellence:** quality, reliability, technical and management competence;
- **Corporate sustainability:** achieving excellence in energy availability by obtaining the best economic, social and environmental outcomes without compromising compliance with the future generations' needs.

VISION

To be a leader in the area of operations with excellence and sustainability.

COMMITMENTS TO EXTERNAL INITIATIVES

[G4-14; G4-15]; [ANEEL 3.5.2]

CORPORATE SUSTAINABILITY INDEX (CSI)

CSI is a tool for the comparative analysis of the performance of companies listed at B3 S.A. under the corporate sustainability aspect, based on economic efficiency, environmental balance, social justice and corporate governance. On an annual basis, the participating companies are reassessed based on methodology developed by Fundação Getúlio Vargas - SP.

CESP was present in 10 editions of ISE, which began in 2005, however will not be part of the portfolio in effect for 2018.

DRIVING SUSTAINABLE ECONOMIES

Since 2007, CESP has been responding to the Driving Sustainable Economies, formerly known as the Carbon Disclosure Project (CDP), which contributed to the Company's reflection on climate change. The Climate Change and Carbon Sequestration Program was then structured with the annual publication of the Greenhouse Gas (GHG) Inventory. More information is www.cdp.net and www.registropublicodeemissoes.com.br.

CESP is a company with low carbon intensity, which produces electric energy exclusively from hydropower plants located at hydrographic basins considered as low influence beyond on climate changes and as potential opportunities in a future low-carbon economy.

FLOOD CONTROL

The rainy season in the Southeast, the region where CESP's reservoirs are located, usually ranges from November to the April of the following year. Annually, prior to the rainy season, several preventive and corrective actions are performed, such as inspections of the spillways and the training of the teams, along with other procedures, aiming to provide more reliability to the system. In order to systematize reservoir operations, CESP has an Operation System for Emergency Events (SOSEm), which is a set of Operation and Maintenance Rules and Procedures involving technical, organizational and administrative aspects. The main purpose is to ensure the safety of the hydraulic operation at the reservoirs. In 2012, the Social and Environmental Manual was incorporated into the SOSEm, which sets out procedures related to environmental issues adhered to by CESP during the rain season, particularly in virtue of increased flows, defining the actions to be taken during the period to assure the safety of enterprises and communities.

CESP has a Communication Plan with the communities, performed by means of the Informative Flow Bulletin (BIV), by which the information on flows and on the practiced, scheduled and expected levels for reservoirs is disclosed. The BIV is submitted to authorities related to Civil Defense, National Waters Agency (ANA), Fire Department, City Governments and River Police Departments. On its website, CESP makes the Reservoir Operation service - Telecheia available, containing historical and real-time information on its enterprises. The customer service channel is available 24/7: Telecheia Direct Call (18) 3284-9946, a service which provides information on the levels and flows of CESP enterprises over the year, without interruption, for individuals or legal entities.

In order to coordinate the activities and organize the disclosure of information to the communities in the Cities around the affected area of the Company's reservoirs, the Flood Management Committee (CGC) was created. The technical decisions are discussed at the Operation Committee for Emergency Events (COEm), authority of systemic vision that monitors the operating situation of plants and determines the priority actions to be taken by CESP.

In regard to the flood control operations, the 2016/2017 cycle registered rainfalls slightly lower than the historic average for the Southeast region in the Tietê and Paraná rivers basins; however, it registered better conditions than the previous cycle, 2014/2015. In the operation of the Rio Paraná basin reservoir system, only the level control was executed. The complete filling of most of reservoirs in the Southeast system was not possible by the end of the rainy season, including CESP's reservoirs at the Paraíba do Sul basin.

The entire operation in the period was performed in compliance with ONS Grid Procedures and surveys on flood prevention in the Rio Paraná basin, established in the Annual Flood Prevention Plan. Concerning the operation of CESP's reservoirs located in the Paraíba do Sul basin, the rainfalls were also slightly lower than the historic average, although they were better than the previous year; however, by the end of the rainy season, the complete filling of the reservoirs was not possible.

Over the rainy season, CESP keeps the Secretariat of Energy and Mining informed of the daily operation at those reservoirs by issuing the Daily Plant Bulletin containing inflow, defluent, level and basin rainfall forecast data, working together to prevent hazardous situations and advising the cities' Civil Defenses.

NASCENTES PROGRAM

This is a program of the Government of the State of São Paulo, performing the reforestation of springs, creeks and rivers of the hydrographic basins supplying the reservoirs used to serve urban centers. CESP contributes to the program by recovering the surroundings of the Jaguari HPP reservoir, in the Cities of São José dos Campos, Jacareí, Santa Isabel and Igaratá, in Vale do Paraíba. In the period between 2015 and 2017, 208.96 hectares and 348,106 seedlings were planted. In 2017, 36.01 hectares were planted.

As of 2017, the information regarding this program is available via the Computerized System to Support to the Ecological Restoration (SARE), an online platform for the registration and monitoring of all the projects of ecological restoration in the State of São Paulo.

SUPPLIER'S MANUAL

It sets out the values, principles and guidelines shaping the relationship with suppliers and provides CESP's Supply Policy. It is available for perusal on CESP's website, at: <http://www.cesp.com.br>.

PROCESS FOR THE DEFINITION OF CONTENT FOR THE REPORT

[GRI G4-DMA; G4-18; G4-19; G4-20; G4-21; G4-23; G4-24; G4-25; G4-26; G4-27; G4-31; G4-37]

MATERIALITY ANALYSIS

In order to obtain an updated materiality matrix on the aspects that must be made a priority when defining the content of the Sustainability Report, and to ensure greater adherence to the GRI's G4 version, in 2015 the Company revised its materiality analysis process.

As part of such, an effort was made to integrate the management tools into the Company's practices and information from its different areas, in order to improve integration of the processes while constructing the materiality matrix.

To define the content and limits of the Report, influence (materiality) analysis was performed of the stakeholders, in line with the relevant topics for CESP's sustainability strategy. The audiences heard were: internal businesspeople (officers and managers), employees, external experts, suppliers and customers. Those groups were chosen based on the relevance of their relationship, their knowledge and the necessity or importance to have them relate to or engage in the constitution of the materiality matrix of the enterprise.

The content definition process was performed in accordance with the following steps:

1. Identification of material issues

In this first step, the main stakeholders of CESP were listed and the secondary sources were analysed to survey topics for the Company.

2. Priority of relevant topics

The stakeholders were consulted for setting the priority of the most important topics.

3. Analysis

The consolidated topics were plotted into a priority matrix divided into two areas: 1) stakeholders' perspective and 2) the Company's perspective.

In the stakeholders' area, we assigned a priority level by taking into consideration the interest and the power of influence of the most interested stakeholder(s) in that topic. In the Company's area, the topics were made a priority in accordance with the criteria of business continuity, image and reputation, strategy, regulatory impacts and long-term vision. Lastly, the topics considered as priority were discussed and internally validated by the Sustainability Committee, a sustainability governance forum dedicated to the implementation of the best sustainability practices at the Company. The material topic definition process was externally guaranteed by Report Sustentabilidade based on AA1000 standard guidelines.

4. Strategic validation:

In this step, the most relevant topics were decided, taking into consideration the analysis of raised scenarios (results of the impact perspectives per audience, convergence of the compared topics with the experts' views and impact surveys of the sector).

RELEVANT TOPICS AND REPORTED INDICATORS

[GRI G4-20; G4-21; G4-24; G4-27]; [ANEEL 3.2.3]

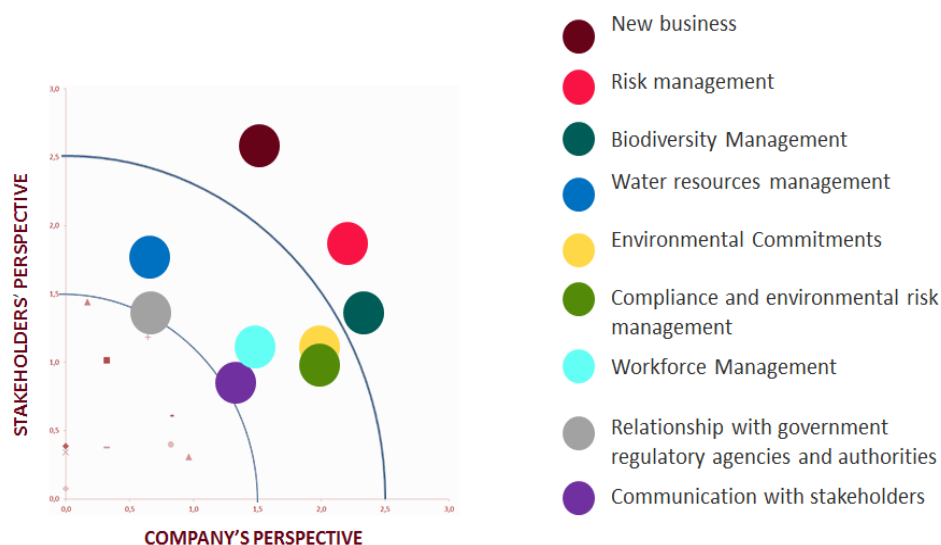
REPORT AMONG THE COMPANY'S STRATEGY, RELEVANT TOPICS AND REPORTED INDICATORS

STRATEGIC TOPICS	GRI ASPECT	GRI INDICATORS	SCOPE OF INDICATORS
NEW BUSINESSES	Economic Performance Availability and Safety Research and Development	G4-EC1; G4-EC4; G4-EU8; G4-EU10	All stakeholders.
RISK MANAGEMENT	Economic Performance Availability and Safety Strategy and Analysis	G4-43; G4-EC2; G4-EU10; G4-2	All stakeholders.
BIODIVERSITY MANAGEMENT	Biodiversity	G4-EN12; G4-EN13; G4-EU13	Environmental agencies, NGOs and communities
WATER RESOURCES MANAGEMENT	Water	G4-EN9	Shareholders, Environmental agencies, NGOs and communities
SOCIAL AND ENVIRONMENTAL COMMITMENTS	Local communities	G4-SO1; G4-EU22	All stakeholders.
COMPLIANCE AND ENVIRONMENTAL RISK MANAGEMENT.	Compliance	G4-EN29	Environmental agencies, NGOs and Government.
WORKFORCE MANAGEMENT	Employment Training and Education Governance	G4-LA9; G4-EU15; G4-LA10; G4-40	Employees, Governments and unions.
COMMUNICATION WITH INTERESTED PARTIES	Engagement of Stakeholders	G4-24; G4-25; G4-26; G4-27	All stakeholders.
RELATIONSHIP WITH GOVERNMENT, REGULATORY AGENCIES AND AUTHORITIES	Combat to Corruption Public Policies Governance Ethics and Integrity	G4-SO5; G4-38; G4-58	Governments and employees.

The determination of the limits reflects the internal analysis on the impact of each topic in the value chain, internal and external to the Company. Further information may be requested via e-mail: sustentabilidade@cesp.com.br.

MATERIALITY MATRIX

[GRI G4-19]



ECONOMIC-FINANCIAL DIMENSION



ECONOMIC-FINANCIAL PERFORMANCE

[GRI G4 DMA; G4-9]; [ANEEL 3.4]

In this dimension, we present the information required for the clarification of the Company's economic-financial situation. We present the wealth generation and distribution by means of the "Added Value Statement (AVS)" and the Balance Sheet, as proposed by the IBASE, a document gathering a set of information, targeted for employees, investors, market analysts, shareholders and the community, on the projects, benefits, welfare actions, as well as some indicators that allow analysis of the Company's performance.

The 2017 operating revenues reached R\$1,749.9 million, a reduction of 14.8% in relation to 2016, particularly the end of the second half of 2016, the period of the "assisted operation" of plant Ilha Solteira and Jupia under the quota regimen.

The deductions to the operating revenue amounted to R\$273.3 million, presenting a reduction of 28.9% reduction in relation to 2016, resulting in the Net Operating Revenue of R\$1,476.6 million, a reduction of 11.5% versus 2016.

The Electric Energy Service Cost amounted to R\$1,184.9 million, a 50% increase, segmented into the Electric Energy Cost and Operation Cost items.

The electric energy cost increased by 106.1%, due to the net effect of the reduction in the Sector Charges (including the transmission system charge) in contrast to the increase found in electric energy purchased in the *Câmara de Comercialização de Energia Elétrica* (CCEE) resulting from the impact of the GSF (Generation Scaling Factor) and the high Prices for Settlement of Differences (PLD).

The operation cost decreased by 6.4%, particularly as a result of the decreased expenses in relation to personnel, material and third party services.

CESP had a gross operating income of R\$291.7 million in the fiscal year 2017, representing a reduction of 66.8% in relation to the previous year.

The general and administrative expenses and other operating expenses decreased 6.9% and 36.2%, mainly due to the reversal of the impairment occurring in the Engenheiro Sergio Motta HPP in contrast to the increase in legal risks provision.

The Other (Expenditure) Net Income presented a reduction of 73.7% and ended 2017 R\$23.8 million negative.

As a consequence of the facts discussed, CESP recorded an operating loss before the financial result of R\$117.8 million, compared to a profit of R\$273.6 million in 2016.

EBITDA

The adjusted EBITDA for the provisions for legal risks amounted to R\$388.8 million, representing a 57.2% reduction as compared to the previous year.

Statement Income of LAJIR (EBIT) / LAJIDA (EBITDA)

EBIT / EBITDA - R\$ thousand	2017	2016	Var %
Net income of the period	(168,528)	350,874	-
Income Tax na Social Contribution	101,524	140,380	-27.7%
Financial Result	(50,843)	(217,687)	-
EBIT / LAJIR	(117,847)	273,567	-143.1%
Depreciation	315,123	308,370	2.2%
EBITDA / LAJIDA	197,276	581,937	-66.1%
Reversal of the impairment	(163,593)	-	-
Provision for Legal Risks	355,136	325,905	9.0%
Adjusted EBITDA	388,819	907,842	-57.2%

FINANCIAL RESULT

The Financial Result recorded an income of R\$50.8 million (R\$217.7 million in 2016). The Financial Revenues decreased by 56.4% and reached R\$184.4 million, particularly due to the decrease of revenue from foreign currency variations. The Debt Charges and other Financial Expenses were in line with an increase of 0.9%, amounting to R\$75.3 million. The Monetary Variations closed the year at R\$1.2 million negative (a decrease of 95.3%). The Foreign Currency Variations reached R\$57.2 million negative, in relation to the expense of R\$106 million in the previous year.

The Company recorded a loss before taxes of R\$67 million. After the appropriation of income tax and social contribution on the taxable income and the deferred taxes, the Company recorded a loss of R\$168.5 million.

Fiscal Year (R\$ million)	2017	2016	2015
Net income in the year	(168,528)	350,874	(61,357)
Use			
Legal Reserve	-	(15,255)	-
Performance of payable income reserve	34,593	31,097	27,955
Performance of equity assessment adjustment (depreciation)	(21,032)	(26,103)	74,728
Performance of interest accrued in 2016	180,647	-	-
Total	25,680	340,613	41,326
Statutory Reserve	-	-	-
Adjusted income for the fiscal year	25,680	340,613	41,326
Distributed interests on shareholders' equity	-	(140,000)	-
Supplementary mandatory dividends	25,680	(154,834)	41,326

DIVIDENDS

In this exercise the Company presented a loss of R\$168.5 million and, considering the balance of accumulated profits of 2016, arising from retroactive adjustments, making reservations and

adjustments of equity valuation, is offering its shareholders dividends amounting to R\$25.7 million, according to the Proposal of the Board of Directors.

REVENUE DISTRIBUTION

REVENUE

Revenue originating from bilateral agreements in the regulated and free contracting environments amounted to R\$1,690.7 million, detailed as follows.

Regulated Contracting Environment (ACR):

The revenue with Regulated Environment Energy Commercialization Agreements (CCEARs) with the distribution companies, was R\$448.4 million, corresponding to 230 MW on average, a 22.2% reduction compared to the revenue in 2016.

In relation to 2016, there was a 31.6% reduction in quantities sold in this environment, due to the expiration of agreements executed in the 4th Auction for Existing Energy, effective from 2009 to 2016, only remaining the agreements of the auction of new energy, signed on behalf of Porto Primavera HPP.

Free Contracting Environment (ACL)

In this environment, the income corresponded to R\$1,242.3 million in long- and medium-term bilateral agreements, an increase of 20% compared to the revenue assessed in 2016, corresponding to 828 MW on average, constituting a proportion of 73.5% of the total amount commercialized in agreements over the year.

In comparison with 2016, the sales in this environment increased 18.6% due to an increase in the energy volumes in some agreements already in force.

Revenue Earned from energy settled in the CCEE

The Company recorded an expense of R\$627 million in the CCEE, including the Short-Term Market – MCP and Energy Reallocation Mechanism – MRE. On the other hand, revenue earned on CCEE recorded a positive balance of R\$55 million.

ADDED VALUE STATEMENT (AVS)

[GRI G4-EC1]; [ANEEL 3.4.1]

The purpose of this statement is to evidence the wealth created by the Company and its distribution over a certain year, presented by CESP as required by Brazilian corporate law. (Annex III - Added Value Statement)

The AVS was prepared based on information obtained from accounting records by following the provisions contained in CPC 09 - Added Value Statement. In the first section, it presents the wealth created by the Company, represented by the revenues (the gross revenue from sales, including taxes levying thereupon, the other revenues and effects from the provision for estimated credit loss), the inputs purchased from third parties (cost of sales and purchase of materials, energy and third party

services, including the taxes imposed at the time of purchase, effects of losses and recovery of asset values, and depreciation and amortization) and the added value received from third parties (financial revenues and other revenues). The second section of the AVS shows the wealth distribution among personnel, taxes, fees and contributions, third party capital remuneration and shareholders' capital remuneration.

CREDIT RISK

[GRI G4-2]

The risk arises from the possibility of the Company incurring losses resulting from the difficulty to receive any amounts invoiced to its customers. This risk is assessed by the Company as low, in view of: (1) for receivables arising from the supply revenue - the concentrated number of its customers, the existence of performance guarantees, the fact of being public energy distribution utilities under Federal inspection, subject to intervention on the concession and since there is no history of significant losses in the realization of its receivables; and (2) for receivables arising from the provision revenue - the concentrated number and the size of its customers' companies, and the prior credit analysis and existence of performance guarantees of at least two months of revenue. As of December 31, 2017, the Company's Management understands that there are no credit risk exposure situations that could significantly affect its future operations and results.

CAPITAL MARKETS

The Company did not need to refer to the capital market in 2017. The Total Amount Payable decreased by 5.9%, from R\$4,270.6 million in 2016 to R\$4,017 million in 2017.

The Company's cash and cash equivalents at the end of fiscal year 2017 reached R\$310.5 million, a 38.4%, decrease in comparison with the fiscal year 2016.

On January 12, 2018, Standard & Poor's lowered the ratings in the global scale of CESP changed from 'BB' to "BB-", following the same trend in the Government rating of the State of São Paulo. Moreover, it reaffirmed the 'brAA-' ratings in the National Scale of the company.

CESP'S SHARES AT B3 S.A.

The Class B preferred shares (CESP6), which represent 64.4% of the total Company's capital and which are the most traded, had a devaluation of 2.1% in 2017, with a quotation at the end of the fiscal year of R\$13.20. The traded volume of CESP6 in 2017 reached a daily average of R\$24.4 million and 3,903 trades. The common shares (CESP3), which represent 33.3% of the capital, closed the year with a 11.1% devaluation, quoted at R\$11.11. The class A preferred shares (CESP5), which represent 2.3% of the capital, increased by 3.6% and were traded on the last trading day of the year at R\$20.00.

The Electric Energy Index (EEI) closed the year 2017 with a 9.8% valuation and IBOVESPA had a valuation of 26.8%.

In 2017, the Company paid its shareholders R\$154.8 million of dividends referring to the fiscal year 2016.

CORPORATE GOVERNANCE DIMENSION



TRANSPARENCY AND DISCLOSURE OF RESULTS

[GRI G4-DMA]; [ANEEL 3.3]

The Company is committed to transparency in its management and the preparation and disclosure of its financial statements, that are prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

CESP has processes and controls that are under constant assessment by the managers of the corporate areas, and are also periodically examined and audited by internal and independent audits and by State Accounting Court and by control and assessment of the Secretariat of Treasury of the State of São Paulo, as well as the Company's Fiscal Council.

In addition, it has representation channels, as those established in the Code of Ethics and Corporate Conduct and even the Ombudsman, which ensures the management receives greater coverage upon eventual situations that may entail incompatible events, which are characterized as corruption acts. The Code, broadly disclosed and generally known by all CESP's managers and employees, establishes which ethical and legal practices must be adhered to when these events occur.

B3 S.A.'S LEVEL 1 AND OTHER DIFFERENTIATED PRACTICES

Since 2006, CESP has been adhering to the differentiated Corporate Governance practices of B3 S.A. corresponding to Level 1, which constitutes a set of rules governing the relationships among the controlling shareholder, Board of Directors, Board of Executive Officers, further shareholders and, particularly, the financial market.

The Company further adhered to additional practices in its bylaws that reflect its commitment to quality, agility and transparency of the information targeted to its several stakeholders.

Among the practices higher than B3 S.A.'s Level 1 Corporate Governance that CESP offers on a voluntary basis, it is worth highlighting its adhesion to the Arbitration Chamber and integral tag along to class B preferred shares (CESP6).

The Company has been publishing, since 2010, its financial statements, the management reports and the explanatory notes, in compliance with the international standards (IFRS), resulting in the convergence into a common and comparable standard. For further information, visit the website: <http://ri.cesp.com.br>.

GOVERNANCE STRUCTURE

[GRI G4-34; G4-35; G4-38; G4-39; G4-40; G4-41; G4-45; G4-46; G4-51; G4-52; G4-53]; [ANEEL 3.2.3; 3.3]

CESP has a Corporate Governance structure responsible for creating and spreading policies, rules, responsibilities and processes and directing it to achieve its objectives and goals. The adopted good practices and governance structure of the Company have been contributing to increase the added value of the organization, as well as the continuity of its business. CESP's Board of Directors and Board of Executive Officers are responsible for the Company's periodic performance assessment. The main results are analyzed quarterly by the Board of Directors and made public in accordance with the

establishment in the regulation of the Brazilian Securities and Exchange Commission (CVM). The Board of Executive Officers meets at least twice a month in order to assess the Company's activity performance.

The compensation policy of the Company's directors and officers is established in accordance with the guidelines agreed upon by the controlling company by means of the State Council of Capital Defense (CODEC), based on the performance, market competitiveness and technical knowledge of the Company's activities, being subject to approval by the shareholders at the Ordinary Shareholders' Meeting (AGO). The Board of Directors' compensation was agreed upon in percentages upon the Company's officers compensation, where 30% is for the members of the Board of Directors and 20% is for the members of the Fiscal Council, conditioned to their attendance in at least one monthly meeting. The annual compensation policy for officers, members of the Board of Directors and members of the Fiscal Council has been unaltered since January 2007.

We present a table named Total Compensation of the Board of Directors, of the Board of Executive Officers and the Fiscal Council in Annex V of this Report. [ANEEL 3.3]

BYLAWS - Adaptation to the Law of State-owned Companies

In June 2016, Federal Law No. 13,303, called the Law of State-owned Companies, introduced a series of demands to the state-owned companies and companies of mixed economy, in order to promote greater transparency and better corporate governance practices and all the adjustments to be promoted until June 30, 2018.

In the context of the State of São Paulo, in December 2016, Decree No. 62,349 was promulgated, which provisions on the program of integrity and the area of compliance to be adopted by companies directly or indirectly controlled by the State, regulating the implementation of Federal Law No. 13,303, and creating instances and procedures for the promotion of internal control.

This Decree determined that the statutory adjustments necessary for the fulfillment of the Law should be promoted until December 30, 2017, which was effected by means of the Shareholders' Meeting of held on December 12 of that year.

SHAREHOLDERS' MEETING

At the Shareholders' Meeting, the managers shall account for the latest fiscal year, for which the financial statements shall be examined, discussed and voted by the shareholders, instructed with the opinion of the Fiscal Council and Independent Auditors; discuss on the use of net income in the fiscal year and distribution of dividends; elect, as the case may be, the members of the Board of Directors; elect the permanent and substitute members of the Fiscal Council; agree upon the fees of the members of the Fiscal Council, Board of Directors and Board of Executive Officers.

BOARD OF DIRECTORS [GRI G4-DMA; G4-47]

The Board of Directors is governed by the Internal Regulations, approved on April 14, 2015, and is responsible for agreeing upon the business overview, plans and budgets of the Company, as well as inspecting the Board of Executive Officers' management. The Board of Directors is composed of at least three (3) members and eleven (11) members as a maximum, elected at the Shareholders' Meeting, all with a unified term of two (2) years from the date of election, extending until their successors take office, allowing reelection, for a maximum of three (3) consecutive renewals.

CESP's CEO is on the Board of Directors; however, he does not hold the office of chairman of this authority. The chairman of the Board of Directors is assigned at the Shareholders' Meeting, as provided for in CESP's Bylaws.

The appointment of Board of Directors' members is made by taking into consideration the choice for executives with notorious knowledge of electric sector, public management, financial and capital markets and an unblemished reputation and moral standing.

As determined in the Bylaws of the Company, the participation of a representative of the employees on the Board of Directors is ensured, with a mandate coinciding with that of the other Directors. The representative Director of the employees will be chosen by the vote of the employees, in direct election, allowing the renewal for non-successive periods.

The participation of a representative of the minority shareholders is also guaranteed, with a mandate coinciding with that of the other Directors, pursuant to Article 239 of Federal Law No. 6,404/1976 and Article 19 of Federal Law No. 13,303/2016.

The Board of Directors will have the participation of one or more independent members, observing the provisions in Articles 19 and 22 of Federal Law No. 13,303/2016, guaranteeing to the controlling shareholder the power to elect the majority of its members, pursuant to subparagraph "a" of Article 116 of Federal Law No. 6,404/1976.

The Board of Directors' meetings, in its ordinary form, as per the Company's Bylaws, are held once a month, and, on a special basis, whenever it is required by the Company's interests. In 2017, 12 on-site meetings were held with the Directors having an average attendance level of 95%.

Board of Directors	
Ricardo Daruiz Borsari	Chairman
Aderbal de Arruda Penteado Júnior	Director - elected by the controlling shareholder
Adriano Cives Seabra	Inndependent Director - elected by the preferred shareholders
Clóvis Luiz Chaves	Director - elected by the controlling shareholder
Fernando Carvalho Braga	Director - elected by the controlling shareholder
Manuel Jeremias Leite Caldas	Independent Director - elected by minority common shareholders
Mauro Guilherme Jardim Arce	Director - elected by the controlling shareholder
Ricardo Achilles	Director - elected by the controlling shareholder
Roberto Luiz Troster	Director - elected by the controlling shareholder
Valter Nei Ribeiro	Director - employees' representative

FISCAL COUNCIL

The Fiscal Council is the supervisory body of the Company, which accompanies and verifies, permanently, the action of the managers and the fulfillment of their legal and statutory duties, exercising the powers inherent to their status as financial watchdog in accordance with the legislation in force and with the Bylaws of CESP, searching through the principles of transparency, equity and accountability, contributing to the improved performance of the Company.

