

annual and  
sustainability report

2011



## Main Indicators

<b>Results</b> (BRL millions)	<b>2010</b>	<b>2011</b>
Gross revenue	2,551.54	3,268.68
Net revenue	2,256.28	2,900.80
Gross income	1,308.12	1,577.39
EBITDA	1,176.07	1,456.50
Net income	812.17	915.30
Net added value	1,721.49	2,198.57
<b>Margin (%)</b>		
EBITDA margin	52.10	50.20
Net margin	36.00	31.60
<b>Financial indicators (BRL millions)</b>		
Total assets	6,931.42	8,409.49
Shareholder equity	4,563.83	4,539.43
Net debt	1,373.30	2,564.10
Net debt/EBITDA (times)	1.17	1.76
<b>Market indicators</b>		
Number of shares traded (thousands)	170,400	185,114
Financial volume traded (BRL thousands)	1,800,000	1,796,000
Quote at close of PN (BRL)	55.10	57.99
Net profit per share (BRL/thousand shares)	5.07	6.00
Market value (BRL thousands)	8,365,776	8,549,759
Amount of gains (dividends and JCP) (BRL thousands)	771,638	757,678
<b>Sustainability indicators (BRL thousands)</b>		
Expenditures on environmental prevention	123	171
Expenditures on environmental management	830	103
<b>Hours per employee</b>		
Average training hours	68.52	52.56

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# 2011

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# About CTEEP

The Company transmits nearly 80% of the power in the State of São Paulo and 30% of the energy consumed in Brazil.



## GRI 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, EC4

CTEEP (Companhia de Transmissão de Energia Elétrica Paulista) is the largest private concessionaire of public electrical energy transmission service in Brazil. The Company is responsible for the annual transport of 30% of all of the electrical energy produced in the country, 60% of the energy consumed in the Southeast Region, and almost 80% in the State of São Paulo.

ISA currently holds 37.81% of the total capital in CTEEP through ISA Capital do Brasil. Company investors also include Eletrobras (35.23% of total capital), the São Paulo State Government (6.12%) and over 61 thousand individual and corporate shareholders (20.84%).

With 38,989 km of high voltage circuits, ISA, the controlling company of CTEEP, is one of the largest electrical energy transmission groups in Latin America, operating in Colombia, Brazil, Peru, Bolivia, Ecuador, Chile, Argentina, Panama, and Central America.

In 2011, a total of 144,198 GWh of energy travelled through the CTEEP electrical system, a network formed by 12,993 kilometers of power lines, 18,782.41 kilometers of circuits, 2,488 kilometers of fiber optic cables and 106 substations with a voltage of up to 550 kV, with a total installed capacity of 45,131 MVA. This network inter-

connects points of connections for its customers: power generation companies, other electrical energy distributors and transmission companies that bring electric utilities to end consumers.

CTEEP holds 16% of the RAP (Portuguese acronym for Allowed Annual Revenue, remuneration received by electrical energy transmission concessionaires) for the Brazilian transmission market.

For the third year running, in 2011 the Company received an additional RAP in the amount of BRL 3,467,868.02 in reference to the 2010/2011 Cycle, established by the ANEEL because of the high availability of its assets (99.98%).

Headquartered in the city of São Paulo, CTEEP has operations in 15 Brazilian states through Company operations, its subsidiaries and shareholder stakes. The Company has five Regional offices in cities of the State of São Paulo (Cabreúva, Taubaté, Bauru, Jupiá and São Paulo), one Transmission Operation Center (COT, its acronym in Portuguese) in Jundiaí, and one Backend Operation Center (COR, its acronym in Portuguese) in Cabreúva. It has 106 substations located in the State of São Paulo, with voltage of up to 500 kV and 30,273 transmission towers.

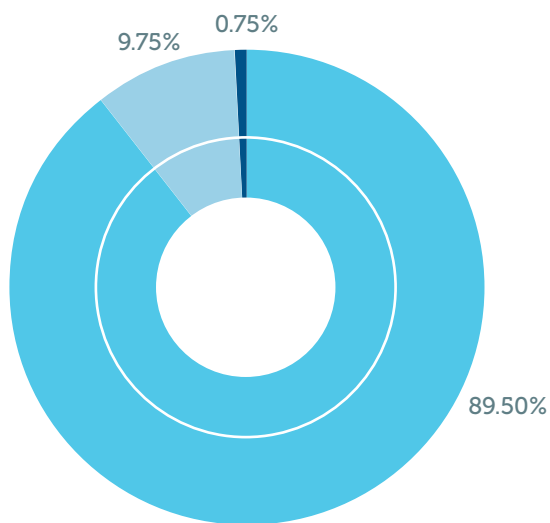


The Company's customers include distributors, generators, free consumers and self-producing energy entities. Because of the characteristics of the National Interconnection System (SIN, its acronym in Portuguese), its network is connected to other Brazilian companies' transmission assets.

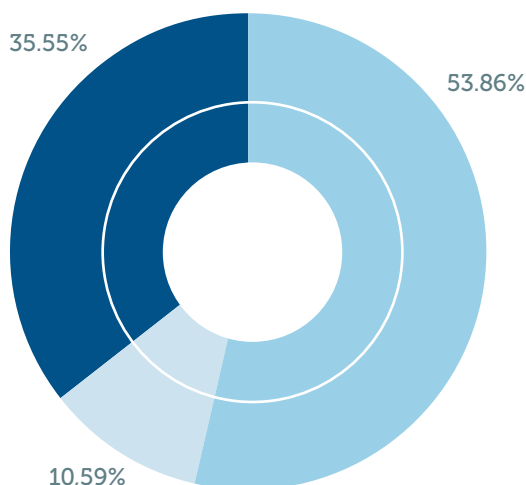
CTEEP ended 2011 with 1,418 employees, a net operating revenue of BRL2.9 billion, and a net profit of BRL915.3 million. In 2011, investments in reinforcements, modernizations and improvements of existing assets, capitalization of labor and investments in subsidiaries totaled BRL661.4 million. An estimated BRL645.4 million in investments are expected for 2012.

Technological innovation and annual investment in expanding and maintaining the network, which are needed to ensure the quality and reliability of operations, are the expression of the Company's mission to seek excellence in providing services and satisfaction to customers, with environmental sustainability, an appropriate return for shareholders, and development of communities.

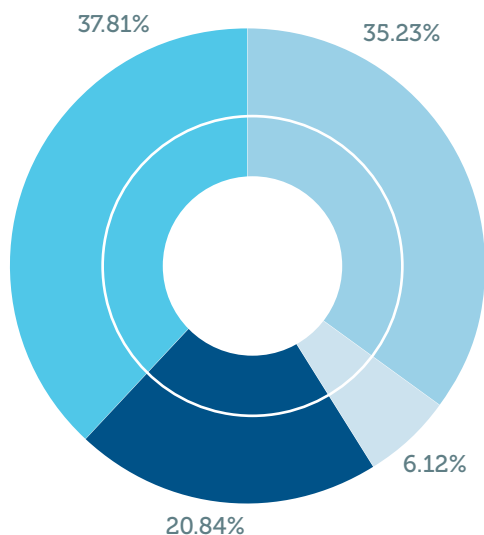
### Ordinary Shares – TRPL3 (42% of total)



### Preferential Shares – TRPL4 (58% of total)



### Total Capital (%)



- Secretary of the Treasury
- Eletrobras
- ISA Capital do Brasil
- Other Shareholders

## Affiliates and controlled companies

GRI 2.3, 2.8, 2.9, EU4

One of the strategies used to fulfill CTEEP growth targets is participation in bids for new transmission concessions, which have resulted in the creation of seven electrical energy transmission companies.

CTEEP affiliates and controlled companies are privately held companies whose goal is to explore the concession of public electrical energy transmission service by building, operating and maintaining substations and power lines.

### Interligação Elétrica de Minas Gerais (IEMG)

Power line: LT 500 kV Neves 1 – Mesquita

Location: Minas Gerais

Length: 172.5 km

### Interligação Elétrica Norte e Nordeste (IENNE)

Power line: PL 500 kV Colinas – Ribeiro Gonçalves C2 and PL 500 kV Ribeiro Gonçalves – São João do Piauí C2

Location: Tocantins, Maranhão and Piauí

Length: 720 km

### Interligação Elétrica Pinheiros (Pinheiros)

Substations: SE 345/138-88 kV Piratininga II, SE 440/138 kV Mirassol II, SE 440/138 kV Getulina, SE 440/138 kV Araras and SE 440/138 kV Atibaia II, and SE 345/88 kV Itapeti

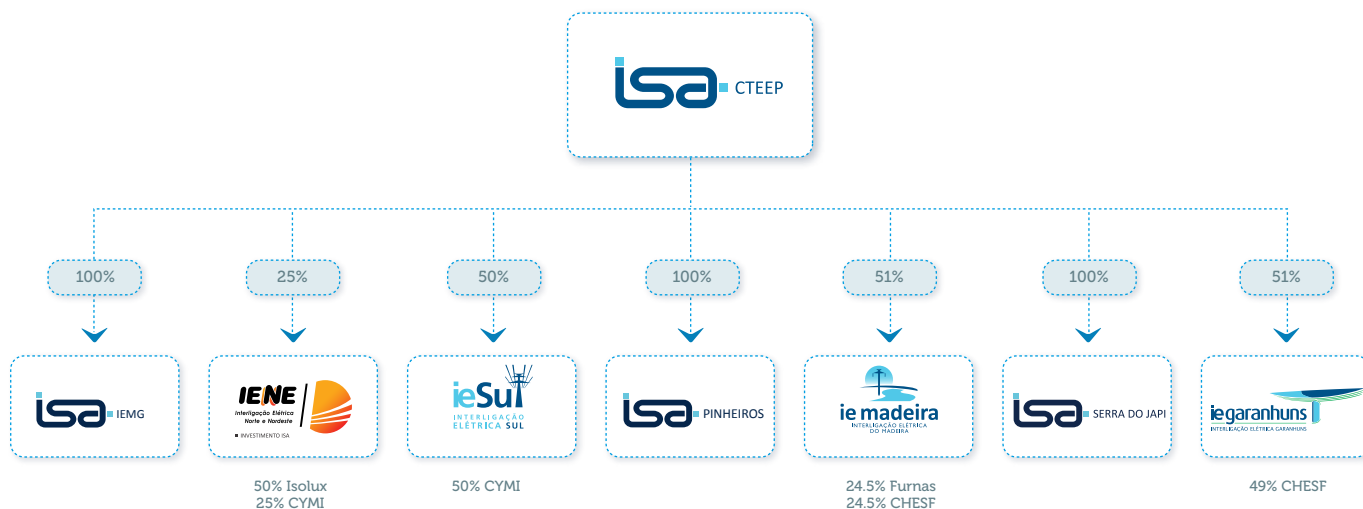
Power line: LT 345 kV Interlagos – Piratininga II

Location: São Paulo

Length: 5.9 km

Transformation: 3.900 MVA

## Shareholding Structure - Concessionaires



### Interligação Elétrica Sul (IESul)

**Substations:** SE 230/138 kV Scharlau and SE 230/69 kV Forquilha

**Power lines:** PL 230 kV Nova Santa Rita – Scharlau, PL 230 kV Joinville Norte – Curitiba (operational as of June/2013) and PL 230 kV Jorge Lacerda B – Siderópolis

**Sectioning PL Siderópolis – Lajeado Grande**

**Location:** Rio Grande do Sul, Santa Catarina and Paraná

**Length:** 185 km

**Transformation:** 750 MVA

### Interligação Elétrica do Madeira (IEMadeira)

(Operation start-up in December 2013)

**Substations:** Porto Velho Rectifier (3,150 MW) and Araraquara 2 Inverter(2,950 MW)

**Power line:** PL CC Porto Velho – Araraquara 2

**Location:** Roraima, Mato Grosso, Goiás, Minas Gerais and São Paulo

**Length:** 2,375 km

**Transformation:** 6,100 MVA

### Interligação Elétrica Serra do Japi (Serra do Japi)

**Substations:** SE 440/138-88 kV Salto and SE 440/138-88 kV Jandira

**Location:** São Paulo

**Length:** 10.9 km

**Transformation:** 1,600 MVA

### Interligação Elétrica Garanhuns (IEGaranhuns)

(Operation start-up in June 2014)

**Substations:** SE 500/230 kV Pau Ferro and SE 500/230 kV Garanhuns

**Power lines:** PL 500 kV Luis Gonzaga – Garanhuns, PL 500 kV Garanhuns – Campina Grande III, PL 500 kV Garanhuns – Pau Ferro, PL 500 kV Garanhuns – Angelim I

**Location:** Pernambuco, Paraíba and Alagoas

**Length:** 875 km

**Transformation:** 2,100 MVA



## Mission, Vision and Values

GRI 4.8

### Mission

Expand, operate and maintain electrical energy transmission systems with excellence in providing services, customer satisfaction, environmental sustainability, and an appropriate return for shareholders, contributing to the economic and social development of the community.

### Vision

In 2016, CTEEP will be the most important non-government owned company in the Energy Transmission industry in Brazil, with revenues equaling BRL3.5 billion, 25% of which will come from operations outside of the State of São Paulo.

### Values

#### Ethics

Having coherence between discourse and practice, developing transparent actions and attitudes, fundamental to building lasting relationships with all stakeholders.

#### Social Responsibility

Continually seeking sustainable development through fulfillment of commitments established with our stakeholders.

#### Innovation

Create and incorporate new practices or improvements that contribute to reaching the Organization's goals.

#### Excellence

Assure quality standards throughout the Organization, in an effort to be recognized by the market and add value to the business.



# Message from the Administration

Investments made in CTEEP and its subsidiaries totaled BRL661.4 million in 2011.



## GRI 1.1, 1.2, 4.12

CTEEP activities are based on a commitment to sustainable development. Sustainability is part of the Company's investment in continually improving the services it provides.

In 2011, we overcame major operational challenges, we maintained the high performance of our indicators, which are among the best in the industry, and we made investments in expanding our systems, increasing the availability of assets and increasing the reliability of services.

Investments in reinforcements, modernizations and improvements of assets, capitalization of labor and funding subsidiaries totaled BRL661.4 million in 2011. ANEEL authorization resolutions granted in 2011 will account for investments of BRL160 million and additional future revenue of BRL20 million.

In 2011, the Company made 65 projects operational which will reinforce the reliability of our transmission system. Through the Pinheiros and Serra do Japi subsidiaries, CTEEP started opera-

tions on three new substations (Mirassol, Getulina and Piratininga), as well as starting operations at the Salto, Jandira and Atibaia substations in the first three months of 2012, with a total of 4,400 MVA and 10% more installed capacity for serving the high demand of the São Paulo market.

Outside of the State of São Paulo, start-up on operations at the IESul Forquilha substations will expand supply capacity in southern Santa Catarina.

Investments were made by a Company that is responsible for 30% of the energy transported in a country of continental proportions, clearly showing our drive to grow with Brazil. With these investments CTEEP is once again highlighting the level of its Non-Supplied Energy (NSE) and has some of the best transmission company rates in Brazil. Moreover, for the third year in a row the Company was given the highest additional Allowed Annual Revenue (RAP) premium for the availability of its transmission assets.

We have also continued our strategy of growing by taking part in ANEEL bids. In 2011, we won the bid on a lot comprising the Itapeti substation, adding another 800 MVA to our systems and improving the quality of our services in the Mogi das Cruzes (SP) region.

The Pau Ferro (1,500 MVA) and Garanhuns (600 MVA) substations and the four power lines (Luis Gonzaga-Garanhuns, with 224 km, Garanhuns – Campina Grande III, with 190 km, Garanhuns – Pau Ferro, with 239 km, Garanhuns – Angelim I, with 13 km) in Paraíba and Pernambuco were included in the same bid and will give rise to the Interligação Elétrica Garanhuns, the latest CTEEP company, in partnership with CHESF.

Among the highlights of our financial performance in 2011 are a 28.6% higher net operating revenue, which reached BRL2.9 billion, and an EBITDA that is up by 23.8%, totaling 1.45 billion with a 50.2% margin.

In 2011, our Research & Development Program also completed ten years, the results of which have been fundamental to raising the excellence of our services. We will continue our process of incorporating technology and innovation in 2012, with the goal of improving our productivity and efficiency.

Our employees' competencies and know-how represent a strategic asset for overcoming challenges and looking for new targets of excellence and quality. With this vision we are implementing the Competencies Model to assist our employees in identifying and developing the skills required to expand our business.

With the intention of raising awareness among our employees about the importance of a sustainable attitude, we also launched the Education for Sustainability project in 2011, aimed at offering a holistic vision of our business, covering the commitments we have with customers, shareholders, suppliers, the environment and society.

Another initiative that is symbolic of how sustainability is a part of our business strategy was our adhesion to the United Nations Global Compact, formalizing practices that are already a part of the day to day at CTEEP: respect for human right, labor rights and environmental rights.

Results and the major achievements for 2011 that are described in this Report are backed by a partnership built during the day to day of an honest, ethical and transparent relationship with our stakeholders.

Here, we express our gratitude to everyone who has added value to our business: to our employees for their dedication and untiring search for excellence; to our suppliers for their commitment to quality and Company values; to the shareholders for their confidence in our management; and to our customers, whose satisfaction drives us to pursue increasingly bolder targets of performance and reliability.

Net operating revenue was 28.6% higher in 2011.

**Luis Fernando Alarcón Mantilla**

**Chairman of the CTEEP**

**Board of Directors**

**César Augusto Ramirez Rojas**

**CTEEP CEO**

# About this Report

ANEEL, Global Compact, GRI and ABRASCA guidelines are used to draft the CTEEP Annual Report.



**GRI 3.1, 3.2, 3.3, 3.4, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.13, 4.12**

For the fourth year in a row, CTEEP has followed GRI (Global Reporting Initiative) guidelines for disclosing Company and subsidiary financial, operational and socio-environmental results for January 1 to December 31, 2011, in its Annual Report.

The level of GRI application in this report is B and the Company's goal is to reach B+ in the coming years, in line with its attitude of transparency with all of its stakeholders. The Company publishes its results annually, with its last annual report regarding 2010 results being published in 2011. The report also includes the model recommended by ANEEL (Portuguese acronym for Brazil's National Electrical Energy Agency) to create the annual report and socio-environmental responsibility of the electrical industry.

Since 2010, the topics selected for discussion in the Report have considered the materiality matrix created using stakeholder opinions. ABRASCA (Portuguese acronym for the Brazilian Association of Publicly Traded Companies) criteria and guidelines from the United Nations Global Compact, to which CTEEP formally adhered in 2011, were also considered in drafting this report.

The financial data, audited by Ernst & Young Auditores Independentes S.S., are presented in consolidated and real numbers, pursuant to current corporate laws and IFRS (International Financial Accounting Standards).

Under the coordination of the Strategic Management and Communication areas and the Financial and Investor Relations Departments, creation of the Report relied on participation from workers in various areas and at various levels of the Company. The CEO, Company Officers and Managers took part in validating data.

Performance indicators presented in this document concern data for CTEEP and its regional offices and do not include subsidiary and controlled company data unless indicated. Information was internally verified and was not submitted to outside verification. This Report provides revised data from the 2010 document.