The Fiscal Council is constituted by five permanent members and the same amount of substitutes, annually elected at the Ordinary Shareholders' Meeting, allowing two consecutive renewals, in accordance with the law. It is guaranteed that one Director, being the preferred shareholders' representative, and another, representing the minority common shareholders, will participate. The meetings are held, on an ordinary basis, once a month and, on a special basis, when it is convened by any of its members or by the Board of Executive Officers, drawing up the minutes in the appropriate book. In 2017, 12 on-site meetings were held and the attendance level of the directors was 100%.

The Fiscal Council is responsible for, among other responsibilities, analyzing on a quarterly basis the balance sheets and further financial statements, as well as giving opinions on the annual management report, inserting in its opinion the supplementary information it deems as necessary for the Shareholders' Meeting discussion.

The Fiscal Council also reports to the shareholders on matters related to investment plans or budget, changes to capitalization, the distribution of dividends and corporate reorganizations.

Fiscal Council *	
Sebastião Eduardo Alves de Castro	Permanent (elected by the controlling shareholder)
Emilia Ticami	Permanent (elected by the controlling shareholder)
Marco Antonio Castelo Branco	Permanent (elected by the controlling shareholder)
Paulo Roberto Franceschi	Permanent (elected by the preferred shareholder)
Marissa Rose Vegele Renaud	Efetivo (eleito pelos minoritários)
André Luis Grotti Clemente	Substitute (elected by the controlling shareholder)
Keli Regina Della Torre Soler	Substitute (elected by the controlling shareholder)
Sandra Maria Giannella	Substitute (elected by the controlling shareholder)
Giorgio Bampi	Substitute (eleito pelos preferred shareholders)
Ricardo Magalhães Gomes	Substitute (elected by minority shareholders)

* AGO of April 26, 2017.

BOARD OF EXECUTIVE OFFICERS

The Board of Executive Officers, pursuant to the Company's Bylaws, is comprised of one CEO, one Chief Financial and Investor Relations Officer, one Chief Generation Officer, and one Chief Administrative Officer. The Board of Executive Officers shall gather in meeting, on an ordinary basis, at least twice a month and, on a special basis, upon the call of the CEO or other officers. In 2017, 34 Board of Executive Officers' meetings were held.

Executive Office	
Mauro Guilherme Jardim Arce	CEO
Almir Fernando Martins	Chief Financial and Investor Relations Officer
Mituo Hirota	Chief Generation Officer
Márcio Rea	Chief Administration Officer

INTERNAL AUDIT

Internal Audit of CESP was instituted on October 20, 1967, whose purpose is to provide assessments on the suitability and effectiveness of the control systems, accuracy of operations, legitimacy of practiced acts and the quality of performance regarding defined policies, plans and objectives. It also has the role of coordinating the Corporate Risk Management activities, serving external inspection authorities, such as the State Accounting Court (TCE), the Center of Control and Assessment (CCA) of the Treasury Office, among others, and serving as a secretary in the Fiscal Council activities.

INDEPENDENT AUDIT

The financial statements and Balance Sheet proposed by the Brazilian Social and Economic Analysis Institute (IBASE) referring to the fiscal year 2017 were audited by BDO RCS Auditores Independentes S/S.

The BDO RCS Auditores Independentes S/S provided audit services, on an exclusive basis, to the Company, ensuring the principle of independence and the full compliance with the principles governing the audit examinations, in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

REGULATORY AUTHORITIES OF THE ELECTRIC SECTOR

The Company operates under the electric energy utility concession regimen, by exploiting the hydropower potential, whose ownership belongs to the Federal Government, therefore, it is subject to the concession rules defined by the Federal Government. It is a government-controlled corporation, an integral part of the indirect management of the Government of the State of São Paulo, governed by its bylaws, by the Brazilian Corporations Act (Law No. 6,404/76) and further applicable legal provisions, including those issued by the Brazilian Securities and Exchange Commission (CVM) and Brazilian Electricity Regulatory Agency (ANEEL).

As an electricity sector company, CESP's activities are related to a set of regulatory authorities. In addition to the Brazilian Electricity Regulatory Agency (ANEEL), it is subject to the regulations of the Brazilian Waters Agency (ANA), the National Electric System Operator (ONS), Chamber of Commercialization of Electric Energy (CCEE), in addition to the Ministry of Mines and Energy (MME) itself. It is also related, in the State area, to the Regulatory Sanitation and Energy Agency of the State of São Paulo (ARSESP) and the Department of Waters and Electric Energy (DAEE). The Company is subordinated to the Secretariat of Energy and Mining of the State of São Paulo.

CODE OF ETHICS AND CORPORATE CONDUCT

[GRI G4-DMA; GRI G4-34; G4-42; G4-56; G4-57; G4-58; G4-SO4; G4-SO5; G4-HR3]; [ANEEL 3.2.2; 3.2.3]

CESP's Code of Ethics and Corporate Conduct sets forth the behavioral standard expected for CESP's professionals and formalizes its commitment to the Company's values and principles, in order to guide decisions that have ethical implications and that may occasionally affect the Company's reputation.

It further sets forth how to manage conflicts; emphasizing the importance of and the need for the continuous cultural and professional enhancement of all involved parties; supporting the constructive

relationship with other entities, suppliers, customers, creditors, investors, authorities and communities and its own managers, members of fiscal council and employees, increasing the trust level in the internal and external relationships; preserving the Company's image and reputation at all times associated with values indispensable for a close relationship.

The ethical values present in CESP's culture and documented in the Company's Code of Ethics and Corporate Conduct are: integrity, transparency, solidarity, human capital valuation, respect for the environment, commitment to the Company, constructive relationships, responsible leadership and anticorruption.

In 2015, the Code was revised to incorporate the provisions of Federal Law No. 12,846 of August 1, 2013 (Anti-Corruption Act) and the State Decree No. 60,106 of January 29, 2014, providing for the administrative and civil liability of the legal entities for the practice of acts against the national and international public administration.

In 2017, CESP developed courses for the various levels of leadership, where the ethical stance of the leaders was addressed considering principles and values acknowledged by CESP's Code of Ethics and Corporate Conduct. [GRI G4-DMA]

The Code of Ethics and Corporate Conduct is available on the intranet (Netcesp) and CESP's website: www.cesp.com.br. To access it, follow the link and register your representation, as the case may be. Interested parties may also make representations by the following email: codigo.eticaeconduta@cesp.com.br. All employees received the updated version via email or in print.

ETHICS AND CORPORATE CONDUCT COMMITTEE

The Committee was created in order to ensure that the principles and values acknowledged by the CESP's Code of Ethics and Corporate Conduct are considered in all processes and activities of the Company.

The Committee still responds in view of representations that indicate alleged breaches of the Code of Ethics, investigating the facts and giving an opinion on the origin and severity of such, for later presentation to the management of the Company and the application of the necessary measures.

In accordance with the Internal Regulations of the CESP's Committee of Ethics and Corporate Conduct, the Committee is comprised of members representing the following departments: Legal, Human Resources and Internal Audit. Other members are chosen by the Company's CEO, in accordance with the nature of the event in concern. The Committee coordinator is the representative of the Department of Human Resources. The members are appointed for a term of office of two (2) years and the last renewal of the Committee's composition was on November 21, 2016.

CORPORATE POLICIES

[GRI G4-42; G4-45]; [ANEEL 3.2.3]

CESP's corporate policies assist in the decision-making process of each related party, in line with the organization purposes, by adhering to practices that reflect the commitment to sustainability. All

Corporate Policies are available on the Company's website: <http://ri.cesp.com.br/governaca-corporativa/codigos-e-politicas/>.

CORPORATE SOCIAL

It makes CESP's commitments explicit by guaranteeing human rights, recognition of diversity, the prohibition of child labor, and by ensuring corporate social responsibility.

ENVIRONMENT

It sets out the principles guiding CESP's activities with regard to environmental conservation.

DIVIDENDS

It sets out the periods and criteria adopted for the payment of dividends and interest on own equity. The Dividend Policy, approved by the Board of Directors on June 7, 2011, is based on the rules of the Bylaws and emphasizes the role of the Board of Directors in conducting this policy.

SAFETY AND HEALTH

CESP grounds the safety and health management on the permanent search for the employees and service providers' welfare, in compliance with the applicable laws in force and striving for the continuous improvement of the production process by preventing, controlling and mitigating work-associated risks and promoting health and quality of life.

UNION RELATIONS

It recognizes unions as the legitimate representatives of employees in labor-related issues. It establishes that the relationships must be based on reciprocal respect and balance among the interests of the Company and shareholders, employees and society in general.

INTERNAL ENTITY RELATIONS

CESP recognizes and respects the right of its employees to affiliate and act in internal entities, being legally instituted and with their own legal personality. The Company receives and values the proposals of employees' associations.

SUPPLIES

It aims to meet the demand for goods and services in a planned, integrated, effective and transparent manner. In addition, it is guided by principles that include the sustainable development and fulfillment of the laws. CESP strives for competitiveness, transparency and legality when contracting goods and services.

DISCLOSURE POLICY

The purpose of the Company's Disclosure Policy, approved by the Board of Directors on July 15, 2002 is to establish the rules that must be complied with by the Investor Relations Officer and other related persons with regard to the disclosure of relevant information and the maintenance of confidentiality related to relevant acts or facts that have not yet been disclosed to the public.

CONVERSION OF CLASS A PREFERRED SHARES

The Board of Directors approved on December 10, 2013 the Policy of the Conversion of Class A Preferred Shares, establishing the periods and criteria adopted for the conversion of class A preferred shares. This policy is based on Article 5 of the Bylaws and its purpose is to establish the rules that shall be complied with for the conversion of class A preferred shares into common shares and/or class B preferred shares.

TRADING OF SECURITIES ISSUED BY THE COMPANY

On June 7, 2011, the Board of Directors approved the Policy of Trading of Securities Issued by the Company, which establishes the rules for which the related persons, defined in the policy, should conduct themselves for trading securities issued by the Company.

INFORMATION SECURITY

It aims to ensure the privacy of information and protect it from being used without prior authorization. It provides guidance on the use of technological resources only for purposes approved by CESP. It further aims to ensure the security of data by externally hosting the technological environment in order to replicate data and recover from disasters and ensure the continuity of the Company's business in the event of loss.

MANAGEMENT SUPPORT COMMITTEE

[GRI G4-14; G4-34; G4-36; G4-46; G4-EC2; G4-EU21]; [ANEEL 3.2.2; 3.3]

CESP established support committees in charge for monitoring the Company's strategy and management. They are as follows:

SUSTAINABILITY COMMITTEE

In order to integrate and align its social and environmental practices to the processes and main economic-financial decisions of the Company, encompassing good corporate governance practices, such committee is comprised of executives of the Company's Boards of Executive Officers. The committee promotes actions and measures aiming to continuously improve the Company's performance in relation to economic, social and environmental concerns and corporate governance and climate change.

It also contributes to the adherence to strategies in line with sustainability, practices and management performance fostering sustainable development, as well as promoting the engagement of the executive office and directors in the materiality identification process.

FLOOD MANAGEMENT COMMITTEE

CESP has a Flood Management Committee in order to coordinate the flood control activities and organize the information disclosure to the communities living in the influence area of the Company's reservoirs.

The relationship with the communities in the Paraná and Paraíba do Sul rivers basins is formed in accordance with the Annual Flood Prevention Plan, prepared collectively by the National Electric System Operator (ONS) and the energy generation agents, with the involvement of the cities (Civil

Defense, public school teachers, NGOs, local population and authorities in general) and upon holding talks in order to clarify matters relating to floods in those rivers.

NEW BUSINESS COMMITTEE (CNN)

The main purpose of the CNN is to evaluate and assess opportunities related to the increase of CESP's energy generation offering in order to subside the high management in the decision-making process as for the participation in possible businesses and partnerships. For this purpose, the committee analyzes the risk on businesses and partnerships under technical, economic and social and environmental aspects by assessing the possibilities of acting under the laws, regulation and formal procedures in force.

RESERVOIR MARGIN EROSION COMMITTEE (CEMAR)

Cemar's purpose is to establish a forum to approach, in a centralized manner, the issues related to erosion on the reservoir margins with the participation of several areas of the Company involved with this matter and, primarily, to discuss the erosion at the Porto Primavera Plant reservoir.

INVESTOR RELATIONS AREA

CESP has an investor relations area that coordinates the distribution of information to the financial market in general, including investors, market analysts, financial institutions and regulatory and inspection authorities by means of conference calls for quarterly results, annual public meetings, information for the mailing list, corporate website (www.cesp.com.br), IR module (<http://ri.cesp.com.br>) and email ricesp@cesp.com.br.

During 2017, several private meeting were held with market analysts, fund managers and investors, in addition to attendance to Utilities Day events.

RISK MANAGEMENT

[GRI G4-43; G4-45; G4-46; G4-47; G4-49; G4-50; G4-EU19]

CESP has an organizational structure for Risk Management comprised by Risks Committee, Risk Management Coordination – CGR and Decentralized Risk Managers – GRDs.

The Risk Management Policy of CESP approved by the Board of Directors on June 7, 2011 sets procedures, methods and criteria for the identification, assessment, monitoring and communication of risks and respective control or mitigation actions to be observed by the agents responsible for the risk management activity of the Company.

The structure for risk management is based on the COSO II – Enterprise Risk Management Integrated Framework (ERM) principles, international standard regarding risk management.

The Company's Strategic Risk Matrix was revised and updated in 2017 with support of the Boards of Executive Officers and Decentralized Risk Managers. The strategic risks were submitted for the assessment of the Risks Committee contemplating the existing controls, the stages of monitoring, as well as proposals of preventive and management actions. [GRI G4-DMA]

RISK COMMITTEE

Comprised by the chairman, officers and managers of the Executive Coordination for the Presidency and Internal Audit Department. The Risk Committee is responsible for setting the guidelines and strategies for risk management and control assessment, monitoring the action plans presented by the Company's managers, as well as directing the activities performed by the Risk Management Coordination.

RISK MANAGEMENT COORDINATION (CGR)

It is responsible for monitoring the actions of the Decentralized Risk Managers when identifying, assessing and monitoring the risks and the periodical communication to the Risk Committee. It is further responsible for guiding the Company's managers regarding the methodology of control self-assessment, in order to ensure the efficiency of controls that mitigate the mapped risks and advise the Presidency, Risk Committee and further stakeholders on matters related to risk management and controls.

DECENTRALIZED RISK MANAGERS (GRDS)

They are representatives appointed by the Boards of Executive Officers assigned to assist the managers in several areas of the Company to identify, assess, control and monitor the risks inherent to the purposes under their areas of responsibility. GRDs are further responsible for periodically informing the Risk Management Coordination and its subordinate board of executive officers of the risks and controls inherent to their areas of responsibility.

INTERNAL CONTROL SYSTEM

CESP has an Internal Control System with guidelines to be observed at all the corporate levels, ensuring the reinforcement of the controls, enhancing the governance quality, mitigating the risks and preventing the occurrence of inaccuracies and fraud, minimizing the impacts of such.

The Internal Control System is defined as a set of policies, rules and procedures, and activities established at the Company, in order to reduce the possibility of financial losses and deterioration of the institutional image, to enhance the quality of accounting, financial and management information, as well as to safeguard the compliance with the laws and regulations in force, in order to ensure the achievement of the objectives.

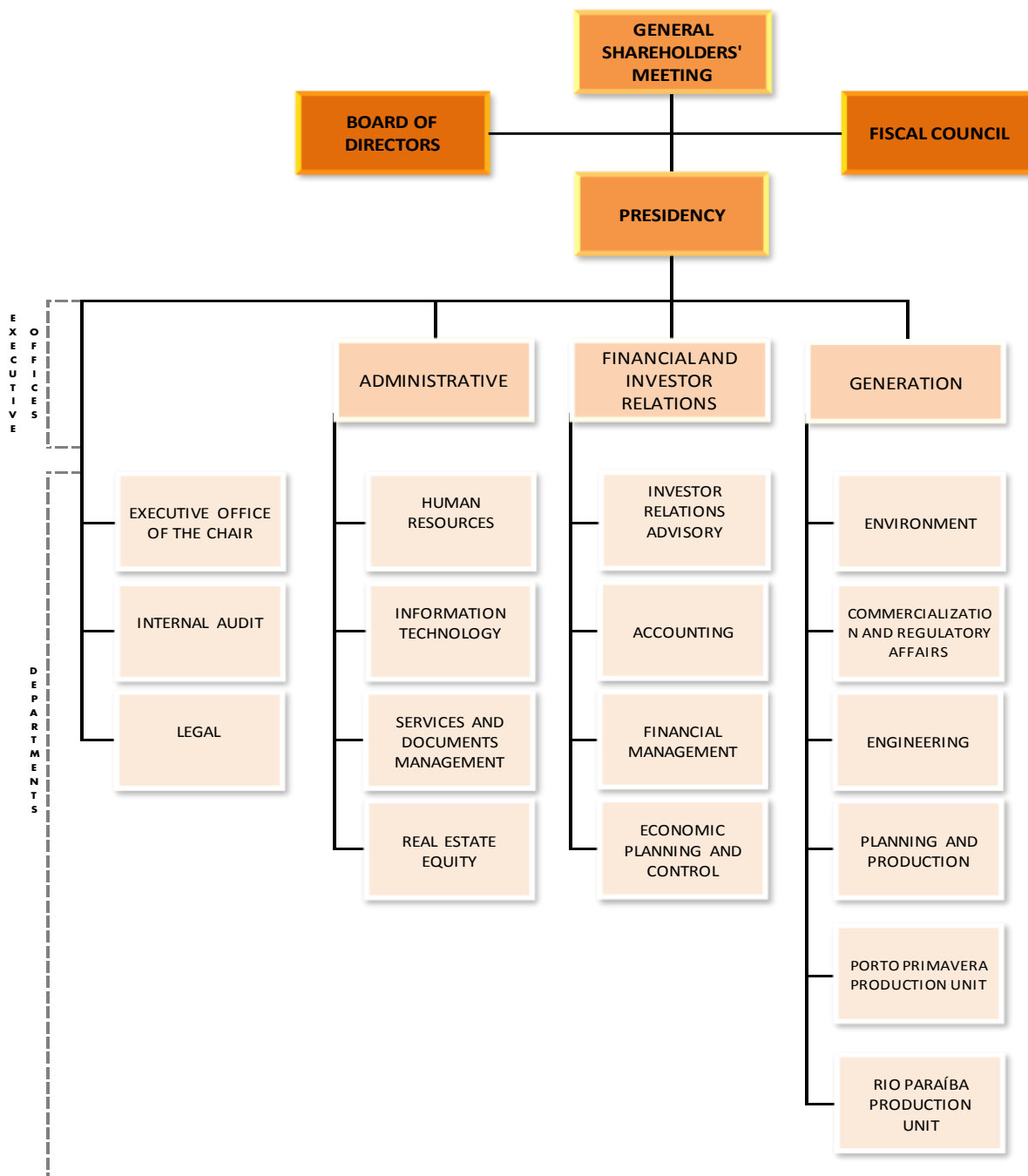
The Company also undergoes a set of inspections by external agents into which the Company is inserted, namely: the State Accounting Court (TCE), the Office of Internal Complaints of the Management (CGA), the Chamber of Commercialization of Electric Energy (CCEE), the Brazilian Electricity Regulatory Agency (ANEEL), the National Electric System Operator (ONS), the Environmental Agencies IBAMA/IMASUL, the Brazilian Securities and Exchange Commission (CVM); the Center of Control and Assessment (CCA) related to the State Secretariat of Treasury, as well as Fiscal Council and External Auditing.

The Company's Internal Control System is periodically monitored, reviewed and updated, so that any deficiencies identified are readily and fully corrected, to ensure its effectiveness and alignment with the best practices.

The managers of the Company are responsible for internal controls, through the proper performance of their duties delegated in compliance with the policies, standards and procedures established, and with powers to take actions regularizing any inaccuracies or deficiencies in the performance of the controls.

ORGANIZATIONAL CHART

[GRI G4-34]; [ANEEL 3.3]



MANAGEMENT TOOLS

[GRI G4-14; G4-34; G4-EU21]; [ANEEL 3.3]

DECISION SUPPORT SYSTEM (SSD)

In CESP's Planning and Production area, not dissimilar to the other strategic areas of the Company, the information shall be obtained, controlled and used at the point of making the decision so as to facilitate and enable such decision.

This process is supported by a Decision Support System (SSD) that usually encompasses several computer tools, all of which converge into a single direction: the decision-making process. In addition to supporting the decision made by the area, the SSD is present in all of the areas of the Company that have any relationship or associated responsibilities.

This process creates the conditions such that, for critical actions, the areas obtain the necessary and relevant information on a timely basis.

Another premise considered in the construction and permanent enhancement of the SSD is the maintenance of the scheduled and verified maintenance of the operation memory of the plants. This memory is fundamental for all current and future employees of the area.

ECM - ENTERPRISE CONTENT MANAGEMENT

The integrated document management system - CESPDoc was implemented for the registration and control of issued and received documents, continuing the implementation of the document management system by typing and indexing them for parameterized inquiry and preservation.

STRATEGIC PLANNING

The recommendations resulting from CESP's strategic planning, approved by the Board of Directors, were developed by the management body into strategic objectives, indicators, goals and macroprojects. All the Company's areas are part of this process, making the development of strategies into factual initiatives and performance action plans easier.

The planning cycle defined three strategic topics: regulatory aspects, operating efficiency and sustainability.

- ✓ **Regulatory aspects:** meeting the laws to which it is subject and optimizing the relationships with interested parties.
- ✓ **Operating efficiency:** seeking the best management forms to provide its services.
- ✓ **Sustainability:** achieving excellence in energy availability by obtaining the best economic, social and environmental outcomes without compromising compliance with future generations' needs.

OBJECTIVES AND GOALS – 2017

[GRI G4-42]

Economic-Financial Results and Sustainability		
Objetives / Indicators	Goal	Performance
Maximize the value for the shareholders		
Earnings per share	R\$ 0.82	R\$ 0.08
Optimize result		
Adjusted EBITDA	728.06 million	388.82 million
Keep the sustainability		
Implement computerized system of data collection for Greenhouse Gas (GHG) Inventory	100%	100%
Internal Processes		
Objetives / Indicators		
Monetize non-operating assets		
Percentage of sales of non-operating assets	30.0%	0.0%
Reduce the legal proceeding portfolio		
No. Of reduced proceedings	580	717
Obtain/renew the environmental permits to operate enterprises		
Index of fulfillment of licensing arrangements	100.0%	57.0%
Index of fulfillments of conditions to environmental permits and authorizations in force	93.6%	93.6%
Index of resolution of pending matters	50.0%	47.0%
Ensure the safety, availability and savings of production assets		
Index of periodic preventive maintenances (PPM) in generation units	80.0%	89.9%
Index of anomaly analyses	92.5%	80.0%
Index of instrument automation	8.0%	6.6%
Rate of automated generation units - TUGa	100.0%	100.0%
Learning and Growth		
Objetives / Indicators		
Provide integrated information systems		
Index of implementation of integrated systems	5.6%	4.9%
Develop programs of new technologies		
Investment on R&D / FNDCT - MME Obligation	90.0%	81.7%
Have qualified and proper human resources for the mission and objectives		
Average hours of training per employee	15	19.5

COMMITMENTS

[GRI G4-15]; [ANEEL 3.5.1; 3.5.2]

RESPONSIBILITY TO INTERESTED PARTIES

The official e-mail of the Company, inform@cesp.com.br, which replied to 3,209 useful requests in 2017, continues to be one of the most used channels by the public to communicate with the Company.

As a highlight, 452 messages are on equity, suppliers' register and human resources, areas subordinated to the Administrative Office. Another 2,757 messages of different matters were forwarded to further technical areas of CESP.

CESP considers, in accordance with its analysis on the relationships it establishes, the following segments as its key stakeholders:

SHAREHOLDERS AND INVESTORS

[GRI G4-13; G4-EC4]; [ANEEL 3.2.3]

CESP has an investor relations (IR) area that coordinates the distribution of information to the financial market in general, investors, market analysts, financial institutions and regulatory and inspection authorities by means of conference calls for quarterly results, annual public meeting, corporate website, IR module (<http://ri.cesp.com.br>); email ricesp@cesp.com.br and mailing list. Over 2017, about 25 events were held with market analysts and investors.

The page dedicated to investor relations at the Company's website (<http://ri.cesp.com.br>) provides users with dynamic tools, such as interactive share performance charts, interactive financial result spreadsheets, download bucket, event calendar, FAQ and newsletter. The content is compatible with mobile phones and tablets.

EMPLOYEES

By means of its Human Resources, Health and Safety, Union Relations, Internal Entity Relations, Corporate Social and Code of Conduct Policies, CESP seeks the well-being of its employees.

The internal corporate communication is made by different means: NetCESP, an intranet where employees find information and services related to human resources, environment, corporate management, sustainability, among others; Clic CESP, available on the intranet, featuring journalistic videos disclosing the activities of the Company's areas and employees; Linha Direta Journal, issued monthly and available for all employees on NetCESP; and the LD Mural journal, produced weekly and fixed at all administrative and operating units of the Company, in 55 fixed points.

COMMUNITY

CESP maintains a permanent relationship with the community by means of social and environmental programs it develops in the influence areas of the reservoirs. Those programs target riverside populations, such as potters, fishers, resettled people and the public in general. This is the case of environmental education and the Visitor Reception program at the plants.

In order to generate energy for the growth of the State of São Paulo and the Southeast Region in Brazil, the provision of services evolved over time; however, it has never failed to prioritize the sustainable

and integrated development of the regions, cities and populations where the reservoirs were built. CESP's work in the environmental area has grown together with the advancement of the generator complex, and started almost 50 years ago, even before the creation of the environmental laws in Brazil, in 1981.

Several programs and actions have been implemented by CESP over the past decades, involving projects in reforestation, fishing management, population relocation, environmental education, fauna conservation and the salvage of archaeology areas, among others. Much of this work was pioneering and has become an important reference in the environmental area. The relationship with the community is more detailed in the Social Performance and Welfare and Environmental Programs items in this report.

The institutional website (www.cesp.com.br) and the email to contact us (inform@cesp.com.br) are some channels of communication dedicated to the community.

SUPPLIERS

[GRI G4-DMA; G4-12; G4-EC9; G4-EU1; G4-LA14; G4-SO9; G4-HR1; G4-HR3; G4-HR5; G4-HR6]; [ANEEL 3.2.3]

Since 2012, the Company has made available at its website the Suppliers' Manual, updated in 2015 in order to include the guidelines contained in the Anti-Corruption Law. The document discloses the values, principles and guidelines guiding the relationship with suppliers and provides CESP's Supply Policy.

The Company keeps a suppliers' registry divided by market segment. The requirements for registration comply with the limits set in the Bidding Law No. 8,666/93 and Auction Law No. 10,520/2002, in which the initial contact is made by means of the Company's website, where all information and requirements necessary for the registration are available. CESP does not offer advantages in any bidding processes for local suppliers. The process is open to any company, regardless of its geographical location.