The following relationship channels are available for further clarification:

- [www.cteep.com.br](http://www.cteep.com.br)
- e-mail for the Investor Relations area: [ri@cteep.com.br](mailto:ri@cteep.com.br)

# Materiality Matrix

GRI 3.5, 3.9, 4.14, 4.15, 4.16, 4.17

This Report was built using topics that were identified as top priorities for the Company and its chief stakeholders. Since 2010, CTEEP has used the Materiality Matrix tool to define and create content for its Annual and Sustainability Report. This tool identifies Company and stakeholder opinions in relation to topics that are classified according to their degree of relevance.

To build the CTEEP Materiality Matrix, four main groups of stakeholders were initially defined: customers, suppliers, employees and shareholders. This process of engagement should evolve over the coming years, enabling more in-depth engagement with the groups that were already selected and inclusion of new stakeholders.

Mapping of topics found to be relevant for each group was done based on a materiality questionnaire that stakeholders accessed in 2010 using an electronic address sent by e-mail. The nine-question questionnaire covered social,

economic, environmental and corporate governance aspects.

In light of its commitment to the Materiality Matrix, starting in 2010, CTEEP began to report on and monitor those indicators considered to be of the highest importance. This measuring is a way for the Company to show its stakeholders the efforts that have been made towards a more and more consistent report. There is one indicators (EU17) that is considered to be of very high importance on the materiality matrix which will not be reported on in 2011. This indicator will be monitored by the Company starting in 2012 due to the complexity of collecting this data.

The CTEEP Materiality Matrix, which is shown below, gathers the topics that will be discussed throughout this 2011 Annual and Sustainability Report. In the Annex to this Report is the GRI Index, with the list of indicators which were totally or partially reported on.

Indicators found to be relevant by stakeholders contribute to build a more and more consistent Sustainability Report.



Caption:

- Governance Themes
- Economic Themes
- Environmental Themes
- Social Themes

## Topics

### **Governance, Commitments and Engagement**

1. Governance profile
2. Risk management
3. Definition of policies/codes
4. Stakeholder participation in decision processes and management of impacts and displacements
5. Engagement with stakeholders
6. Participation in indexes and voluntary commitments
7. Strategy and planning
8. Research and development
9. Recognition and awards

### **Economic Topics**

10. Market, industry and operational information
11. Financial performance and financial indicators
12. Accounting statements
13. Distribution of Added Value
14. Intangible assets
15. Local economic development
16. Indirect economic impact
17. Criteria for selecting suppliers and manpower coming from local communities
18. Business investments
19. Investment practices and socio-environmental criteria

### **Environmental Topics**

20. Management of climate changes in business
21. Use of materials and recycling
22. Energy consumption
23. Water resources and reuse of water
24. Control of emissions, wastewater, and waste
25. Significant environmental impacts of transport
26. Management and impact on biodiversity
27. Environmental management in the chain of production (suppliers)
28. Environmental impact of the use of services
29. Compliance with laws and regulations
30. Environmental expenditures and investments

### **Social – Labor Practices and Decent Work**

31. Employee profile
32. Diversity
33. Pay and benefits
34. Career management
35. Collective bargaining/union relations
36. Health and safety
37. Post-career – Pension plan and preparing for retirement
38. Training and development
39. Management of third-party labor

### **Social – Human Rights**

40. Aspects of human rights in the chain of production
41. Eradication of child and forced or slave-like labor
42. Respect for minorities
43. Non-discrimination practices
44. Training on human rights

### **Social – Society**

45. Impact on communities
46. Fighting corruption
47. Company position in relation to public policies
48. Relationship with the competition
49. Participation in associations, federations, etc.
50. Compliance with laws and regulations
51. Government relations and policies and awareness-building regarding voting

### **Social – Responsibility for the Service**

52. Health and safety of clients using products
53. Product information (access to and quality of information)
54. System efficiency
55. Communication and marketing
56. Fines/Noncompliance (services supplied)
57. Information security
58. Quality of services and customer satisfaction
59. Emergency measures

# Corporate Governance

The Company's corporate governance values ethics and transparency regarding stakeholders.



## GRI 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 4.10

The corporate governance practices adopted by the CTEEP value ethical and transparent relationships with Company shareholders and other stakeholders and are made evident in the disclosure of information to the market.

These practices are aimed at cooperating with the understanding of the Company's real value, facilitating its access to capital and contributing to its longevity. CTEEP best practices were reinforced in 2010 with Board of Directors approval of the Company Code of Ethics and the Code of Corporate Governance.

CTEEP is at Level 1 on the BM&FBOVESPA Differential Corporate Governance Practices. In some aspects, the Company meets higher governance criteria than required by BM&FBOVESPA, such as the structure of its ten-member Board of Directors – Level 1 recommendations are for a minimum of three with Level 2 at a minimum of five. One of the Board Members is a Company employee representative. Financial statements are also available in English on the Company's

website, a requirement that is only found in Level 2 and New Market regulations.

Preferential shares (TRPL4) in CTEEP are listed on IBOVESPA, the most important indicator of average performance of prices on the Brazilian market. The Company is part of the GCI (Corporate Governance Index), where companies with special standards of corporate governance and unique relationships with shareholders and other stakeholders are listed; it is also part of the IBrX – Brazil Index, an index of the most traded stocks on the BM&FBOVESPA. Moreover, the Company takes part in the American Depository Receipts (ADRs) program - Rule 144 A, in the United States.

The Material Act or Fact Disclosure Policy establishes rules for disclosing material information and keeping it confidential. Along with the Securities Exchange Policy, the relationship between shareholders, the Board of Directors, the Audit Committee and the Executive Board are based on the Code of Corporate Governance.

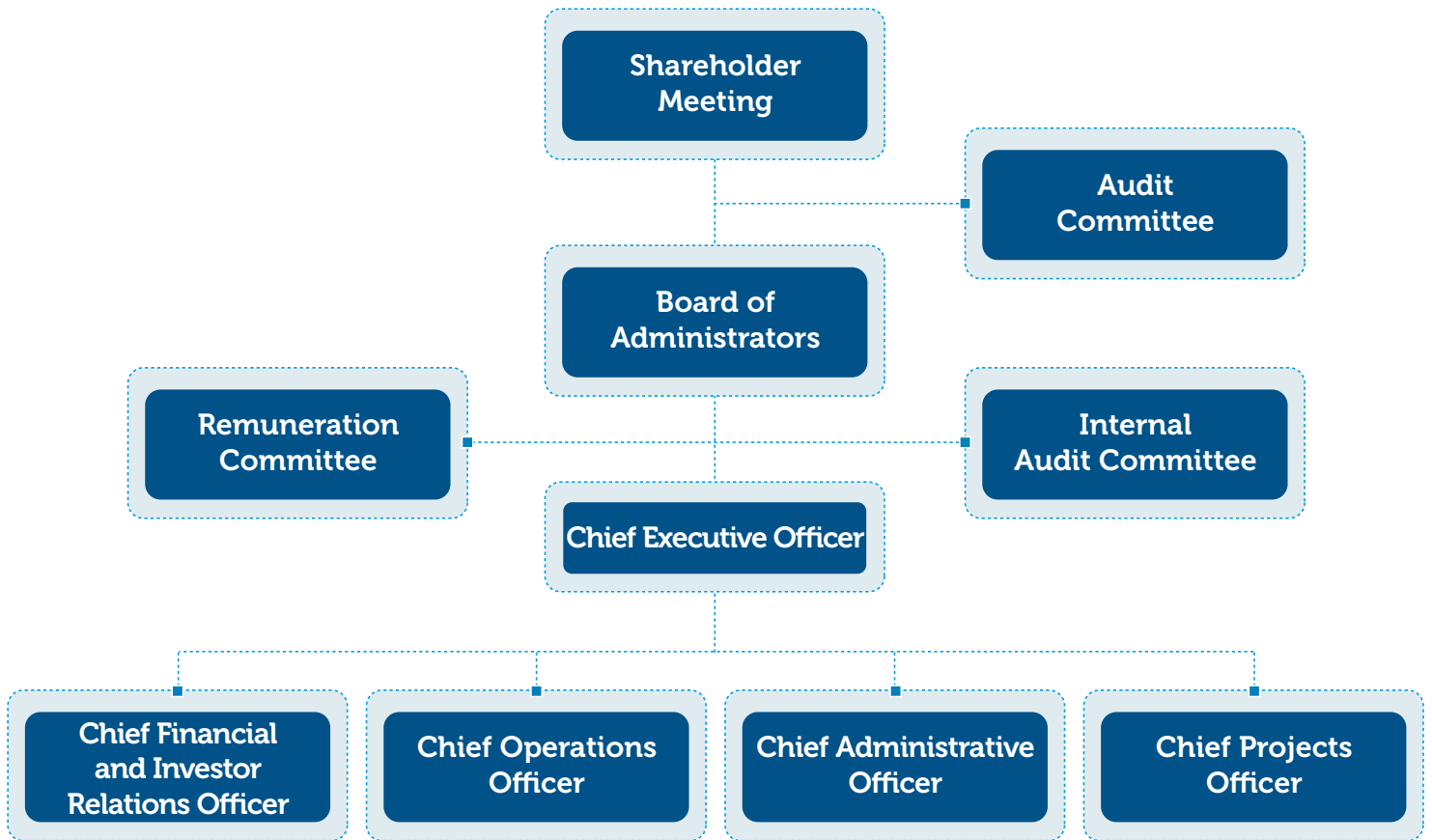
## Organization Chart

GRI 4.7

Qualified and experienced professionals are part of the councils and committees that play a fundamental role, in forums on decisions and general orientation for Company business.

The Board of Directors and the Audit Committee hold a prominent position in the corporate governance structure used by CTEEP.

Résumés for the members of the Board of Directors, Committees, and the Executive Board, as well as their experience in relation to socio-environmental issues, can be found on the Reference Form that is available on the Brazilian Securities and Exchange Commission website ([www.cvm.gov.br](http://www.cvm.gov.br)) or on the Company Investor Relations webpage ([www.cteep.com.br](http://www.cteep.com.br)).



## Board of Directors

GRI 4.2, 4.3, 4.4, 4.7, 4.9

Focusing on creating value for shareholders, the Board of Directors is the central forum for decision making and defining the general direction of CTEEP business.

The Board is made up of ten members with terms of one year, elected at the Shareholder Meeting. From them a Chairperson and Vice Chairperson are chosen. The Board has an independent member, a minority shareholder representative and an employee representative.

Pursuant to best corporate governance practices, the Chairperson of the CTEEP Board of Directors is not a member of the Executive Board.

The Board is responsible for choosing Executive Board members and auditing business management; assessing the Administrative Report, Financial Statements and Executive Board accounts; approving budgets and plans for finances and project execution; selecting and dismissing Independent Auditors. Although it is an important instrument of corporate governance, the Board does not have a self-assessment model.

Board of Directors meetings are held regularly on dates set on an annual calendar that is approved at the first meeting of each fiscal year and are held extraordinarily whenever called by the Chairperson or when requested by a majority of the Board's members.

In 2011, the Board of Directors met 16 times at six face to face meetings and ten meetings held using electronic communication.

### Members of the Board of Directors

On December 31, 2011, the Board of Directors had the following members:

#### Chairman

Luis Fernando Alarcón Mantilla

#### Vice Chairman

Fernando Augusto Rojas Pinto

### Board Members

Fernando Maida Dall'Acqua (independent)

Isaac Yanovich Farbaiarz

Juan Ricardo Ortega López

Julián Darío Cadavid Velásquez

Luisa Fernanda Lafaurie Rivera

Orlando José Cabrales Martínez

Sinval Zaidan Gama

(minority shareholder representative)

Valdivino Ferreira dos Anjos

(employee representative)

### Committees

CTEEP maintains two committees to advise the Board of Directors on matters related to auditing and pay.

### Internal Audit Committee

Comprised of four members of the Board of Directors and one corporate auditor from Grupo ISA, the aim of the Internal Audit Committee is to strengthen the system of internal controls, risk management and corporate governance practices.

The committee is also tasked with increasing the effectiveness of internal auditing, monitoring and assessing the work of independent auditors, approving the Annual Internal Audit Plan, supervising its fulfillment and ensuring implementation of improvement recommended by internal and external auditors.

The committee meets at least three times annually. In 2011, four face to face meetings were held.





CTEEP has an Internal Audit Plan for a three year cycle, wherein 100% of the units (regional units and headquarters) are audited. This plan considers assessment of risks in processes, including the risk of corruption.

#### Members

Fernando Maida Dall'Acqua  
Sinval Zaidan Gama  
Isaac Yanovich Farbaiarz  
Julián Darío Cadavid Velásquez  
John Jairo Vásquez López

#### Remuneration Committee

Made up of three members of the Board of Directors, this committee is responsible for monitoring, analyzing and proposing topics related to officer and board member pay, nominating Executive Board members, positions and salaries, salary policy, variable remuneration, profit sharing (PLR, its acronym in Portuguese) and collective bargaining agreements.

#### Members

Luiz Fernando Alarcón Mantilla  
Luisa Fernanda Lafaurie Riviera  
Orlando José Cabrales Martínez

#### Audit Committee

Permanent in nature, the CTEEP Audit Committee is an independent Company administration entity, comprised of three to five effective members and an equal number of alternates with one year terms, chosen at the Shareholder Meeting, with no term limits. Of this total, two members are nominated by minority shareholders.

This Committee is responsible for auditing Administration acts, examining and providing opinions on financial statements and reporting its conclusions to shareholders. In accordance with the Law on Publicly Traded Corporations, the Audit Committee may not contain any members who participate in other administration entities, Company employees or employees of a controlled organization or from the same group, or administrator spouses or relatives. In 2011, nine Audit Committee meetings were held.

### Chief Executive and Executive Board

GRI LA13, PG 6

The CTEEP Executive Board is made up of five members, including one Chief Executive Officer, one Chief Financial and Investor Relations Officer, one Chief Administrative Officer, one Chief Operational Officer, and one Chief Projects Officer, all elected by the Board of Directors to three year terms.

The Executive Board is responsible for managing the business and actions necessary for the Company to function normally, managing the Company's day to day operations in line with the guidelines set by the Board of Directors, and focusing on striving for results.

Among other duties, it is the Executive Board's responsibility to: submit a capital increase proposal to the Board of Directors and reform the Articles of Incorporation; recommend acquisition, alienation or encumbrance of assets, raising of resources and obtaining loans when the operation surpasses 2% of company capital; present financial statements for the fiscal year and annual and pluriannual financial and project execution plans and budgets to the Board of Directors.

The Board of Administration has an independent member as well as representatives for employees and minority shareholders.

## Members of the Executive Board

### César Ramírez (Chief Executive Officer)

An Electrical Engineer, he began his career at ISA as an Engineer for Real Time Operation of the National Interconnected System. He was also the Head of the Department of Energy Planning, Head of the Industry Relations and Department and Corporate Strategy Director, in charge of Strategy Direction and for the corporate group's New Business. He has been being the Chief Executive at CTEEP since 2009.

### Celso Sebastião Cerchiari (Chief Operating Officer)

An Electrical Engineer, he is a member of the Board of Directors for the Operador Nacional do Sistema (ONS). He started at CESP in 1976 as a Junior Engineer, developing his career in the operations areas and at the helm of important transmission centers.

### Jorge Rodriguez Ortiz (Chief Projects Officer)

An Electrical Engineer, he started at ISA in 1979 as a software engineer. He worked in several areas such as analyses and contracts, he managed and implemented the SAP information system and was responsible for managing important projects to expand the electrical energy transmission network in Colombia. He has been the Chief Projects Officer at CTEEP since 2007.

### Pío Adolfo Bárcena Villarreal (Chief Administrative Officer)

A Lawyer experienced in the electrical industry and with infrastructure projects, he worked as an Administrative Manager at the Transelca company for nine years and started at CTEEP as the Chief Administrative Officer. He is a member of the Board of Directors at IEMG, IESul, Pinheiros and Serra do Japi.

### Marcio Lopes Almeida (Chief Financial and Investor Relations Director)

An Economist, he started at CTEEP in May 2007 as the Manager of the Financial Department. He worked on restructuring the financial area and led projects such as the securing financing. He is a member of the Board of Directors at IEMG, IESul, Pinheiros, Serra do Japi, IE Madeira and IE Garanhuns.

## Our Guidelines

### GRI 4.6

The Code of Corporate Governance, along with the Articles of Incorporation, the Internal Regiment of the Audit Committee and the Code of Ethics, outline the set of practices adopted by CTEEP with the goal of strengthening the transparency of management, increasing the Company's institutional value and access to its capital by investors. Among the documents that make up the Code of Corporate Governance are the Material Fact or Act Disclosure Policy and the Securities Exchange Policy, aimed at aligning executive behavior with the interests of shareholders and the Corporation.

### Code of Ethics

#### GRI 4.6, 4.8, 4.9, HR4, SO3, SO4, PG 1, 6, 10

The CTEEP Code of Ethics guides the conduct and behavior of all of the employees, board members, managers, services providers and temporary workers in their professional relationships with the Company's various stakeholders, following ethical principles and honest, constructive, upstanding and socially responsible conduct.

Launched in 2010, the Code of Ethics is the expression of the Company's philosophy and corporate values and strengthens its corporate identity and institutional coherence. The Code of Ethics was built with employee participation, it is based on the Law of Publically Traded Corporations (Law No. 6,404/76 and updates) and it is in line with the ethical principles that apply to ISA and to its companies.

CTEEP understands ethical attributes to be:

**Transparency** - Work in a manner that is reliable, accessible, clear and honest.

**Reciprocity** - Respect for the dignity of those with whom the Company has relationships, in an environment of mutual recognition of the obligations and rights of the parties involved.

**Responsibility** - Commitment to fulfill promises and comply with the Organization's parameters, policies and standards.

**Diversity** - Recognition that the difference between people contributes to an environment of respect and enriches the Organization in the places and cultures where it operates.

**Commitment** - The duty of employees to fulfill their responsibilities in order to achieve the objectives of the Organization's mission. This means executing the work and tasks put to them at the Company with care and dedication.

The Code is managed by the Internal Ethics Committee, whose goal is to assess manifestations and provide the necessary resolution in adopting actions in the case of noncompliance. In 2011, CTEEP did not identify any cases of discrimination or corruption at the Company.

### Relationship channels

#### GRI SO2, SO4, PG 10

With the purpose of incorporating the ethical attributes established, the Company has created tools to raise awareness and monitor anti-ethical and anti-corruption issues among employees and other stakeholders.

In 2011, the Ethics Line was launched as an exclusive electronic communication ([www.canal-confidencial.com.br/linhaeticactEEP](http://www.canal-confidencial.com.br/linhaeticactEEP)) and telephone (0800 777-0775) channel to submit questions, criticism and complaints. The Ethics Line strives to keep information and informants confidential and to resolve the questions it receives.



CTEEP also maintains an Ombudsman as a last resort for serving the external public. This public is advised to use the Ombudsman when the other channels for contact with the Company (Ethics Line and Contact Us) have not appropriately resolved some issue.

To publicize the Code of Ethics, the Company has promoted the distribution of this document to all stakeholders. In the first half of 2011, a publicity campaign was held among all of the employees, with the support of educational videos on attitudes that should be adopted and those that should be avoided; all of the material is available on the intranet.

## Adhesion to the Global Compact

GRI HR6, HR7, PG 1, 4

Adhesion to the United Nations Global Compact in 2011 is in line with the ethical principles that are part of the day to day at CTEEP of respecting human rights, labor rights and environmental rights. The Company does not hire child labor and requires that third parties and suppliers do the same through a contractual clause. There are no areas under Company influence with significant risks of forced, slave or child labor.