The agreements, since 2010, have been including a mandatory clause for the inventory and accounting of greenhouse gases (GHG) from services provided to CESP.

CESP makes 90,76% of its purchases of assets, service provision and engineering services electronically, at <http://pregaoeletronico.cesp.com.br/>, governed by the bidding regulation in CESP's online trading modality, published in the State Official Gazette on July 19, 2007; by Law No. 10,520/2002; State Decrees Nos. 47,297/2002 and 49,722/2005; Sole Section of Chapter V of Supplementary Law No. 123/2006 and, on a subsidiary basis, Federal Law No. 8,666/93, with their respective amendments, performed in a public section on the Internet by using cryptography resources for authenticity verification of the users and assurance of the proper security and confidentiality conditions for the information in all proceeding stages, enabling the agility in bidding processes, transparency, price reduction and reducing expenses for the bidders and court costs for the Company.

Selection of Suppliers

CESP adheres to, as a mandatory requirement for suppliers' registration, as well as selection criterion in invitations to bid, the presentation of the regularity certificate before the Ministry of Labor, in compliance with the prohibitions set forth in Article 7, item XXXIII of the Federal Constitution, i.e.

prohibition of night-shift, hazardous or unhealthy work for anyone under 18 years of age, and any type of work for anyone under 16 years of age, unless as an apprentice, as from 14 years old.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY CLAUSES

[GRI HR10]; [ANEEL 3.2.3]

All service agreements executed by CESP with its suppliers encompass clauses relating to social and human and labor rights responsibility matters, on which the payment is conditioned to the proof by the contracted supplier of compliance with their labor obligations. Those clauses prohibit the contracting of child and forced labor, as well as slave-like labor.

With regard to the contracting of continuous services, such as surveillance, gate inspection, cleaning and conservation, courier, electronic surveillance, lease of printers and reprographic machines, lease of vehicles and provision of meal voucher, CESP has been strictly complying with the indication in the surveys provided in the Outsourced Services Registry of the Government of the State of São Paulo.

Those surveys, performed by technical groups of the Quality and Public Management Committee, are targeted for sustainable bidding and contracting, encompassing social and environmental criteria in purchase procedures of assets, services and works compatible to policies targeted for change in consumption standards, aimed at the sustainability of the ecological balance development and maintenance. In virtue of the adhesion to those surveys, CESP started using the Social and Environmental Seal, instituted by Decree No. 50,170 of November 4, 2005, in the applicable bidding and contracting.

Agreement Management

The management of agreements is under the contracting area's responsibility, which performs all necessary verifications for the strict compliance with the social and environmental responsibility clauses. In 2016, there was no information on any failure to comply with those clauses.

Expenditures with local suppliers at important operational units

[GRI G4-EC9]

	2017	2016
Purchases of services and materials/equipment from suppliers	3,513	20,078
Purchases of services and materials/equipment from local suppliers	24,850	0
TOTAL AMOUNT	28,363	22,094

GOVERNMENT

The Company maintains a constant dialog with governmental authorities to share information and in order for their points of view be considered and understood in the processes of the formation of public policy.

The electric energy generation activity, particularly hydropower plants, has an influence under the collective regional interest and is intervened by the Prosecution Office by means of State and Federal Prosecution Offices.

CESP's relationship with governmental authorities is guided by the Code of Conduct and the search for a constructive dialog.

PUBLIC POLICIES

CESP collaborated with the discussions to prepare the public policies promoted by the Ministry of Mines and Energy, the ANEEL and the CCEE. It also works together with different non-profit business entities, such as the Brazilian Association of Independent Power Producers (Apine) and the Brazilian Association of Electrical Power Distribution Companies (Abrage) and the Brazilian Association of Electrical Power Companies (ABCE), in order to enhance the sector laws and regulations, by means of research, surveys and discussions among its members.

PRESS

The Press has a team of specialized professionals to serve with agility and responsibility the daily requests received from press vehicles, either regional, national or international. The relationship with the press is also one of the items addressed by CESP's Code of Conduct.

Concerning the activities of marketing communication, advertising and propaganda activities, the Company follows the rules prepared by the Government of the State of São Paulo, which coordinates such activities for all companies controlled by it. CESP has no advertising agency contracted and does not do marketing or marketing communication.

OMBUDSMAN

[GRI G4-57; G4-58]; [ANEEL 3.2.3]

CESP, by integrating to the Ombudsman System of the Government of the State of São Paulo, makes available at its website a relationship channel in order to accept, clarify and reply to any and all statements of interest of citizens about the Company. It acts as the final line of defense, including provoking internal transformation actions aiming at the improvement of the quality of services provided by the Company.

In 2017, CESP's Ombudsman registered 56 statements. Among the main topics, the guidelines and clarifications on doubts relating to human resources, estate and environmental issues are highlights, as well as complaints referring to electric energy distribution companies, an activity that has not been part of CESP's business since 1998.

CITIZEN'S INFORMATION SERVICE

[GRI G4-57; G4-58]; [ANEEL 3.2.3]

In compliance with the provision of the Government of the State of São Paulo (State Decree No. 58,052, of May 16, 2012, which regulated the Federal Law No. 12,527, of November 18, 2011), CESP joined the Citizen's Information Service (SIC), by which the Company provides access to information requested by citizens and entities, reinforcing good governance and transparency practices. The system can be accessed via the website www.sic.sp.gov.br.

In 2017, the Company registered 21 requests, received and addressed through SIC system, which had several methods for citizens to access the information, including an on-site method, with service in an exclusive room for such service.

TRANSPARENCY TROPHY 2017

The Company was one of the winners of the Transparency Trophy 2017 in the category of companies with net income up to R\$5 billion.

This trophy is an achievement of the *Associação Nacional dos Executivos de Finanças, Administração e Contabilidade* (ANEFAC - National Association of Finance, Administration and Accounting Executives) in conjunction with *Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras* (FIPCAFI - Financial, Accounting and Actuarial Research Foundation Institute) and SERASA EXPERIAN and aims to encourage the practice of transparency in accounting information published and pay tribute to the companies that have more clarity in the disclosure of their financial statements.



All the Corporations, publicly traded or not, based in national territory, which publish their financial statements, as determined by the Corporate Law competed for the Transparency Trophy.

SOCIAL AND SECTOR DIMENSION



CESP has a Social Corporate Policy where principles and guidelines grounding the Company's practices in the relationships with its interested parties are presented: shareholders, creditors, customers, employees, partners, community, government and society. The policies addresses human and labor rights practices, as well as those concerning the relationship with suppliers and community, such as the non-hiring of child or forced labor; non-discriminatory hiring; the stimulation of diversity among the employees; the promotion of the health and safety of employees and third parties; support for educational actions for local community youth; the narrowing of internal and external communication channels, among others. In 2015, in order to adjust its social corporate police to the current concepts in force in the market, it expanded the scope of principle 1.3 of the said policy, explaining the repudiation and prohibition of any practice relating to sexual exploitation of men, women, children and adolescents. [GRI G4-DMA]

The Company also has a Code of Ethics and Corporate Conduct that applies to all employees on all levels, and establishes some basic and essential principles. Among them, solidarity, valuation of human capital, commitment to the Company, constructive relationships, responsible leadership and combatting corruption are highlights. Those principles allow the establishment of values, such as ethics, sustainability, diversity, integrity in human relationships and self-development. [GRI G4-DMA]

Both documents may be accessed on CESP's website, at the following addresses:

Social Corporate Policy:
[http://www.cesp.com.br/portalCesp/biblio.nsf/V03.01/Politica_social_port/\\$file/politica_social_port.pdf?OpenElement&FileName=politica_social_port.pdf](http://www.cesp.com.br/portalCesp/biblio.nsf/V03.01/Politica_social_port/$file/politica_social_port.pdf?OpenElement&FileName=politica_social_port.pdf)

Code of Ethics and Corporate Conduct: http://site.cesp.com.br/flipbooks/codigo_conduta_2015/index.html

INTERNAL RELATIONSHIP

[GRI G4-10; G4-11; G4-EC6; G4-LA12]; [ANEEL 3.5.1]

EMPLOYEES' PROFILE

[GRI G4-DMA]

At the end of 2017, CESP had 464 employees and 19 apprentices. Of all the employees, 81 are women and 5 are people with some form of disability or special needs. In the same year, the turnover rate of employees was 11.9%.

The Company hires third party companies to perform the following services: general conservation and cleaning, security and surveillance, transportation, catering service, maintenance of plants (generators) and maintenance and conservation of reforestation and pisciculture projects. In such agreements, the third-party companies are responsible for managing the number and profile of involved professionals.

CESP does not have the number of third party personnel available. In 2017, at the Company, there was no suspension or warning to any employee due to corruption or any type of discrimination, and there were no cases of discrimination by means of communication channels relating to the Code of Ethics and Corporate Conduct.

As a result of CESP's legal nature, which is a public government-controlled company, specific conditions are imposed, among them, the performance of the selection for public office in order to compose and recompose the list of employees, which consists of the adoption of a procedure assuring the equal opportunity of access to offices for all interested parties. In joining the company via selection for public office, any wage differentiation is prohibited in virtue of gender.

Thus, any practice favoring or impeding the selection of employees based on race, color, age, gender, disability, place of birth or domicile is considered as inadmissible.

The admission of personnel at companies whose capital is controlled mostly by the State depends on the approval in a selection process, in a selection for public office, previously authorized by the Governor of the State, as set forth in Article 37 of the Federal Constitution of 1988.

At CESP, there is no wage difference between men and women taking the same office and having the same career experience. Eventual differences that may be observed shall arise from the fact that there are different levels in the same category and the career experience itself.

COMPENSATION PER GENDER AND FUNCTIONAL CATEGORY

[GRI G4-LA13]

Functional Category	Men	Women	%
Managers	21,423.21	23,067.10	-7.1%
University Level	11,286.79	9,813.94	15.0%
Technician	5,026.37	-	
Administrative	5,584.08	5,281.64	5.7%
Operational	3,486.26	-	
Interns	-	-	0.0%
Trainees	828.38	828.38	0.0%

Note: Amounts herein presented are average wage amounts.

COMPENSATION

[GRI G4-EC5]; [ANEEL 3.5.1]

The Company has had the Office and Wage Plan since 1990, constituted by operational, technical/administrative and university levels. Employees composing the list of managers fall within university level offices.

To those employees, a bonus corresponds to 20% of the highest amount of wage scale in force for officer, assistant, advisor, department manager and unit manager and 15% for division manager is granted.

FIXED COMPENSATION POLICY

In accordance with the clause appearing in the Collective Bargaining Agreement, CESP shall provide, on an annual basis, pay for the implementation of Office and Wage Planning. The rules for the movement of personnel, established by the Human Resources Department and approved by the Company's Board of Executive Officers, encompass career promotion, wage progression and bonus

granting. The proposals for movement shall be based on the professional performance of the employees, measured by means of assessments performed by the location areas themselves.

RESULT-BASED COMPENSATION POLICY

[GRI G4-52]

For years, CESP has been using practices aiming to reward the productivity and effort of its employees to obtain results that improve the Company's global performance by means of its Result-Based Compensation Policy.

The indicators used to measure and appraise those results translate the actual goals that are fixed, presented and discussed at the start of each year by the Company's managements with the employees.

Over the years, the application of the Profit Sharing concept was evolving and enhancing, becoming increasingly related to the corporate performance. The indicators and goals are discussed with the unions representing CESP's employees and complying with the regulatory rules of the government agencies.

On an annual basis, superior and inferior performance parameters are established for each indicator with purpose of maximum compensation when achieving the goal and, proportionally, partially fulfilling the appraisal period.

For 2017, four types of indicators were used: Economic-Financial, Service Quality, Strategic Planning and Operational.

BENEFITS

[GRI G4-LA2]; [ANEEL 3.5.1]

CESP has a set of benefits providing its employees with benefits in several situations. The benefits are granted to the employees, irrespective of gender or hierarchical level. The following are outlined:

MEDICAL INSURANCE

Provided by the registration and reimbursement system as part of the expenses made with medical-hospital, laboratory, psychiatric, psychological, speech therapy, physical therapy and occupational therapy care.

In the registration system, the employees share the expenses, whenever they use the resources used by them and their dependents, ranging from 10% to 50% of the sharing table, as per the wage group, limited to 15% of the compensation. Any amount exceeding the limit amount is prorated among all employees, in compliance with the quota system. The Company's cost is 70%.

In the reimbursement system, the employee shall be reimbursed 50% to 90% of the maximum amount in the table provided by Fundação CESP.

DENTAL INSURANCE

Provided by the registration and reimbursement system as part of the expenses incurred. In the registration system, the employee and their dependents share 50% of the expenses when using the

dental resources, whereas in the reimbursement system, the employee shall be reimbursed for 50% of the maximum amount in the table provided by Fundação CESP when using the dental resources by them or their dependents.

FOOD VOUCHER AND BREAKFAST

The program is integrated in the Collective Bargaining Agreement and grants, on a monthly basis, in the form of a voucher, the benefit (food or meal) corresponding to R\$723.74/month. However, the breakfast benefit amounts to R\$162.06. Both benefits amount to R\$885.80/month and the employee's share ranges from 3% to 13%, in accordance with the nominal wage. Cesta básica (basic grocery package) in the amount of R\$295.26 is also provided as a voucher, and the employee's share in this benefit, on the total cost, ranges from 5% to 25%, pursuant to their nominal wage as well. CESP's total expenditure with food vouchers in 2017 was R\$6.5 million.

DAY CARE CENTER AID

CESP provides reimbursement for total expenses incurred with day care for children of up to six months of age, in compliance with Ordinance No. 3,296/86 of the Ministry of Labor. For employees' children ranging between seven months and seven years of age, exclusively, there were adjustments to the maximum amount of reimbursement to R\$715.60, since June 1, 2017, pursuant to the 2017-2019 Collective Bargaining Agreement. In 2017, the reimbursements paid by CESP amounted to R\$65 thousand.

PROFESSIONAL DEVELOPMENT

[GRI G4-DMA; G4-LA9; G4-LA10; G4-EU14]; [ANEEL 3.5.1]

In 2017, CESP invested R\$423 thousand in training and development actions, involving 845 participants, amounting to 9,049 hours of training with 17.50 hours of training per employee on average.

CESP's policy is to qualify, refresh and contribute to the development of its employees upon the provision of training sessions related to the activities performed by them, with the identification of the need for training and development reported by the area where the employee works being the starting point. Short duration events are covered, with or without burden, promoted by external entities to the Companies, whose places are provided by the market anywhere in Brazil, relating to short duration training sessions, seminars, symposiums, meetings, conferences, lecture cycles, discussion forums, congresses, among others. The main training subjects in 2017 were auditing, communication, law, finance and accountability, corporate governance, human resources, occupational safety and sustainability.

TRAINING AND DEVELOPMENT OF OPERATORS

CESP has specific instructions defining the required development for system and installation operators, stimulating the qualification and education in the On-Job Training (OJT) concept. The training sessions are developed in compliance with the maturity levels, performance assessment in the function and pre-requirements established for each course. The knowledge levels required to carry out the functions are annually assessed by TREINOP (Written test which CESP applies on an annual basis by using Integrated Certification and Qualification System (SIC)) and, on a triannual basis, by the Operators' Certificate, as per the criteria established by ANEEL. TREINOP's assessments and the

certification are performed with digital support in the SIC and the reports are available for online consultation.

On a biannual basis, in addition to the regular courses provided for in the instruction, the operators take refresher courses in critical areas, such as instructions for specific operations and Emergency Operation System (SOSEm).

POST-GRADUATION COURSE

The post-graduate, specialization and MBA courses taken by CESP's employees may have up to 80% of the registration and tuition fees covered, provided that the area where the employee works indicates the need for development and course program meets such necessity. In 2017, one employee was benefited by this policy.

SCHOLARSHIP GRANT PROGRAM

The Scholarship Grant Program is a financial allowance granted to the employees, in order to support the education and professional development for a better career performance. This benefit is up to 80% of the expenditures made with registration and tuition fees. The reimbursement is granted upon proving the payments and passing the semester or year. In 2017, R\$74 thousand was invested and it benefited eleven employees.

FOREIGN LANGUAGE TRAINING

CESP subsidizes 50% of the registration and tuition fees of employees undergoing any foreign language training whose domain is indispensable for the development of projects and/or daily activities of the Company. In 2017, there was no demand for such subsidy.

AVERAGE TRAINING HOURS PER EMPLOYEE, FUNCTIONAL CATEGORY

[GRI-LA9]

Functional Category	2017						2016		2015	
	Men		Women		Total		Total		Total	
	h/h training	average hours	h/h training	average hours	h/h training	average hours	h/h training	average hours	h/h training	average hours
Officers / Managers	1,311	40	190	95	1,501	43	789	18	639	15
University Level	3,211	21	393	10	3,604	19	2,986	11	4,181	16
Technician	2,926	30	-	-	2,926	30	4,049	35	7,573	30
Administrative	387	6	137	4	524	5	746	5	1,016	6
Operational	494	13	-	-	494	13	1,438	28	1,106	13
Total	8,329	22	720	9	9,049	20	10,008	16	14,515	18

PROFESSIONAL QUALIFICATION PROGRAM

[ANEEL 3.5.1]

The purpose of the program is the social inclusion of youth. In this sense, the youth are qualified for the job market, adult life and ultimately to perform their life goals. Since 2005, more than 520 young employees have attended the program.

CESP's Education Program is part of the Social Corporate Responsibility and has won several awards. It won the Lenart Levi Award (2008 and 2009) and the ESARH 2010 Award two years in a row, in addition to the TOP RH 2011 ADVB/SP.

The program is based on the Company's Charter of Principles and Values, established in the Code of Ethics and Corporate Conduct. As set forth in the Education Act issued by the Ministry of Labor and Employment (Law No. 10,097/2000), the registration of youth in education programs must comply with the legal priority assigned to National Education Services and, on a subsidiary basis, the Technical Education Schools and Non-Profit Entities (ESFL) whose purpose is provide assistance to adolescents and professional education, registered with the Municipal Council for the Rights of the Child and Adolescent (CMDCA) concerning apprentices from 14 to 18 years of age. The selection of apprentices must comply with the constitutional principle of equality and the prohibition of any type of discrimination threatening the basic rights and liberties. The proof that the institutions contracted to provide the apprentices are duly qualified is observed by CESP during the contracting process of those entities. Currently, CESP has 19 apprentices hired at its facilities, 15 of them are at the headquarters and four of them are at the Porto Primavera Production Unit.

The program comprises of, in addition to the hiring and performance assessment, the integrated management aiming to articulate in a systemic manner several players being part of the professional apprenticeship. It involves qualification of tutors for the development of important skills for the tutoring functions and actions targeting the apprentices. At the headquarters, apprentices are employed by means of agreement with the non-profit entity Centro de Aprendizado e Monitoramento Profissional do Caxingui (CAMP Caxingui). In the countryside, they come from the entity Associação Pró-Menor de Primavera (APROMEP).

The period of their stay at the Company is 12 months as a maximum, pursuant to the regulation of Programa Jovem Aprendiz of the Ministry of Labor and Employment (Ordinance MTE No. 723/2012, amended by Ordinance MTE No. 1005/2013).

PAID INTERNSHIP PROGRAM

The Paid Internship Program was coordinated by the Administrative Development Foundation (Fundap), which is based on the terms in Resolution SPG-3, of February 27, 2008 and Law No. 11,788, of September 25, 2008.

With the extinction of Fundap on July 31, 2016, in compliance with Law No. 16,019 of September 9, 2015, promulgated by the Government of the State of São Paulo, CESP's Internship Program was discontinued.

CAREER PERFORMANCE AND DEVELOPMENT

[GRI G4-LA11]; [ANEEL 3.5.1]

The application of the Office and Wage Planning is annual and provided for in the Collective Bargaining Agreement. It encompasses all of CESP's employees and provides for:

1. The grant of bonuses in order to acknowledge the participation of employees who significantly contributed to meet or exceed the individual or sector goals. The percentages of granted bonuses may range from 20%, as a minimum, to 100% of the nominal wage, as a maximum, applied in multiples of 5%. The amount is not incorporated into the employee's wage.

2. Office and/or wage change movements (career promotions and wage progressions), whose compliance by the executive offices is indispensable to the functional adjustment in the Company's structure.

Career promotion has as a characteristic professional maturity based on education, experience and the ability to self-manage activities, allowing movement from the current level to the level immediately superior.

The purpose of the wage progression is to reward employees with wage increases in the same office, provided that the employee has notably stood out while carrying out their function.

The immediate superior must keep the list of employees informed of the assessment criteria and earned results of the office, regardless of concession or not, of change of position, salary and/or bonus.

In 2017, a new system of performance assessment was implanted, with competences linked to job families (managerial level; higher level and experts; and positions of technical, administrative and operational level).

The managers were involved and trained in this new systematic evaluation, which proposes an emphasis on feedback and on the construction of Individual Development Plans (PDIs), and employees informed about the importance of participation in this process. A first cycle of evaluations was conducted in the first half of 2017, whose periodicity is intended to be biannual. Three hundred and ninety two employees, i.e. 85% of the staff members were evaluated in this first cycle.

RETIREMENT AND PENSION PLANS

[GRI G4-EC3; G4-EU15]; [ANEEL 3.5.1]

Since 1977, CESP has been sponsoring retirement and pension benefit plans for its employees and former employees, and respective beneficiaries, in order to supplement the benefits provided by the official social security system. Fundação CESP is the entity responsible for the management of benefit plans sponsored by CESP and provided to all employees, with 93% adhesion.

The Retirement and Pension Supplementation Plan, PSAP/CESP B1, implemented on January 1, 1998, has as the main characteristic the mixed model, comprised of Final Benefit (BD) and Final Contribution (CD). The calculation for the BD considers 70% of the actual wage to be contributed. CD, which is a voluntary contribution, is calculated upon the remaining 30% of the actual wage to be contributed. [GRI G4-DMA]

The purpose of this model is to set out the technical actuarial loss and decrease the risk for future losses.

The plan funding for the BD is divided between the Company and the employees. The funding of the portion established as CD is divided between the Company and the employees, based on the percentage freely chosen by the participant, where the limit is 2.5%. The funding fees are periodically reassessed by a third-party actuary.

The Settled Proportional Supplementary Benefit (BSPS) is guaranteed to the employees participating in the supplementation plan adhering to PSAP/CESP B1, even if they quit or are dismissed without

being retired. This benefit assures the proportional value of supplementation relating to the period of services prior to 1998 and shall be paid as from the date on which the participant concludes the minimum grace periods provided for in the new plan regulation.

In 2017, CESP invested R\$9.38 million in supplementary retirement plans and many employees were benefited by the Retirement Preparation Plan, promoted by Fundação CESP.

PERCENTAGE OF EMPLOYEES ENTITLED TO RETIREMENT OVER THE NEXT 5 TO 10 YEARS, PER FUNCTIONAL CATEGORY AND LOCATION

[GRI-EU15; G4-DMA]

Functional Category	Up to 5 years		Between 6 and 10 years	
	Equity	Countryside	Equity	Countryside
Officers / Managers	21	4	5	2
University Level	91	19	26	11
Technician	40	46	14	27
Administrative	9	9	2	0
Operational	10	10	1	4
Total	36.9%	19.0%	10.3%	9.5%

OCCUPATIONAL SAFETY AND HEALTH

[GRI G4-DMA; G4-LA5; G4-HR6; G4-HR7; G4-EU16; G4-EU18]; [ANEEL 3.5.1]

CESP, in compliance with its commitment of striving for excellence in electric energy generation, considers that respect toward life, protection of health and the occupational safety of all its employees and service providers, are essential components for the corporate management and a fundamental responsibility of the management on all levels.

CESP grounds safety and health management in its permanent concern for employees and service providers' welfare, in compliance with the laws in force and striving for the continuous improvement of the production process by preventing, controlling and mitigating work-associated risks and supporting health and quality of life.

The Occupational Safety team develops daily activities of inspections at CESP's facilities, such as the preparation of technical reports, the control of personal protective equipment (PPE), the monitoring of Internal Accident Prevention Commissions (CIPAs), the periodical inspections, onboarding meetings, etc. The following activities are highlights:

- structuring, organization and monitoring of occupational safety and health training to meet the applicable rules in force, particularly NRs 10, 12, 20, 33 and 35;
- inspection of the quality and supply of the PPE via agreements with CESP;
- investigation of accidents in order to propose preventive and corrective measures;
- performance of CIPA's election process to occur from the publication of the notice to the investiture of its members;
- advisory services to CIPAs and SIPATS;

- preparation of the Occupational Welfare Profile (PPP) of the Company's active and former employees;
- training of the Emergency Brigade;
- inspection of CESP's enterprises regarding employees' safety and health;
- preparation of an Environmental Risk Prevention Program (PPRA) and a Technical Occupational Environmental Conditions Report (LTCAT) of all of CESP's facilities;
- integration of safety for the employees at CESP's facilities and service companies.

All employees are represented by CIPA. CESP is part of third party agencies or associations, such as tripartite groups from the Ministry of Labor and Employment, ANEEL, Brazilian Technical Standards Association (ABNT) and Social Security.

The occupational safety and health management is performed at the Company's facilities by occupational safety technicians, engineers (civil, electrical and mechanic), technicians and other employees and is considered a permanent and routine activity at the organization. In the Collective Bargaining Agreement, the union undertakes to collaborate in the prevention of work-related accidents and occupational diseases and to make employees aware of occupational safety issues and, on its part, CESP shall analyze and provide a response to the suggestions to be presented by the unions.

The professionals of CESP who work in the area of risk conduct a Psychosocial Assessment in Health and Safety at Work, biannually, in compliance with the Regulatory Standards of Safety in Installations and Services in Electricity (NR 10), Transportation, Movement, Storage and Handling of Materials (NR 11), Health and Safety at Work in Confined Spaces (NR 33) and Working at Height (NR 35). This evaluation process, which includes the application of psychological tests and individual psychological interview, was undertaken with 66 professionals in 2017.

In the Company's operations, no risk of forced or slavery-like labor occurring was identified.

HEALTH

[GRI G4-LA5]; [ANEEL 3.5.1]

CESP's attention to employees' health is shown by its activity, exceeding compliance with the legal requirements, both in health areas, by promoting campaigns and programs, and by establishing the profile of supplementary medical exams, which also exceed the legal requirements. In 2017, CESP promoted a tetravalent and quadrivalent flu vaccination campaign.

The Social Service area develops, in partnership with Occupational health area, preventive and corrective activities and programs for promotion of health and quality of life. Some of the actions were activities related to health and physical, social and psychological welfare of the employees; individual services, guidance and referral of presented demands (funeral, medical insurance, domicile and hospital visits, financial advisory, etc.); functional monitoring for the settlement of conflicts between managers and employees and work groups, functional readjustment, changes of area, reuse, services and referral of employees' dependents.

CESP requires the service companies and contractors to comply with the laws in force and internal rules relating to employees' safety and health, and actions required to ensure their physical and mental integrity.

QUALITY OF LIFE

In order to support and provide opportunities for employees to adopt a healthier life style, CESP has been promoting actions encouraging changes of habits from its personnel and, consequently, improving its quality of life.

In 2017, the promoted actions were collective with CIPAs, particularly educational lectures on health, safety and quality of life. Among the topics addressed in lectures at CIPA meetings and Internal Accident Prevention Week (SIPAT) in 2017, the lectures highlighted were "Poisonous Animals - Spiders and Scorpions" and "Facing Change Safely and Creatively".

VALUATION OF DIVERSITY

[GRI G4-HR2]; [ANEEL 3.5.1]

At CESP, respect toward diversity is a fundamental principle expressed in its Social Corporate Policy and Code of Conduct. The Company does not accept any discrimination related to ethnicity, origin, gender, sexual orientation, religious belief, union condition, political and ideological condition, social class, marital status, age or disability. In 2017, CESP maintained its Selo Paulista da Diversidade - Full Category, granted by the Government of the State of São Paulo.

Over the year, the Company performed several actions to spread its commitment among all employees by using the internal means of communication and on-site events to engage them in the topics. In 2017, interventions occurred on commemorative events, on the following dates in the Diversity calendar: Women's Day; International Day for the Elimination of Racial Discrimination; Indigenous Peoples' Day; International Day Against Homophobia; Black Awareness Day; and the ecumenical celebration at the end of the year. A highlight was the 8th Internal Diversity Week (Sidi) in which videos were shown and questionnaires were handed out to employees allowing them to opine and debate on issues related to prejudice.

VISUALLY IMPAIRED ACCESSIBLE WEBSITE

CESP has a feature that enables access to its corporate website, including the Investor Relations module, to visually impaired people with screen reading software on their computers and wishing to learn more about the Company or use the website to assist their work.

NON-HIRING AND COMBATING OF CHILD LABOR POLICY

[GRI G4-DMA; G4-HR6]

CESP makes clear in its Social Corporate Policy its concern about children's future, emphasizing its position of total repudiation to child labor. More information at: http://site.cesp.com.br/flipbooks/politica_social_empresarial/index.html#.

The items taken into consideration, either for internal hiring relationships or third party agreements, propose to prohibit the use of any type of hiring any child labor, either directly or indirectly, at the Company's premises. The selection and hiring of youth comply with the rules and procedures of the area of human resources in force, in compliance with the Education Act and the Child and Adolescent Statute.

RELATIONSHIP WITH UNIONS

[GRI G4-LA4; G4-LA8; G4-HR4]

CESP acknowledges Sindicato de Eletricitários de São Paulo (representing the Capital and Vale do Paraíba facilities), Sindicato de Eletricitários de Campinas (representing countryside of the State of São Paulo) and Sindicato dos Engenheiros no Estado de São Paulo (representing the specific category of Engineers) as legitimate representatives of its employees. The Company's relationship with such entities is based on mutual respect and is regulated by a specific clause of the Collective Bargaining Agreement and a Union Relationship Policy, constituted by a permanent process performed on a day-to-day basis, having the formalization of collective bargaining agreements as an important stage of such dynamics.

The Collective Bargaining Agreement, encompassing all the employees, provides for several items of occupational health and safety protection and promotion benefits and mechanisms. Among them, we may quote the supplementation to the social security premium in the event of sick leave or work-related accidents; functional readjustment motivated by occupational disease or work-related accident; and parity commission formed by CESP and unions to analyze and discuss issues related to occupational health and safety. There is no minimum term to notify any operational changes; however, the Collective Bargaining Agreement contains the Company's commitment to make the Professional Refresh Program available to employees affected by changes of that nature.

The permanent and periodical releases by offices and union representatives attending activities organized by the entities are also regulated. Also, union-related activities are assured inside the Company's facilities, provided that the request sets out its justification and agenda in advance to the Department of Human Resources in the capital and to the Facility Managers in the countryside.

EXTERNAL RELATIONSHIP

[GRI G4-DMA; G4-SO1]; [ANEEL 3.5.2]

INFORMATION CONFIDENTIALITY

The information we have on our customers, managers and employees is confidential and may only be transmitted to third parties with the express consent by the involved parties, except for the cases provided by law. The Company takes ultimate care when it discloses information to third parties and handles information that has come to its knowledge in a confidential manner as a result of business relationships (commitment set forth in the Code of Conduct). In 2017, there were no cases of complaint relating to a breach of privacy or loss of customer's data.

FINANCIAL OFFSET FOR THE USE OF WATER RESOURCES (CFURH) [GRI G4-SO1]

The main purpose of the Financial Offset for the Use of Water Sources (CFURH) is to refund the cities affected by the use of the natural resources and, thus, ensure resources for the improvement of local conditions and the mitigation of adverse impacts arising from the implementation and operation of hydropower plants.

CFURH, for the purposes of electric energy generation, was instituted by the Federal Constitution of 1988 and regards a percentage that hydropower generation utilities pay for the use of water resources. ANEEL manages the raising and distribution of funds among the beneficiaries: States, Cities and Agencies directly managed by the Federal Government.

As set forth in Law No. 8,001, of March 13, 1990, with amendments provided for in Laws No. 9,433/1997, No. 9,984/2000 and No. 9,993/2000, 45% of the funds are allocated to the Cities affected by the hydropower plant reservoirs, whereas the States are entitled to another 45%. The Federal Government keeps 10% of the total amount.

Up to October 2016, the utilities have paid 6.75% of the value for the produced energy on account of the Financial Offset (CF). As from November 17, 2016, when Law No. 13,360/2016 was enacted, such tax rate was changed to 7% of the value for the produced energy. The total amount payable is calculated as per a standard formula: $CF = 7\% \times \text{energy generated in the month} \times \text{adjusted reference tariff}$. In 2017, CESP raised R\$47.9 million in this item.

EQUITY MANAGEMENT AT CESP'S RESERVOIR MARGINS

[GRI G4-DMA]

In compliance with Law No. 10,267/2001 concerning the registration of rural properties, CESP:

Granted, in 2017, **40** consents for compliance with the adjacent areas of its reservoirs;

Prepared **37** property assessment reports aiming at the regularization and allocation of Company's properties;

It analyzed **301** confrontation requests;

It prepared **134** projects/descriptive memorials and 21 Sketches of occupation in the areas of the reservoirs.

In 2017, the Equity Monitoring Program continued by means of the Geographic Information System (SIG), which uses satellite images, based on the ArcGis platform, to collect equal environmental information on all of the reservoirs. The latest information refers to Engenheiro Sérgio Motta Plant (Porto Primavera) reservoir.

REALLOCATION OF POPULATIONS

[GRI G4-LAA; G4-EU20; G4-EU22]

Since the beginning of the operation at its reservoirs, CESP displaced and compensated a total of 1,619 families (1,046 in rural areas and 573 in urban areas) with the actions of the Population Resettlement Program.

APPROACH TO DISPLACEMENT IMPACT MANAGEMENT

[GRI G4-EU20]

Resettlement Projects	Current status
Buritit Farm/Paulicéia/SP	Perimeter layout of the area certified by INCRA/SP and inscribed at the Real Estate Notary Office (CRI) of Tupi Paulista/SP.
Aruanda Farm/Anaútilândia/MS	Emancipation completed.
Santo Antônio Farm/Caiuá/SP	Requested on INCRA the approval of Land Subdivision
Santa Ana Farm/Anaútilândia/MS	Emancipation completed.
Lagoinha Farm/Caiuá/SP	The perimeter was not certified by INCRA-SP under claims of area superposition. A solution was requested in joint effort with municipality of Presidente Epitácio, seeking regularization of the allotment as an urban expansion area.
Piaba Farm/Três Lagoas/MS	Emancipation completed.
Pera Bonita Farm/Brasilândia/MS	Emancipation completed.
Resettlement Ceramic Potter Porto João André/Brasilândia/MS	Plans and descriptive memorials of the entire allotment were created and submitted to the City Hall of Brasilândia. Awaiting approval of allotment by the city hall.

CIVIC CONSCIOUSNESS ACTIONS AT THE RESETTLEMENTS

[GRI G4-EC8; G4-EU20]; [ANEEL 3.5.1]

HEALTHCARE ACTIONS

CESP has been developing the Health in the Field Program with the resettled population since 1990. This program consists of campaigns where preventive medical exams and educational lectures are performed. Health campaigns in several medical areas are part of the program. Topics, such as Hansen's disease, mouth health, sexuality for teenagers, vaccination, women's health, men's health, hypertension, diabetes, dengue, rabies and leishmaniasis, are addressed with a firm focus on their prevention.

SOCIAL SECURITY AND SOCIAL GUIDANCE TO RURAL WORKERS

The Social Security Education Program, a product from the partnerships between CESP and regional Social Security managements, was created for rural workers from CESP resettlements and surrounding rural communities to get to know their social security rights and duties. Among the activities, there appear talks directly held with farmers and the Course for Social Security Information Multipliers, provided to the regional leaders (farmers, associations and unions).

PROFESSIONAL QUALIFICATION AND ASSOCIATIVISM

Professional qualification courses are held with the communities affected by the enterprises and the population living around CESP's Conservation Units. This program seeks to offer alternatives to expand the generation of income, aiming to add value to the in natura products harvested in the lots and improve the processing of various materials.

PRODUCTION UNIT VISIT PROGRAM

In 2017, CESP's production units were visited by 8,575 people. Students, engineers, technicians and tourists, in those visits, have the opportunity to get information on the operation of a hydropower plant and learn about several programs developed by the Company in the search for knowledge and conservation of native fauna and flora. In the case of the Porto Primavera Plant, on visiting the Memorial Regional Museum these people also have contact with the cultural aspects of the region.

SUPPORT FOR PROJECTS AND INSTITUTIONS

[GRI G4-EC7]; [ANEEL 3.4.1]

Rouanet Law and Audiovisual Law

In the State of São Paulo, the cultural incentives (Rouanet Law, Audiovisual Law, Mendonça Law) are governed by the State Decree No. 42,992, of April 1, 1998, setting forth the funds to be invested in projects previously defined by the State Secretariat of Culture. In 2017, CESP invested R\$1.34 million in projects related to cinema, theater, literature, history and arts, among others.

Sports

In compliance with Sports Incentive Law No. 11,438, of December 28, 2006, previously defined by the Secretariat of Sports, Leisure and Youth, the Company invested R\$70 thousand in projects related to sports.

Support to the Down Project

The Down Project – Down Center of Information and Research is a nonprofit entity and of public utility, maintained through a system of quotas of sponsorship and donations destined to assist people with Down Syndrome and to support the family members of those being assisted. The Project was considered as an entity of reference by the Latin-American Program for the Defense of the Rights of the Mentally Disabled, linked to the United Nations (UN). The Company destined R\$76 thousand to the Project.

Fundação Energia e Saneamento (Energy and Sanitation Foundation)

It is a nonprofit organization with operations across Brazil, developing cultural and educational projects that contribute to the democratization of access to the cultural heritage, to strengthen the citizenship and responsible use of natural resources. It has a collection composed of more than 1,600 linear meters of technical and managerial documents, 260 thousand photographic documents, almost 3,500 museum objects, 50 thousand titles in the library, besides cartographic, audiovisual and audio documents, gathered since the middle of the XIX century.

The Foundation also houses a rich architectural and environmental heritage. There are four small hydroelectric Power plants (PCHs), situated in cities of the interior of the state of São Paulo (Salesópolis, Rio Claro, Brotas and Santa Rita do Passa Quatro), some with areas reminiscent in the Mata Atlântica (Atlantic Rainforest), and two urban properties in Itu and Jundiaí.

The collection offers subsidies for surveys on energy and sanitation, as well as about themes related to the urbanization and industrialization process in Brazil. Learn more about the Foundation in: <http://www.museudaenergia.org.br/>.

Instituto Criança Cidadã (ICC)

CESP continued its participation as maintaining-founding company of Instituto Criança Cidadã (ICC), contributing to the operation of the 16 educational units of the Institution. As with previous years, ICC, an educational institution whose projects were started by CESP in 1987, presented in 2017 important actions and achievements allowing the renewal of the entity's knowledge as a federal, state and municipal public utility.

In 2017, over 7,300 people, between children, youth and adults, all of which were living in low-income communities in the East, South, Downtown and West regions of the Capital and in the City of Guarulhos, were benefited in the four projects of the Institution. They are as follows: *Transmitindo Cidadania*, *Gerando Talentos*, *Manancial de Produção – Escolas de Moda e Beleza* and *Nossa Comunidade*. ICC assures balanced food, supervised by a nutritionist; full support to children's development, performed by a multidisciplinary healthcare team; pre-school education, art education and work orientation, provided by educators, coordinators and educational directors, and activities targeting sports and leisure, community development and income generation.

NON-PROFIT ENTITIES AND ASSOCIATIONS IN GENERAL

[GRI G4-16]; [ANEEL 3.2.3]

In order to contribute to the technical development in engineering, generation and environment areas and spread good practices in electric sector, CESP participates in and maintains a dialog with national and international entities and associations listed as follows:

- **B3** – Brazil, Bolsa, Balcão;
- **GVCes of FGV** – Sustainability Study Center of Fundação Getúlio Vargas;
- **ABRAGE** – Brazilian Association of Electrical Power Distribution Companies;
- **ABRASCA** – Brazilian Association of Public Companies;
- **APINE** – Brazilian Association of Independent Power Producers;
- **Fundação COGE** – Corporate Management of Electric Energy Sector;
- **IBDE** – Brazilian Energy Law Studies Institute;
- **UNEP** – United Nations Environment Program;
- **WEC** – World Energy Council;
- **ABRAGET** – Brazilian Association of Thermal Power Generation Companies;
- **ABRACE** – Brazilian Association of Big-sized Energy Industrial Consumers and Free Consumers;
- **ABRATE** – Brazilian Association of Big-Sized Electric Energy Transmission Companies;
- **ABRADEE** – Brazilian Association of Electric Energy Distribution Companies;
- **BRACIER** – Brazilian Committee of the Regional Energy Integration Commission;
- **CIGRÉ Brasil** – Brazilian Committee of Electric Energy Production and Transmission;
- **CBDB** – Brazilian Committee for Dams;

- **CREA-SP** – Regional Engineering and Agronomy Council of the State of São Paulo;
- **CREA-MS** – Regional Engineering and Agronomy Council of the State of Mato Grosso do Sul;
- **ABRACEEL** – Brazilian Association of Electric Energy Commercialization Agents;
- **COGEN** – Energy Co-Generation Industry Association;
- **IBAPE** – Brazilian Institute of Engineering Assessments and Evidences;
- **ABCE** – Brazilian Association of Electrical Power Companies;
- **ABSOLAR** – Brazilian Association of Photovoltaic Solar Energy;
- **IBEF** – Brazilian Finance Businesspeople Institution;
- **ABRACONEE** – Brazilian Association of Electric Energy Sector Accountants.

REGULATORY ASPECTS

The effects of the changes in the global energy sector have also led to changes in the model of the Brazilian electrical sector, such as restrictions to the construction of large dams, the expansion of the free market, decentralized microgeneration and other issues specific to the national market of electrical energy. These issues led to the initiation of MME Public Consultation No. 33/2017, which according to the technical notes published, proposes significant changes to the regulatory framework in force.

It is also highlighted that, on May 3, 2017, MME Decree No. 178 was published, the result of the procedure conducted by the Ministry of Mines and Energy for the ordinary review of the physical guarantees of the hydroelectric plants of the National Interconnected System (SIN). This is how the new amounts were defined for such enterprises, with effect from January 1, 2018. With this measure, CESP's physical guarantee will suffer a new reduction, resulting in an average of 1,002.6 MW.

It is worth remembering that, in Brazil, the activities of electric energy utilities are subject to the strict regulation and inspection by ANEEL, an autonomous agency instituted by means of Law No. 9,427, of December 26, 1996, responsible for regulating and inspecting the production, transmission and commercialization of electric energy, in compliance with the policies and guidelines of the Federal Government. The Agency is related to the Ministry of Mines and Energy (MME), which is responsible for the energy, hydraulic use and electric energy areas, among others (Law No. 10,863, of May 28, 2003).

Default on the obligations set forth in its concession agreement and on the operating and commercial procedures determined by the regulatory agent shall imply penalties to the defaulting party (Normative Resolution No. 63, of May 12, 2004). Those penalties occur as fines and may also result in the termination of the grant conceded (Law No. 8,987, of May 13, 1995, and Law No. 12,767, of December 27, 2012).

HYDROLOGICAL RISK

[GRI G4-2; G4-EN9]

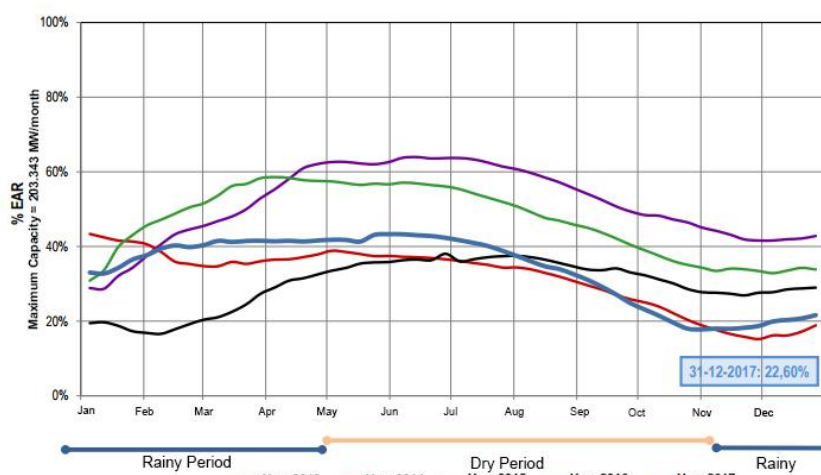
The Company's plants are installed on the hydrographic basis of Paraná River and Paraíba do Sul River, located respectively in the West and East regions of the State of São Paulo. The Porto Primavera hydropower plant is located on the Paraná River and has a reservoir operating on a run-of-river basis. Its geographic location is considered favorable, since the Paraná River is formed by the confluence of two big rivers, the Parnaíba, flowing down from the Midwest region in Brazil, and the Grande River, on the border with the State of Minas Gerais. The Jaguari and Paraibuna plants are located on the Paraíba do Sul River basin, which is strategically important for electric energy generation, water supply and regularization of flow over its course.

Risks of drought due to rainfall conditions are cyclic, occurring on an occasional basis. In critical situations, the Granting Authority may act in objectifying the economic-financial balance of the agents. Unfavorable hydrological situations are covered by the ERM, a financial instrument of hydrological risk sharing that the Brazilian electric sector has.

Situation of reservoirs at Southeast/Midwest and Settlement Price for the Differences (PLD)

The reservoirs of the Southeast/Midwest subsystem are responsible for 70% of the total energy stored in the National Interconnected System (SIN). Their storage levels remained low in 2017, ending the year with 20%, a level well below the historical average.

Stored Energy **Southeast/Midwest Subsystem**



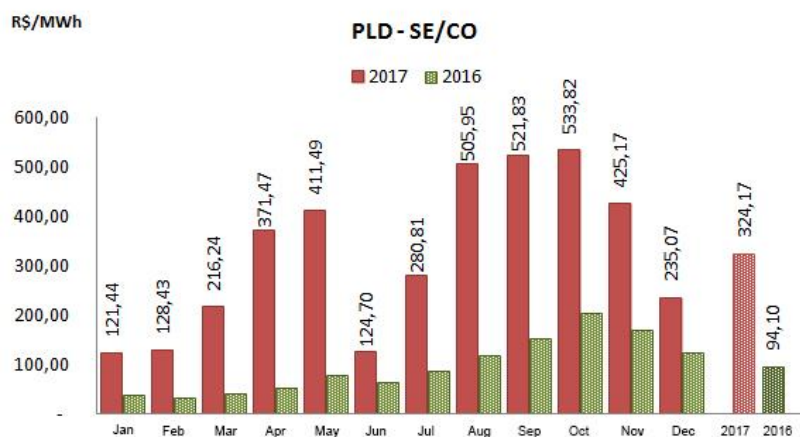
Source: MME – Ministry of Mines and Energy

The PLD showed greater volatility in its values due to changes implanted in its calculation methodology, which has the goal of increasing the risk aversion on water supply. This change, combined with the low affluences verified during the year 2017 resulted in major price fluctuations, for example, from May to June (from R\$411.49 to R\$124.70/MWh) and from July to August (from R\$280.81 to R\$505.95/MWh).

Storable Affluent Natural Energy **Southeast/Midwest Subsystem**



Source: MME – Ministry of Mines and Energy



Source: CCEE – Chamber of Commercialization of Electric Energy

GENERATION

[GRI G4-DMA]

The operational efficiency is the basis on which the Company sustains its strategy to become increasingly more competitive and efficient and, thus, increase to the maximum the creation of value for its shareholders. In this sense, CESP intends to continue investing in the maintenance and modernization of its facilities and employees' training, in order to maintain its high availability of generation units and low failure rates.

The inventory studies of Rio Pardo were developed and completed, in the section between the Euclides da Cunha and Caconde HPPs, whose future objective is the preparation of the basic project to obtain grants for the hydroelectric exploitation, called São José herein.

RENEWAL AND EXTENSION OF THE TERM OF DURATION OF CONCESSIONS

On August 1, 2017, the Second Additive Term to Concession Contract No. 003/2004 – ANEEL – CESP was signed, which formalizes the extension of the duration granting the concession of the Porto Primavera Hydroelectric Plant, for 53 days, changing the final term from May 19, 2028 to July 11, 2028, according to ANEEL's Authoritative Resolution No. 6,111, of November 1, 2016.

In addition, MME Public Consultation No. 33/2017 (recommendation of amendments of the regulatory framework) discusses in-depth changes in the Generation Scaling Factor (SFM), known in the industry as "hydrological risk". With this, there is the possibility of extending the deadline of the concessions of the participants of the MRE, including CESP, which were impacted by this risk.

In relation to the Jaguari and Paraibuna UHEs, there has not yet been any demonstration by the Granting Authority with respect to the timely requests submitted in 2016 for a further extension of its concession periods, which expire in May 2020 and March 2021, respectively.

ELECTRIC ENERGY PRODUCTION

[GRI G4-EU1; G4-EU2]; [ANEEL 3.2.2]

The electric energy production at CESP plants is scheduled and performed in accordance with the Grid Procedures and under the coordination of the National Electric System Operator (ONS), ensuring the preservation of its assets and the compliance with its social and environmental obligations.

The pursuit for production efficiency is based on the association of the fundamental availability of resources, water resources and the allocation of opportunities for production in the National Interconnected System (SIN).

In 2017, CESP produced 1,081 MW on average, corresponding to roughly 2.4% of the electric energy generated via hydraulic source in the SIN.

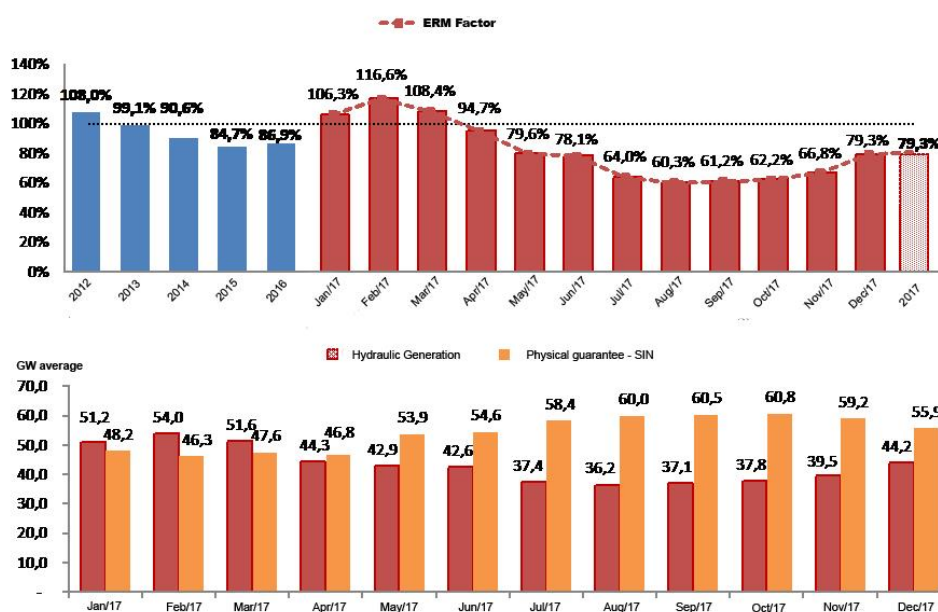
TOTAL ELECTRIC ENERGY GENERATION PER PLANT

[GRI G4 EU2]; [ANEEL 3.5.2]

UHE	2017		2016		2015	
	MWh	Average MW	MWh	Average MW	MWh	Average MW
Porto Primavera	9,027,089	1,030	9,314,076	1,060	8,009,691	914
Paraibuna	354,862	41	95,977	11	149,977	17
Jaguari	91,959	10	49,577	6	44,163	5
Sub-total	9,473,910	1,081	9,459,630	1,077	8,203,831	937
Ilha Solteira (*)	0		6,348,877	723	9,349,747	1,067
Jupiá (*)	0		3,892,047	443	6,513,814	744
Sub-total	0	0	10,240,925	1,166	15,863,561	1,811
Total	9,473,910	1,081	19,700,555	2,243	24,067,392	2,747

(*) Generation until 30 June 2016, date on which the plants were transferred permanently to the new controller.

Physical Guarantee x Hydraulic Generation (National Interconnected System)



Source: CCEE - InfoPLD January/2018
ERM Factor: GSF (Generation Scaling Factor) or Secondary

The MRE Factor or GSF, the ratio between hydraulic generation and physical guarantee at the plants participating in the MRE, reached an average of 0.793 in the year. Such fact reduced the physical guarantee of all hydraulic generators in Brazil. In this context, CESP was affected by 205 MW on average which, valued in the PLD, represented an additional cost of R\$788.7 million. However, with the renegotiation of the hydrological risk in the regulated environment, CESP was reimbursed in the amount of R\$161.4 million. [GRI G4-EC2]

ENERGY COMMERCIALIZATION

[GRI G4-DMA; G4-8; G4-EU3]; [ANEEL 3.2.2; 3.2.4]

In terms of commercialization, the physical guarantee constitutes the quantity of company energy that the company may commercialize in agreements. CESP has a diversified customer portfolio in order to optimize its results, and protect itself from eventual hydrological risks.

Throughout 2017, the energy reserve for the purposes of commercialization was 1,058 MW on average. Most of this physical guarantee was commercialized in the ACL by means of energy sale agreements, in addition to the volumes commercialized in ACR, representing a 2.6% increase in relation to 2016.

Currently, 78.3% of the Company's energy sale agreements are allocated to free consumers and commercialization companies (ACL) located in several States of Brazil.

However, sales in the Regulated Contracting Environment (ACR) represented about 21.7% of the Company's energy sale agreements.

Regulated Contracting Environment (ACR)

As the concessions ended and the physical guarantee of energy decreased, there was a 31.4% reduction in sales in the ACR, due to the expiration of agreements executed in the 4th Auction for Existing Energy, effective from 2009 to 2016. Only the agreements of the auction of new energy remain in force, signed on behalf of the Porto Primavera HPP, with an average total of 230 MW.