## Recognition

GRI 2.10

CTEEP is a benchmark company in the electrical energy transmission market. It has accumulated the best performance indicators in the industry, which granted it the additional Allowed Annual Revenue award for the third year in a row in 2011, for the high availability of its assets.

In 2011, CTEEP received the APIMEC (Association of Capital Market Investment Analysts and Professionals) of São Paulo Seal of Attendance, for the Company's ten years of continued participation at association meetings.

The Company was also a finalist in The Best Companies for Internships award, given by the CIEE (Center of School-Company Integration) in partnership with Ibope Inteligência and the ABRH (Brazilian Association of Human Resources). In the overall ranking, the Company is among the top 35 companies.

Adhesion to the Global Compact in 2011 is in line with the CTEEP Code of Ethics.

# Management and Competitiveness

CTEEP has achieved one of the best indices of Non-Supplied Energy (ENS) among Brazilian transmission companies.



## GRI EU4, EU10

The Brazilian electricity industry, a public service that is nearly universal (serving more than 98% of the population), operates under the concession, authorization or permission of the government. It is a service that is highly regulated in order to ensure reliability and quality in supply and reasonable pricing.

The industry's regulatory framework is consolidated by Law No. 9,427/1995, altered by Law No. 10,848/2004, which defines rules for functioning and the activities of generating, transmitting, distributing and selling electrical energy. Compliance with these rules is overseen by ANEEL (National Electrical Energy Agency).

In line with data from the Electrical System Monitoring Bulletin, dated January 2012 and published by the Ministry of Mines and Energy, the service of transporting large amounts of electricity over long distances is done in Brazil using the Basic Network, comprised of 103,897 kilometers of power lines. This extension includes the basic network, plant connections, international connections and 550.6 kilometers in isolated systems. Implementation of more than 21,498.6 kilometers of power lines is expected by 2014.

The National Electrical System Operator (ONS), under ANEEL regulations and oversight, is tasked with the operation and administration of the Basic Network; ONS members are the provi-

ders of generation, transmission, distribution and sales and consumers with a direct connection to the Basic Network.

The ONS manages the dispatch of electrical energy from plants in optimized conditions, involving the use of hydroelectric reservoirs and fuel from thermoelectric plants in the National Interconnection System.

The CTEEP transmission system is part of the Basic Network, with 12,993 kilometers of power lines, 18,782 kilometers of circuits, 2,488 kilometers of fiber optic cables and 106 substations with a voltage of up to 550 kV, with a total installed capacity of 45,131 MVA.

## Length of power lines by voltage category

## Kilometers

440 kV	6,408.63
345 kV	725.61
230 kV	1,409.16
138 kV	8,855.96
88 kV	1,381.03
69 kV	2.03

In 2011, the CTEEP electrical system transported 144,198 GWh of power. The Company's Non-Supplied Energy (ENES) indicator was 1,057 MWh, the best among all transmission companies in Brazil, considering the complexity of the CTEEP system.

Consumption of domestic electric utilities grew by 3.6% in 2011. According to the Market Summary for January 2012, published by the Energy Research Company (EPE, its acronym in Portuguese), connected to the Ministry of Mines and Energy, consumption reached 430.1 thousand gigawatt-hours (GWh) of electricity, with the commercial (which grew by 6.3% compared to 2010) and residential (4.6%) sectors being notable.

In its Projection for Electrical Energy Demand, the EPE forecasts that electricity consumption will grow around 4.5% per year in the next decade, driven by population and economic growth. Household consumption, more perspective investments in relation to the infrastructure sector, and an injection of funds from international events that will be held in Brazil, such as the World Cup and the Olympic Games, are the basis for this scenario of economic growth.

CTEEP has prepared itself for this scenario, making investments in maintenance and modernization of its assets to continually strive for operational excellence, in the development of employee competencies, and in innovative projects based on research and development.

## **Planning for System Expansion**

### **GRI EU19**

All of electricity industry ventures begin with the interaction between work groups, which rely on participation from all of the transmitters, distributors and generators by geo-electrical region in Brazil.

These work groups meet to analyze expansions and reinforcements in the electrical system and reach a solution with the least global cost. These consensual solutions are formalized in a document entitled PET (Program to Expand Transmission), with a five year horizon, gained from the studies of these work groups, which analyze the SIN (Portuguese acronym for National Interconnection System) for a ten year horizon.

At the same time and in a very similar fashion, the ONS (National System Operator) uses work groups that rely on participation from every aforementioned segment and also analyzes the national system every year for a three year horizon, with a focus on operation. From this analysis the PAR (Portuguese acronym for Plan for Expansions and Reinforcements) is created, with a three year horizon.

Using the consensual solutions in the PET and PAR, infrastructure projects are defined, which are consolidated in the "Project Consolidation" document, published by the MME (Ministry of Mines and Energy). The MME makes a distinction between the new transmission facilities (which will be bid on) and reinforcement projects in the existing transmission system (which will be authorized for the transmitter which owns the concession).

At the Environmental Licensing stage of the ventures, public hearings are held when necessary to discuss the project with society and the organizations involved.

## Strategy

### GRI EU14

The CTEEP business strategy is based on sustainable growth with a focus on the longevity of the business and continual creation of value. With these objectives, CTEEP invests in optimizing existing assets through reinforcements and new connections, constantly assessing acquisition opportunities and participating in bids for transmission assets.

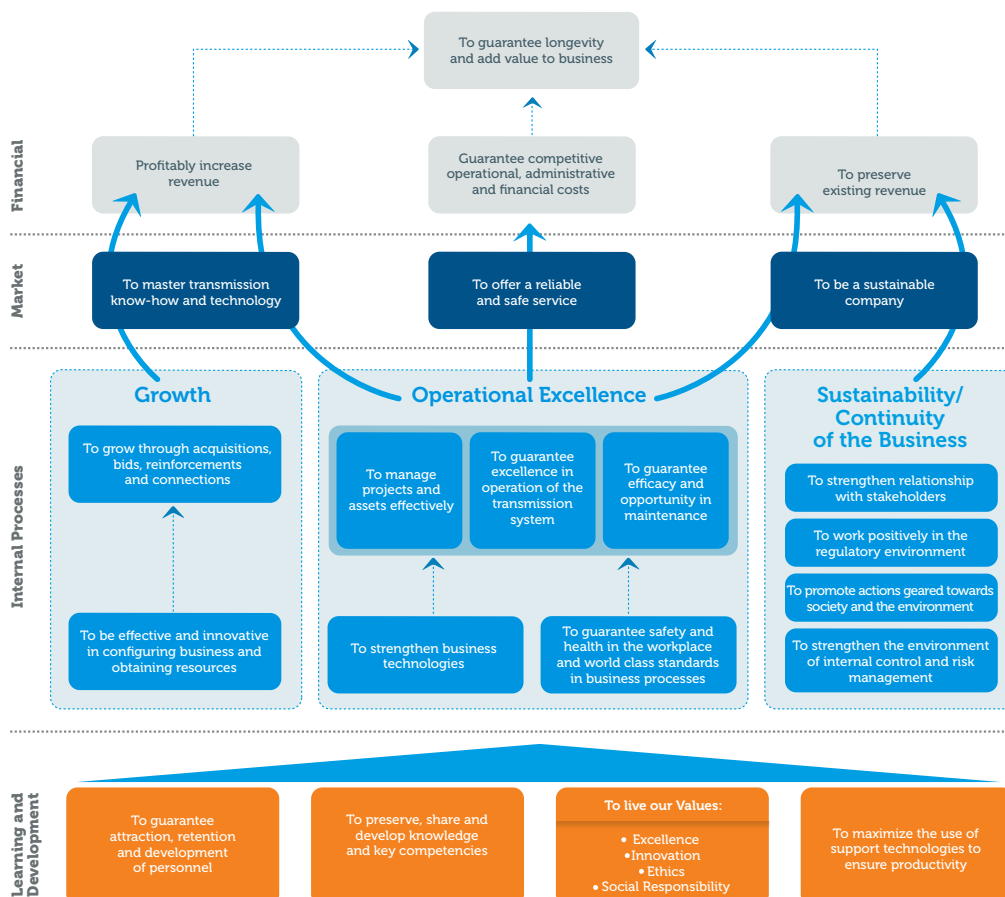
This strategy supports the Company's Vision of becoming the most important non-government owned company in the Energy Transmission industry in Brazil in 2016, with revenues equaling BRL3.5 billion, 25% of which will come from operations outside of the State of São Paulo.

The sustainability of the business is also supported by investment in system efficiency and on projects to develop new technologies for the transmission industry.

### Metodologia BSC

The Company has adopted an integrated strategic management model based on the Balanced Scorecard (BSC) methodology and is continually seeking to improve translation of its strategy. As a result, CTEEP revised its strategic map in 2011, defining three market drivers – business sustainability, transmission technology, and reliability of service – in order to guarantee longevity with continual addition of value for shareholders.

CTEEP invests in optimizing assets and in new acquisitions, focusing on the longevity of the business and on continually creating value.





In an effort to maintain the pace of growth, the Company will maintain active participation in ANEEL calls for bid in 2012. CTEEP also considers maintaining its revenues to be relevant to its competitive strategy, which is why it maintains systematic participation in forums that are important to discussing matters such as Rate Revision and Renewal of Concessions.

The Company will also work on two fronts to guarantee qualified labor, especially in the technical and transmission areas. One of these fronts is a Young Professionals development program, geared towards attracting and retaining professionals in critical business areas. The other measure is investment in training technical labor for CTEEP and for the electrical industry.

Striving towards innovation and conscious of market trends, the Company mobilized a team with a high technical profile to develop a pilot project to assess the impacts of smart grid technology on transmission.

In an effort to continually improve and gain operational excellence, the Company will implement a behavior management program in 2012 to encourage its employees to adopt a safe attitude in their activities, therefore reducing the risk of accidents. With a focus on making services more reliable, CTEEP will also invest in adapting the RCM (Reliability Centered Maintenance) philosophy, considering the diversity of currently operating assets.

## Risk Management

### GRI 1.2, 4.11, PG 7

The Integral Risk Management Policy is currently a part of all Company information and allows for mapping, monitoring and forecasting for managing risks that may interfere in reaching strategic planning goals, which impact business results or place CTEEP's operational efficiency at risk.

With the aid of Integral Risk Management (IRM) tools, based on the Enterprise Risk Management (ERM) model, the Company identifies risks and proposes initiatives to manage them in every process.

CTEEP has currently mapped 38 risk scenarios that are monitored by Company executives. Monitoring consists of quarterly feedback of information on each risk scenario and includes an analysis of causes, probabilities, impacts and the status of the administrative measures for each scenario.

The dynamic behavior of these risk scenarios along with the quarterly revisions have resulted in advancements in creating and implementing administrative measures aimed at mitigating risks and reducing the degree of vulnerability in each scenario, based on the precautionary principle.

The IRM covers topics such as:

- Participation in transmission bids;
- Corporate governance;
- Relationship with subsidiaries.





By associating Integral Risk Management with Internal Controls, the Company has strengthened monitoring of administrative measures and expanded risk assessment to the level of its respective processes. It is therefore able to prematurely identify any failures prior to materialization of the risk and enhance its Risk Map.

CTEEP also relies on a manual of specific guidelines for dealing with financial risks and has adopted swap derivatives (exchange rate hedge) financial instruments in order to neutralize exchange rate risk arising from loans taken out in foreign currency.

### Concession Agreement 059/01

Among the aspects monitored by Integral Risk Management is renewal of Concession Agreement 059/01, which allows the Company to operate certain energy transmission assets up to July 2015. On December 31, 2010, the agreement accounted for 86.9% of CTEEP's Allowed Annual Revenue (consolidated). According to stipulations of the concession agreement, the Company is preparing to express its interest in remaining the concessionaire for the current assets pending acceptance of the concession renewal conditions.

### Emergency Service Plan

#### GRI EN23, EU21

CTEEP has an Emergency Service Plan for power lines (PLs) in the event of metallic structures falling and of the electrical system losing availability. The plan contains logistical information and resources for recovery of PLs aimed at causing the least impact to the electrical system, as well as ensuring the health and safety of employees.

The Company holds periodic training of maintenance teams to refresh, update and discuss the Emergency Service Plan, involving measure related to the community, authorities and industrial clients so as to advise them and prevent any risk to people or facilities or industrial client equipment.

CTEEP keeps government authorities and regulatory agencies aware of the details of occurrences, as well as of the recovery timelines, so that these parties may approve and monitor the progress of preventive or corrective plans of action. Information is disclosed by the CTEEP Press Agent through several communication channels, as well as on the Company's website.

CTEEP has a system for registering all emergencies of an environmental nature. In this process, a system is not established for identifying the volume spilled or for assessing the environmental impacts arising from these spills. When the event is significant, CTEEP hires a company specializing in recovery of the affected area, in correct final disposal of waste generated and in other actions needed for emergency service.

In 2011, 17 occurrences of small oil leaks at some substations were registered in the EMS (Environmental Management System). All of these occurrences were analyzed and treated pursuant to what is set forth in the EMS, which are detailed in the critical analyses from local committees in this system.

Integral Risk Management gathers information from the entire Company and allows for mapping, monitoring and forecasting of risk management.

## Quality Management

In 2011, CTEEP finalized mapping of 100% of its processes and activities. Mapping began in 2007 with the goal of ensuring continued improvement and increased productivity of the entire operation, reaching a high level of detail that allowed for appropriate sizing of work teams and the competencies needed for each process, among other benefits.

In 2011, the Company restarted the ISO 9001:2008 recertification process in the Operation, Maintenance and Projects areas.

The Company's Quality Management System follows the guidelines of the ISO 9001:2000 standard. CTEEP holds training geared towards the subject of Processes, in which 68 employees took part, including employees in leadership positions; this training provided information on how the new CTEEP Process Governance Model works and its benefits.

## Management of Intangible Assets

### GRI EU14

For CTEEP, the creation and dissemination of knowledge and the strengthening of energy transmission business technologies are essential to reaching its strategic goals.

Innovation and Knowledge Management at CTEEP contributes to making the environment of innovation part of the day to day for each employee and it encourages sharing of knowledge and the search for innovative solutions. This sharing can result in increased efficiency, lower costs, higher productivity and improved quality of service provided.

The "Strategic Modeling of Knowledge Management at Transmission Companies" project mapped critical knowledge areas that are relevant to CTEEP's business, identifying key workers and defining tools and methods for facilitating the capture, sharing and dissemination of knowledge.



In 2011, CTEEP launched the idea channel, a tool aimed at promoting continual improvement and innovative solutions; in its first year, 321 ideas were suggested.

### Technology Prospection

The Company holds training courses and encourages its employees to take part in programs such as the Research & Development program, workshops, congresses and other technology events in the electrical industry and, more specifically, in the transmission market.

In 2011, CTEEP sought to internalize the results of the technology prospection map, which was the result of a workshop held in 2010, which discussed industry trends and advanced technologies, such as WAMS integrated monitoring systems and integrated and real-time WACS coordinated control systems, smart grids and FACTS (automated methodologies and technologies for improving transmission system control and data monitoring) and HVDC technology, which allows for better electrical system performance by carrying out transmission of large blocks of energy over large distances using continual current at high voltages.

## R&D

### GRI EU8, EU14

For CTEEP, investment in Research and Development (R&D) transcends regulatory requirements: it is one of the mechanisms for creating, experimenting, expanding and managing corporate and industry know-how, aimed at significant results for the sustainability of its business.

From a strategic perspective, CTEEP made substantial advancements in 2011 by structuring an environment that fosters innovation. Within this environment, the R&D program is a relevant part of the technological planning process, creating opportunities to monitor new technologies, to educate, to train and to integrate all of the links in the innovation chain.

Joint efforts by CTEEP employees and the country's top university researchers, research centers and manufacturers have garnered quite satisfactory results for the Company. By the end of 2011, 77 projects had been finalized, with four patent requests already registered, in addition to significant scientific production that contributed to the electrical industry.

In 2011, BRL8.8 million were invested in R&D for 21 on-going Company projects and two projects classified as strategic, since they are on topics proposed by ANEEL. These 23 projects are set to result in 42 academic titles and development of research by more than 60 CTEEP employees.

Furthermore in 2011, CTEEP held its fourth R&D Program results presentation workshop. The workshop gathered employees, researchers and representatives from various electrical industry organizations who bore witness to the Company's willingness to spread the knowledge it had acquired, sharing the benefits achieved with R&D products with the electrical industry.

More than working on developing innovative research, the Company is focused on applying the results of this research.

CTEEP's goal is to create new software registrations and patents, new technologies, methodologies and processes that leverage the quality and reliability of transmission services and contribute to greater efficiency and greater productivity. The table below shows some of the R&D projects developed in 2011:



Project	Project Goal	Amount Invested (BRL)
Development of a real time System to Analyze and Monitor the Dynamic of the Electrical Network, applying Synchronized Phasor Measurement, to enhance Supervisory, Control and Protection Processes	To develop and implement a system to monitor and analyze the dynamic performance of the electrical system, based on synchronized phasor measurements, in the CTEEP transmission network.	1,515,234.86
Development of a Sliding Suspension clamp to prevent cascading of Transmission Towers	To develop suspension clamps with self-sliding features, for electricity transmission line cables, which allow for controlled sliding of the cables, in order to prevent tower rupture collapse caused by the falling of an adjacent tower.	675,829.60
Identification of Potential Green Shield Areas, as an alternative to mowing areas not suitable for agriculture and Permanent Preservation Areas (PPA) under the PLs	To develop a technique that allows for occupation of PPAs with small native species that reduces or minimize maintenance done by trimming or mowing and cuts expenditures on human resources used for monitoring.	1,019,850.20
Use of new methodologies to locate oil leaks in OF type cables	To develop a local technology, based on the use of perfluorocarbon (PFT) gas traits to carry out localization of oil leaks in OF cables, in the fastest possible time, without the need to shut down the line.	783,950.75

Project	Project Goal	Amount Invested (BRL)
Development of Computer Methodology and Tools for Automatic Event Analysis	To develop computer models, methods and tools aimed at automating the process of analyzing events in the electrical power transmission system, based on the use of computer intelligence techniques.	688,423.00
Allocation of FACTS Technologies in Transmission Systems to benefit Network Operation	This project is aimed at assessing the chance to install FACTS equipment in the transmission network, particularly in the Brazilian electrical industry's Basic Network.	1,484,649.42
Real Time Adaptive Islanding System based on Monitoring the stability of the Transmission Network	Construction of an online real-time computer system based on algorithms to detect risk situations in the CTEEP transmission system. When the National Interconnected System is wholly or partly found to have a point of operation that is capable of affecting the supply of part or all of the State of São Paulo, the system determines and automatically executes actions aimed at maintaining supply of part of the load that would have been affected, using separation of transmission stretches in order to isolate this load causing the disturbance and form stable islands.	1,814,605.96
Construction of an integrated meteorological lightning, rain, temperature and wind sensor, which transmits data in real time for insertion on a WEBGIS platform with a severe weather alert system	Develop equipment to measure lightning, rain, temperature and wind. Ten sensors will be developed. Real time insertion of data on a GIS platform associated with short-term weather forecasting and issuance of meteorological warnings. Definition of criteria for issuing alerts.	2,646,151.24

# Operational Excellence and Growth

The Company has adopted advanced technologies to guarantee the reliability and operational excellence of its assets.



## GRI EU4

Expansion of CTEEP business is based on three cornerstones:

- Expansions in its transmission system
- Participation in industry asset bids
- Acquisitions of existing assets

## Bids

CTEEP actively participated in bids held by the National Electrical Energy Agency (ANEEL) in 2011 and was awarded two transmission lots in Bid 004/2011, held on September 2. When the ventures awarded are finalized, the Company will be present in 15 states in Brazil.

In a consortium formed with CHESF, CTEEP won a lot comprised of two substations (Garanhuns 500/230 kV and Pau Ferro 500/230 kV) and four power lines located in Paraíba, Pernambuco and Alagoas: Luiz Gonzaga-Garanhuns 500 kV, with 224 km; Garanhuns-Pau Ferro 500

kV, with 239 km; Garanhuns-Campina Grande III 500 kV, with 190 km; Garanhuns-Angelim 230 kV, with 13 km.

The aim of this project – which has investments of around BRL650 million and an Allowed Annual Revenue (RAP) of BRL68.9 million – is to optimize energy flows that reach the State of Pernambuco, in order to cut the connection costs and the costs of expanding the electrical network, enabling the flow of power generated at wind generation centers that will be set up in the State of Rio Grande do Norte.

In this same bid, CTEEP was also separately awarded the lot made up of the Itapeti Substation 345/88 kV (800 MVA), with expected investments of approximately BRL43 million and a RAP of BRL4.4 million. This venture will increase the quality and reliability of the system in the Northeast Region of the Greater São Paulo metro area, in the municipality of Mogi das Cruzes and in the Vale do Paraíba (SP) region.

## Expansion of Assets

### GRI EU6

CTEEP works very closely with the EPE (Energy Research Company) and the ONS (National Electrical System Operator) in order to guarantee that its activities are planned in accordance with the system needs and the requirements of generation and distribution companies and free consumers who are connected to the Company's transmission network.

In 2011, CTEEP was given authorization from the National Electrical Energy Agency to implement 27 projects to reinforce the transmission system, which will bring in future revenue of around BRL19 million.

Future revenues are expansion or reinforcement projects for the electrical system that create revenues once they are concluded.

These projects are proposed by the São Paulo Work Group (GTSP), which is comprised of various electrical industry companies, including CTEEP, and by the ONS, with the goal of establishing project planning and implementation guidelines for fulfilling energy supply demands in the State of São Paulo.

One focal point of the work done by the GTSP is the treatment of environmental issues, geared towards facilitating issuance of preliminary, installation and operation licenses.

Additionally, CTEEP maintains an Asset Optimization Plan (AOP) and a Facility Maintenance Program to ensure the reliability and quality of electrical power supply to distributor companies.

As a bonus for the extremely high availability of its assets in the last three fee cycles, the Company has also received a total award of BRL11,240,861.06, which represents between 30% to 35% of the total amount given to all of the transmission companies in Brazil.

## 2011 Investments

In 2011, CTEEP investments in expanding and optimizing assets totaled BRL229.46 million.

Moreover, 65 projects were started up among the Basic Network and Other Transmission Facilities (DITs)<sup>(\*)</sup>, which account for additional revenue of around BRL31.9 million to the RAP (Allowed Annual Revenue).

These projects provided an added 1,138.25 MVA of transformation capacity. Among highlights are the construction of 30 kilometers of the 138 kV Mogi Mirim III Jaguariúna Branch line (which will serve Campinas and Jaguariúna) and refurbishment of ten kilometers of the 138 kV Rio Claro I – Limeira I line. Two hundred and nineteen current transformers, 193 section keys, 85 voltage transformers, 35 circuit breakers and 18 choke coils were also installed.

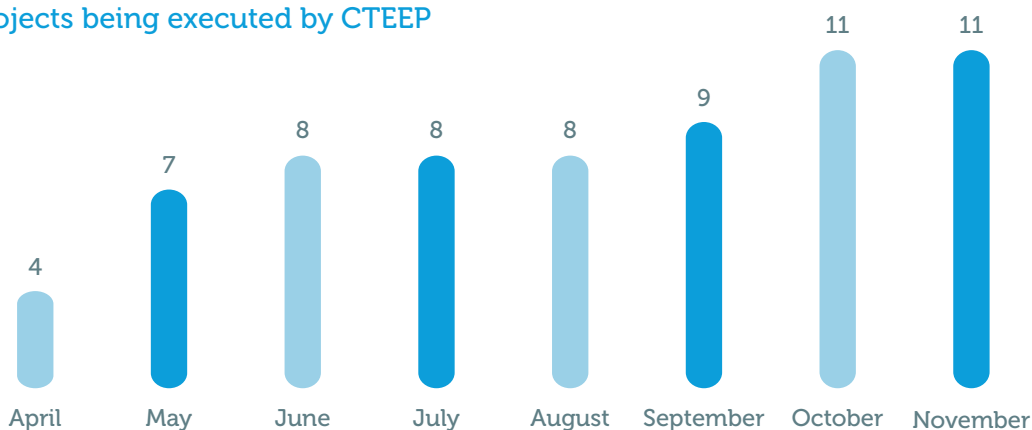
Investments were focused on installation or replacement of Type 2 equipment (reinforcements previously authorized by ANEEL with revenue to be defined later). Type 1 reinforcements were also implemented (previously authorized by ANEEL and with pre-established revenue).

Another successful strategy used in 2011 was preliminary identification of accessors (companies that are directly connected to the CTEEP system that are not power distributors), which allowed the Company to develop a connection plan to offer these potential clients. The seven new contracts that resulted from this initiative totaled BRL1.4 million in the first semester, which corresponds to close to 10% of future revenues reached in the year.

(\*) Some distributor companies do not access the Basic Network directly, but rather use DITs, a connection system used solely between the distribution lines and the Basic Network. To connect to these connection facilities, accessors should sign a contract with transmission the concessionaires who hold the facilities. Transmission company payment is defined by contract through negotiation between the parties. The payment obtained by the transmission concessionaire through the CCTs is one of the components of the RAP (Allowed Annual Revenue).

Investments made in 2011 added 1,138.25 MVA to CTEEP's transformation capacity.

## Growth in total number of connection projects being executed by CTEEP



Total charge of connection BRL19,147.09

Total investment of BRL139.8 MM

CTEEP has been making considerable contributions to the growth of the Sistema Interligado Nacional (SIN), through investments in substations and power lines implemented in recent years to serve long-term domestic demand for electricity, in line with GDP and energy market growth. Among these investments, the following are notable:

### Pinheiros

In March 2011, the Getulina substation came online, between the cities of Lins and Guaimbê, connected to the 440 kV Jupia – Bauru line. The substation, which added 300 MVA of transformation capacity to the CTEEP system, will contribute to enabling distributors to serve the energy demands in the State of São Paulo's Northeast Region. A study is already underway to place a second bank of transformers in the substation to increase capacity to 600 MVA.

Connected to the 440 kV Ilha Solteira – Araraquara line, the Mirassol II substation came online in April 2011, adding 300 MVA of transformation capacity to the CTEEP transmission system. Expansion was authorized through installation of a second bank of transformers at the substation, so that its installed capacity reaches 600 MVA.

The project will result in improved quality in the energy supply since the regional system had been operating at critical voltage levels in the 138 kV network.

In December 2011, the Piratininga II substation began operation. It is connected to the Interlagos substation through the new 345 kV Interlagos – Piratininga II transmission line.

Start-up of the substation, whose installed capacity is 1,200 MVA, has contributed to relieving the load at the Bandeirantes substation, which will favor supply to the central region of the city of São Paulo.

In 2012, the Atibaia II substation, in turn, will add 400 MVA to the system, with a connection done through sectioning (connection) to the 345 kV Poços de Caldas – Mogi das Cruzes (Fumas) line. This project will benefit the Atibaia (SP) region.

The result of a winning bid in ANEEL Bid 004/2011, a SE 345/88 kV Itapeti will be built and operated by Pinheiros. This project will add 800 MVA to the system and is expected to come online in August 2013.

### IESul

The Interligação Elétrica Sul inaugurated the Forquilha substation in the region of the same name in Santa Catarina, adding 300 MVA of transformation capacity. It was the subsidiary's second project to become operational in order to serve loads in the Santa Catarina's south and far south regions, granting the electrical system greater flexibility and expanding the capacity and reliability of supply.

CTEEP invested BRL2.5 billion over the last three years, reinforcing its commitment to Brazil's development.





The 47 kilometer long transmission line at 230 kV Jorge Lacerda B – Siderópolis C3 is expected to begin operations in February 2012. The transmission line is located between the municipalities of Capivari de Baixo, Tubarão, Treze de Maio, Pedras Grandes, Urussanga, Cocal do Sul and Siderópolis, in Santa Catarina. The project will supply the growing energy demand in the region.

The transmission line at 230 kV Nova Santa Rita – Scharlau, which crosses through the municipalities of São Leopoldo, Novo Hamburgo, Portão and Nova Santa Rita, in Rio Grande do Sul, will supply safer energy and will contribute to local economic growth. The Nova Santa Rita – Scharlau transmission line and the Scharlau 2 substation began operations in December 2010.

With 100 kilometers and approximately 200 towers, the 230 kV Joinville Norte – Curitiba C2 transmission line is currently in the environmental licensing phase. The project is set to be finalized in March 2013.

#### Serra do Japi

Starting in 2012, the Interligação Elétrica Serra do Japi's Jandira and Salto substations will add 1,200 MVA and 400 MVA, respectively, to the CTEEP transmission system. The Jandira substation will be connected through sectioning to the 440 kV Gerdau – Embu Guaçu line. This project will contribute to improving energy supply in the north region of the Greater São Paulo metro area. The Salto substation will also connect through sectioning to the 440 kV Bauru – Cabreúva C2 line, and will benefit the region of Itu (SP).

#### IEMadeira

Through its Interligação Elétrica do Madeira subsidiary, CTEEP is building one of the bipoles of the Santo Antonio and Jirau power plant transmission system, in the State of Rondônia, through implementation, operation and maintenance of the complex which includes the Porto Velho – Araraquara 2 transmission line, in a continual  $\pm 600$  kV current and with 2,400 km in length. It has also built the CA/CC, 500/ $\pm 600$  kV – 3150 MW rectifier stations in Porto Velho and the CC/CA Inverter,  $\pm 600/500$  kV, with 2,950 MW in Araraquara.

## Operational Performance

GRI EU6, EU12, EU28, EU29

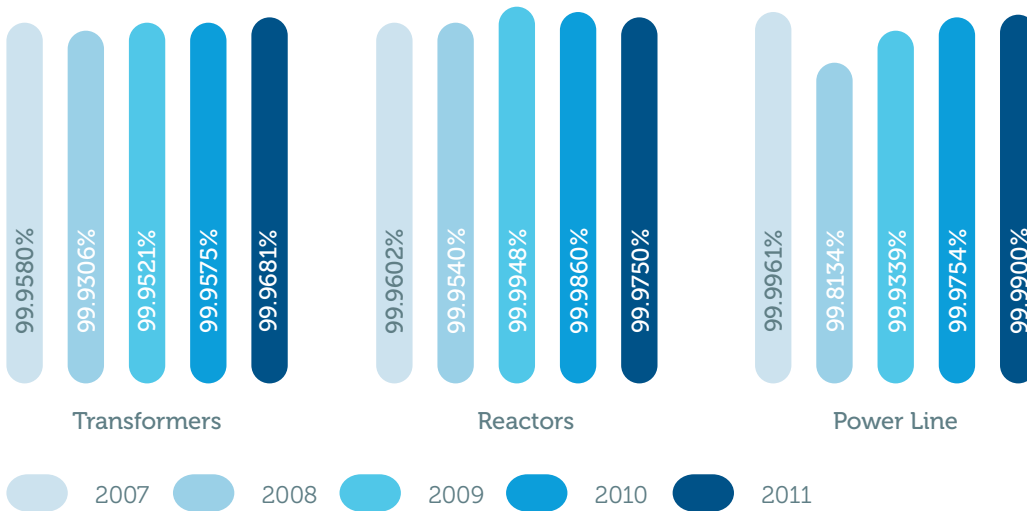
The Company makes permanent investments in maintenance, technology and automation in order to guarantee the efficiency and quality of its transmission systems, since CTEEP operating revenue is directly related to the availability of its assets (power lines, reactors and transformers). Unavailability of assets could create a discount in its revenue because of a variable portion.

The quality of the energy transmission supplied to customers has always been and will continue to be of concern to CTEEP. This regards a commitment that directs the entire Company's operational efficiency strategy.

Because of this, CTEEP carries out constant monitoring of the Equivalent Frequency of Interruptions (FREQ), an indicator that measures how many power supply interruptions there are per year, and the Equivalent Duration of Interruptions (DREQ), a translation of the average duration, in hours, of annual supply interruptions.

In 2011, a study on transmission losses was not carried out. CTEEP will assess the study to once again deal with the issue of losses.

### Asset availability



	2011
DREQ	3.3417
FREQ	0.2554
ENS	1,057.37

## Advanced Technology

CTEEP uses advanced technologies to protect its transmission system and to make it more reliable. The Company uses the RTDS (Real Time Digital Simulator) to carry out simulations of electrical phenomena (failures, disturbances), detailing problems to the millisecond and diagnosing them in the protection system.

This equipment allows real CTEEP protection system devices to be connected, such as protection relays that detect abnormalities in the electrical network and work to isolate them.

The simulation provides more data for diagnosis and treatment of real problems and assesses problems that have previously occurred.

In addition to the RTDS, CTEEP uses the Operator Training Simulator (OTS). This equipment simulates maneuver execution and operation routines and power system behavior, preparing operators to confront various real life situations without any risks to the electrical system.

## Digital Substations

Among investments in maintenance and modernizing assets made in 2011, digitalization of substations, in line with IEC 61850, the International Electrotechnical Commission's new standard is notable, along with creation of redundancy in systems that had not had this benefit. Throughout the year, BRL10.4 million were invested in replacing analog substation controls with digital controls.

CTEEP substations are remotely controlled by two control center facilities in the State of São

Paulo: the Transmission Operation Center, located in the municipality of Jundiaí, and the Backend Operation Center, in the municipality of Cabreúva.

The control centers use Sage (Portuguese acronym for Open Energy Management System) technology.

The Company expects the process of automating all of its assets to be finalized by 2015.

## Maintenance

GRI EN18, EC2, PG 8, 9

CTEEP has adopted the concept of Reliability Centered Maintenance (RCM), which allows for maintenance to be scheduled with quality and at the right time, preventing delayed action that compromises the quality of the energy transmission service or anticipatory work, which results in unnecessary costs.

The transformers, reactors and other substation equipment are inspected on a daily basis to assess items such as oil levels, temperature, power and voltage, while also assessing the overall condition of equipment. In addition to prolonging the useful life of equipment, postponing investments in new acquisitions and replacements, maintenance activities also take into account the energy efficiency of assets and the consequent reduction in CO<sub>2</sub> emissions.

The Company also carries out preventive inspections of specific items every four and six months and every one, three and six years. During 2011, BRL91.4 million were invested in maintaining Company assets.

The Company makes permanent investments in technological maintenance and automation to guarantee the efficiency and quality of its transmission system.

Another initiative aimed at decreasing the time that these assets are unavailable was replacement of the Large Oil Volume (LOV) circuit breakers with more modern equipment using SF6 gas as an isolating medium. This technology ensures greater electrical current interruption capacity because the SF6 has better insulating properties than mineral oil, while also requiring a much shorter period of unavailability for preventive maintenance than is needed for a LOV technology circuit breaker. In 2011, 34 of the 125 existing LVO circuit breakers were changed out. Replacement should be completed by 2015.

SF6 gas, a component in the equipment operated by CTEEP, is a greenhouse gas and has been identified as the biggest pollutant in Company activities. For this reason, CTEEP is developing a R&D project entitled "Study to identify, characterize and quantify greenhouse gasses in current activities and processes in the CTEEP transmission system".

As a result of the project, GHG were identified and quantified in the current activities and processes in the CTEEP transmission system. This study was done using samples, making it possible to determine the percentage of SF6 leaked in equipment in operation; using a simple statistical criterion, it was also possible to estimate the origin and possible causes of these leaks. The results obtained show that SF6 coming from shielded substations and circuit breakers to be the most relevant GHG in the CTEEP operation. The project will be continued in 2012, with a focus on developing a device to minimize the loss of SF6 gas.

## Asset Inventory

CTEEP began an inventory of its 130 thousand assets in 2011 for the ANEEL (Agência Nacional de Energia Elétrica) Electrical Industry Asset Control Manual. The manual establishes a standard for organizing information regarding assets under the control of electrical industry concessionaires. In addition to meeting the regulatory agency requirement, the inventory provides a more reliable and up to date vision of assets, facilitating accounting control.

CTEEP mobilized 30 professionals to survey data for 61,873 substation items, 209 power lines, 30,273 transmission towers, 20,793 easements (land under the power lines), 2,080 pieces of property, 1,254 buildings, 1,126 improvements and urbanizations, and 51,225 mobile registration units (tables, chairs, etc.).

Engineers and technicians from the maintenance areas undergo training in order to understand the main changes to the manual. The team in charge of the inventory prepared data within the standards established by ANEEL for insertion into the SAP system.

CTEEP has adopted the Reliability Centered Maintenance concept to guarantee the quality of energy transmission service.

# Economic and Financial Performance

In 2011, CTEEP's net operating revenue was 28.6% higher, totaling BRL2.9 billion. EBITDA grew by 23.8%.



## Financial Performance

### GRI EC1

The growth strategy adopted by CTEEP, based on adding value to the business through best corporate governance practices and sustainable financial results and on significant expansion of the base of assets and operational excellence, resulted in notable results in 2011.

Components	\$ Thousands(*)			
	2008	2009	2010	2011
<b>Direct economic value created</b>	-	<b>1,815</b>	<b>1,735</b>	<b>2,026</b>
a) Net sales revenue	-	1,815	1,735	2,026
<b>Economic value distributed</b>	-	<b>1,989</b>	<b>1,855</b>	<b>2,098</b>
b) Operational expenses	-	450	400	504
c) Employee salaries and benefits	-	157	160	194
d) Payment for capital providers	-	783	772	789
e) Payment to the government	-	600	523	611
f) Investments in the community	-	0	0	0
<b>Accumulated economic value</b>	-	<b>3,804</b>	<b>3,590</b>	<b>4,124</b>

(\*)Numbers are in line with international accounting standards (IFRS); they have not been audited yet and are subject to alteration.

## Accounting Statements

CTEEP consolidated financial statements were drafted pursuant to the accounting standards used in Brazil, which include the provisions contained in the Law of Publicly Traded Corporations, standards, interpretations and guidelines issued by the CPC (Comitê de Pronunciamentos Contábeis) and approved by the CVM (Comissão de Valores Mobiliários). Financial statements are in compliance with IFRS (International Financial

Reporting Standards) standards issued by the IASB (International Accounting Standards Board).

## Independent Auditing

CTEEP complies with the principles that preserve the independence the external auditor, who should not audit his own work, or exercise a managerial role or even advocate on behalf of his client. The policies of the Company and its controlled

companies prohibit the hiring of independent auditors to provide services if their hiring may create a conflict of interest or loss of objectivity.