Free Contracting Environment (ACL)

In the ACL, there was an increase of 18.9% in the volumes commercialized in the ACL, where 828 MW on average was commercialized.

Chamber of Commercialization of Electric Energy (CCEE)

The CCEE is responsible for operations in the Brazilian electric energy market, with the function of accounting for the purchase and sale of electric energy, assessing on a monthly basis the differences between the contracted amounts and the amounts effectively generated and consumed by the market agents. It also sets the debits and credits of those agents based on the assessed differences by performing the financial settlement of the operations. Those differences are valued by PLD.

In the case of CESP, in 2017, the result of the liquidation of the short-term market in the CCEE was a negative 191 MW on average, considering the effects of the purchases of energy, which totaled 45 MW on average and envisaged mainly the recomposition of the energy balance.

However, the power allocated to the Energy Reallocation Mechanism (MRE), an instrument of hydropower generation offset of the SIN plants, resulted in 229 MW on average, valued by the Optimization Energy Rate (TEO).

Purchase of Electric Energy

This year, the purchases of energy totaled an average of 45 MW, eliminating the exposure of the energy balance and the risk of penalties for the lack of energy reserves, but were not sufficient to mitigate the effects of the hydrological risk (GSF).

NUMBER OF CLIENTS PER CONTRACTING ENVIRONMENT

[GRI G4-EU3]; [ANEEL 3.5.2]

Type	2017	2016	2015
Regulated Contracting Environment (ACR) - CCEARs (*)	45	36	45
Free Contracting Environment (ACL) - Providers	4	3	10
Free Contracting Environment (ACL) - Free Consumers	6	4	6
Total	55	43	61

* all providers serviced under the quota regime included.

CESP'S ELECTRIC SYSTEM

MANAGEMENT TO ENSURE AVAILABILITY AND RELIABILITY OF THE SUPPLY [GRI G4-EU6]

CESP assures compliance with its business commitments by reconciling them with the regulatory requirements for Availability and Systemic Demand (needs for generation to comply with the systemic demand) within the principles of economic viability.

The efficiency of the SIN plants is appraised by the ONS by means of the Availability Index (ID), calculated by the Equivalent Appraised Unscheduled Unavailability Rate (TEIFa) and Equivalent Scheduled Unavailability Rate (TEIP), defined by ANEEL.

The Company has been surpassing the benchmark values established by ANEEL for its plants, whose weighted average for the ID (determined based on the physical guarantee) is 0.897. In 2017, the assessed value was 0.9387, in 2016, it was 0,939 and, in 2015, it was 0,941.

In relation to TEIFa, which expresses the operational reliability, CESP has been surpassing the benchmark value of 0.0249, measured using the weighted average of the benchmark values established by ANEEL for the plants. In 2017, the assessed value was 0.0055, in 2016, it was 0.0048 and, in 2015, it was 0.0050.

AVERAGE UPTIME FACTOR

[GRI G4-EU30]; [ANEEL 3.5.2]

	ANEEL Value	2017	2016	2015
Uptime Index (ID)	0.897	0.939	0.939	0.941
Surveyed Forced Downtime Equivalent Rate (Teifa)	0.0249	0.0055	0.0048	0.0050

IMPROVEMENTS IN PLANT FACILITIES AND EQUIPMENT

[GRI G4-EU6]; [ANEEL 3.5.2]

The plant maintenance process also encompasses the modernization of equipment, in order to assure the full operation of all systems, decreasing failures.

The achievement of goals in relation to technical reliability and availability indicators is always an expectation, and in compliance with the requirements required by ANEEL and ONS, maintenance, modernization and replacement are planned and performed in compliance with the scheduled investments and shelf life of the systems, always adhering to the best market technologies.

Regarding the plant automation plan, we highlight that the Engenheiro Sergio Motta (Porto Primavera), Jaguari and Paraibuna Plants are already automated, supervised and monitored, making their maintenance and operation processes easier. By using these features and striving for rationalization of the processes, as from 2016, the Jaguari Plant could be remotely operated by the Paraibuna Plant without the loss of its operationality.

Operational Safety of Enterprises

CESP, together with other generation agents pertaining to the Brazilian Association of Electrical Power Distribution Companies (ABRAGE), after the publication by ANEEL of Resolution No. 696/2016 that regulated the Law No. 12,334/2010 concerning the National Dam Safety Policy, prepared the Emergency Action Plans for the Engenheiro Sergio Motta (Porto Primavera), Paraibuna, Jaguari and Barragem do Paraitinga Plants, in 2017.

Preventive, corrective and contractual maintenance programs at the Plants:

Engenheiro Sergio Motta (Porto Primavera) Plant

- Performance of maintenance (MPP2) of generation unit 07, and replacement of voltage and speed regulation system;
- Performance of maintenance (MPP2) of generation unit 05.

Paraibuna Plant

- Replacement of the overhead transformers of generation units 01 and 02, with the increase of voltage level to 138 KV;
- Performance of fire-rated walls between the transformers.

Jaguari Plant

- Replacement of overhead transformers of generation units 01 and 02;
- Execution of Preventive Maintenance (MPP1) in the generation units 01 and 02.

RESEARCH & DEVELOPMENT (R&D)

[GRI G4-EU8]; [ANEEL 3.5.3]

Federal Law No. 9,991, of July 24, 2000, established that the companies in the electric energy sector must apply a portion of their Net Operating Revenue (NOR) into Research & Development (R&D).

For generation companies, the law establishes the allocation of 0.4% of the NOR to R&D and another 0.4% for the National Scientific and Technological Development Fund (FNDCT) and another 0.2% to the Ministry of Mines and Energy (MME). [GRI G4-DMA]

From 2005 to December 2017, CESP invested about R\$155.2 million in 97 company and strategic R&D projects, described as follows:

- ✓ 79 company projects, of which 71 were closed and 8 are ongoing;
- ✓ 18 strategic projects, of which 13 were closed and 5 are ongoing;
- ✓ In 2017, in order to comply with the provisions in the law, CESP allocated R\$5.9 million to the National Scientific and Technological Development Fund (FNDCT), R\$2.9 million to the Ministry of Mines and Energy (MME) and invested R\$41.9 million in R&D projects.

R&D IN RENEWABLE ENERGY [GRI G4-EU8]; [ANEEL 3.5.3]

The profile changes of the Brazilian energy mix are in line with the complexities and requirements of the current society. The renewable and clean sources are starting to gain competitiveness. By proving to be feasible, they indicate the possibility of reducing the dependency on water and fossil fuels in the Brazilian energy mix. Wind energy is in the full competitiveness stage in Brazil and is starting to contribute to ensuring supply. The solar potential in Brazil has begun to merit great relevance, concerning particularly the public calls made by the ANEEL.

The following are the main projects currently under development:

Call for ANEEL Strategic R&D Project No. 13/2011

The ANEEL released in 2011, under the R&D program, the Call No. 13/2011, in order to make the production, installation and monitoring of photovoltaic solar generation economically feasible for its insertion into the Brazilian energy mix. It aims to support the development and consolidation of the entire production chain of the Brazilian photovoltaic solar industry.

In meeting this Call, an agreement was established among the Secretariat of State of Environment, Secretariat of State of Energy and Mining and CESP, with the inception in November 2012, the R&D project at Villa Lobos Park and Cândido Portinari Urban Park named **"Development and Pilot Installation of Photovoltaic Generation for Strategic Model of Technological, Regulatory, Economic and Commercial Reference"**. The project is a result of the partnership among CESP, cooperatives, Integrated Technological Systems Laboratory (LSI-TEC) and Engre Energias Renováveis, for the design, development and implantation of a pilot plant for photovoltaic systems.

ELECTRIC SECTOR INDICATORS [ANEEL 3.5.3]

Resources Applied into Scientific and Technological Development and Research - R\$thousand

Per research theme (R&D Manual -ANEEL)	2017		2016		2015	
	Amount	(%)	Amount	(%)	Amount	(%)
FA - Alternative sources of electric energy generation	28,781	68.8%	16,336	79.6%	10,867	58.0%
GT - Thermoelectric Generation	0	0.0%	0	0.0%	0	0.0%
GB - Management of Basins and Reservoirs	357	0.9%	318	1.5%	658	3.5%
MA - Environment	1,364	3.3%	468	2.3%	745	4.0%
SE - Safety	0	0.0%	137	0.7%	198	1.1%
EE - Energy Efficiency	0	0.0%	628	3.1%	2,798	14.9%
PL - Electric Energy System Planning	3,188	7.6%	1,624	7.9%	1,960	10.5%
OP - Electric Energy System Operation	160	0.4%	394	1.9%	799	4.3%
SC - Supervision, Control and Protection of Electric Energy Systems	1,346	3.2%	0	0.0%	609	3.3%
QC - Quality and Reliability of Electric Energy Services	0	0.0%	0	0.0%	117	0.6%
MF - Measurement, invoicing and addressing business losses	0	0.0%	0	0.0%	0	0.0%
OU - Other.	6,571	15.7%	621	3.0%	0	0.0%
Total R&D Investments	41,852		20,525		18,751	

ENVIRONMENTAL DIMENSION



With the priority use of water as a basic input for hydropower plant operation, making electricity generation compatible with the multiple use of reservoirs as a habitat of diverse fauna and flora species, navigation, irrigation, water supply and leisure has been attempted, striving for harmony among electricity production, environment and the public's quality of life.

Currently, CESP's impacts caused by activities of energy generation arise from the operation of plants and the programs are prepared based on the influence of such activity in the surrounding environments of the enterprises and reservoirs, in addition to those residual implementation impacts, which shall be monitored throughout the shelf life of the enterprises. CESP's purpose in developing this work is to demonstrate its commitments and values, clarifying that these programs are especially dedicated to the ecosystem and biodiversity conservation, relationship with surrounding communities, environmental education and operation impact minimization activities. [GRI G4-DMA]; [ANEEL 3.6]

The main effects caused by each of the reservoirs and social and environmental programs under development are shown in the annex at the end of this Report. [GRI G4-EN12]

ENVIRONMENT POLICY

[GRI G4-DMA]

In order to assure that environmental conservation is one of the factors guiding its management in all of the enterprise stages, CESP made a public commitment to the community, institutional agents and licensing agencies, expressed in its Environment Policy. Created in 1996, updated twice, in 2002 and 2015, its principles govern the Company's activity and its relationships with employees, contractors, partners and suppliers.

CESP - Companhia Energética de São Paulo, a public government-controlled company, controlled by the Government of the State of São Paulo, has as its main activities the planning, construction and operation of electric energy generation and commercialization systems, with its main purpose as the integration of electric energy generation into social and environmental responsibility, undertakes to:

- Incorporate the social and environmental variables into the company's guidelines, planning and operational procedures;
- Fully comply with the laws in force and other requirements subscribed by the company, striving, whenever possible, to fulfill and exceed the legal and normative requirements;
- Adhere to procedures assisting the avoidance of pollution, energy efficiency and responsible use of natural resources and ecosystem-related services;
- Strive for continuous improvement of the company's environmental performance, related to social and environmental aspects;
- Promote the conservation of ecosystems, striving to avoid, mitigate or offset eventual effects caused by our activity;
- Spread a culture of social and environmental responsibility with the employees, service providers, suppliers, surrounding communities and other interested parties;
- Establish a mitigation and climate change adaptation program based on the inventory and reduction of greenhouse gas emissions.

ENVIRONMENTAL EXPENSES (R\$ thousand) [GRI G4-EN31]; [ANEEL 3.6.1]

	2017	2016	2015
Expenses and investments with environmental service units of the Company	3,678	5,270	6,177
Expenses and investments with implementation and preservation of conservation units	3,405	1,968	5,440
Environmental Licensing	76	41	250
Investments and expenses with environmental recovery around reservoirs	16,189	7,806	20,666
Emancipation of resettlements	2,905	1,310	1,022
Environment P&D	1,497	466	667
Waste Management	163	-	50
Environmental Management on plants	98	569	55
Inspection of reservoir edges	392	907	1,690
TOTAL	28,403	18,335	36,016

ENVIRONMENTAL LICENSING

From the three enterprises whose concessions were under CESP's responsibility in 2017, one of them was licensed in accordance with the laws in force, whereas the other two ones were implemented prior to the rise of the environmental laws in 1986. The Company strives to comply with the requirements and terms set forth as per environmental regulations, particularly Conama Resolution No. 237 of December 19, 1997 and Supplementary Law No. 140, of December 8, 2011, assuring the full right of continuity of the operation service during the analysis and discussion period of the licensing authorities.

ENVIRONMENTAL LICENSING

Period	Entrepreneurship	Licensing Status
After 1986	UHE Eng ^o Sergio Motta (Porto Primavera)	Operating License IBAMA No. 121/00, of 05/03/2002. Validity Term extended until issue of new LO, according to CONAMA Resolution No. 237, of 12/19/1997 and Complementary Law 140, of 12/08/2011. CESP completed and sent IBAMA/DF all requested documents, within the established deadline, for renewal of environmental license of the entrepreneurship.
Before 1986	UHE Paraibuna e UHE Jaguari	Opinion issued by SMA/DAIA in 1999 has provided regularity for the entrepreneurships. In 2014, Cetesb determined that CESP started na Environmental Regulation process for said entrepreneurships.

CLIMATE CHANGE

[GRI G4-14; G4-16; G4-EC2; G4-EN4; G4-EN15; G4-EN16; G4-EN17; G4-EN19]

CESP maintains a Climate Change and Carbon Sequestration Program with the annual publication of the Greenhouse Gas (GHG) inventory. It was a pioneer in the electric sector in the disclosure of GHG inventories based on GHG Protocol. The Company is part of the National Group of the Brazilian GHG Protocol Group as a founding member since July 22, 2008 (further information at: www.ghgprotocolbrasil.com.br). [GRI G4-DMA]

The management of emissions of CESP, as per 2017, was made in real time by the employee of the "Climas" system of the Waycarbon company, which enabled the maximization of the collection,

interpretation and decision of the sustainable actions in the various hydropower plants and decentralized field office.

The greenhouse gas inventory reports, in regards to the use of fuels, energy acquired, organic waste (conservation of lawns, embankment dams, among others), sewage, use of fertilizers and leakage of sulfur hexafluoride (SF6), may be consulted in the public registry of emissions (www.registropublicodeemissoes.com.br).

Regarding climate adaptation actions, CESP is part of a broad Research and Development program of the ANEEL, in partnership with other Brazilian electric sector companies, universities and research centers on climatology in Brazil, which assesses the integration of wind and photovoltaic solar plants to hydropower plants, effects of the climate changes in hydrological regimen of hydrographic basins and assured energy of hydropower use in order to provide for possible positive and negative adversities.

EMISSION OF GREENHOUSE GASES (GHG)

[GRI G4-EN4; G4-EN15; G4-EN16; G4-EN17; G4-EN18; G4-EN20]; [ANEEL 3.6]

Inventory of Greenhouse Effect Gases - GEE	2017	2016	2015
Scope 1			
Fossil Fuels	663	1.634	1.386
Sulfur Hexafluoride (SF6)	1.903	1.860	878
Gases Refrigerantes (HFC)	23	-	-
Changes in Soil Use and Agricultural Activities	148	6	33
Solid Waste	31	135	299
Total	2.768	3.635	2.596
Scope 2			
Electric Energy	277	234	439
Total	277	234	439
Scope 3			
Fossil Fuels	110	254	442
Home X Job Workers	871	922	1.204
Air Trips	21	151	314
Solid Waste	3.091	84	155
Total	4.093	1.411	2.115
Biomass			
Renewable Fuels	354	710	896
Grassy and Dirty field fires	-	-	-
Total	354	710	896

FUEL CONTROL

[GRI G4-DMA]

CESP maintains a fuel supply and control system by means of magnetic card. The services provided by third parties at the web platform have real time control, adding practicality to the fleet management service, transparency to the total supply and control of fuel consumption and mileage run by fleet vehicles, in addition to the possibility for vehicle and conductor monitoring. The system in concern is an important tool for the greenhouse gas inventory project performed in the Climate Change and Carbon Sequestration Program.

FUEL CONSUMPTION

[GRI G4-EN3]; [ANEEL 3.6.1]

Fuel	2017		2016		2015	
	Liters	GJ	Liters	GJ	Liters	GJ
Gasoline	36,500.83	873.50	292,851.90	7,008.19	219,675.50	5,041.05
Diesel Oil	240,958.77	8,094.19	455,221.30	15,291.61	406,644.15	13,953.59
Ethanol	80,613.75	NA	158,615.30	NA	246,906.00	NA

GJ: Gigajoule

WASTE MANAGEMENT

[GRI G4-DMA; G4-EN25; G4-EN26; G4-EN27]

CESP defined a series of environmental practices at the production units with the preparation of procedures to reduce and dispose of waste.

The waste generated in the maintenances, including industrial and hazardous waste, are disposed of in accordance with the classification stipulated by the laws in force.

The industrial and hazardous waste are stored at warehouses in accordance with the provision in the specific law and submitted to specialized decontamination or incineration companies contracted to reuse, recycle or dispose of them in the proper landfill.

The use of recyclable towels to clean machinery, parts and equipment contributed to eliminate contaminated cloth and tow waste disposed of in landfills.

CESP also started to include the proper disposal of waste generated by its activities, inside the hydropower plant facilities in the technical specifications for contracting of service provision.

In 2017, CESP completed the disposal of 9.7 tons of PCB-contaminated transformers that were stocked at the warehouse of the Engenheiro Sergio Motta (Porto Primavera) and Paraibuna Plants, anticipating the terms set forth in State Law No. 12,288, of February 22, 2006, which estimates 2020 as the limit term. The use of PCB is prohibited in virtue of the harmful effects caused to the environment.

REDUCED CONSUMPTION OF CONTAMINATING SOLVENTS

By implementing the part wash tanks and biodegradable and non-toxic solvent purchase HL-80, the consumption of petroleum-derived solvents, such as thinner, gasoline and kerosene, was almost eliminated. The waste, after several uses, is mixed into contaminated oil and submitted to recycling companies.

ELIMINATION OF INDUSTRIAL DETERGENT CONSUMPTION

The industrial detergent named Solupan was replaced with DR10E biodegradable detergent. This detergent hardly ever generates waste, because drying washed parts and equipment off is necessary and such drying is made by using recyclable towels, whose waste is treated by the supplying company.

WASTE MANAGEMENT AT THE PARAIBUNA HYDROPOWER PLANT [GRI G4-EN27]

The Paraibuna Hydropower Plant generates organic waste, 97% arising from the grass pruning activity of the dam batters and green areas existing at the unit, and a fraction of 3% is comprised of bird and fish carcasses, bird manure, water plants, fruit and egg shells in virtue of a Wild Birds Conservation Center, Hydrology and Aquaculture Station and Seedling Production Center, installed at the Plant.

One sustainable alternative to dispose of this material is composting, a biologic decomposition process and organic waste recycling. With the adoption of composting, Paraibuna HPP began to produce a fertilizer of excellent quality; reduced the amount of waste generated; reduced the use of agricultural inputs, some of them arising from non-renewable raw material; promoting the energetic use of this waste and reducing environmental pollution. In this sense, guidelines targeting organic waste management, by using composting, have a close relationship with a mitigation strategy of environmental impacts caused as a result of its generation, becoming an important tool to promote sustainability.

In 2017, 2 tons of organic waste was forwarded to composting and produced 2.0 tons of organic compost which is used in the Seedling Production Center and in educational actions of the Environmental Education Program.

WATER RESOURCES

[GRI G4-DM9]

CESP is a hydropower generation company. In this type of plant, the electric energy is the product obtained from transforming potential hydraulic energy arising from the unevenness created by the river damming in mechanic energy, which drives the turbine and the generator, producing electric energy. All the water returns to its river course without any alteration in its physical-chemical characteristics. [GRI G4-DMA]

The management of water resources is made within the scope of the ANA and Hydrographic Basin Committees, which contribute to the reduction of conflicts of use, quality, reduction of risks and future adaptations to climate change.

SOCIAL AND ENVIRONMENTAL PROGRAMS

[GRI G4-EN27; G4-LA1; G4-EU22]

CESP develops programs aiming to mitigate impacts caused by the construction and operation of its enterprises, by promoting the environmental conservation of ecosystems in its entire direct and indirect influence area, in compliance with the requirements of environmental law in force, as well as the licensing environmental authorities. These activities encompass physical-biotic and social-economic environmental programs, reservoir monitoring and management programs, in addition to environmental technology research and development. [GRI G4-DMA]

ENVIRONMENTAL EDUCATION

CESP's Environmental Education Program is formed by a multidisciplinary team and its activities aim to spread knowledge, stimulating people to exercise full citizenship; contribute to the internalization of new values and behaviors, and search for answers to the increasingly bigger questions from society in relation to the changes in the environment caused by large enterprises. In a more general manner, it strives to obtain the adhesion and commitment inside and outside of the Company regarding the topic of environmental conservation.

In 2017, 38,114 people participated of the activities in environmental education. The details can be found in the Annex X: Environmental Education - Developed Activities [ANEEL 3.6]

SELECTIVE COLLECTION PROJECTS AT RESETTLEMENTS

[GRI G4-EN23]

CESP's Environmental Education work team created the Ecological Patrol at Santo Antônio do Rio do Peixe Resettlement, City of Caiuá (SP), in 2004, and implemented a Selective Collection Program for the trash produced by resettled families. Universidade Estadual Paulista (Unesp/Presidente Prudente) and CESP were part of this project by holding seminars, preparing didactic material, supplying vehicles for selective collection, promoting environmental education courses and monthly data surveys on collections.

The Ecological Patrol is formed by project beneficiaries in order to survey environmental problems, by electing the proper disposal of solid waste produced by the community as a priority.

In 2017, the program underwent a restructuring process, in search of local institutions with credibility and environmental certification for the correct destination of the waste collected. The activities will be resumed in 2018.

SELECTIVE COLLECTION WASTE*

[G4-EN23]; [ANEEL 3.6.1]

Type	Unit	Place				
		São Paulo **	Paraibuna	Jaguari	Presidente Epitácio	Porto Primavera
Recyclables	Kg	42,650	1,635		532	940
All types of batteries		60	28		3.5	85
Recyclable Cooking Oil	Total in Liters	50	35		6	40

* Recyclable waste, previously separated into 4 categories (paper, plastic, glass and metal), they are now separated into the "Recyclables" category. This is because the cooperatives that collect this waste do not require this classification, because there are sub-categories, so that the cooperatives have to redo the separation. Therefore, we opted for the unification of materials, which also facilitates the discarding of waste of the employees, promoting an improvement in the performance of selective collection.

** At the headquarters, in São Paulo, the administrative offices are situated in a condo area managed by another company (EMAE), so that the accounting of the waste is made jointly between the companies. For this reason the quantities generated in São Paulo are significantly higher than those of other units of CESP.

ECOTEAMS

CESP promotes actions of environmental education in its production units with its employees. Within this context, Ecoteam was created in all the units of the Company, multidisciplinary teams composed of representatives from all areas that act, in a coordinated and consistent manner, as multipliers of the 4R concept of sustainability among their colleagues, carrying out practical actions that aim to establish a more harmonious relationship between the daily activities and the environment, thus, aiming to inform and integrate all the employees as to their environmental responsibilities.

Currently, the company counts on 4 Ecoteams, one in each unit, which are: Ecoteam Primavera, Ecoteam Epitácio, Ecoteam Sede and Ecoteam Paraibuna/Jaguari. Together, they have 44 participants, who work in the dissemination of the 4R concept, betting on seeking and developing solutions that promote the Reduction of resource needs, especially non-renewable resources, Reuse, Recycling and Recovery of materials. The activity of those groups has been focused on the following subjects: campaigns to reduce energy and water consumption; waste management; sensitivity of the internal public for separation of recyclable materials; campaigns for the reduction of disposable material; campaigns to promote the 4R (reduce, reuse, recycle and rethink) concept; and establish Ecopoints

(points of collection of used vegetable oil, used shoes, can openers, and batteries of any kind, among other waste).

In an innovative way, the group performs various activities such as ecological competitions, training sessions, campaigns, and environmental audits, etc. Ecoteam also has a participatory action in the environmental management of the Company, providing changes in attitudes of the employees in their daily activities, contributing to the formation and consolidation of new environmental awareness.

Throughout the year, each Ecoteam holds periodic meetings and promotes several activities in order to involve all employees of the company in social and environmental actions, bring up relevant topics to the group and company, monitor the selective collection and hold environmental audits to verify its efficacy and perform campaigns for disposal of waste that usually do not have a proper final disposal, such as used shoes. These are disposed of to Recicalce, a non-profit institution headquartered in São José dos Campos, which performs pioneering work for the recycling of footwear. Those that can be used are revitalized and donated to the needy population and to charitable projects. With the non-recoverable shoes, the recycling of some of the components is made and the proper disposal of non-recyclable materials, environmental education on the environmental impact of the disposal of shoes after their use, and the proper social inclusion and professional qualification of disabled people and/or people in social vulnerability.

In 2017, the Paraibuna Ecoteam held an Ecological Trawler along the Paraíba do Sul River, in order to collect trash along the river banks; made technical visits to Instituição Recicalce, Parque Nascentes do Tietê (springs) and Museu de Energia (Museum of Energy) of Salesópolis; promoted ecological competitions for the collection of used shoes, Tetra Pak packaging, electronics, used kitchen sponges, vegetable oil, books and magazines, packaging of medication and expired medication, packages of toothpaste. All of the waste collected during the campaigns received an environmentally-appropriate disposal. With the books collected in the competition, the Ecoteam launched a mobile library in the Production Unit for all the employees, to foster reading habits and also to reuse books. In addition to periodic meetings, educational campaigns, the performance of selective collection and its audits, the Presidente Epitácio Ecoteam also promoted competitions in order to collect used vegetable oil, used shoes and aluminum can tabs to donate to a charity institution for the purchase of wheelchairs.

The Porto Primavera Ecoteam performed an Easter campaign for donation of chocolate for Casa Abrigo; it promoted the campaign "Livre-se das Buchas", which collected luffas for the company TerraCycle to process and recycle the material; and made a campaign to collect glasses frames to be donated to the Glasses Recycling program of Lyons Clube.

The headquarters' Ecoteam promoted campaigns to collect used shoes, spectacle frames and packages of toothpaste; it promoted a campaign for the donation of toys and food to entities working with children and teenagers; the headquarters' Ecoteam also organized a community library, available to the employees; a technical visit to a mechanized recycling plant; a lecture to employees about the destination of recyclable materials promoted by the cooperative Coopercaps; and finally, they promoted a lecture on poisonous animals with a researcher from the Butantan Institute, during the Internal Work-Related Accident Week - SIPAT.

To mark the Tree Day, commemorated on September 21, the Ecoteams attended the celebrations distributing seedlings of native species to the employees in all the units.

PROTECTED OR RESTORED

[GRI G4-EN11; G4-EN12; G4-EN13] [ANEEL 3.6.1]

REFORESTATION

[GRI G4-DMA]

36.00 hectares and 36.01 hectares were reforested, respectively, around the Engenheiro Sergio Mota (Porto Primavera) HPP reservoir and the Jaguari HPP reservoir Islands. The reforestation is part of the Flora Handling Program, whose purpose is to implement reforested strips around the reservoirs in order to serve as shelter, food and dispersion corridors for the fauna, favoring the vegetable regeneration and minimizing the erosive and silting processes.