Individual and consolidated financial statements regarding 2011 were audited by Ernst & Young Auditores Independentes S.S. ("Ernst & Young Terco").

### Allowed Annual Revenue

Resolution No. 1,171, published on June 28, 2011, established allowed annual revenues for CTEEP and its controlled companies, based on the availability of transmission facilities that are part of the Basic Network and of Other Transmission Facilities for the 12 month cycle covering the period from July 1, 2011 to June 30, 2012.

CTEEP's RAP, which was BRL1,760.8 million on July 1, 2010, went to BRL2,008.3 million on July 1, 2011, increasing by BRL247.5 million or 14.1%.

The RAP for the Company along with its controlled companies, which was BRL1,861.2 million on July 1, 2010, went to BRL2,120.6 million on July 1, 2011, rising by BRL259.4 million or 13.9%.

### Variable Portion

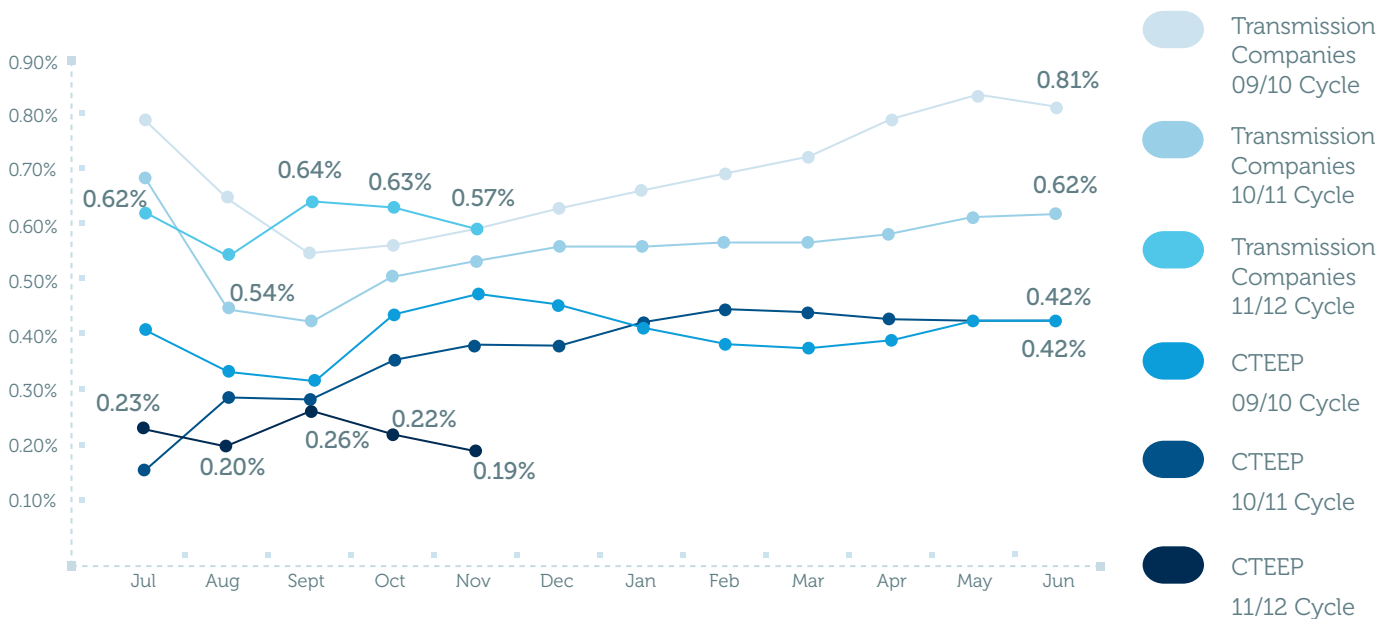
The variation in the supply and demand for electricity does not interfere in the monthly income at CTEEP, whose Allowed Annual Revenue (RAP) is established by ANEEL and is not dependent upon the amount of energy transported.

The component that interferes with revenue is the Variable Portion (VP), which is discounted from transmission company RAP based on unavailability or restriction of facilities that are part of the Basic Network. In 2011, the discount regarding the Variable Portion was 0.27% of revenue, well below the industry average, which is around 0.57%.

The Additional RAP corresponds to the amount to be added to transmission company revenue as an incentive to improve availability of transmission facilities. In 2011, the Company received an additional RAP in the amount of BRL3,467,868.02 in reference to the 2010/2011 Cycle, established by the ANEEL because of the high availability of its assets (99.98%). This additional payment caused the Variable Portion to drop from 0.27% to 0.05% of the RAP.

### Variable Portion

In 2010 and 2011, CTEEP received 29.76% of the total industry VP premium – around BRL3.4 MM.



## Revenue

Construction Revenue totaled BRL1,103.7 million in 2011, rising 59.1% compared to 2010, when it was at BRL693.8 million. This increase is the result of the advancement of work at Serra do Japi (an additional BRL153.7 in 2011) and at IEMadeira (an additional BRL594.9 in 2011), as well as of CTEEP reinforcement and expansion projects. This increase was off-set by the conclusion of work at IENNE, IESul and Pinheiros during fiscal year 2010.

Maintenance and Operation Revenues totaled BRL555.1 million in 2011, compared to BRL442.5 million in 2010, which accounts for growth of 25.4% for the fiscal year and mostly reflects the monetary restatement of the RAP for the 2011/2012 cycle.

Financial Revenues coming from concession agreements totaled BRL1,589.9 million in 2011, rising by 13.7% compared with BRL1,398.2 million in 2010. This growth reflects payment of the balance of construction accounts receivable, which had a positive variation of 21%.

Moreover, in July 2011, the Company and its controlled companies acknowledged the positive adjustments coming from annual tariff repositioning, which affected its cash flows in the amount of BRL246.9 million (in relation to BRL86.4 million in 2010) as an adjustment to the annual financial revenue.

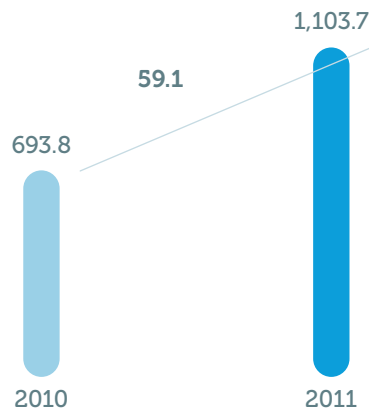
Operational Revenue Deductions reached BRL367.9 million in 2011, compared to BRL295.3 million in 2010, accounting for taxes and charges that reflect the growing operational revenue.

As a result of the aforementioned factors, the Net Operating Revenue rose by 28.6% in 2011, reaching BRL2,009.8 million

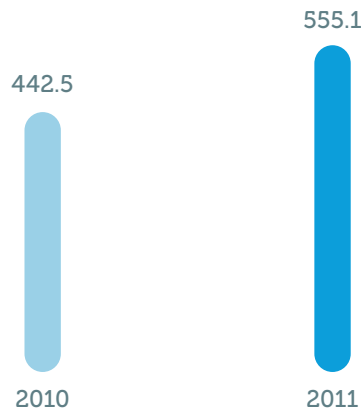
## Operational Costs and Expenses

Construction and operation/maintenance costs were 39.6% higher, reaching BRL1,323.4 million in 2011 in relation to BRL948.3 million in 2010. This increase was the result of an additional BRL366.5 million for expenditures on mate-

## Construction Revenues (BRL millions)



## Maintenance and Operations Revenues (BRL millions)



rials and services that were mostly applied to the Serra do Japi and IEMadeira projects.

General and administrative expenses fell by 79% in 2011, totaling BRL127.0 million compared to BRL137.9 million in 2010.

Among the transactions that took place during the fiscal year, the following are noteworthy: (i) reversal of the provision for contingencies, in the amount of BRL27.6 million; (ii) creation of a provision for inventory losses totaling BRL17.9 million; (iii) increased expenditures in contracting services in the amount of BRL6.0 million; and (iv) additional personnel expenses in the amount of BRL3.2 million, which was basically due to the period's collective bargaining agreement.

## EBITDA and EBITDA Margin

In 2011, CTEEP registered an EBITDA (Earnings Before Interest, Taxes, Depreciations and Amortizations) of BRL1,456.5 million (growth of 23.8% in relation to BRL1,176.1 in 2010) and an EBITDA margin of 50.2% (dropping by 1.9 percentage points in relation to 52.1% in 2010).

## Financial Result

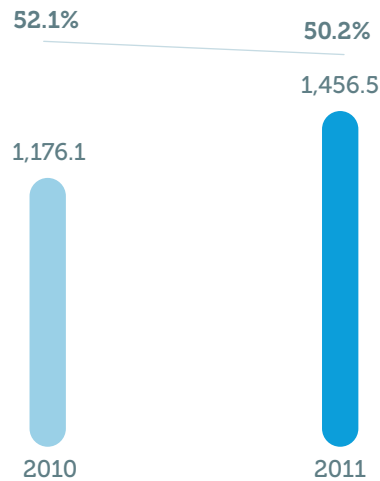
The financial result reached expenditures of BRL200.5 million in 2011, which accounted for a 91.5% increase compared to the BRL104.7 million in 2010, due to greater financial leveraging.

In 2011, CTEEP raised BRL500.0 million in Promissory Notes and BRL250.0 million in international Bank Credit Notes and Commercial Paper, generating an additional financial expense of approximately BRL47 million.

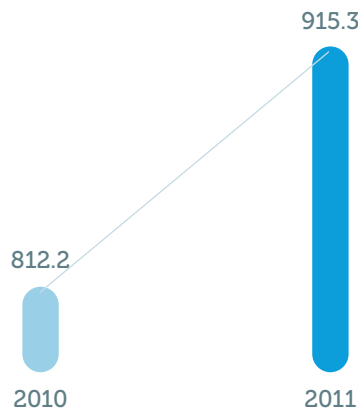
The Serra do Japi and IEMadeira controlled companies had increased short-term funding and the Pinheiros, IESul and Serra do Japi controlled companies had new long-term funding from the Brazilian Development Bank (BNDES), creating an additional financial expense of approximately BRL24.0 million. The increase in the rate of Interbank Deposit Certificates from 2010 to 2011 raised the total cost of debt by approximately 1.68% a.a., mostly as a result of greater short-term funding, especially for the Serra do Japi and IEMadeira controlled companies, which are currently constructing power lines.

Expenditures on income tax and social contributions were 32.5% higher, totaling BRL303.8 million in 2011 versus BRL229.4 in 2010. The effective rate of income tax and social contribution was 24.9% in 2011 – in 2010 it was at 22%. The main permanent differences justifying the variation between the effective rate and the nominal rate are the expense of interest on shareholder capital, the result of equity accounting, and reversal of the provision to maintain the integrity of shareholder equity (because of the fiscal benefit from the premium paid by ISA Capital in the process of acquiring shareholder control over CTEEP).

## EBITDA and EBITDA Margin (BRL millions and %)



## Net Earnings (R\$ millions)



## Net Earnings

In 2011, CTEEP's net earnings totaled BRL915.3 million, an amount that is 12.7% higher than the BRL812.2 million earned in 2010. With this result, the net margin reached 31.6% in 2011 compared to 36.0% the previous year. The 4.4 percent drop in net margin is explained by higher costs and expenditures throughout 2011.

## Indebtedness

Consolidated gross debt on December 31, 2011, totaled BRL2,771.4 million. Of total consolidated gross debt, BRL1,109.5 million (40%) was connected to loan contracts with the BNDES. At the end of 2011, net debt was at BRL2,564.1 million. The rate of indebtedness (ratio between net debt and shareholder equity) reached 56.5% at the end of 2011.



## Distribution of Added Value

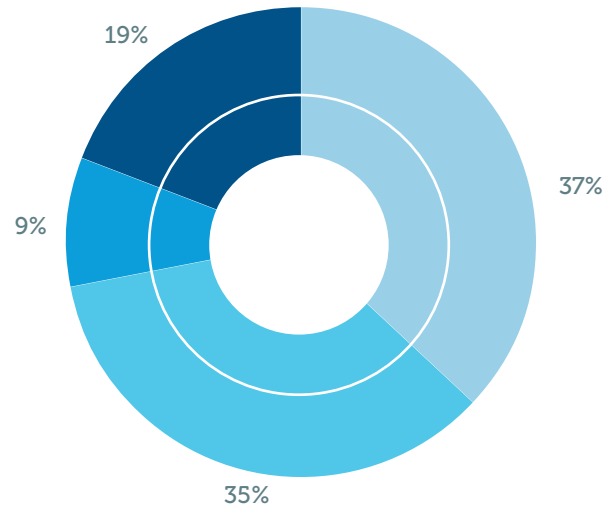
### GRI EC1

In 2011, CTEEP's Added Value totaled BRL2,198.6 million, an amount that is 22.7% higher than it was in 2010. Of this total, BRL789.0 million concern payments of shareholder gains (dividends and shareholder equity), BRL734.4 regard federal, state and municipal taxes, fees and contributions; and BRL199.7 million were used to pay employee salaries and benefits.

## Capital Market

Ordinary and preferential shares in CTEEP (BM&FBOVESPA: TRPL3 and TRPL4) ended 2011 quoted at BRL54.00 and BRL57.99, respectively, which represents variation of -11.62% and +5.25%, also respectively, in relation to 2010. When the share price is added to the gains paid to shareholders, the return regarding preferential shares (which have greater liquidity) was 18.03%. During fiscal year 2011, IBOVESPA lost 18.11% of its value and the Índice de Energia Elétrica (IEE) (Electric utilities Index) rose in value by 19.72%.

## Distribution of Added Value



- Shareholder payments and gains
- Taxes, fees and contributions
- Salaries and Benefits
- Others

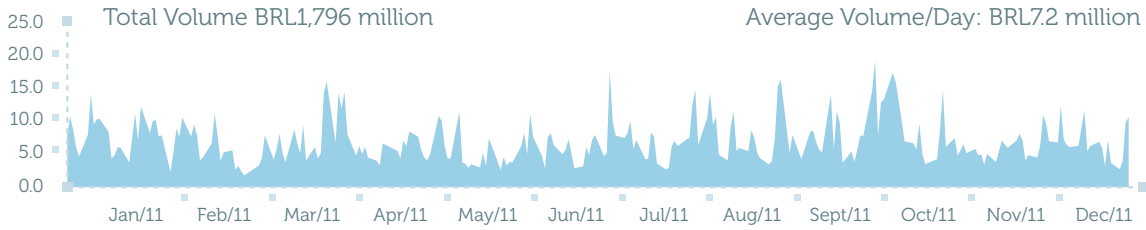


- TRPL3
- TRPL4
- Total return - TRPL4
- IBOVESPA
- IEE

Throughout the year, preferential shares in CTEEP showed an average daily trading volume on the BM&FBOVESPA of BRL7.2 million. The total volume traded in 2011 was BRL1,796.0 million.

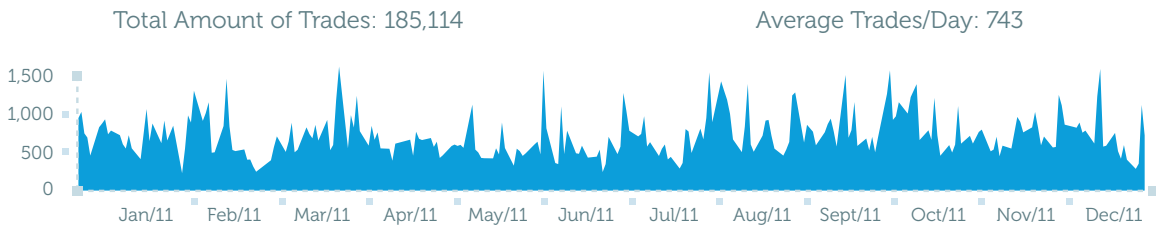
Preferential shares in CTEEP reached 185,114 trades in 2011, totaling BRL1.79 billion.

### Financial volume traded in 2011 (BRL millions)



With a daily average of 743 trades, preferential shares in CTEEP reached 185,114 trades in 2011.

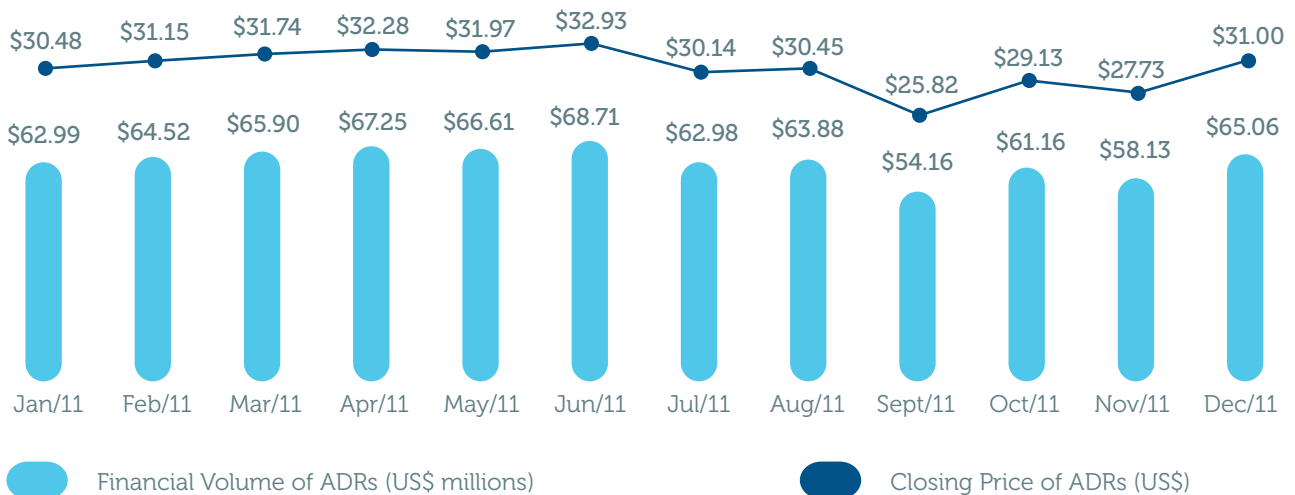
### Quantity of trades in 2011 (unit)



### Circulation of ADRs

CTEEP also takes part in a sponsored program of Level 1 American Depositary Receipts (ADR), tied to ordinary and preferential shares at the rate of 1 Depositary Share for each share of both types.

At the close of 2011, ADRs tied to preferential (more liquid) shares rose in value by 1.7% and the financial volume regarding these ADRs was 3.3% higher, totaling US\$65.1 million.



# Corporate Social Responsibility

Ethics, transparency and integrity in relationships and sustainability. These are the pillars of CTEEP's commitment to its stakeholders and to the continuity of the business.



## GRI 4.14, 4.15, 4.16

The Corporate Social Responsibility model adopted by CTEEP is in line with the Company's strategic objectives – aimed at the longevity of the business and at creating value – and is also in line with commitment undertaken with employees, customers, shareholders and investors, suppliers, the government and society.

These commitments, which translate into ethical actions, transparent dialogue, integrity in relationships, sustainable initiatives and concern for the environment, were formally reaffirmed in 2011 when CTEEP adhered to the Global Compact.

Adhesion to the Global Compact is in line with the initiatives established at the Social Responsibility Meeting of Grupo ISA companies, held in Colombia. The meeting defined the following as top priority social responsibility topics: human rights, climate change and community development.