The conservation of the native woods around the reservoirs and tributaries is essential to assure the water quality and eternity. In order to conserve and protect the water resources of the Jaguari HPP Reservoir, in compliance with the Company's Environment Policy, in 2015, the implementation of reforestation around the islands of that reservoir was proposed. This initiative of CESP integrates the Nascentes Program, which is the greatest initiative released by the government of the State of São Paulo in order to maintain and recover the riparian forests.

In order to develop this program, CESP has two Seedling Production Centers located at the Porto Primavera and Paraibuna Plants.

Over 150 native species of tree of the region are used for insertion at the reservoirs to be planted in the proper areas by CESP and third parties through the Forest Support Program, in compliance with the laws and requirements of the environmental agencies. In 2017, CESP invested R\$16,189 thousand in the Flora Handling Program, which includes Seedling Production Centers and reforestations.

PROTECTED OR RESTORED HABITATS - REFORESTED AREAS

[G4-EN11; EN12; EN13]; [ANEEL 3.6.1]

Owned area	amounts in hectares			
UHE	2017	2016	2015	Accumulated until 2017
Eng. Sergio Motta	36.00	430.00	380.00	4,603.59
Jaguari	36.01	40.80	132.19	209.00
Total	72.01	470.80	512.19	4,812.59

Forest Development				
UHE	2017	2016	2015	Accumulated until 2017
Eng. Sergio Motta	37.67	17.42	42.51	1,438.51
Paraibuna e Jaguari	7.54	5.38	60.65	923.07
Total	45.21	22.80	103.16	2,361.58

CONSERVATION UNITS

[GRI G4-DMA; G4-EN13; G4-EU13]; [ANEEL 3.6.1]

CESP has already implemented four conservation units in the States of São Paulo and Mato Grosso do Sul as offset for the conservation of Engenheiro Sergio Motta (Porto Primavera) Hydropower Plant.

They are three State Parks and one Private Natural Equity Reserve (RPPN). The Cisalpina –RPPN (Private Natural Equity Reserve), with area of 3,857.6995 ha, was officially created on June 8, 2016 by the publishing SEMADE Resolution No. 35, of June 6, 2016, in the Official Gazette in the State of Mato Grosso do Sul.

The implementation of a conservation unit involves feasibility activities in the applicable environmental authority, purchase of lands, environmental zoning, handling plan and construction of the entire infrastructure.

In 2017, the amount disbursed by CESP with the maintenance of the parks was R\$3,405 thousand.

CONSERVATION UNITS - Compensation by the Engenheiro Sergio Motta HPP

[GRI G4-EN13; G4-EU13]; [ANEEL 3.6.1]

Name	Area (ha)	Creation Decree
Parque Estadual das várzeas do rio Ivinhema - MS	73,345.15	9,278 of 12/17/1998
Parque Estadual do Aguapeí	9,043.97	43,268 of 07/02/1998
Parque Estadual do Rio do Peixe	7,720.00	47,095 of 09/18/2002
RPPN Cisalpina - MS - 1st Phase	3,857.69	SEMADE Resolution nº 35, of 06/06/2016
Total	93,966.81	

ACTIVE GERMPLASM BANK

[GRI G4-DMA; G4-EN12]

The purpose of the Handling Plan for the Active Germplasm Bank is to contribute to the ex-situ genetic conservation of tree species in the Western region of the State of São Paulo and Southern region in the State of Mato Grosso do Sul, by producing seedlings of good genetic and physiological quality. Species were collected at the flooding area of the Porto Primavera Plant reservoir, using them in the planting and restoration of the riparian forest of those regions.

This technique protects the species from genetic erosion (loss of alleles and, consequently, genetic diversity) in event of accelerated processes of environmental devastation and isolation of remaining forests with restriction or interruption to the gene flow of the populations.

CESP implemented the Active Germplasm Bank with species of trees from Broadleaf Forest (SP), Forest Savannah and Cerrado in two areas: left bank of the Paraná River, SP, 21.6 hectares - 32 species, and right bank of Paraná River, MS, 18 hectares - 33 species.

IMPACT MANAGEMENT IN BIODIVERSITY

[GRI G4-EN14; G4-EN26; G4-EN27]

FAUNA HANDLING

[GRI G4-DMA]

In the Fauna Handling Program, Wildlife Fauna Conservation Center (CCFS) at Ilha Solteira, has the purpose of developing conservation programs with the marsh deer, jaguar, maned wolf, giant anteater, black howler monkey, among other many species of reptiles, birds and mammals, as well as to promote environmental education activities for the population of the region on the local wildlife. CCFS constituted a constraint in the Operating Licenses of Engenheiro Souza Dias (Jupiá) and Ilha Solteira HPPs, which were rectified on behalf of the new concessionaire of the enterprises. In 2017, CESP maintained the activities of management and maintenance of CCFS, consistent with its commitment and environmental responsibility contained in its environment policy and in the licensing of the HPPs. CESP is still waiting for measures to be taken by the new concessionaires of the enterprises, for the transfer of the management registration from the center in the Department of Fauna, of the Secretariat of the Environment for the State of São Paulo and later assuming its commitments regarding the CCFS.

The purpose of the Wild Bird Conservation Center in Paraibuna is to study, produce and reintroduce endangered birds into influence areas of the Company's reservoirs.

ARCHIVES IN THE WILDLIFE CONSERVATION CENTERS

[G4-EN13]; [ANEEL 3.6.1]

Place	2017	2016	2015
Wildlife Center of Ilha Solteira - Zoo	85 mammals (20 species)	87 mammals (21 species)	75 mammals (20 species)
	77 reptiles (8 species)	80 reptiles (9 species)	80 reptiles (10 species)
	175 birds (26 species)	142 birds (24 species)	141 birds (26 species)
Wild Bird Center - Paraibuna	1048 birds (6 species)	493 birds (6 species)	719 birds (5 species)
	Release of 115 birds	Release of 260 birds	Release of 297 birds.
Total	1385	802	1015

CONSERVATION OF ICTHYOFAUNA AND FISHING HANDLING

[GRI G4-DMA; G4-EU13]

For the development of the Handling and Conservation of Ichthyofauna Program, CESP has Hydrobiology and Aquaculture Station of Paraibuna (EHA Paraibuna), and fish transposition structures at the Porto Primavera Plant (fish elevator and ladder).

EHA Paraibuna team has the purpose of producing young fish of endemic species for the repopulation of the reservoirs; develop induced reproduction techniques for endangered species; perform ichthyologic/ limnologic surveys at the reservoirs and its main tributaries and rescue the fish in the generation units of the plants located in the basin of the Paraíba do Sul River, when there are shutdowns for maintenance and cleaning. It is also important to note that CESP has an important role in the consolidation and implantation of the "National Action Plan for the Conservation of Aquatic Species Threatened in the Basin of the Paraíba do Sul River" coordinated by ICMBio, having actively participated in its elaboration, advising on its implantation and maintaining a live genebank with the main fish species threatened in the basin.

In the reservoir of the Porto Primavera Plant, located in the upper Paraná River, activities of repopulation are not carried out, however, the team maintained in the area, in addition to the ichthyologic/limnological surveys related to this reservoir and the rescue of fish in generating units of the plant, carries out the monitoring of fishing production, operates and monitors the functioning of the structures of transposition of fish and performs other specific surveys, such as the collection of fish eggs and larvae for the identification of potential spawning areas. The monitoring activities of the transpositions of fish and the identification of spawning areas are carried out with the support of UNIOESTE, generating scientific knowledge relevant to the conservation of the ichthyofauna of the basin and forming professionals specialized on the subject. The Conservation of Ichthyofauna and Fishing Handling Program is constituted of seven subprograms, which are described below:

PROGRAM

1. Limnologic Characterization and Surface Water Quality Monitoring

It aims to know the biological productivity of the reservoirs through the assessment of time and space variations of physical, chemical and biological characteristics of the water, supplying subsidies to the selection and implementation process of fishing handling techniques at the reservoirs. The parameters analyzed in the Fishing Handling Program, related to water quality and ichthyofauna at the reservoirs and tributaries of CESP enterprises do not disclose significant alterations. In 2016, a "Term of Technical Cooperation" was signed with CETESB, which expanded the monitoring system of the State of São Paulo, optimizing resources of both institutions, increasing the number of parameters assessed and ensuring greater quality of the analyses conducted jointly.

2. Monitoring of Ichthyofauna and Population Dynamics

Its purpose is to know the structure and dynamics of fish communities, reproductive biology, food dynamics and other variables of species for fishing and ecological interests, subsidizing the fishing arrangement at the reservoirs.

3. Fishing Production Survey

The purposes are: knowing the fishing production, monitoring the contribution of repopulations made, assessing the fishing efforts and capture per effort unit (CPUE) per reservoir. It also strives to involve the professional fishermen in environmental programs developed by CESP.

4. Characterization of Fish Reproduction Areas at Tributaries

It aims to identify, register and characterize the potential and effective areas of fish reproduction, with emphasis on piracema species, establishing protection, enrichment or restoration measures for the biogenic potential of those areas in order to favor the reproduction of ichthyofauna.

5. Operation of Fish Transposition Equipment (ladder and elevator) at Engenheiro Sergio Motta (Porto Primavera) Plant

Its purpose is to promote the transposition of migration species in event of piracema.

6. Fish Rescue

It strives to perform the rescue of fish in the preventive or corrective maintenance of generation units, making the continuity of reproductive migration activity possible, particularly during piracema.

7. Reservoir Repopulation

Its purpose is to promote the conservation of ichthyofauna and the maintenance of fishing activity.

YOUNG FISH REPOPULATION [ANEEL 3.6.1]

Paraíba do Sul River

Place	2017	2016	2015
Paraibuna	210,150	199,250	163,950
Jaguari	207,000	187,600	169,600
Total	417,150	386,850	333,550

MONITORING SYSTEMS

[GRI G4-EN12]

The purpose of the monitoring programs is to monitor and register the changes in the environmental conditions caused by the implementation of the enterprises, as well as evaluating the efficiency of the mitigation programs of physical-biotic and social-economic impacts.

MARGIN HILLSIDE STABILITY

It consists of the monitoring of areas considered as unstable or potentially unstable, defined at the project stage of the enterprise, assessing the degree of evolution of the processes responsible for destabilization of hillside of the reservoir formed by the dam implementation. The work was started in 1999 and is developed upstream and downstream of the Porto Primavera Plant dam.

Golden mussel

As reported in the Sustainability Reports of CESP in 2013, 2014 and 2015, after submission and approval of the Executive Plan and the consequent conclusion of the Civil Public Action of the Federal Prosecutors, the implantation phase of the Plan was incepted, scheduled for completion in 2017. Over these years, CESP has worked on the compliance with its commitments assumed in this document, as well as to develop educational activities, articulate in the sector to obtain the authorization and asset records for the control of the mussel within the hydroelectric plants and foster the development of studies related to the shellfish.

In this context, in 2017, the R&D project "Development of a System of Environmental Assessments and the Corrosiveness of Sources of Chlorine Used in the Prevention of the Incrustation of the Golden Mussel (*Limnoperna fortunei*) in the Cooling System of Turbines" was incepted. The project proposes to study the possible impacts of corrosion on the equipment of HPPs, as well as the eco-toxicological effects arising from the use of different chlorinated products to prevent the incrustation of the golden mussel in cooling systems of HPPs.

ANNEXES



I. ASSURANCE REPORT

[GRI G4-33]



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RELATÓRIO DE ASSEGURAÇÃO LIMITADA DO AUDITOR INDEPENDENTE

Aos
Diretores e demais partes interessadas da
CESP - Companhia Energética de São Paulo
São Paulo - SP

Introdução

Fomos contratados pela CESP - Companhia Energética de São Paulo ("Companhia" ou "CESP") para apresentar nosso relatório de asseguração limitada sobre as informações contidas no seu Balanço Social, relativas ao exercício findo em 31 de dezembro de 2017.

Responsabilidades da Administração da Companhia

A Administração da CESP é responsável pela elaboração e apresentação de maneira adequada das informações constantes no Balanço Social, de acordo com metodologias e controles internos que ela determinou como necessários para permitir a elaboração dessas informações livres de distorções relevantes, independentemente se causada por fraude ou erro.

Responsabilidade do auditor independente

Nossa responsabilidade é expressar conclusão sobre as informações constantes no Balanço Social da CESP, relativo ao exercício findo em 31 de dezembro de 2017, com base no trabalho de asseguração limitada conduzido de acordo com o Comunicado Técnico do Ibracon (CT) nº 07/2012, aprovado pelo Conselho Federal de Contabilidade (CFC) e elaborado tomando por base a NBC TO 3000 - Trabalhos de Asseguração Diferente de Auditoria e Revisão, emitida pelo CFC, que é equivalente à norma internacional ISAE 3000, emitida pela Federação Internacional de Contadores, aplicáveis às informações não históricas. Essas normas requerem o cumprimento de exigências éticas, incluindo requisitos de independência e que o trabalho seja executado com o objetivo de obter segurança limitada de que as informações constantes no Balanço Social da CESP, tomadas em conjunto, estejam livres de distorções relevantes.

Um trabalho de asseguração limitada conduzido de acordo com a NBC TO 3000 (ISAE 3000) consiste principalmente de indagações à Administração e outros profissionais da Companhia que estão envolvidos na elaboração das informações constantes no Balanço Social da CESP, assim como pela aplicação de procedimentos analíticos para obter evidência que nos possibilite concluir na forma de asseguração limitada sobre as informações do Balanço Social. Um trabalho de asseguração limitada requer, também, a execução de procedimentos adicionais, quando o auditor independente toma conhecimento de assuntos que o leve a acreditar que as informações constantes no Balanço Social da CESP, tomadas em conjunto, podem apresentar distorções relevantes.

Os procedimentos selecionados basearam-se na nossa compreensão dos aspectos relativos à compilação e apresentação das informações constantes no Balanço Social da CESP e de outras circunstâncias do trabalho e da nossa consideração sobre áreas onde distorções relevantes poderiam existir. Os procedimentos compreenderam:

- (a) O planejamento dos trabalhos, considerando a relevância, o volume de informações quantitativas e qualitativas e os sistemas operacionais e de controles internos que serviram de base para a elaboração das informações constantes no Balanço Social da CESP do exercício findo em 31 de dezembro de 2017;



- (b) O entendimento da metodologia de cálculos e dos procedimentos para a compilação dos indicadores por meio de entrevistas com os gestores responsáveis pela elaboração das informações;
- (c) A aplicação de procedimentos analíticos sobre as informações quantitativas e indagações sobre as informações qualitativas e sua correlação com os indicadores divulgados nas informações constantes no Balanço Social;
- (d) O confronto dos indicadores de natureza financeira com as demonstrações contábeis e/ou registros contábeis.

Os trabalhos de asseguuração limitada compreenderam, também, a aderência às diretrizes e critérios da estrutura de elaboração do Instituto Brasileiro de Análises Sociais e Econômicas (IBASE) aplicável na elaboração das informações constantes do Balanço Social da CESP.

Acreditamos que as evidências obtidas em nossos trabalhos são suficientes e apropriadas para fundamentar nossa conclusão na forma limitada.

Alcance e limitações

Os procedimentos aplicados no trabalho de asseguuração limitada são substancialmente menos extensos do que aqueles aplicados no trabalho de asseguuração que tem por objetivo emitir uma opinião sobre as informações constantes no Balanço Social da CESP. Consequentemente, não nos possibilitam obter segurança de que tomamos conhecimento de todos os assuntos que seriam identificados em trabalho de asseguuração que tem por objetivo emitir uma opinião. Caso tivéssemos executado um trabalho com objetivo de emitir uma opinião, poderíamos ter identificado outros assuntos e eventuais distorções que podem existir nas informações constantes no Balanço Social da CESP. Desta forma, não expressamos uma opinião sobre essas informações.

Os dados não financeiros estão sujeitos a mais limitações inerentes do que os dados financeiros, dada a natureza e a diversidade dos métodos utilizados para determinar, calcular ou estimar esses dados. Interpretações qualitativas de materialidade, relevância e precisão dos dados estão sujeitos a pressupostos individuais e a julgamentos.

Conclusão

Com base nos procedimentos realizados, descritos neste relatório, nada chegou ao nosso conhecimento que nos leve a acreditar que as informações constantes no Balanço Social, relativo ao exercício findo em 31 de dezembro de 2017, da CESP, não foram compiladas, em todos os aspectos relevantes, de acordo com as diretrizes definidas pelo Ibase, bem como nas metodologias e controles internos que suportam os registros e arquivos que serviram de base para a sua preparação.

São Paulo, 19 de março de 2018.



BDO RCS Auditores Independentes
CRC 2 SP 013846/O-1

Mauro de Almeida Ambrosio
Contador CRC 1 SP 199692/O-5

Viviane Alves Bauer
Contadora CRC 1 SP 253472/O-2

II. BALANCE SHEET – IBASE

[GRI G4-15]

Company: CESP - Companhia Energética de São Paulo

Company: CESP - Companhia Energética de São Paulo							R\$ thousand			
1 - Calculation Base		2017			2016			2015		
gross Operating Income (GOI)		1,476,615			1,668,590			2,950,982		
Gross Operating Income (GOI)		291,676			883,550			1,530,575		
Gross Payroll (GP)		164,822			181,474			208,621		
2 - Internal Social Indicators		amounts (thousar	% over GP	% over NR	amounts (thousar	% over GP	% over NR	amounts (thousar	% over GP	% over NR
Food		6,489	3.94%	0.44%	7,947	4.38%	0.48%	9,431	4.52%	0.32%
Compulsory social charges		25,175	15.27%	1.70%	31,910	17.58%	1.91%	43,281	20.75%	1.47%
Private Retirement Plan		9,385	5.69%	0.64%	6,554	3.61%	0.39%	8,351	4.00%	0.28%
Healthcare		9,717	5.90%	0.66%	12,717	7.01%	0.76%	10,531	5.05%	0.36%
Education		369	0.22%	0.02%	495	0.27%	0.03%	664	0.32%	0.02%
Qualification and profession development		423	0.26%	0.03%	639	0.35%	0.04%	695	0.33%	0.02%
Day cares or day care aid		65	0.04%	0.00%	54	0.03%	0.00%	32	0.02%	0.00%
Profit sharing program		6,268	3.80%	0.42%	5,345	2.95%	0.32%	7,107	3.41%	0.24%
Others		0	0.00%	0.00%	0	0.00%	0.00%	226	0.11%	0.01%
Total - Internal Social Indicators		57,891	35.12%	3.92%	65,661	36.18%	3.94%	73,211	35.09%	2.48%
3 - External Social Indicators		amounts (thousar	% over RO	% over NR	amounts (thousar	% over RO	% over NR	amounts (thousar	% over GP	% over NR
Education		1,339	0.46%	0.09%	1,913	0.22%	0.11%	2,959	0.19%	0.10%
Culture		3,067	1.05%	0.21%	2,910	0.33%	0.17%	6,400	0.42%	0.22%
Sport		70	0.02%	0.00%	418	0.05%	0.03%	1,074	0.07%	0.04%
Others		50,980	17.48%	3.45%	125,739	14.23%	7.54%	142,092	9.28%	4.82%
Total contributions to the society		55,456	19.01%	3.76%	130,980	14.82%	7.85%	152,525	9.97%	5.17%
Taxes (excluding social charges)		140,701	48.24%	9.53%	205,032	23.21%	12.29%	525,078	34.31%	17.79%
Total - External Society Indicators		196,157	67.25%	13.28%	336,012	38.03%	20.14%	677,603	44.27%	22.96%
Environmental Indicators		amounts (thousar	% over RO	% over NR	amounts (thousar	% over RO	% over NR	amounts (thousar	% over GP	% over NR
Investments related to the company's production/operation		22,093	7.57%	1.50%	15,057	1.70%	0.90%	29,554	1.93%	1.00%
Investments on external programs and/or projects		6,310	2.16%	0.43%	3,278	0.37%	0.20%	6,462	0.42%	0.22%
Total investments on the environment		28,403	9.74%	1.92%	18,335	2.08%	1.10%	36,016	2.35%	1.22%
5 - Workforce Indicators		2017			2016			2015		
No. of employees at the end of the period		464			568			802		
No. of admissions during the period		3			9			23		
No. of interns		0			0			13		
No. of employees over 45 years of age		376			461			640		
No. of women working at the company		81			103			131		
% of management offices taken by women		0.43%			5.77%			6.67%		
No. of black people working at the company		108			127			179		
% of management offices taken by black people		0.22%			1.92%			1.75%		
No. of disabled people or people with special needs		5			9			11		
6 - Relevant information as for the exercise of corporate civic consciousness		2017			2016			2015		
Ratio between the highest and lowest compensation at the company		0			21.27			21.05		
Total number of work-related accidents		7			13			15		
Social and environmental projects developed by the company were defined by:		() executive office	(X) executive office and management	() all employees	() executive office	(X) executive office and management	() all employees	() executive office	(X) executive office and management	() all employees
The safety and health standards at the work environment were defined by:		() executive office and management	() all employees	(X) all + Cipa	() executive office and management	() all employees	(X) all + Cipa	() executive office and management	() all employees	(X) all + Cipa
As for the union freedom, right of collective bargaining and internal representation of workers, the company:		() has no involvement	() follows ILO standards	(X) supports and follows ILO	() has no involvement	() follows ILO standards	(X) supports and follows ILO	() will have no involvement	() will follow ILO standards	(X) will support and follow ILO
The private retirement plan encompasses:		() executive office	() executive office and management	(X) all employees	() executive office	() executive office and management	(X) all employees	() executive office	() executive office and management	(X) all employees
The profit sharing encompasses:		() executive office	() executive office and management	(X) all employees	() executive office	() executive office and management	(X) all employees	() executive office	() executive office and management	(X) all employees
When selecting the suppliers, the same ethical and social environmental responsibility of standards adhered to by the company:		() are not taken into consideration	() are suggested	(X) are required	() are not taken into consideration	() are suggested	(X) are required	() will not taken into consideration	() will be suggested	(X) will be required
As for the participation of employees in volunteer work programs, the company:		() has no involvement	() supports	(X) organizes and supports	() has no involvement	() supports	(X) organizes and supports	() will have no involvement	() will support	(X) will organize and support
Total added value to distribute (in thousand R\$):		In 2017: 307.079			In 2016: 1.035.023			In 2015: 1.156.532		
Distribution of Added Value (AVS):		54.0% government 37.5% employees 54.9% shareholders 63.4% third parties 0% withheld			22.9% government 14.0% employees 34.1% shareholders 29.0% third parties 0% withheld			49% government 14% employees -5% shareholders 42% third parties 0% withheld		
7 - Other information		The distribution of added value does not encompass the income adjustment and consequent review of result to be distributed to the shareholders.								

III. ADDED VALUE STATEMENT (AVS)

[GRI G4-EC1]; [ANEEL 3.4.1]

			<i>R\$ thousand</i>	
ADDED VALUE GENERATION	2017	Var %	2016	2015
Operating revenues	1,749,960	-14.8%	2,052,781	3,526,130
Provision for estimated credit loss	2,558	-119.1%	(13,379)	(5,321)
	1,752,518	-14.1%	2,039,402	3,520,809
Minus: Inputs				
ONS/CEE Charge	944	-59.8%	2,350	2,918
Energy purchased and credit charges	833,837	-	421,020	892,200
Third party services	58,573	-22.8%	75,875	100,641
Materials	3,982	-39.9%	6,624	11,293
Other operating costs	25,445	127.9%	11,165	20,200
	922,781	78.5%	517,034	1,027,252
GROSS ADDED VALUE	829,737	-45.5%	1,522,368	2,493,557
Withholdings				
Depreciation	311,003	2.5%	303,545	460,380
NET ADDED VALUE GENERATED	518,734	-57.4%	1,218,823	2,033,177
TRANSFERS				
Financial revenue	184,439	-56.4%	422,934	165,008
Net foreign currency variations	(57,160)	-46.1%	(105,975)	(310,483)
Private retirement plan entity for employees - CPC 33/IAS 19	(4,254)	-45.4%	(7,786)	(8,938)
Deferred income tax and social contribution	13,504	-113.8%	(97,940)	134,745
	136,529	-35.4%	211,233	(19,668)
OTHER				
Provision for legal risks	(362,731)	29.3%	(280,531)	(224,376)
Provision for impairment of warehouses	(3,778)	-	(16,487)	-
Other net expenses/revenues	(27,424)	-69.3%	(89,354)	(632,601)
	(393,933)	2.0%	(386,372)	(856,977)
ADDED VALUE TO DISTRIBUTE	261,330	-75.0%	1,043,684	1,156,532
DISTRIBUION OF ADDED VALUE				
Personnel				
Work compensation (does not include INSS)	113,099	-20.9%	142,997	156,949
Compensation of the managers	2,033	-29.1%	2,867	2,846
	115,132	-21.1%	145,864	159,795
Lenders and rents:				
Interests and debt charges	75,280	0.9%	74,595	153,114
Monetary variations	1,155	-95.3%	24,677	60,104
Rents	3,175	-42.3%	5,503	7,068
	79,610	-24.0%	104,775	220,286
Intersector - Regulatory charges:				
Financial offset for the use of water resources	47,881	-61.5%	124,510	138,509
Global Reversal Reserve - RGR	47,573	6.8%	44,543	84,783
Research and Development - R&D	14,738	-11.4%	16,625	29,434
Inspection Fee - ANEEL/other charges	4,797	-56.0%	10,890	16,724
	114,989	-41.5%	196,568	269,450
Taxes and social contributions:				
Federal	165,707	-30.0%	236,758	568,064
INSS	25,175	-21.1%	31,910	43,281
COFINS	129,971	-15.6%	154,004	250,930
PIS	28,217	-15.6%	33,435	54,474
(-) COFINS/PIS Charges w/o charges for the transmission system	(17,656)	-29.5%	(25,031)	(67,531)
Income tax	-	-100.0%	28,864	206,325
Social Contribution	-	-100.0%	13,576	80,585
Municipal	169	-8.2%	184	294
ISS	169	-8.2%	184	294
	165,876	-30.0%	236,942	568,358
Shareholders:				
Net income / (loss) for the year	(214,277)	-159.6%	359,535	(61,357)
TOTAL	261,330	-75.0%	1,043,684	1,156,532

GRI / ANEEL SUPPLEMENTS

IV. INTERNAL SOCIAL INDICATORS

[GRI G4-EC1; G4-EC3; G4-EC5; G4-LA2; G4-LA6; G4-LA9; G4-LA12]; [ANEEL 3.5.1]