## Stakeholders

The Company promotes engagement with its many publics through corporate social responsibility projects, communication and service channels, surveys, participation in public hearings and at events, reporting of results, etc.

CTEEP has adopted rules, policies and practices regarding its relationships with all of its related parties; that is, with controlling shareholders, controlled companies, key administrative personnel, organizations with joint control, organizations under common control and which somehow exercise significant influence over the Company.

Among the various initiatives to strengthen its relationship with its many stakeholders, CTEEP has maintained a Corporate Visitor Program at its facilities since 2011.

## Interest Group



## Employees

GRI LA1, LA13, PG 6

CTEEP looks for professionals who identify with the Company's fundamental values, who are entrepreneurial and able to add to a Company that is a benchmark in the electrical energy transmission industry. Therefore, reliability, responsibility and teamwork are seen reflected in corporate behavior and conduct.

In 2011, CTEEP had a staff of 1,418 employees for an indeterminate time, 20 of whom were hired for a determinate time or temporarily (apprentice minors) and 21 of whom have other types of contracts (CEO, Officers and interns).

The personnel management model used by CTEEP is geared towards the development of professionals and their contribution to the Company's growth. Various initiatives on this topic have strengthened the competencies and skills of the Company's employees.

CTEEP also invests in the well-being and satisfaction of its employees.

Human rights, climate change and community development are top priority topics in social responsibility for CTEEP in 2012.

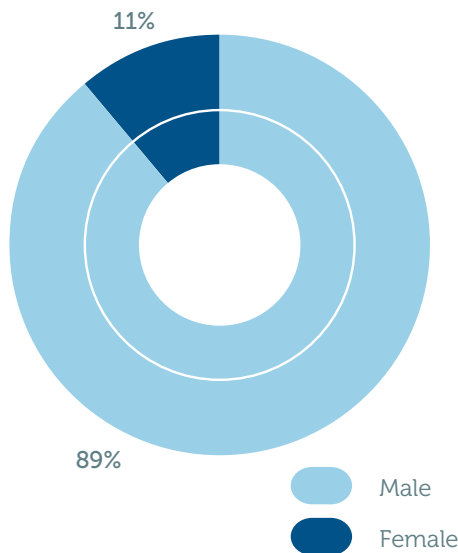
## Employees by gender

	2011	2010	2009
Male	1,264	1,230	1,242
Female	154	146	138
<b>Total</b>	<b>1,418</b>	<b>1,376</b>	<b>1,380</b>

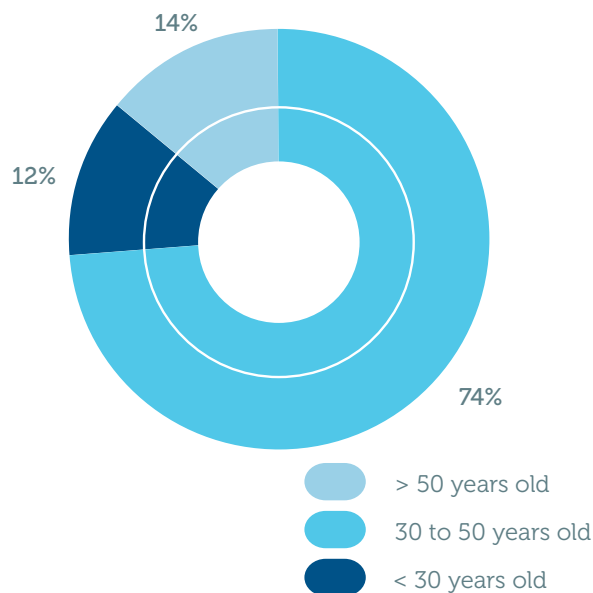
## Employees by age

	2011	2010	2009
>50	195	142	118
30 to 50	1,047	1,042	1,105
<30	176	192	157
<b>Total</b>	<b>1,418</b>	<b>1,376</b>	<b>1,380</b>

### Employees by gender



### Employees by age



Employee profiles	Total	Female	Male	Up to 30 years old	From 30 to 50 years old	Over 50 years old
Board Members	20	02	18	0	4	16
CEO	1	-	1	-	-	1
Officers	4	-	4	-	2	2
Managers	26	4	22	-	18	8
Coordinators	79	10	69	-	57	22
Administrative	271	130	141	81	156	34
Operational Tech.	1,042	10	1,032	107	804	131
Interns	16	8	8	16	-	-
Apprentices	20	8	12	20	-	-
<b>Total</b>	<b>1,479</b>	<b>172</b>	<b>1,307</b>	<b>224</b>	<b>1,041</b>	<b>214</b>

In line with the development and satisfaction of its workers, CTEEP carries out a Climate Survey, which monitors factors such as resources, autonomy, upper management, immediate supervisor and attraction and retention of talent.

The survey is done online and 93% took the survey in 2011, with a favorability rate of 57%. The year before, 96% took the survey and the favorability rate was at 56%.

The results of the 2011 Climate Survey are available at a special area of TransNet, including the 2011 action plan and best organizational climate management practices.

CTEEP employees are located in the Southeast Region, within the state of São Paulo, and all of them were hired pursuant to the Consolidated Labor Laws.

Personnel management is focused on total development of employees, contributing to Company growth.

### Number of employees by region

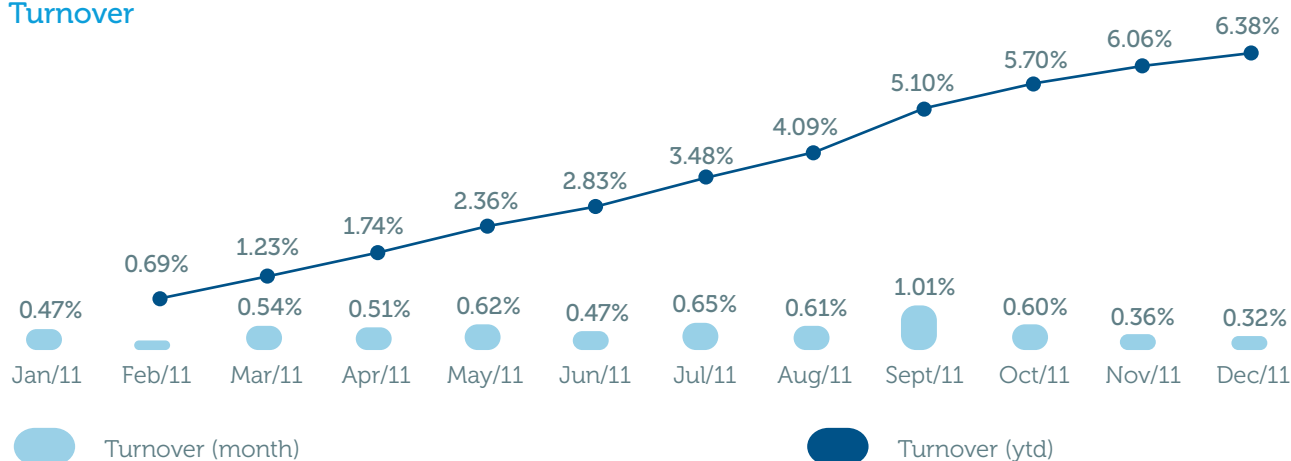
2011

Bauru	242
Cabreúva	197
Jupia	140
São Paulo – Casa Verde	197
Headquarters – São Paulo	382
Taubaté	178
OPO OPT	82
<b>Total</b>	<b>1,418</b>

In 2011, turnover was at an annual rate of 6.38%. This rate does not account for Officers, the CEO, Board Members, interns and apprentices.

GRI LA2, PG 6

### Turnover



Age group	%	Contract for indeterminate time or permanent		Contract for determinate time or temporary		Other types of contract(*)
		Terminations	%	Terminations	%	
Up to 30 years old	29.41	20	100	21	100	48
From 30 to 50 years old	51.47	35	0	0	0	0
Over 50 years old	19.12	13	0	0	0	0
<b>Total</b>	<b>100</b>	<b>68</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>48</b>

(\*)CEO, Officers and interns.

Gender	%	Contract for indeterminate time or permanent		Contract for determinate time or temporary		Other types of contract(*)
		Terminations	%	Terminations	%	
Male	77.94	53	80.95	17	75	36
Female	22.06	15	19.05	4	25	12
<b>Total</b>	<b>100</b>	<b>68</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>48</b>

(\*)CEO, Officers and interns.

CTEEP promotes the Transmission Merit event and, in 2011, it honored 148 employees who completed 15, 25, 30 and 35 years of working at the Company in 2011. The event has already honored 3,439 employees since it was first held in 2000.

### Pay and Benefits

#### GRI 4.5, LA3, LA11, LA14, EC3, EC5, EU15 PG 6

In an effort to attract and retain qualified professionals, CTEEP has a salary policy and benefits package that is compatible with the market, to keep its employees motivated and committed to the Company's sustainable growth strategy and business plan. In 2011, CTEEP held a new salary survey to assess its position in relation to the market.

The lowest monthly salary paid by CTEEP and in all of the regional offices in 2011 was BRL1,507.00, which corresponds to 2.76 times the minimum monthly wage in the State of São Paulo (BRL545.00).

Pursuant to Brazilian law and its remuneration policy, the Company maintains an annual technical and financial profit sharing program, duly negotiated with the unions, with goals aligned with organizational targets.

In 2011, the amount paid to each employee varied between 0.60 and 3.91 payments and the total amount reached BRL12,230.00.

Benefits offered to employees hired under the CLT regime (indeterminate time) include medical and dental care (also offered to dependents), meal or food vouchers, a basic staples basket (for those with monthly salaries of up to BRL3,396.00), pharmaceutical discounts, vacation bonus and training programs. Women and men who have custody of children are given daycare, nanny or special aid.

Temporary workers (apprentice minors) receive transport vouchers, meal or food vouchers, medical care and life insurance.

The pension plan, with contributions from the employee and the Company, is called the Retirement and Pension Supplement Plan

(PSAP/Transmissão Paulista), and is managed by Fundação CESP and structured on the defined benefit modality, wherein the amount received is previously established.

In 2011, CTEEP earmarked a BRL3,311 thousand investment for the plan. Employee adherence is voluntary and all employees are eligible.

Functional category	Eligible for retirement in the next 5 years
Administrative	4%
Technicians	9%
Engineers	9%
Operational	1%

## Diversity

### GRI LA14

CTEEP values building and strengthening a culture of respect, welcoming and appreciation of its employees.

The Company has also adopted the principle of equality in pay for same value positions, without distinction between men and women, who received a raise in their respective average salaries in 2011.

Average salary between men and women	2011	2010	2009
Average base salary for men	R\$4,565.59	R\$4,317.81	R\$3,319.28
Average base salary for women	R\$5,043.44	R\$4,860.26	R\$4,073.62
Average salary	R\$4,617.49	R\$4,375.37	R\$3,395.03

## Internship Program

In an effort to develop potential talent, CTEEP maintains an Internship Program at the university and technical levels.

In 2011, 53 interns took part in the program. The Company ended the year with 16 interns, who have continued in the program in 2012. In 2011, 11 interns were hired and in 2012, another nine were added, resulting in a hiring rate of 38%. With the new students starting in March, CTEEP has 113 interns in 2012.

Students work alongside Company employees, learning from those with the most experience and bringing know-how to universities. Interns take part in on-site and distance training and receive periodical evaluations and feedback from the intern supervisor. The Internship Pro-

gram includes presentation of individual projects developed by the interns, aimed at providing the Company with innovative improvements. In 2011, technical level interns also began to present their projects.

The projects are assessed by a panel made up of CTEEP professionals. The best papers are disseminated and recognized by the Company's upper management at a special annual event.

In 2011, 53 papers were presented, with the "Reliability in transmission of electricity through thermal monitoring of underground lines" paper deserving mention, since it was also presented at the National Seminar on Production and Transmission of Electricity in 2011.

In 2011, the total amount earmarked for technical and financial profit sharing was BRL12,230 million, and the amount paid to each employee varied between 0.6 and 3.91 monthly salaries.



## Young Apprentice

The Company also takes part in the Young Apprentice program, which offers young people the chance to develop their professional competencies in the corporate world and therefore prepare themselves for the challenges of the labor market.

The program values corporate citizenship and respect for the market, while also developing the entrepreneurial spirit in young people.

In 2011, 20 apprentices took part in the program in various Company units.

The apprentices are given transport vouchers, meal or food vouchers, a basic staples basket, life insurance, medical and dental care and pharmaceutical discounts.

## Young Professionals Program

### GRI EU14

With the goal of retaining qualified professionals, CTEEP will implement the Young Professionals Program in 2012, which will focus on development of future engineers to work in critical areas of the Operations Department (Commands and Controls, Operations Center and Maintenance).

The program is geared towards new graduates who finished degrees in Electrical Engineering, Electro-technical Engineering, Energy Engineering and Computer Engineering within the last two years.

Candidates start at the Company as junior engineers and, after two years, they qualify for the full position in the area where they work, according to their performance in the program.

## Occupational Health and Safety

### GRI EU16, EU18, LA8, HR5, PG 1, 3

CTEEP follows the Grupo ISA Health and Safety Policy, based on the principles of prevention, personal care, participation, responsibility and permanent learning:

### **Prevention**

*Grupo ISA companies are committed to: incorporating the measures needed to preserve the occupational health into processes for those participating in these processes, while keeping the work environment safe and healthy, identifying and controlling risk factors.*

### **Personal Care**

*Grupo ISA recognizes personal care as an individual attitude that leads to permanent development of safe work styles and healthy life habits.*

### **Participation**

*Grupo ISA will establish mechanisms so that people may actively and effectively participate in identifying and preventing risks and in fostering healthy life habits.*

### **Responsibility**

*Managers and everyone who intervenes in corporate processes has the duty try to fully care for their occupational health and that of their work group.*

### **Permanent learning**

*Provide and promote systematic and up to date knowledge on managing Occupational Health at Grupo ISA companies.*

CTEEP carries out annual corporate projects as part of the Company's Quality of Life Program. There are no incidences of specific illnesses in CTEEP activities, with all of these projects being preventive, focusing on raising awareness among employees of the need to maintain healthy habits. They are:

- Healthy Jog at the Corporate Headquarters Project
- São Paulo Regional Mini-Gym
- Occupational Fitness Program
- Quick Massage
- Annual Flu Vaccine Campaign
- Prevention of cancer of the lips and skin among employees whose jobs expose them to the sun
- Prevention and/or diagnosis of predispositions towards cardiac and circulatory diseases
- Prevention and/or early diagnosis of breast and uterine cancer

- Prevention and/or early diagnosis of prostate cancer
- Prevention and/or early diagnosis of kidney disease

In 2011, the Company continued to carry out occupational health examinations involving all clinical and lab procedures from various aspects of employee health.

Additionally, that same year CTEEP began the process of diagnosing and implementing OHSAS Standard 18001:2007, aimed at implementing/maintaining an occupational health and safety management system (OHSMS).

The Company hopes to gain certification for its pilot project at the Cabreúva Substation in 2012. The results and lessons learned from this project will guide future implementation of the Integrated Management System at all Company substations in the coming years.

In 2012, CTEEP will implement the Live Better program, geared towards the quality of life and well-being of employees and their families (spouses and children), offering advice in several areas. Professional may use specialized phone service to ask about information on health and diet, the economy, laws

and rights, physical conditioning, psychological balance and educational methods and get answer to other questions, in addition to receiving immediate assistance in the event of an emergency.

### Internal Accident Prevention Committee

#### GRI LA6, EU18

CTEEP uses a participatory approach to supporting employee work on formal occupational health and safety committees. The Company has 18 Internal Accident Prevention Committees (CIPAS), spread throughout the Regional Departments, Operations Department and Corporate Headquarters.

Members take part in regular monthly meetings where they plan, develop and/or execute the duties of the CIPA. Among CIPA members are technical and operational workers, administrative workers and coordinators.

In 2011, the CIPAS held 216 regular monthly meetings and 174 monthly plenary meetings. Up to 2010, a two-year term was served on formal committee; starting in 2011, the it become one year. These committees function at all CTEEP establishments.

	Own employees	Employees represented on Formal Committees	Formal Committees	% of employees represented on Formal Committees
2009	1,384	187	17	14%
2010	1,397	187	17	13%
2011	1,418	188	18	13%

In compliance with Regulatory Standards (NR) from the Ministry of Labor and Employment, CTEEP monitors health and safety indicators in order to better Company performance and prevent accidents from occurring.

Whenever operational employees or third parties are hired, technical training on Regulatory Standard 10 is required, which contains the minimal conditions and requirements for ensuring the safety and health of workers that come into contact with electrical facilities and services with electricity.

In addition to the required NR10 criteria, all third parties go through an orientation meeting, where they oriented and trained by contract managers on the risks to which they will be exposed in their activities.

In 2011, there were 12 typical accidents with time off involving Company employees, one of which was fatal. Also, 19 typical accidents with time off involving service providers were registered.

### Rate of accidents by frequency and severity (Company employees)(\*)

GRI LA7, EU25

	2011	2010	2009
Rate of injury (RI)	3.53	3.55	3.38
Numbers of injuries	12	12	11
Man-hours worked	3,399,957	3,377,976	3,257,790
Number of occupational illnesses	0	0	0
Lost days rate (LDR)	36.77	43.52	56.48
Number of lost days	125	147	184
Deaths	1	0	0

<sup>(\*)</sup>In 2009, control over the rate of absenteeism began using a computerized system. Effective reporting was not finalized in 2011 and is set for 2012.

### Relationship with Union Organizations

GRI HR5, LA4, LA5, LA9, PG 1, 3

CTEEP abides by the constitutional rule on freedom of association with trade groups or unions and recognition of collective bargaining agreements, guaranteeing that the Company's entire value chain adopts these procedures. This position is established in instruments such as the Code of Ethics, the Human Management Policy and the Collective Bargaining Agreement.

Collective bargaining agreements cover 100% of the workers hired under the Consolidated Labor Laws regime (1,418 people, according to information from the General Registry of Employees and Former Employees or Caged, its acronym in Portuguese, in December 2011).

Formal union agreements cover many issues, such as permission for employees over 50 years of age to split their vacation time, maintenance of dental exams as part of the periodical medical exam, and maintenance of an employee salary that is in functional readaptation as a result of occupational accidents. In the event of a suspension of longer than 15 days, resulting from a work related or non-work related illness, employees have a regressive salary supplement system.

To discuss the chief occupational hazards and risks related to Company activities, there is a joint committee between the Company and the Sindicato dos Eletricistas de São Paulo (São Paulo Union of Electricians) to assess and discuss relevant matters.

## Professional Development

### GRI LA10, LA11

CTEEP carries out various training, education, learning and qualification activities for employees, geared towards improvement in their performance of activities.

In 2011, these initiatives involved a total of 792 classes, 76,189 class hours, and an average of 52.6 hours of training per employee.

The goal of the CTEEP Corporate Education Program is to prepare more qualified professionals that are aligned with the business strategy, by offering training and education to develop the required competencies. Total investments in educational subsidies were BRL2,289 in 2011.

## Average training hours per employee

	CEO, Officers, Managers and Coordinators	Administrative, Technical and Operational and Intern Personnel	Total
2009	1.26	46.87	48.13
2010	8.01	60.51	68.52
2011	3.76	48.80	52.56

To create more opportunities for career development and growth, the Company offers a financial subsidy which, in 2011, benefitted 349 employees; of them, 234 were in undergraduate and technical courses, 44 were in graduate courses, and 71 were in language courses. Out of the 349 employees, 52 took classes during the period.