Employment/Employability/Managers

a) General Information	2017	2016	2015
Total number of employees	464	568	802
Number of third parties (third parties, subcontractors, self-employed) per type of employment, employment agreement and region	ND	ND	ND
Employees under 30 years of age (%)	0.65%	1.06%	3.74%
Employees between 31 and 40 years of age (%)	9.48%	8.10%	10.85%
Employees between 41 and 50 years of age (%)	26.94%	25.88%	31.67%
Employees over 50 years of age (%)	62.93%	64.96%	53.62%
Women in relation to all employees (%)	17.46%	18.13%	14.34%
Women in managerial positions – in relation to all managerial positions (%)	5.88%	8.11%	7.32%
Black female employees – in relation to all employees (%)	3.02%	3.35%	2.74%
Black male employees – in relation to all employees (%)	20.26%	19.01%	19.45%
Black employees in managerial positions – in relation to all managerial positions employees (%)	2.94%	2.70%	2.44%
Interns in relation to all employees (%)	0.00	0.00	1.62
Employees from apprentice hiring program (%)	0.00	3.35	3.00
Disable employees	4.09	9	11
b) Compensation, benefits and career (R\$ thousand)	2017	2016	2015
Compensation			
Gross payroll	91,987	109,659	123,230
Compulsory social charges	35,059	48,774	43,281
Benefits			
Education	74	131	664
Food	5,957	7,611	9,431
Transport	69	83	82
Healthcare	11,269	13,349	10,531
Foundation (PSAP)	3,827	6,630	8,351
Occupational safety and medicine	ND	ND	ND
Culture	0	0	0
Professional qualification and development	250	545	695
Day cares or day care aid	64	56	32
c) Profit sharing	2017	2016	2015
Total investment in the company's profit sharing program (R\$ thousand)	4,481	4,714	7,462
Distributed amounts in relation to gross payroll (%)	4.87%	4.30%	6.06%
Company's shares held by the employees (%)		ND	
Division of the highest compensation by the lowest compensation in cash paid by the company (including profit sharing and bonus)	21.82	21.27	21.05
Division of the lowest compensation at the company by the minimum wage in force (including profit sharing and bonus program)	2.35	2.44	2.46
d) Compensation profile	2017	2016	2015
Categories (average wage in the current year) – R\$			
Officers	23,146	22,534	21,890
Managers	21,520	19,841	17,493
University level	10,970	10,509	9,355
Technician	5,026	4,608	4,192
Administrative	5,472	5,147	4,472
Operational	3,486	3,204	2,718
e) Occupational health and safety	2017	2016	2015
Average overtime per employee	ND	ND	ND
Total index for frequency rate (TF) of the company in the period, for employees	2.78	0.65	1.61
Index for severity rate (TG) in the period, for employees	19	10	ND
Total index for frequency rate (TF) of the company in the period, for third parties / contractors	ND	ND	ND
Index for severity rate (TG) in the period, for third parties / contractors	ND	ND	ND
Index for frequency rate (TF) of the company in the period, for workforce (own + third parties)	ND	ND	ND
Index for severity rate (TG) of the company in the period, for workforce (own + third parties)	ND	ND	ND
Death - own employees	0	0	0
Death - third parties	0	0	1

Label: NA > Not applicable; ND > Not available

Internal Social Indicators - Employment / Employability / Managers

f) Professional development	2017	2016	2015
Education profile – percentage in relation to all employees (%)			
Elementary school	9.91%	11.80%	9.60%
High school	34.91%	36.09%	43.77%
Technical school			
Undergraduate course	51.08%	48.24%	43.77%
Graduate course (specialization, master's degree, doctorate)	4.09%	3.87%	3.12%
Amount invested in professional qualification and education	250.33	545.00	695.44
Average training hours per year per employee, described per functional category	17.50	16.19	18.12
g) Behavior vs. dismissals	2017	2016	2015
Turnover rate	107	246	142
Labor claims			
Amount provided in the period (R\$ thousand)	271,618	240,790	379,734
Number of labor claims filed against the company in the period	277	302	398
Number of labor claims granted in the period	144	193	125
Number of labor claims denied in the period	124	138	83
Total amounts of indemnities and penalties paid by court decision in the period (R\$ thousand)	221,483	86,790	73,000
Investments in supplementary retirement plan (R\$ thousand)	3,827	6,630	7,052
Number of beneficiaries by the supplementary retirement plan program	441	537	799
Label: NA > Not applicable; ND > Not available			

QUANTITY OF EMPLOYEES PER AGE GROUP AND FUNCTIONAL CATEGORY

[GRI G4-LA12]

Functional Category	Under 18 years of age		From 18 to 35 years of age		From 36 to 60 years of age		Over 60 years of age		Total
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	
Officers	-	-	-	-	1	-	-	-	1
Managers	-	-	1	-	27	2	4	-	34
University Level	-	-	8	6	126	33	16	2	191
Technician	-	-	6	-	81	-	9	-	96
Administrative	-	-	4	-	52	31	9	7	103
Operational	-	-	1	-	27	-	11	-	39
Total CESP	-	-	20	6	314	66	49	9	464
Statutory Officers	-	-	-	-	-	-	3	-	3
Directors - Management	-	-	-	-	3	-	7	-	10
Members of the Fiscal Council	-	-	-	1	-	1	3	-	5
Interns	-	-	-	-	-	-	-	-	-
Apprentices	6	6	1	6	-	-	-	-	19
Total	6	6	21	13	317	67	62	9	501

QUANTITY OF EMPLOYEES PER EDUCATIONAL DEGREE, LOCATION AND GENDER

[GRI G4-LA12]

Educational degree	Capital			Countryside			Total		
	Man	Women	Total	Man	Women	Total	Man	Women	Total
Graduate Course	16	1	17	2	-	2	18	1	19
Undergraduate Course	146	47	193	43	1	44	189	48	237
Technical/high school	55	20	75	83	4	87	138	24	162
Elementary School	25	6	31	13	2	15	38	8	46
Illiterate	-	-	0	-	-	0	0	0	0
Total	242	74	316	141	7	148	383	81	464

QUANTITY OF EMPLOYEES PER RACE, FUNCTIONAL CATEGORY AND GENDER

[GRI G4-LA12]

Functional Category	Caucasian		Black		Mixed Race		Yellow		Indigenous		Not declared		Total		General
	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	Man	Woman	
Officers	1	-	-	-	-	-	-	-	-	-	-	-	1	0	1
Managers	28	2	-	-	1	-	1	-	-	-	2	-	32	2	34
University Level	109	34	5	-	18	4	7	-	-	-	11	3	150	41	191
Technician	69	-	3	-	21	-	1	-	-	-	2	-	96	0	96
Administrative	36	23	4	-	20	10	3	2	-	-	2	3	65	38	103
Operational	15	-	4	-	18	-	1	-	-	-	1	-	39	0	39
Total CESP	258	59	16	0	78	14	13	2	0	0	18	6	383	81	464
Statutory Officers	-	-	-	-	-	-	-	-	-	-	3	-	3	0	3
Directors - Management	-	-	-	-	-	-	-	-	-	-	10	-	10	0	10
Members of the Fiscal	-	-	-	-	-	-	-	-	-	-	3	2	3	2	5
Interns	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Apprentices	3	4	1	2	3	6	0	0	0	0	0	0	7	12	19
Total	261	63	17	2	81	20	13	2	0	0	34	8	406	95	501

NUMBER AND RATES OF NEW HIRINGS OF EMPLOYEES AND EMPLOYEE TURNOVER PER AGE GROUP, GENDER AND REGION

[GRI G4-LA1]

	Employees	Admitted	Dismissed	Turnover
Per Gender				
Male	383	1	83	11.0%
Female	81	2	24	16.0%
Per age				
Up to 30 years of	3	0	0	0.0%
From 30 to 40 years	44	1	0	1.1%
From 41 to 50 years	125	0	1	0.4%
Over 50 years of age	292	2	106	18.5%
Per region				
Southeast	464	3	107	11.9%

VARIATION OF RATIO BETWEEN THE LOWEST WAGE AND THE MINIMUM WAGE [GRI G4-EC5]

	2017		2016		2015	
	Men	Women	Men	Women	Men	Women
Lowest wage (R\$)	2,030.60	2,130.70	1,960.00	2,056.60	2,887.70	1,869.90
Federal minimum wage (R\$)	954.00	954.00	880.00	880.00	788.00	788.00
Variation	112.85%	123.34%	122.73%	133.70%	266.46%	137.30%
State minimum wage / SP (R\$)	1,108.38	1,108.38	1,000.00	1,000.00	905.00	905.00
Variation	83.20%	92.24%	96.00%	105.66%	219.08%	106.62%

PERCENTAGE OF EMPLOYEES RECEIVING PERFORMANCE AND CAREER PERFORMANCE ANALYSIS, DIVIDED BY GENDER AND FUNCTIONAL CATEGORY

[GRI G4-LA11]

Functional Category	Wage progression		Career promotion		Bonus	
	Man	Woman	Man	Woman	Man	Woman
Officers / Managers	21	0	1	0	5	1
University Level	62	16	33	11	7	2
Technician	48	0	13	0	4	0
Administrative	32	14	6	5	4	6
Operational	14	0	1	0	5	0
Total	177	30	54	16	25	9

INJURY, OCCUPATIONAL DISEASE, LOST TIME, ABSENCE AND DEATH RATES RELATED TO THE WORK, DIVIDED PER REGION AND GENDER

[GRI G4-LA6; EU25]

Topic		2017									2016	2015
		Capital			Countryside			Total				
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total		
Accidents resulting into the death of employees and/or service providers	qty	-	-	-	-	-	-	-	-	-	-	-
Rate of LTIs (include deaths)	index	-	-	-	-	-	-	-	-	-	3	-
Rate of occupational diseases - TOD	index	-	-	-	-	-	-	-	-	-	-	-
Rate of absences - TA	index	1.66	3.50	2.09	3.12	4.59	3.19	2.20	3.60	2.44	3.25	2.40
Rates of days on hitch - TDD	index	-	-	-	0.02	-	0.02	0.01	-	0.01	0.06	0.03
Quantity of days on hitch	qty	-	-	-	8	-	8	8	-	8	87	62

V. TOTAL COMPENSATION OF THE BOARD OF DIRECTORS, STATUTORY BOARD OF EXECUTIVE OFFICERS AND FISCAL COUNCIL

[GRI G4-51; G4-52] [ANEEL 3.3]

Managers	2017				2016				2015			
	BD	SSEO	FC	TOTAL	BD	SSEO	FC	TOTAL	BD	SSEO	FC	TOTAL
No. of members	10.25	4.00	5.00	19.25	12.17	4.00	5.00	21.17	12.92	4.00	4.83	21.75
Annual fixed compensation (R\$ thousand)												
Wage or compensation	759,771	1,512,236	247,080	2,519,087	901,842	1,295,205	247,080	2,444,127	957,435	1,267,836	238,844	2,464,115
Direct and indirect benefits		262,374		262,374	-	239,129	-	239,129	-	332,714	-	332,714
Interests in committees				-				-	-	-	-	-
Other (contribution to employer's INSS)	164,617	460,682	49,416	674,715	175,015	399,431	72,374	646,820	207,444	442,386	51,750	701,580
Variable compensation (R\$ thousand)												
Bonus		370,620		370,620	-	396,412	-	396,412	-	312,009	-	312,009
Profit sharing		24,516		24,516	-	16,385	-	16,385	-	8,264	-	8,264
Attendance at meetings				-	-	-	-	-	-	-	-	-
Commissions				-	-	-	-	-	-	-	-	-
Others (Annual Bonus)	63,314	87,387	13,727	164,428	67,432	106,836	6,863	181,131	79,786	102,574	19,904	202,264

BD – Board of Directors; SSEO – Statutory Board of Executive Officers; FC – Fiscal Council.

VI. RESPONSIBILITY WITH INTERESTED PARTIES

[GRI G4-DMA; G4-24; G4-26] [ANEEL 3.2.3]

Interested parties	Details	Communication channels
Shareholders and investors	Control Group: Treasury of the State of São Paulo; Companhia Paulista de Parcerias.	Institutional website Investor Relations Portal Release of Results
	Free Float: Squadra Investimentos; Eletrobrás; HSBC Bank PLC London; Morgan Stanley; BNY Mellon; Western Asset DTVM; UBS AG London Branch; Pessoas Físicas	Quarterly financial information Annual Social and Environmental Responsibility and Economic-Financial Report Reference Form
Customers	45 distribution companies, 4 commercialization companies and 6 free consumers.	Formal meetings Institutional website Annual Social and Environmental Responsibility and Economic-Financial Report
Suppliers	The Company keeps a supplier's registry divided per Market segment. The requirements for registration meet the limits defined in the Biddings Law No. 8,666/93 and Auction Law No. 10,520/02.	Formal meetings Institutional website Online trading Annual Social and Environmental Responsibility and Economic-Financial Report
Employees, collaborators, interns, partners	In late 2017, CESP had 464 employees and 19 apprentices. Out of the headcount, 5 are people with some disability or special needs.	Intranet Institutional website Clic CESP Internal campaigns Jornal Mural
Agencies and public programs	CESP collaborated with the discussions to prepare the public policies promoted by the Ministry of Mines and Energy, ANEEL and CCEE. It also acts together with entities, such as Brazilian Association of Independent Power Producers (APINE) and Brazilian Association Electrical Power Distribution Companies Association (ABRAGE) and Brazilian Association of Electrical Power Companies (ABCE), in order to enhance the sector laws and regulations, by means of researches, surveys and discussions among its members.	Formal meetings Conferences Institutional website Quarterly financial information Informative Flow Bulletin TELECHEIA : (18) 3284-9946 CESP website in TELECHEIA icon.
Social and environmental organizations, and communities	BM&FBOVESPA; GVCes of FGV; ABRAGE; ABRASCA; APINE; Fundação COGE; IBDE; PNUMA; CME; ABRAGET; ABRACE; ABRATE; ABRADEE; BRACIER; CIGRÉ Brasil; CBDB; CREA-SP; CREA-MS; ACEEL; COGEN; IBAPE; ABCE; ABSOLAR; IBEF; ABRACONEE.	Institutional website Annual Social and Environmental Responsibility and Economic-Financial Report Informative Flow Bulletin TELECHEIA : (18) 3284-9946 Contact us: e-mail: inform@cesp.com.br Citizen Information Service (SIC): access via www.sic.sp.gov.br Flood Management Committee. email: comitedegestaodecheias@cesp.com.br

VII. ECONOMIC-FINANCIAL INDICATORS - AVS DETAILS

[ANEEL 3.4.1]

Economic Financial Indicators - AVS Details

		<i>R\$ thousand</i>		
ADDED VALUE STATEMENT		2017	2016	2015
1	REVENUES	1,749,243	2,039,402	3,512,037
1.1	Sales of goods, products and services	1,746,685	2,052,781	3,517,358
1.2	Other revenues	-	-	-
1.3	Revenues related to constructions of own assets	-	-	-
1.4	Provision for net doubtful accounts – Reversal / (Constitution)	2,558	(13,379)	(5,321)
2	INPUTS PURCHASED FROM THIRD PARTIES (including tax amounts – ICMS, IPI, PIS and Cofins)	922,782	517,034	1,242,856
2.1	Costs of sold products, goods and services	833,837	421,020	892,200
2.2	Materials, energy and services from third parties and other	248,760	(204,840)	126,280
2.3	Loss/Recovery of assets	(163,593)	284,367	224,376
2.4	Other (Provision for impairment of warehouses)	3,778	16,487	-
3	GROSS ADDED VALUE (1-2)	826,461	1,522,368	2,269,181
4	DEPRECIATION, AMORTIZATION AND DEPLETION	346,991	348,037	460,380
5	NET ADDED VALUE PRODUCED BY THE ENTITY (3-4)	479,470	1,174,331	1,808,801
6	ADDED VALUE RECEIVED FROM TRANSFER	(172,391)	(139,308)	(652,269)
6.1	Equity equivalence income	-	-	-
6.2	Financial revenue	184,439	422,934	165,008
6.3	Others	(356,830)	(562,242)	(817,277)
7	TOTAL ADDED VALUE TO DISTRIBUTE (5+6)	307,079	1,035,023	1,156,532
8	DISTRIBUTION OF ADDED VALUE	307,079	1,035,023	1,156,532
8.1	Personnel	135,075	145,864	159,795
8.1.1	Direct compensation	108,961	114,984	108,163
8.1.2	Benefits	19,101	19,271	8,351
8.1.3	F.G.T.S	7,013	11,609	43,281
8.2	Taxes, fees and contributions	165,573	236,942	568,358
8.2.1	Federal	165,405	236,758	568,064
8.2.2	State	-	-	-
8.2.3	Municipal	168	184	294
8.3	Capital compensation from third parties	195,991	301,343	489,736
8.3.1	Interests	76,436	99,272	213,218
8.3.2	Rents	4,566	5,503	7,068
8.3.3	Others	114,989	196,568	269,450
8.4	Own Capital Compensation	(189,560)	350,874	(61,357)
8.4.1	Interests on Shareholders' Equity	-	-	-
8.4.2	Dividends	-	-	-
8.4.3	Retained earnings / loss in the year	(189,560)	350,874	(61,357)

VIII. OPERATING AND PRODUCTIVITY PERFORMANCE INDICATORS

[ANEEL 3.2.4]

Operating and Productivity Indicators			
Technical Data (inputs, throughput, sales, losses)	2017	2016	2015
Number of Consumers Served - Captive	NA	NA	NA
Number of Consumers Served - Free	5	4	6
Number of Locations Served (cities)	NA	NA	NA
Number of Own Employees	464	568	802
Number of Third Party Employees	ND	ND	ND
Number of Commercial Offices	NA	NA	NA
Generated Energy (GWh)	9,473.9	19,700.6	24,067.4
Purchased Energy (GWh)			
1) Itaipu	NA	NA	NA
2) Auction (including auction of Federal generation on companies - year)	396,085.0	NA	1,515.3
3) Utility's Supply	NA	NA	NA
Global Electric Losses (GWs)			
Electric Losses - Total (%) over energy requirement	NA	NA	NA
Technical Losses - Total (%) over energy requirement	NA	NA	NA
Non-technical Losses - Total (%) over energy requirement	NA	NA	NA
Sold Energy (GWh)	9,270.3	9,063.6	20,900.9
Residential	NA	NA	NA
Industrial	NA	NA	NA
Commercial	NA	NA	NA
Rural	NA	NA	NA
Government	NA	NA	NA
Public Lighting	NA	NA	NA
Public Service	NA	NA	NA
Substations (in units)			
Installed Capacity (MW)	1,057	1,655	4152*
Transmission Lines (in km)	NA	NA	NA
Distribution Grid (in km)	NA	NA	NA
Distribution Transformers (in units)	NA	NA	NA
Sale of energy per installed capacity (GWh/MVA * No. hours/year)	0.1	0.2	4.5
Energy Sold per Employee (GWh)	19.98	15.96	26.06
Number of consumers/Employee	NA	NA	NA
Added Value / GWh Sold	109.02	111.51	55.69
Overall System Average Interruption Duration Index "SAIDI" of the company - Assessed value	NA	NA	NA
Overall System Average Interruption Duration Index "SAIDI" of the company - Threshold	NA	NA	NA
Overall System Average Interruption Frequency Index "SAIFI" of the company - Assessed value	NA	NA	NA
Overall System Average Interruption Frequency Index "SAIFI" of the company - Threshold	NA	NA	NA
Label: NA > Not applicable; ND > Not available			
<i>* Taking into consideration the installed capacity of Ilha Solteira and Jupia Plants until July 7, 2015</i>			

IX. MAIN EFFECTS CAUSED BY EACH OF THE RESERVOIRS AND SOCIAL AND ENVIRONMENTAL PROGRAMS UNDER DEVELOPMENT

[GRI G4-2; G4-EN12]- [ANEEL 3.6.1]

UHEs Jaguari and Paraibuna (Commissioning of HPP Jaguari: 1972 and HPP Paraibuna: 1978)

Effect	Socio-environmental program
Impact caused to forest communities	Reforestation
Impact caused to aquatic life and modifications to fishing activity and current fishing equipment.	Fishing Management
Impact caused to fauna	Conservation of Bird fauna
All impacts caused by the entrepreneurship on physical, biotic and socio-economic environments.	Environmental Education

UHE Eng. Sergio Motta (Entrada em Operação 1999)

Effect	Socio-environmental program
Impact caused to forest communities	Flora Research and Management
Impact caused to wild fauna, large cats and marsh deer	Fauna Research and Management
Impact on significant portions of ecosystems of the region, notably the Paraná river banks, causing reduction of species, including some under threat of extinction.	Implementation of Preservation Units
All impacts caused by the entrepreneurship on physical, biotic and socio-economic environments.	Environmental Education
Impact on areas affected by instability processes, or potentially unstable.	Monitoring of stability of river banks
Impact caused to aquatic life and modifications to fishing activity and current fishing equipment.	Fishing Management
Impact over population residing on areas needed for implementation of the entrepreneurship, regarding loss of equity and economic activity performed at the time.	Reallocation of affected population and monitoring until resettlements emancipation

X. ENVIRONMENTAL EDUCATION (*) - ACTIVITIES DEVELOPED IN 2017

[ANEEL 3.6.1]

Activity	2017	2016	2015
Qualification Program for Reassentados and Communities Affected	24	154	79
Environmental Education Programs:	38,050	36,653	44,557
Fores Farmers	490	112	127
Art is life**	40	-	-
Qualification for Teachers (Pedagogical Workshops)	211	51	493
Environmental Qualification for External Audience	545	1,004	2,702
Reaping the Benefits	1008	457	-
Composta Já	103	186	-
Learning about CESP**	66	-	-
Ecoteam	44	90	92
Environmental monitor	108	51	-
Solid Residues**	131	-	-
Surubim do Paraíba	153	127	-
Guided Visits to CCFS of Ilha Solteira	825	1,444	1,223
Visits to CCFS of Ilha Solteira	29,536	32,653	33,340
Nature Experiences	47	228	608
Clown Theater: Water and Citizenship	4,743	250	5,972
Regional Memory Programme:	40	0	381
Visits to Regional Memory Museum of Rosana	40	-	381
Other activities carried out previously, which were incorporated to those listed above after the restructuring of the program	-	1,956	2,935
TOTAL	38,114	38,763	47,952

(*) The Environmental Education Program has been restructured to unify diverse projects with similar themes into a single project with greater scope and definition of banner projects tied to conservation programs developed by the company. The Forest Farmers Project addresses topics related to the Program for the Conservation of Fauna and includes practical activities such as the educational release of birds reproduced in the Centro de Conservação de Aves Silvestres de Paraibuna (Center of Conservation of Wild Birds of Paraibuna). The Project Reaping the Benefits addresses issues related to the Program for the Conservation of Flora, such as reforestation, riparian forest, Forestry Incentive Program, encompassing activities like planting seedlings produced in nurseries for seedling production. The Project Surubim do Paraíba lists topics related to the Fishing Management Program, monitoring and quality of water, and releasing of fish, among other activities. The Project Conhecendo a CESP (Learning about CESP) aims to integrate and promote the participation of the local community and family members of employees to learn about the Company and the environmental studies that are carried out.

(**) New projects, started in 2017

N.B.: Health in the Field and Pension Education programs are in the phase of restructuring.

XI. ENVIRONMENTAL INDICATORS [ANEEL 3.6.1]

Recovery of degraded areas	units	2017	2016	2015
Implementation of Reforestation on owned areas	ha	72.01	476.34	556.5
Recovery of loaned areas	ha	0	-	5.07
Implementation of forest development on third party areas	ha	45.21	22.8	106.31
Number of forest species sprouts produced	n°	372,232	1,100,000	1,673,469
Waste Treatment and Generation		2017	2016	2015
Emission				
Annual volume of greenhouse effect gases (CO2 and SF6) emitted in the atmosphere (in equivalent tons of CO2)		1,903	1,860	878
Annual volume of greenhouse effect gases (CO2, CH4 and N2O) emitted in the atmosphere (in equivalent tonnes of CO2)		31	135	299
Annual volume of ozone layer damaging gases (in equivalent CFC tonnes)		38	ND	ND
Effluents				
Total disposal of water, per quality and disposal		ND	ND	ND
Solid Waste				
Annual Quantity (in tonnes) of solid waste generated (trash, waste, debris, etc.)		ND	ND	ND
Amount of waste contaminated by PCB (Ascarel) destined		ND	ND	ND
Use of resources in the production and management processes of the organization		2017	2016	2015
Total energy consumption per source:				
Energy consumption per kWh produced (sold)		ND	ND	0.000147
Direct energy consumption detailed by primary energy source, in GJ				
-diesel		240,959	15,291	13,954
-gasoline		36,501	7,008	5,041
-ethanol		80,614	NA	NA
-others (specify)		NA	NA	NA
Total water consumption per source (in m3):				
-supply (public network)		ND	ND	ND
-underground source (well)		ND	ND	ND
-surface collection (water streams)		ND	ND	ND
Total water consumption (in m3)		ND	ND	ND
Total water consumption per employee (in m3)		ND	ND	ND
Environmental Education and Awareness		2017	2016	2015
Environmental Education - Community - organization				
Number of employees trained in Environmental education programs		260	180	306
Percentage of employees trained in Environmental education programs / total employees		-	-	26%
Number of hours in environmental training / total training hours		0,5h/7h	1h/7h	2h/12h
Environmental Education – Community*		2017	2016	2015
Number of secondary and high school units addressed		51	47	75 (*)
Number of students serviced		6,903	3,801	11,002
Number of qualified teachers		217	51	493
Number of technical and graduation units addressed		2	5	7
Number of students serviced		35	300	2,702

(*) It should be highlighted that the main audience of CESP is not regular education, since Environmental Education is considered as informal education at the licensing processes. The biggest audience of coverage of the environmental education program comprises the people resettled, fishermen, elderly groups, religious groups, residents' associations, NGOs, institutions and/or social projects.

Environmental performance indicators for electric energy generation companies [ANEEL 3.6.1] Hydraulic Generation Source				
Performance indicators	U.M.	2017	2016	2015
Electric energy consumption of generation and ancillary units	MWh	16,190	35,046	56,593
Water consumption per KWh generated	-	NA	NA	NA
Riparian forest restoration (*)	ha	117.22	493.6	615.35
Rescue of fish in turbines	kg	110	545	1,953
Fish repopulation	qty.	417,150	2,650,000	3,772,500
Lubricant and hydraulic oil leak at turbines	kg	970	740	1,630
Rehabilitation of degraded areas for the extraction of coal and of waste generated	-	NA	NA	NA
Replacement water consumption during energy generation	m3	NA	NA	NA

NA -not applicable / ND - information not available

* The data on the restoration of riparian vegetation related to 2015 and 2016 were reviewed, adding the areas of implantation of forestry incentives. Previously the concession area of the ventures was considered, but after a reassessment of the objective of the indicator, it is understood that the area of forest development, due to being an APP, should also be considered.

XII. RELATION OF SPECIES IN IUCN'S RED LIST

[GRI G4-EN14]; [ANEEL 3.6.1]

Mammals					Herd		
Common name	Scientific name	IUCN ¹	Brazil ²	São Paulo ³	2017	2016	2015
Maned Wolf	<i>Chrysocyon brachyurus</i>	NT	VU	Threatened	4	3	2
Spotted Jaguar	<i>Panthera onca</i>	NT	VU	Threatened	1	1	1
Puma	<i>Puma concolor</i>	LC	VU	Threatened	6	5	5
Tigrillo	<i>Leopardus tigrinus</i>	VU	EN	Threatened	2	3	4
Jaguarundi	<i>Puma yagouaroundi</i>	LC	VU	---	2	2	2
Ocelot	<i>Leopardus pardalis</i>	LC	---	Threatened	2	2	2
Marsh deer	<i>Blastocerus dichotomus</i>	VU	VU	Threatened	2	3	3
Giant Anteater	<i>Myrmecophaga tridactyla</i>	VU	VU	Threatened	9	10	7
White-lipped peccary	<i>Tayassu pecari</i>	VU	VU	Threatened	14	14	14
Cateto ⁴	<i>Pecari tajacu</i>	LC	---	Threatened	2	3	
South American Tapir	<i>Tapirus terrestris</i>	VU	VU	Threatened	2	2	2
Howler monkey	<i>Alouatta caraya</i>	LC	---	Threatened	7	6	5
Total					53	54	47

Poultry					Herd		
Common name	Scientific name	IUCN ¹	Brazil ²	São Paulo ³	2017	2016	2015
Bare-faced curassow	<i>Crax fasciolata</i>	VU	---	Threatened	101	90	80
Black-fronted piping guan	<i>Aburria jacutinga</i>	EN	EN	Threatened	65	66	58
Solitary Tinamou	<i>Tinamus solitarius</i>	NT	---	Threatened	229	136	124
Undulated tinamou	<i>Crypturellus undulatus</i>	LC	---	Threatened	1	1	2
Blue-and-Yellow Macaw	<i>Ara ararauna</i>	LC	---	Threatened	21	12	17
Greater rhea	<i>Rhea americana</i>	NT	---	Threatened	2	2	2
Orange-winged amazon	<i>Amazona amazonica</i>	LC	---	Threatened	4	2	-
Araçari-Castanho ⁴	<i>Pteroglossus castanotis</i>	LC	---	Threatened	1	1	
Papagaio-Verdadeiro ⁴	<i>Amazona aestiva</i>	LC	---	Threatened	60	48	
Total					484	358	283

Reptiles					Herd		
Common name	Scientific name	IUCN ¹	Brazil ²	São Paulo ³	2017	2016	2015
Jacaré-Paguá ⁴	<i>Paleosuchus palpebrosus</i>	LR/LC	---	Threatened	1	1	-
Jabuti-Tinga ⁴	<i>Chelonoidis denticulata</i>	VU	---	---	27	31	-
Total					28	32	-

Fish					Herd		
Common name	Scientific name	IUCN ¹	Brazil ²	São Paulo ³	2017	2016	2015
Piabanha	<i>Brycon insignis</i>	---	EN	Threatened	150	135	135
Pirapitinga do sul	<i>Brycon opalinus</i>	---	VU	Threatened	350	370	370
Corimbatá de lagoa	<i>Prochilodus vimboides</i>	---	VU	NT	250	250	250
Surubim do Paraíba	<i>Steindachneridion parahybae</i>	---	EN	Threatened	60	60	60
Armored catfish (species)	<i>Pogonopoma parahybae</i>	---	EN	Threatened	17	17	17
Total					827	832	832

VU: vulnerable EN: endangered NT: nearly threatened LC: low concern LR/LC: low risk ⁵

DD: insufficient data CR: critical danger RE: regionally extinct

¹ <http://www.iucnredlist.org/>

² Ordinances 444 and 445, 17 December 2014

³ State Decree 60.133, 7 February 2014

⁴ Taxons added to this spreadsheet in 2017. The year 2016 was readjusted with the roster of the period.

⁵ LR/LC Category of IUCN considered as low risk, but whose updating is recommended.

XIII. GRI CONTENTS SUMMARY

[GRI G4-32]

INFORMATION ON MANAGEMENT METHOD AND INDICATORS			
STRATEGY AND ANALYSIS		Page	Remarks / Omission
G4-1	Statement from the office holder with highest decision-making power in the organization on the relevant of the sustainability for the organization and its strategy.	5	
G4-2	Description of the main impacts, risks and opportunities.	65, 105	
ORGANIZATIONAL PROFILE		Page	Remarks / Omission
G4-3	Organization's name.	11	
G4-4	Main brands, products and/or services.	11	
G4-5	Location of the organization's headquarters.	11	
G4-6	Number of countries where the organization operates and name of the countries where its main operations are located or are especially relevant for sustainability issues covered by the report.	11, 14	
G4-7	Legal type and nature of the property.	11	
G4-8	Markets served.	14, 69	
G4-9	Size of the organization.	11, 12, 14, 23	
G4-10	Workers per type of employment, employment agreement and region.	49	
G4-11	Percentage of employees encompassed by collective bargaining agreements.	49	
G4-12	Describe the chain of suppliers of the organization.	43	
G4-13	Main changes during the period covered by the report referring to size, structure or shareholding	42	
Commitments to External Initiatives		Page	Remarks / Omission
G4-14	Explanation on whether and how the organization applies the principle of precaution.	16, 36, 40, 78	
G4-15	Charters, principles or other initiatives externally developed, of economic, environmental and social nature to which the organization subscribes or endorses.	16, 42, 95	
G4-16	Shareholding at association and/or national/international authorities.	63, 75	
IDENTIFIED MATERIAL ASPECTS AND LIMITS		Page	Remarks / Omission
G4-17	Operational structure of the organization, including main divisions, operational units, subsidiaries and joint ventures.	14	
G4-18	Content definition process.	18	
G4-19	Material aspects identified in the content definition process of the report.	18, 19	
G4-20	Limit of the material aspect in the organization.	18, 19	
G4-21	Limit of the material aspect out of the organization.	18, 19	
G4-22	Explanation of consequences of any reformulations of information provided in previous reports and the reasons for such reformulations.	7	
G4-23	Significant changes in comparison with previous years with respect to the scope, limit or methods of measurement applied in the report.	7, 18	There were no significant changes with respect to periods covered by previous reports, in scope and limits of aspect

ENGAGEMENT OF STAKEHOLDERS		Page	Remarks / Omission
G4-24	List of stakeholder groups engaged by the organization.	18, 19, 100	
G4-25	Base for identification and selection of stakeholders with which to engage.	18	
G4-26	Approaches to engage stakeholders, including the frequency of engagement per type and groups of stakeholders.	18, 100	
G4-27	Main topics and concerns that were raised by engaging the stakeholders and what measures the organization has been adhering to address them.	18, 19	
REPORT PROFILE		Page	Remarks / Omission
G4-28	Period covered by the report for the information presented.	7	
G4-29	Date of latest previous report.	7	
G4-30	Cycle of report issuance.	7	
G4-31	Contact data in event of questions related to the report or contents thereto.	7, 17	
G4-32	Table identifying the location of information in the report.	108	
G4-33	Current policy and practice related to the search for external verification for the report.	7, 91	
GOVERNANCE		Page	Remarks / Omission
G4-34	Governance structure of the organization, including committees under the highest governance authority.	29, 33, 36, 39, 40	
G4-35	Process used to delegate authority on economic, environmental and social topics by the highest governance authority to senior executives and other employees.	29	
G4-36	Report whether the organization designated one or more offices and functions of executive level as responsible for the economic, environmental and social topics and whether those people in charge directly report to the highest governance authority.	36	
G4-37	Inquiry processes used among stakeholders and the highest governance authority in relation to economic, environmental and social topics.	7, 18	
G4-38	Report the composition of the highest governance authority and its committees.	29	
G4-39	Indication in case the chairperson of the highest governance authority is also an officer.	29	
G4-40	Process to set the qualifications and knowledge of the directors.	29	
G4-41	Processes in force to assure that conflicts of interest are avoided.	29	
G4-42	Roles carried out by the highest governance authority and senior executives in the development, approval and update of the purpose, statement of mission, vision and values, and definition of strategies, policies and goals related to economic, environmental and social impacts of the organization.	15, 33, 34, 41	
G4-43	Arrangements taken to develop and enhance the knowledge of the highest governance authority on economic, environmental and social topics.	37	
G4-44	Processes to self-assessment of the performance of the highest governance authority, particularly with respect to the economic, environmental and social performance.	-	There is no established self-assessment process.
G4-45	Role carried out by the highest governance authority in the identification and management of impacts, risks and opportunities derived from economic, environmental and social issues.	29, 34, 37	
G4-46	Role carried out by the highest governance authority in the analysis of the efficacy of risk management processes of the organization for economic, environmental and social topics.	15, 29, 36, 37	

G4-47	Frequency on which the highest governance authority analyzes impacts, risks and opportunities derived from economic, environmental and social issues.	30, 37	
G4-48	Authority or office of the highest level that formally analyzes and approves the sustainability report of the organization and assures that all material aspects are addressed.	7	
G4-49	Procedure used to inform critical concerns to the highest governance authority.	7, 37	
G4-50	Nature and total number of critical concern informed to the highest governance authority and the mechanism(s) used to address and solve them.	37	CESP does not have statistics of such type; however, the nature of the concerns is, at least, the context and scope of the risk committee.
G4-51	Compensation policies applied to the highest governance authority and senior executives.	29, 101	
G4-52	Process used to set the compensation.	29, 51, 101	
G4-53	How stakeholders' opinions are requested and taken into account with respect to the compensation issue.	29	
G4-54	Ratio between total annual compensation of the highest paid individual in the organization and the total average annual compensation of all employees (excluding the highest paid individual).	-	Not available
G4-55	Ratio between the percentage increase of the total annual compensation of the highest paid individual in the organization and the average percentage increase of the annual compensation of all employees (excluding the highest paid individual).	-	Not available
Ethics and Integrity		Page	Remarks / Omission
G4-56	Values, principles, standards and rules on behavior of the organization.	33	
G4-57	Internal and external mechanisms used by the organization to request guidance on ethical behaviors in compliance with the law.	33, 45	
G4-58	Internal and external mechanisms used by the organization to inform concerns on unethical or incompatible behaviors regarding the laws and issues related to the organizational integrity.	33, 45	
ECONOMIC CATEGORY			
Aspect: Economic Performance		Page	Remarks / Omission
G4-DMA	Management Method	21	
G4-EC1	Direct added and distributed economic value.	36, 69, 78	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities as a result of climate changes.	36, 69, 78	
G4-EC3	Coverage of obligations provided for in the benefit pension plan defined in the organization.	55, 97	
G4-EC4	Financial assistance received from the Government.	42	
Aspect: Market Share		Page	Remarks / Omission
G4-EC5	Variation of the ratio between the lowest wage, described per gender, and the local minimum wage at important operational units.	50, 97, 99	
G4-EC6	Ratio of high management members hired at the local community at important operational units.	49	
Aspect: Indirect Economic Impacts		Page	Remarks / Omission
G4-DMA	Management Method	57	
G4-EC7	Development and impact of investments on infrastructure and offered services.	62	

G4-EC8	Significant indirect economic impacts, including the extent of impacts.	61	
Aspect: Purchase Practices		Page	Remarks / Omission
G4-DMA	Management Method	40	
G4-EC9	Proportion of expenditures with local suppliers at important operational units.	43, 44	
ENVIRONMENTAL CATEGORY			
Aspect: Materials		Page	Remarks / Omission
G4-DMA	Management Method	74	
G4-EN1	Materials used and described per weight or volume.	-	The Company does not use those materials
G4-EN2	Percentage of materials used arising from recycling.	-	The Company does not use those materials
Aspect: Power		Page	Remarks / Omission
G4-DMA	Management Method	77	
G4-EN3	Energy consumption in the organization.	81	
G4-EN4	Energy consumption out of the organization.	-	Not available
G4-EN5	Energy intensity.	-	Not available
G4-EN6	Reduction on energy consumption.	-	Not available
G4-EN7	Reductions in the energy requirements related to products and services.	-	Not available
Aspect: Water		Page	Remarks / Omission
G4-DMA	Management Method	78	
G4-EN8	Total water withdrawal per source.	-	Not available
G4-EN9	Water sources significantly affected by water withdrawal.	65, 82	Not available
G4-EN10	Percentage and total volume of recycled and reused water.	-	Not available
Aspect: Biodiversity		Page	Remarks / Omission
G4-DMA	Management Method	82	
G4-EN11	Own, leased or administrative operational units in and around the protected areas or areas showing high biodiversity index located out of the protected areas.	85	
G4-EN12	Description of significant impacts of activities, products and services on the biodiversity at protected areas and areas showing high value for biodiversity located out of the protected areas.	77, 85, 86, 89, 107	
G4-EN13	Protected or restored habitats.	85, 86, 87	
G4-EN14	Total number of species included in IUCN's red list and national lists of conservation with habitats located at areas affected by organization's operations, described per level of endangerment risk.	86, 107	
Aspect: Emissions		Page	Remarks / Omission
G4-DMA	Management Method	76,77	
G4-EN15	Direct emissions of greenhouse gases (GHG) (scope 1).	78, 79	
G4-EN16	Indirect emissions of greenhouse gases (GHG) arising from energy purchase (scope 2).	78	
G4-EN17	Other indirect emissions of greenhouse gases (GHG) (scope 3).	78	

G4-EN18	Intensity of emissions of greenhouse gases (GHG).	-	We use the production volume unit of MWh, resulting into 0.002 tCO ₂ per MWh produced.
G4-EN19	Reduction of emissions of greenhouse gases (GHG).	78	
G4-EN20	Emissions of substances that destroy the ozone layer (sdo).	-	None.
G4-EN21	Emissions of nox, sox and other significant atmospheric emissions.	-	None.
G4-EN22	Total disposal of water, per quality and disposal.	-	None.
Aspect: Effluents and Waste		Page	Remarks / Omission
G4-DMA	Management Method	78	
G4-EN23	Total weight of waste, per type and method of disposal.	82	
G4-EN24	Total number and volume of significant leaks.	-	There were none in 2017.
G4-EN25	Weight of transported, imported, exported or treated waste considered as hazardous under Basel Convention, annexes i, ii, iii and viii, and percentage of waste internationally transported.	80	
G4-EN26	Identification, size, status of protection and value of biodiversity of water bodies and related habitats significantly affected by disposals and drainage of water performed by the organization.	80, 86	
G4-EN27	Extent of the mitigation of environmental impacts of products and services.	80, 81, 86	
Aspect: Products and Services		Page	Remarks / Omission
G4-EN28	Percentage of products and their packages recovered in relation to the total sold products, described per category of products.	-	Not applicable. The Company does not use any.
Aspect: Compliance		Page	Remarks / Omission
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions enforced as a result of the non-compliance with environmental laws and regulations.	-	We did not record any environmental fine in 2017.
Aspect: Transport		Page	Remarks / Omission
G4-EN30	Significant environmental impacts arising from the transport of products and other goods and materials used in the organization's operations, as well as the transport of its workers.	-	There were none in 2017.
Aspect: General		Page	Remarks / Omission
G4-EN31	Total investments and expenditures on environmental protection, per type.	80	
Aspect: Supplier' Environmental Assessment		Page	Remarks / Omission
G4-EN32	Percentage of new suppliers selected based on environmental criteria.	-	
G4-EN33	Actual and potential significant adverse environmental impacts in the chain of suppliers and arrangements taken in this regard.	-	There were none in 2017.
Aspect: Mechanism for Complaints Related to Environmental Impacts		Page	Remarks / Omission
G4-EN34	Number of complaints related to environmental impacts filed, processed and solved by means of formal mechanism for complaints.	-	There were none in 2017.

SOCIAL CATEGORY			
SUBCATEGORY: LABOR PRACTICES AND DECENT WORK			
Aspect: Employment		Page	Remarks / Omission
G4-DMA	Management Method	47	
G4-LA1	Total number and rates of new hirings of employees and employees' turnover per group age, gender and region.	82	
G4-LA2	Benefits granted to full-time employees that are not offered to temporary or part-time employees, described per important operational unit of the organization.	51, 97	
G4-LA3	Rates of return to work and retention after maternity/paternity leave, described per gender.	-	Not Available
Aspect: Labor Relationships		Page	Remarks / Omission
G4-LA4	Minimum term for notification of operational changes and whether they are specified in collective bargaining agreements.	59	
Aspect: Occupational Health and Safety		Page	Remarks / Omission
G4-LA5	Percentage of workforce represented in formal health and safety committees, comprised of employees from different hierarchical levels, which help monitor and guide occupational health and safety programs.	56, 57	
G4-LA6	Types and rates of injuries, occupational diseases, lost time, absence and number of work-related deaths, described per region and gender.	97, 100	
G4-LA7	Employees with high incidence or high risk of diseases related to their occupation.	-	Not Available
G4-LA8	Topics related to health and safety covered in formal agreements with unions.	59	
Aspect: Training and Education		Page	Remarks / Omission
G4-DMA	Management Method	50	
G4-LA9	Average number of training hours per year per employee, described per gender and functional category.	52, 97	
G4-LA10	Skills and continuous learning management programs contributing to the continuity of the employment of employees during any period of preparation for retirement.	52	
G4-LA11	Percentage of employees receiving performance and career development analysis, described per gender and functional category.	54, 100	
Aspect: Diversity and Equality of Opportunities		Page	Remarks / Omissions
G4-DMA	Management Method	55	
G4-LA12	Composition of groups responsible for the governance and description of employees per functional category, gender, age group, minority and other diversity indicators.	49, 97, 98, 99	
Aspect: Equality of Compensation for Women and Men		Page	Remarks / Omission
G4-LA13	Mathematical ratio of wage and compensation between women and men, described per functional category and relevant operational units.	50	
Aspect: Suppliers' Assessment on Labor Practices		Page	Remarks / Omission
G4-DMA	Management Method	45	
G4-LA14	Percentage of new suppliers selected based on criteria related to labor practices.	43	

G4-LA15	Actual and potential significant adverse impacts for labor practices in the chain of suppliers and arrangements taken in this regard.	-	There were none in 2017.
Aspect: Mechanism for Complaints Related to Labor Practices		Page	Remarks / Omission
G4-LA16	Number of complaints related to labor practices registered, processed and solved by means of formal mechanism for complaints.	-	Not available.
SUBCATEGORY: HUMAN RIGHTS			
Aspect: Investments		Page	Remarks / Omission
G4-DMA	Management Method	42	
G4-HR1	Total number and percentage of significant investment contracts and agreements that include human rights clause or were submitted to assessment referring to human rights.	43	
G4-HR2	Total number of training hours of employees on human rights policies or procedures related to relevant human rights aspects for organization's operations, including the percentage of trained employees.	58	
Aspect: Non-discrimination		Page	Remarks / Omission
G4-DMA	Management Method	54, 57, 58	
G4-HR3	Total number of cases of discrimination and corrective measures taken.	33, 43	
Aspect: Liberty for Association and Collective Bargaining		Page	Remarks / Omission
G4-HR4	Operations and suppliers identified on which the right to exercise the liberty for association and collective bargaining may be breached or have any significant risk and the measures taken to support such right.	59	
Aspect: Child Labor		Page	Remarks / Omission
G4-HR5	Operations and suppliers identified as a risk for the occurrence of cases of child labor and measures taken to contribute to the effective eradication of child labor.	43	
Aspect: Forced or Slavery-Like Labor		Page	Remarks / Omission
G4-DMA	Management Method	57	
G4-HR6	Operations and suppliers identified as a significant risk for the occurrence of forced or slavery-like labor and measures taken to contribute to the elimination of all forms of forced or slavery-like labor.	43, 56, 58	
Aspect: Safety Practices		Page	Remarks / Omission
G4-DMA	Management Method	54	
G4-HR7	Percentage of safety personnel that received training on policies or procedures of the organization related to human rights that are relevant for the operations.	56	
Aspect: Rights of the Indigenous and Traditional Populations		Page	Remarks / Omission
G4-HR8	Total number of cases of breach to the rights of indigenous and traditional populations and measures taken in this regard.	-	There were none in 2017.
Aspect: Assessment		Page	Remarks / Omission
G4-HR9	Total number and percentage of operations submitted to analysis or assessments on human rights on impacts related to human rights.	-	There were none in 2017.

Aspect: Suppliers' Assessment on Human Rights		Page	Remarks / Omission
G4-HR10	Percentage of new suppliers selected based on criteria related to human rights.	-	Not Available
G4-HR11	Actual and potential significant adverse impacts for human rights in the chain of suppliers and arrangements taken in this regard.	-	There were none in 2017.
Aspect: Mechanism for Complaints Related to Human Rights		Page	Remarks / Omission
G4-HR12	Number of complaints related to impacts on human rights registered, processed and solved by means of formal mechanism for complaints.	-	There were none in 2017.
SUBCATEGORY: SOCIETY			
Aspect: Local Communities		Page	Remarks / Omission
G4-DMA	Management Method	58	
G4-SO1	Percentage of operations with implemented programs for local community engagement, assessment of impacts and local development.	59, 60	
G4-SO2	Operations with actual and potential significant adverse impacts at local communities.	-	There were none in 2017.
Aspect: Combat to Corruption		Page	Remarks / Omission
G4-DMA	Management Method	31	
G4-SO3	Total number and percentage of operations submitted to risk assessments related to corruption and significant risks identified.	-	There were none in 2017.
G4-SO4	Communication and training on policies and procedures of combat to corruption.	33	
G4-SO5	Confirmed cases of corruption and measures taken.	33	There were none in 2017.
Aspect: Public Policies		Page	Remarks / Omission
G4-SO6	Total value of contributions to political parties and politicians, described per country and assignee/beneficiary.	-	Not Available.
Aspect: Unfair Competition		Page	Remarks / Omission
G4-SO7	Total number of legal proceedings filed for unfair competition, trust and monopoly practices and their results.	-	There are no records.
Aspect: Compliance		Page	Remarks / Omission
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions enforced as a result of the non-compliance with laws and regulations.	-	Not Available.
Aspect: Suppliers' Assessment on Impacts in Society		Page	Remarks / Omission
G4-DMA	Management Method	45	
G4-SO9	Percentage of new suppliers selected based on criteria related to labor practices.	43	
G4-SO10	Actual and potential significant adverse impacts in the chain of suppliers and in society, and arrangements taken in this regard.	-	There was none in 2017.
Aspect: Mechanism for Complaints Related to Impacts in Society		Page	Remarks / Omission
G4-SO11	Number of complaints related to impacts on society registered, processed and solved by means of formal mechanism for complaints.	-	There was none in 2017.

SUBCATEGORY: RESPONSIBILITY FOR THE PRODUCT			
Aspect: Customer's Health and Safety		Page	Remarks / Omission
G4-PR1	Percentage of significant product and service categories for which impacts on health and safety are assessed in search of improvements.	-	Not applicable to the company.
G4-PR2	Total number of non-compliance cases with voluntary regulations and codes related to the impacts caused by products and services on health and safety during their life cycle, described per type of result.	-	Not applicable to the company.
Aspect: Product and Service Labeling		Page	Remarks / Omission
G4-PR3	Type of information on products and services required by the organization's procedures referring to product and service information and labeling, and percentage of significant categories subject to such requirements.	-	Not applicable to the company.
G4-PR4	Total number of non-compliance cases with voluntary regulations and codes relating to product and service information and labeling described per type of results.	-	Not applicable to the company.
G4-PR5	Results of customer satisfaction survey.	-	
Aspect: Marketing Communication		Page	Remarks / Omission
G4-PR6	Sale of prohibited or contested products.	-	Not applicable to the company.
G4-PR7	Total number of non-compliance cases with voluntary regulations and codes relating to marketing communications, including advertising, promotion and sponsorship described per type of results.	-	Not applicable to the company.
Aspect: Customer Privacy		Page	Remarks / Omission
G4-PR8	Total number of proven complaints relating to breach to privacy and loss of customer's data.	-	There were none in 2017.
Aspect: Compliance		Page	Remarks / Omission
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations relating to the provision and use of products and services.	-	There were none in 2017.
SECTOR SUPPLEMENT - ELECTRIC SECTOR		Page	Remarks / Omission
G4-EU1	Installed capacity, described per source of primary energy and regulatory system.	14, 43, 58	
G4-EU2	Net production of energy, described per source of primary energy and regulatory system.	14, 68	
G4-EU3	Number of residential, industrial, institutional and commercial consumer units.	69, 70	
G4-EU4	Length of the overhead and underground transmission and distribution lines, described per regulatory system.	-	Not applicable to the company.
G4-EU5	Allocation of allowances for equivalent CO2 emissions, described per structure of carbon credit market.	-	Management Programs on the demand side, including residential, commercial, industrial and institutional programs.
G4-EU6	Method of management to assure the availability and reliability in the supply of short- and long-term electricity.	70, 71	
G4-EU8	Activities and expenses referring to research and development aiming at the reliability of electricity supplier and the promotion of sustainable development.	72	
G4-EU9	Provision for nuclear plant decommissioning.	-	Not applicable to the company.
G4-EU10	Planned capacity in comparison with the long-term electricity demand projection, described per type of energy and regulatory system.	-	Not applicable to the company.

G4-EU11	Average generation efficiency of thermal power plants, described per type of energy and regulatory system.	-	Not applicable to the company, since CESP does not own any generation from thermal power plant.
G4-EU12	Percentage of transmission and distribution loss in relation to the total of energy.	-	Not applicable to the company.
G4-EU13	Biodiversity of replacement habitats in comparison to the biodiversity of affected areas.	84, 85, 86	
G4-EU14	Programs and processes assuring the provision of qualified workforce.	52	
G4-EU15	Percentage of employees entitled to retirement over the next 5 to 10 years, per functional category and region.	55	
G4-EU16	Policies and requirements referring to health and safety of employees and outsourced workers and subcontractors.	56	
G4-EU17	Days worked by outsourced workers and subcontractors involved in construction, operation and maintenance activities.	-	
G4-EU18	Percentage of outsourced workers and subcontractors submitted to relevant health and safety training.	56	
G4-EU19	Participation of stakeholders in decision-making processes related to energy planning of infrastructure development.	37	
G4-EU20	Approach to displacement impact management	61	
G4-EU21	Measures for contingency planning, disaster/emergency training management plan and programs, in addition to recovery/restoration plans.	36, 40	
G4-EU22	Number of physically and economically displaced people and indemnity, described per type of project.	61, 82	
G4-EU23	Programs, including those in partnership with the government, aiming to improve or maintain the access to electricity and consumer assistance service.	-	Not applicable to the company.
G4-EU24	Practices to deal with barriers related to language, culture, low education and special needs getting in the way to the access to electricity and consumer assistance service, as well as its safe use.	-	Not applicable to the company.
G4-EU25	Number of accidents and death of service users involving assets of the company, among which court decisions and settlements, in addition to pending legal cases related to diseases.	-	Not applicable to the company.
G4-EU26	Percentage of the population not served at areas with regulated distribution or service.	-	Not applicable to the company.
G4-EU27	Number of residential disconnections due to lack of payment, described per duration of disconnection and regulatory system.	-	Not applicable to the company.
G4-EU28	Frequency of interruptions in the energy supply.	-	Not applicable to the company.
G4-EU29	Average duration of interruptions in the energy supply.	-	Not applicable to the company.
G4-EU30	Average availability factor of the plant, described per type of energy and regulatory system.	-	

XIV. CORPORATE INFORMATION

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Dubravka Sidonija Suto

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