In an effort to equalize sustainability concepts, in 2011, the Education for Sustainability project was launched, involving 115 employees, including leaders.

The project's goal is to spread information on CTEEP's strategic position on sustainability and advise employees on how to contribute to making sustainability part of all Organization processes.

To ensure the quality of service provided, the Company has continued the process of Professional Training Certification for Power System Operators, Substation Technicians and Technician's Assistants, and Installation Technicians.

Beyond striving for quality in the services provided by the Company, this training is an important initiative for preparing and evaluating employees who work in emergency situations, such as with shutdown of the transmission system, for example.

In 2011, 274 employees were certified after undergoing evaluations of technical, psychological and physical aspects to perform their jobs in accordance with the guidelines of the National Electrical System Operator.



In 2011, there were no employee trainings on aspects of human rights relevant to CTEEP operations. The CTEEP Code of Ethics covers issues related to human rights, a topic that will be developed by the Company in 2012.

## Career development

GRI LA12

### Competency Model and Career Plan

In July 2011, CTEEP began to implement the Competency Model, which will assist employees in becoming familiar with the competencies that are essential to Company business, in addition to identifying and developing their strengths, showing their career possibilities.

This model also fosters the use of self-assessment and feedback from leaders to develop these competencies. All participants are given their results via a system that is confidential for the manager and the employee assessed.

This tool makes the assessment criteria and appreciation of workers more transparent, in addition to aiding in selection and recruitment of new employees. For leaders, the model allows them to point out strengths and areas for improvement among their teams and show how to achieve this development while giving teams feedback. For the Company, the model allows for more rational investment of resources into personnel development.

### Assessment of Performance

In 2011, a consulting firm specializing in human development was hired to carry out feedback sessions on the result of competency assessments given in 2010 with 90 coordinators, pursuant to the methodology used by ISA. Using the feedback, an Individual Development Plan (IDP) was developed, aimed at working on improving development opportunities, identified through the assessment.

Altogether, 92% of CTEEP employees were given formal assessment and follow-up on performance for the period.

### Innovation and Knowledge Management

The Innovation and Knowledge Management project began in 2009 in an effort to create an environment of growth and knowledge-sharing within the Company.

Within this project, the Idea Channel was launched in 2011, as a tool where employees could enter suggestions for improvements and innovations for CTEEP on the intranet.

Approved suggestions are sent on the a leader who is in charge of putting them into practice. Suggestions that are not approved are kept in an idea bank to be enhanced or implemented at an opportune time. In 2011, the Idea Channel received approximately 321 employee proposals and many of them have already been implemented.

That same year the Lessons Learned initiative was launched, aimed at helping workers to share their experiences and what they have learned, increasing collective knowledge on solutions that can be standardized as processes to be adopted by the Company.

The Education for Sustainability project contributes to employees experiencing this concept in their day to day.

## Internal Communications

One of the most effective channels of communication between Company management and employees is the CTEEP Circuit, launched in 2007.

At each round of the CTEEP Circuit, held twice annually, Company management goes through Business units making a presentation, which is also available in video form on the intranet. After the presentation, management answers employee questions (asked verbally or in writing) on various topics such as strategy, communication, human resources, etc.

So that everyone may have a chance to take part in the Circuit, employees take turns at the units on activities that cannot be totally interrupted.

The average for participation in the 2011 editions of the CTEEP was 600 employees and 200 questions asked. In the three 2011 rounds, 90% of employees said that they were happy or very happy with the event.

## First Line Magazine

The First Line magazine is another effective communication tool, with news and stories on several Company areas, investments and programs related to the business, in addition to articles on quality of life and well-being. Employees can send in suggestions for topics to writers at the magazine, which has a print run of approximately 1,700 issues.

The magazine underwent a visual and editorial make-over in 2010, holding a survey on the intranet on its new format. According to the survey, 83.3% of employees said the new magazine's language brings topics closer to people; 89.7% liked the new look; and 53% said that the most significant change is the chance for greater employee participation in the magazine.

## Suppliers

GRI EC6, HR1, HR2, HR6, PG 1, 2, 5

The CTEEP Supplier Program is aimed at the development and management of suppliers through a transparent, ethical and trustworthy relationship.

The Company carries out a permanent selection, management and assessment process for these partners and values equality of information and clear rules in procurement processes, with more than 671 suppliers registered. Of these, the Company had active relationships in 2011 with 436 materials suppliers and 235 services suppliers.

CTEEP has a goods and services policy that covers strengthening relationships with suppliers that are strategic and vital to its business. It frequently holds meetings on contract evaluations, results presentations, demands and future projects, indicating supply strategies.

To better manage supplier relationships, the Company has implemented an online monitoring system where it informs partners of (economic, financial and technical) risk analyses, commercial analyses and contract oversight. In the system, which is still under development, the contract manager reports on monthly assessment regarding services provided or supply or materials.

In 2011, the first formal supplier assessment was done, in a process based on criteria such as quality, innovation and social responsibility.

In 2011, the Company fostered development of local suppliers, complying with conditions of efficiency and market competition in the region where it is located. CTEEP considers the entire area affected by its operations to be local/

In 2011, regional procurements grew by 66% compared to the previous period, with the Company's global purchases rising from 3% to 5%.

Cultural investments totaled BRL2.2 million, benefitting 4,675 people directly and another 50 thousand indirectly.



One-hundred percent of CTEEP's supplier contracts contain human rights clauses, prohibiting forced and child labor, even though the nature of its operations present little risk for child labor practices or bad working conditions.

In 2011, there was no formal assessment of suppliers regarding human rights. The topic is covered in the Code of Ethics and will be developed at the Company starting in 2012.

## Society

### GRI PR1, PR3

CTEEP seeks to contribute to the sustainable development and social inclusion of communities located close to the Company's area of influence through socio-environmental education. The Company carries out and supports activities geared towards creating, producing and passing on knowledge that helps the community to improve its living conditions, promoting topics associated with the main risks that could affect the continuity of its business.

These guidelines include: prevention or minimization of socio-environmental impacts generated by its activities; supportive initiatives to attend to situations caused by natural disasters, humanitarian crises and situations of significant social vulnerability; improvement of basic infrastructure conditions in order to mitigate impacts and make its business ventures or operations feasible; and signage in all Company units on the risks of electric shock, pursuant to requirements set forth by law.

### Relationship channels

The Company provides the following relationship channels to its external publics:

**Contact Us** – accessed on the CTEEP website ([www.cteep.com.br](http://www.cteep.com.br)) or by e-mail at [cteep@cteep.com.br](mailto:cteep@cteep.com.br), this is a channel for making requests, suggestions or complaints or for asking questions.

**Ethics Hotline** – accessed on the CTEEP website or by phone at 0800 777-0775, the hotline provides answers and takes reports related to the Company's Code of Ethics. Information is confidential and monitored by the office of the President at CTEEP.

**Dial CTEEP** – the 0800 11 87 13 phone number is a channel for communicating shutdowns in power lines caused by fires to CTEEP.

**Ombudsman** – this is a CTEEP channel for service when the other contact channels have not appropriately resolved an issue. The channel can be accessed on the Company's website.

To develop projects that meet its Corporate Social Responsibility guidelines, CTEEP makes proprietary investments and uses fiscal incentive laws, such as the Rouanet Act, the Sports Act, Fumcad, and others.

## Management of Risks to the Surrounding Community

### GRI EU20, EU22

One CTEEP guideline is the promotion of activities aimed at development of the communities around critical regions, close to power lines. In 2011, there were no cases of displacement of communities or indemnities because of CTEEP activities.

The Company invests in projects to revitalize spaces and create leisure areas, restricting the disposal of waste that is harmful to power lines and the population itself.

CTEEP holds bi-monthly meetings to monitor the stages and progress of projects. These meetings, which up to this point are informal, assess whether projects have met the needs of the chosen locations. The Company is committed to carrying out a formal assessment of projects in the coming years.

## Local Development

### GRI EC9

CTEEP adds to local economic development, as a result of a series of factors that indirectly contribute to a greater monetary flow and social benefits:

- Purchase of materials in cities;
- Social security (ISS) on third-party services in municipalities where contracted services are executed;
- Substantial movement of employees in the region, causing a direct impact on the local economy with accommodations, meals, taxi, etc.;
- Hiring of outsourced labor;
- Economic movement in the region regarding Company employee's families;
- Energy expenditures;
- Telephone expenditures;
- Installation/expansion of new business (new connections);
- Direct and indirect jobs (new connections);
- Feasibility of basic sanitation, electric power, gas and transport infrastructure.

## Friends of Energy Project

### GRI PR1

In 2012, the Company will continue its relationship with these communities through talks and engagement initiatives concerning topics related to the business, such as the Company's social importance, safety bands, fires, trespassing, recycling, kites and balloons, and other things.

The Friends of Energy project is aimed at raising awareness about these topics in the communities surrounding CTEEP facilities.

In 2012, the project will involve hiring a consulting firm to visit communities and give educational talks to children, young people and adults, using materials developed in 2011.

## Vila Nilo Project

### GRI EC8

In 2012, the effective implementation of the Vila Nilo project will begin, at the border between the cities of São Paulo and Guarulhos. The goal of this project is to develop socio-environmental actions along with the local population geared towards maintaining and preserving collective space. The project will have an area to be revitalized by CTEEP and implementation of a project on environmental and citizenship education, to provide support for the revitalization project.

## Local Hiring

### GRI EC2, EC7

CTEEP has adopted the practice of hiring employees locally, firstly seeking candidates from the region surrounding the area where its operational units with job openings are located. In 2011, of the total of 125 people hired, 94 were from local communities (75%) and 31 were from external communities (25%). The Company's 30 managers were hired from the local community (100%). Among upper management, three officers were hired locally (60%).

In 2011, regional purchases grew by 66% when compared to the previous period.



## Socio-cultural sponsorships

### GRI SO1, EC8

CTEEP's policy of cultural sponsorship is aimed at increasing the Company's social insertion in the communities located around the regions where it maintains operations. Cultural initiatives are sponsored through incentive laws and using Company resources, following a careful and transparent analysis of the projects presented.

In 2011, cultural investments supported by incentive laws totaled BRL2.2 million, directly benefitting 4,665 people and indirectly benefitting another 50,000, bringing relevant discussions to society, such as how to live with power lines and society's role in sustainability.

### CTEEP Cultural Circuit

CTEEP has sponsored the Cultural Cinema Circuit at School since 2010, which is geared towards public school system children and youth. The project is a CTEEP initiative with Ministry of Culture approval that is held through the Grupo de Articulação Social H. Melillo (H. Melillo Social Articulation Group).

Aimed at raising awareness among students about environmental conservation and preservation of power lines, the project encourages production of videos and other cultural activities. Done as a supplementary activity to the Primary School curriculum, the project also fosters knowledge by relating electrical energy with topics such as sustainable development, social responsibility, education and culture.

Students develop projects that are submitted to a judging panel to select the best theme to be transformed into a script for production of a short film.

In 2011, 60 schools in seven cities took part in the project: São José dos Campos, Taubaté, Sumaré, Osasco, Bauru, Araçatuba and São Paulo (capital), with direct involvement from three thousand students. In total, 360 workshop sessions totaling 900 hours and 60 saraus were held, twelve plays were performed, and seven short films were produced by participating students.



Altogether, the program impacted 7,010 people who watched the presentations. The project will continue in 2012.

### Guri Santa Marcelina

Since 2010, CTEEP has supported the Guri project, coordinated by the Associação de Cultura, Educação e Assistência Social Santa Marcelina (Santa Marcelina Association of Culture, Education and Social Aid), which offers introductory music classes and chances for social inclusion of needy youth in São Paulo from 10 to 18 years of age.

In these areas, selected based on indicators such as youth vulnerability, exposure to urban violence, educational level and teen pregnancy, educational centers are set up where young people count on support from social workers and they are given access to social networks, thematic workshops, tutoring, and training for inclusion of people with disabilities.

In 2011, the project drew a public of 6,505 people who attended the activities (band and chorus concerts) produced by 220 scholarship recipients.

## Youth Groups

Geared towards training for a professional music career, the Youth Groups project, also coordinated by the Associação de Cultura, Educação e Assistência Social Santa Marcelina, promotes music rehearsals for needy youth and contributes to their professional education and placement in the artistic world.

Four groups are part of the project, which CTEEP has supported since 2009: State Youth Choir, State Youth Orchestra, Tom Jobim Youth Orchestra and the Youth Symphonic Band, which serve three thousand students in courses lasting up to nine years. Project activities include regular courses as well as free courses, master classes, workshops and recitals.

In 2011, CTEEP invested BRL200 thousand in the project and offered funding and educational supervision in teaching music to 172 scholarship recipients. The 40 shows held throughout the state of São Paulo drew a total audience of 23,375 people.

## Movie: "Estamos Juntos" (We Are Together)

CTEEP is one of the sponsors of the movie "Estamos Juntos," starring Leandra Leal and Cauã Reymond, which premiered in 2011 at movie theaters in Brazil. The movie was done with incentives from the Rouanet Act (funding given in 2006) through the Secretary of Culture of the State of São Paulo's Incentive Program. This production won seven awards, including best picture and best actress at the 15<sup>th</sup> PE Cine Festival, in Recife.

## Volunteerism

The Energy Support Program fosters and publicizes the practice of volunteering among CTEEP workers. The program is a communication channel between employees who carry out volunteer activities at institutions, at organizations or in communities and who perform supportive corporate actions such as donating to the Sweater Campaign and the Christmas Campaign.

## Government

### GRI 4.13, EC4, PR6, SO5, SO6

As a company that values the principles of transparency, equality, accountability and corporate responsibility, CTEEP closely follows the determinations made by the regulatory agency (ANEEL) and actively participates in forums and institutions to develop the electricity industry.

The Company is on the administrative boards, committees and commissions of the following government agencies and trade organizations:

**ANEEL** (Agência Nacional de Energia Elétrica)

**ONS** (Operador Nacional do Sistema Elétrico)

**ABERJE** (Associação Brasileira de Comunicação Empresarial)

**ABRATE** (Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica)

**ABDIB** (Associação Brasileira da Infraestrutura e Indústria de Base)

**ABCE** (Associação Brasileira de Concessionárias de Energia Elétrica)

**CEPEL** (Centro de Pesquisas de Energia Elétrica)

**CierBracier** (Comitê Nacional Brasileiro da Cier)

**Cigré Brasil** (Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica)

**SIESP** (Sindicato da Indústria da Energia no Estado de São Paulo)

### São Paulo State Secretary of Sanitation and Energy

The Company respects, accepts and applies all of the regulatory frameworks, as well as pertinent agreements and international treaties.

The Company and regulatory agencies have a relationship based on corporate policies.

CTEEP does not make any kind of financial or cash contribution to political parties, campaigns or related institutions. During 2011, CTEEP did not receive any kind of government financial aid.

CTEEP actively participates in forums and institutions that contribute to development of the electricity industry.

CTEEP is also affiliated with the Associação Brasileira das Companhias Abertas (ABRASCA), an organization that strives to develop capital market mechanisms, committed to enhancing corporate conduct and its relationship with a constantly evolving market.

## ANEEL Violations

### GRI PR9

In 2011, the Company received a notice of violation from ANEEL as described below:

- 1)** Notice of violation No. 023/2011. Operation and maintenance – SE Bandeirantes 345 kV. Fine of BRL721,658.67, reduced to BRL319,513.00, pursuant to the terms of the ruling published on January 31, 2012. Because of this reduction, and considering the technical and legal aspects involved in the penalty, the Company was pleased to pay the fine on March 1, 2012, because it was successful in reducing the original amount by 55%.
- 2)** Notice of violation No. 054/2011 – Level of quality of electrical utilities services (Non-compliance with Availability Rates – June/2009 to May/2010 cycle). A fine was applied in the amount of BRL259,793.34, pursuant to a ruling published on January 31, 2012. The ANEEL Central Office denied the appeal filed by CTEEP, based on the aforementioned notice of violation; for this reason, the Company has filed a judicial remedy to discuss the case in court, with preliminary success in suspending enforcement of the fine until final judgment of the case.
- 3)** Notice of violation No. 065/2011 – Disturbance at SE Bandeirantes on February 8, 2011, at 3:10PM and 4:33PM. The fine applied was BRL1,815,708.96, with the ANEEL Central office partially deciding on the appeal filed by the Company on October 28, 2011, reducing the fine to BRL1,399,651.07, which represents a 33% drop in relation to the original amount. The Company asked for a copy of the ruling for analysis of legal and technical aspects, with the aim of studying a possible initiation of legal action to discuss the case.

- 4)** Notice of violation No. 015/2011 – Non-compliance with the stipulation in the Accounting Manual (late submission of Standardized Monthly Balance sheets – BMPs for the months of January to March 2009). The fine applied was BRL550,884.49, and CTEEP filed an administrative appeal, which was partially ruled on by the ANEEL Central Office, which reduced the fine to BRL75,938.58, which accounts for a decrease of approximately 87%. Because of the technical and legal aspects involving this case, the Company decided to make payment on the already reduced fine on June 24, 2011.

## Clients

### GRI PR5, EU3, EU7

CTEEP's sustainable vision of business is connected to providing quality services to its clients, efficiently, at competitive costs, and with access to reliable information on the product offered. In 2011, 16 distributors, 16 generators, 12 transmission companies, and six free consumers and self-producers were part of the CTEEP client portfolio.

To be recognized by its clients for excellence in providing electrical energy transmission services, the Company maintains a Quality Management System that follows the guidelines of the ISO 9001:2000 standard.

CTEEP has a close relationship with generators, distributors and free consumers that are connected to its network and is responsible for offering the best availability possible of its substations and power lines, in an effort to serve these clients.

The Company tries to be familiar with its clients' needs to serve them effectively, going beyond what is set forth in connection contracts and operator agreements.

In relation to free consumers, CTEEP has facilitated their integration into the network and offered operation and maintenance services to serve and support solutions to any needs that may arise, far beyond the stipulations in agreements.



The Company also has a CTEEP Client Program, whose main actions are the Annual Client Satisfaction Survey and the Client Management Improvement Plan.

## **Satisfaction Survey**

### **GRI PR5**

In accordance with Company practices, after three consecutive years (2008, 2009 and 2010), the Annual Client Satisfaction Survey was not given in 2011, so that the companies could create action plans to be implemented in 2012. The survey, on which the company has shown better results with each year, will be restarted in 2012 for internal and external clients.

The survey seeks to assess client perceptions of reliability, quality, competitive costs and speed. It also covers perceptions about the operation, according to the availability and quality of facilities, service provided, maintenance, operator agreement and communication.

Regarding maintenance, planning, preventive maintenance services, the maintenance team and the maintenance report are evaluated. Clients also use the survey to assess the projects carried out by the Company to expand the system, projects and work, and other items.

In addition to the survey, The Company receives feedback from clients through interviews, telephone calls and meetings. The Operations area maintains direct contact with clients through monthly meetings and telephone calls, as well as through partnerships aimed at initiatives such as the summer and winter plan.

A sustainable relationship with clients also covers information security. In 2011, no violations of privacy or loss of client data was reported in the scope of CTEEP operations.

## **Client Management Improvement Plan**

The Client Management Improvement Plan covers the online communication channels.

The Transmission Network Access System authorizes agents and accessors of the transmission system to register on the CTEEP website, where the Transmission Network Access Manual and the Criteria and Procedures for Connection in CTEEP DITs are available.

They can also monitor projects via the system, which enables agents and accessors of the transmission system to monitor the current status of work/projects.

By providing services with quality, efficiency and competitive costs, CTEEP builds sustainable relationships with its clients.

Rate of Client Satisfaction

Area	2010	2009
Operation	81.1% (3 <sup>rd</sup> wave)	74.6% (2 <sup>nd</sup> wave)
Maintenance	75.7% (2 <sup>nd</sup> wave)	75.8% (1 <sup>st</sup> wave)
Projects	80% (2 <sup>nd</sup> wave)	79.2% (1 <sup>st</sup> wave)

Shareholders and Investors

GRI 4.4

Transparency is the basis for CTEEP’s relationship with this group: controlling shareholders, minority shareholders, investors and the market. Aligned with good corporate governance practices, the Company understands that the shareholder and investor should have access to the necessary and sufficient information for making their investment decisions. This is why several relationship channels are available to this public.

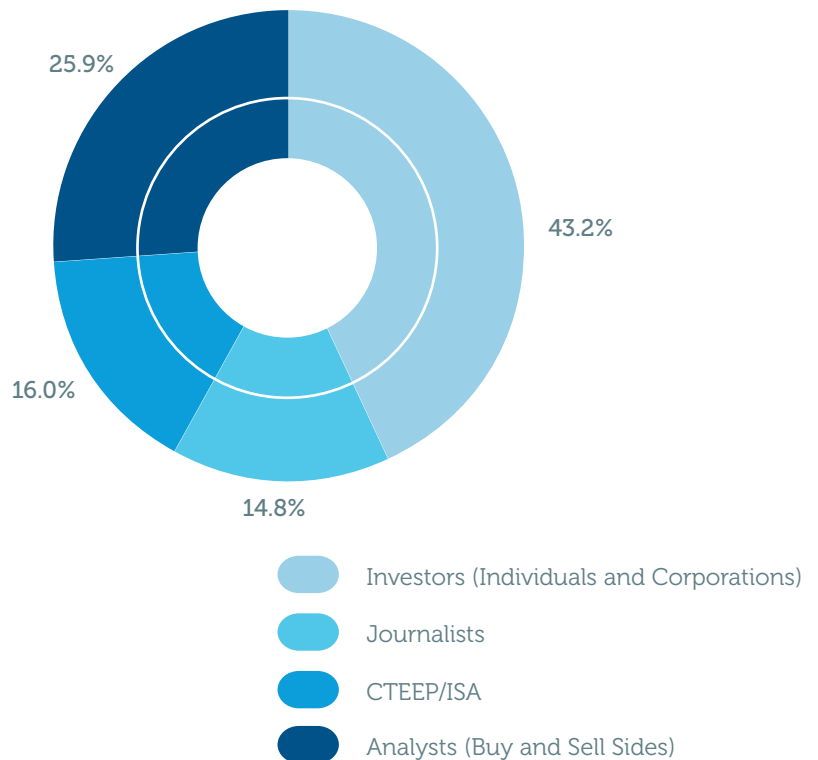
Service is coordinated by the Financial and Investor Relations Departments.

The relationship with the market is also strengthened with CTEEP’s participation in conferences with investors, roadshows, various meetings at Company headquarters and more than two thousand e-mail and telephone responses during the year. Quarterly results are presented via phone conference and webcast and include participation from various national and international stakeholders, such as shareholders, investors, analysts, journalists, etc.

In 2011, the Company’s quarterly results reporting via phone conferences and webcasts included 291 accesses from stakeholders comprising analysts, investors, journalists and CTEEP and ISA employees (average of 90 accesses).

Institutional and investor relations websites also underwent a makeover to offer greater interactivity, ease of use and agility to users, allowing for access via computer or smartphone.

Stakeholder accesses (phone conferences/webcasts)



# Environmental Performance

CTEEP reaffirms its commitment to respecting the environment through management of environmental impacts.



Conservation and sustainable use of natural resources permeate CTEEP activities and processes and are commitment that are aligned with Company values and expressed in its Environmental Policy and Mission.

CTEEP uses environmental indicators as a manner of assessing its performance and implements initiatives to reduce or eliminate the environmental impacts of its operational activities. Other initiatives are related to the R&D project, which uses the green shield technique, as well as conservation and environmental education projects in the areas close to its power lines.

## Environmental Management

GRI EN30, PG 8

To prevent and minimize environmental impacts, monitor compliance with legal requirements, and ensure control measures for its environmental aspects, CTEEP has been implementing its Environmental Management Sys-

tem (EMS) at its substations since 2002, based on ABNT NBR ISO Standard 14001:2004.

In 2011, this implementation reached 99 substations and one power line. The EMS involves the five substations in the Regional Maintenance Departments and totals nearly 100% of those owned by CTEEP.

The Company plans to extend the EMS implementation experience to subsidiary company substations and also to expand it to new power lines (PL), considering the lessons learned in the PL 138 kV Araraquara – São Carlos pilot project.

In 2011, the Company invested BRL1.66 million in prevention, management, mitigation and treatment initiatives aimed at preserving and conserving the environment. The 28% reduction in relation to 2010 investments is explained by the large investment required in that year to adapt substations, with the installation of collector boxes and water and oil separators, as well as firewalls.

Investments and expenditures on environmental protection (BRL)	2011	2010	2009	Reference
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Waste disposal	1,161,250	1,200,000	1,050,000	Disposal of materials contaminated with PCBs
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Prevention costs	171,019	123,437	168,247	"Cuca Project" Environmental Education Program
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Environmental management	103,487	830,000	77,448	Acquisition of PPRE material, recycling collection islands and renewal of LOs
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<b>Total investments</b>	<b>1,435,756</b>	<b>2,153,437</b>	<b>1,295,695</b>	
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<b>Total remediation costs</b>	<b>227,773</b>	<b>123,329</b>	<b>274,557</b>	<b>TCRA, TACs, LOs</b>
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<b>Total investments and expenditures on environmental protection</b>	<b>1,663,529</b>	<b>2,276,766</b>	<b>1,570,252</b>	
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PCBs – Polychlorinated biphenyls, waste classified as hazardous  
 PPRE – Emergency Response and Preparation Plan  
 LO – License of Operation  
 TCRA – Term of Commitment to Environment Recovery  
 TAC – Term of Adjustment of Conduct

## Consumption of Materials

GRI EN1, EN26, PG 8, 9

Consumption of materials is aligned with CTEEP's commitment, expressed in its Code of Ethics, to rationally use natural resources and respect the environment.

The process of acquiring materials covers technical and economic requirements and involves the quality, environment, occupational health and safety and social responsibility areas. Preventive maintenance interventions on PLs and substations are scheduled throughout the year.

CTEEP uses products that are less aggressive to the environment, such as the epoxy anti-rust paint applied to three substations and seventeen

power lines. In addition to protecting substation and line structures against corrosion, this paint creates less environmental impact because of the lower amount of solvent used in its formula.

The process makes maintenance activities more agile, since applying the new paint takes two days, while conventional paint application lasts five days. The process is being used on installations located on the seacoast, where corrosive action is more intense, and on installations in environmental preservation areas. By 2013, another substation and 14 power lines will use this covering.

## Materials used, by weight or volume

Material	Quantity	Unit of measure
Bushings	196	Unit
Cables	280,000(*)	Meters
Connectors	3,312	Unit
Circuit breakers	734	Unit
Structures	2(*)	Ton
Gas	240(*)	Cubic meters
Insulators	13,412	Unit
Oil	5,000(*)	Liters
Lightning rods	263	Unit
Reactors	2,886	Unit
Relays	554	Unit
Rectifiers	38	Unit
Section switches	273	Unit
Transformers	471	Unit

(\*)Approximate data.

## Recycling and Reuse

GRI EN2, PG 8, 9

The Company executes the process of regenerating the insulating mineral oil in its transformers and reactors. Prior to reaching the last stage of its useful life, this insulating oil is regenerated and purified at a mobile regeneration unit, which allows it to regain its original physical and chemical characteristics, enabling its reliable reuse.

For transformers in operation at various Company substations, the mobile regeneration unit carries out the work in an energized regime, in other words, without the need to turn off equipment. Up to 240 thousand liters/month are recycled by the regeneration unit at the oil manipulation station and up to 80 thousand liters/month for energized transformers.

The Company also makes standard use of A4 recyclable paper.

## Waste

GRI EN22, EN24, PG 8

CTEEP complies with environmental laws in the transport, handling and disposal of waste, even in cases of waste contaminated by polychlorinated biphenyls (PCBs), classified under Class I (hazardous), posing risks to the environment and human health.

A specialized company licensed by the environmental agency carries out the handling, packing, transport and final disposal of cloth, personal protection equipment, land, sand and insulating mineral oil contaminated with PCBs.

In 2011, 127,166.30 kg of waste was transported and sent for final disposal, of which 65,000 Kg was contaminated material (a 115% increase compared to 2010, due to deactivation and disassembly of two warehouses used for storing contaminated waste) and 62,166.30 kg of lead-acid battery scrap.

All components that make up the batteries are reused by the recycling company contracted (lead, acid and plastic).



Waste compacted/collected to form an economic lot and for future final disposal

Class I Type Waste	Quantity	Disposal
Materials contaminated with oil or paint	8,807.94 kg	Co-processing
Lubricant oil and insulating oil (oil, sludge, sediments)	9,169.7 kg	Co-processing
Metal halide, sodium, mixed, mercury and fluorescent light bulbs	7,995 un	Recycling
Asbestos – Material waste comprised of asbestos cement (shingles, water tanks, etc.)	1,710 kg	Class I landfill
Nickel/cadmium battery	260 un	Incineration
Dry battery/batteries (non-recyclable)	885 un	Incineration
Herbicide and insecticide packaging	126 kg	Incineration
Chemical products for cleaning of parts (with water)	16,403 kg	Incineration
Light bulb reactor scrap	349 un	Co-processing

Waste compacted/collected to form an economic lot and for future final disposal

Class II B Type Waste	Quantity	Disposal
Rubber and tire scrap	765 kg	Co-processing
Polypropylene foam scrap	41 kg	Co-processing
Printer cartridges	145 un	Co-processing
Glass/porcelain insulators	200 un	Class II B landfill
Glass	102 kg	Class II landfill
Incandescent light bulb	70 un	Recycling

## Water Resources and Wastewater

GRI EN8, EN10, EN21, PG 8, 9

Water consumption in 2011 was monitored at 47 substations with the Environmental Management System implemented. These substations consumed 37,819 m<sup>3</sup> of water. Average water consumption per substation was 13.05% higher in 2011, compared to 2010(\*).

Water consumption and wastewater generated by CTEEP are of the domestic type and are collected via the public sanitation system. The Company maintains a rainwater capture pilot project for washing metal bases (supports) for substation electrical equipment. Variation in consumption in 2010 and 2011 is mostly related to data being collected from more substations, in addition to executing temporary projects and consequently increasing the contingent of people at the substations.

## GHG Emissions

GRI EN18, PG 8, 9

Grupo ISA and the Company have prepared initiatives to implement structured monitoring of greenhouse gas emissions. By 2011, the company had only developed R&D projects.

CTEEP adopted a new system of indicators in 2011, supplied by a company specializing in sustainable fleet management.

The new system will allow for monitoring of information such as the total amount of greenhouse gasses emitted per kilometer travelled and identification of the vehicles with the highest and lowest rates of emissions.

Performance data will also be monitored, such as vehicle costs per kilometer, supply indicators and a ranking of the most efficient cars. The Company also renewed its fleet of 69 light vehicles and 117 pic-ups which circulate around the State of São Paulo, to reduce maintenance and fuel costs and increase the degree of safety, comfort and reliability.

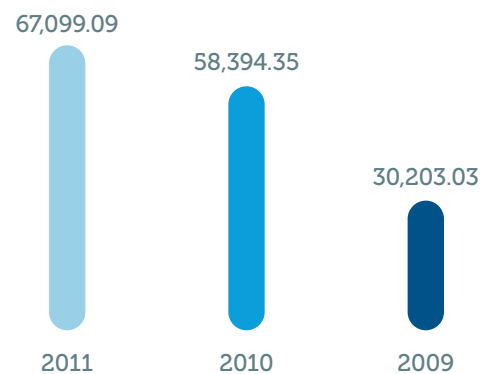
Various activities, processes, projects and continual cycles executed in different areas of the Company directly and indirectly promote reduced

## Water consumption (m<sup>3</sup>)(\*)



(\*) 2009 consumption in regard to 20 substations.  
2010 consumption in regard to 43 substations.  
2011 consumption in regard to 47 substations.

## Electricity (GJ)(\*)



(\*) 2009 consumption in regard to 20 substations.  
2010 consumption in regard to 40 substations.  
2011 consumption in regard to 44 substations.

CO<sub>2</sub> emissions into the atmosphere and, as a result, slow climate change on the planet.

## Energy

GRI EN3, EN4, EN5, EN7, PG 8, 9

The energy used at CTEEP substations is from a renewable source (hydroelectric). This energy is obtained from the Company's own transmission system through so-called Auxiliary Service equipment.

In 2011, energy consumption reached 67,099 giga joules. CTEEP has 106 substations, but the energy consumption presented in this Report is in reference to those substations which are monitored for this input. In 2011, considering the "average" consumption per substation, there was a 4.46% increase, compared to 2010.

In situations where normal electric supply was interrupted, the substations used a non-renewable source to re-establish energy, through AEGs (Auxiliary Emergency Groups), powered by diesel fuel. There is currently no routine for registering diesel fuel consumption at CTEEP substations, which rarely enter into operation.

The Electricity Savings Program is among actions developed in 2011, geared towards diminishing the impacts on the environment and improving operational performance. One of the highlights of the program is the changing of incandescent light bulbs for LED lights on synoptic panels, used to indicate whether substation equipment is on or off. In addition to less energy expenditures, this light bulb is more durable. In 2011, CTEEP saved 2,010.71 gigajoules

## Control of Noise Pollution

### GRI EN26 PG 8, 9

CTEEP is also aware of the impact of noise on the area surrounding substations. Whenever transformers need to be installed in highly residential regions, CTEEP designs its equipment for noise levels compatible with the location, even if this results in higher costs.

To minimize these impacts, CTEEP has implemented two measures in at least three substations. One is related to acoustic barriers and another is related to technical specifications.

### SE Centro

CTEEP placed an acoustic barrier around the perimeter of the transformer installed at position TR3, confining not only the noise of normal operation,

but also of the forced cooling fans when they begin to operate.

### SE Miguel Reale

The 345 kV and 132 MVA reactor bank was confined to a masonry structure to contain noise. This solution required conceptualization of an exhaust system capable of withdrawing the hot air from inside the structure to cool the reactors.

### SE Anhanguera

At this substation, the transformers were already designed with the maximum acceptable noise level, measured according to ABNT (Brazilian Association of Technical Standards) criteria at 65 decibels at one meter from the transformer. Because the level of noise decreases with the square of the distance and the materials that comprise the soil and structures, residents close to the substation expect something around 40 decibels, within the zone of acoustic comfort.

## Biodiversity

### GRI EN11, EN12, EU13

Currently, all of the environmental protection areas through which the Company's power lines pass are mapped. However, CTEEP does not have data on the state of conservation of these areas, considering the IUCN (International Union for the Conservation of Nature and Natural Resources) classification.

In every undertaking where there is a need to suppress vegetation, CTEEP carries out off-setting planting to comply with the determination of the licensing environmental agency through the Term of Commitment to Environmental Recovery (TCRA). With this goal, the Company contracts and monitors companies specialized in executing and maintaining these plantings. Furthermore, studies are done to assess the interference of power lines with the local fauna in order to minimize or mitigate any resulting impact.

The rich biodiversity of Brazil is preserved in environmental protection areas maintained by CTEEP along its power lines.

Name of line	Voltage KV	Line Length on the Div. (km)	Predominant environmental features	Location	Area (km <sup>2</sup> )
PL Bauru – Cabreúva	440	101.28	Crosses Pederneiras Experimental Station between T. 59 and 69	Pederneiras Experimental Station	0.174
PL Ribeirão Preto – Sta. Bárbara D'Oeste	440	173.3	Crosses the "São Simão" reserve, between T. 51 and 54	São Simão Reserve	0.029
PL Embu Guaçu – Sto. Ângelo	440	74.653	Crosses the Serra do Mar State Park, Cubatão center, between T. 60 and 93	Serra do Mar State Park, Cubatão center	0.468
PL Embu Guaçu – Sul	345	40.078	Crosses the Serra do Mar State Park, Cubatão center, between T. 62 and 99	Serra do Mar State Park, Cubatão center	0.581
PL Baixada Santista – Tijuco Preto C1-C2	345	15.513	Crosses the Serra do Mar State Park, Cubatão center, between T. 22 and 37	Serra do Mar State Park, Cubatão center	0.121
PL Baixada Santista – Tijuco Preto C3	345	15.513	Crosses the Serra do Mar State Park, Cubatão center, between T. 23 and 39, occupying a total area of 15.24 ha, considered as BSA-TP Circ 1 in the TAC. This stretch became PL BSA-TP Circ 3, started up in 2004 with LO 00144, of 26/07/2004.	Serra do Mar State Park, Cubatão center	0.152
PL Baixada Santista – Sul	345	21.275	Crosses the Serra do Mar State Park, Cubatão center, between T. 03 and 09	Serra do Mar State Park, Cubatão center	0.123
PL Assis – Chavantes	230	85.85	Crosses Horto Florestal de Palmital between T. 39 and 41	Horto Florestal de Palmital	0.029
PL Henry Borden – Baixada Santista	230	6.318	Crosses a small stretch of the Serra do Mar State Park, Cubatão center, at the entry of the Us Henry Borden	Serra do Mar State Park, Cubatão center	0.008

Name of line	Voltage KV	Line Length on the Div. (km)	Predominant environmental features	Location	Area (km <sup>2</sup> )
PL Ramal Guarulhos (PL 345 kV Anhanguera-Guarulhos)	230	21.588	Crosses the Cantareira State Park between T. 10 and 18 and between 20 and 26	Cantareira State Park	0.12
PL Henry Borden – Piratininga	230	33.067	Crosses the Serra do Mar State Park, Cubatão center, between T. 01 and 26	Serra do Mar State Park, Cubatão center	0.22
PL Capão Bonito – Registro	138	44.708	Crosses Carlos Botelho State Park between T. 113 and 158	Carlos Botelho State Park	0.058
PL Cabreúva – Mairiporã	138	58.5	Crosses the Juquery State Park, between T. 105 and 118	Juquery State Park	0.154
PL Porto Ferreira – Limoeiro	138	64.527	Crosses the Casa Branca Experimental Station reserve, between T. 150 and 157	Casa Branca Experimental Station Reserve	0.045
PL Rib. Preto – Porto Ferreira	138	81.648	Crosses the "São Simão" reserve, between T. 51 and 56	São Simão Reserve	0.02
PL São Carlos – Rio Claro I	138	70.02	Crosses the Itirapina Ecological Station reserve, between T. 51 and 53	Itirapina Ecological Station	0.029
PL Bertioga II – São Sebastião	138	71.194	Crosses the Serra do Mar State Park, S. Sebastião center, in several stretches between T. 79 and 151	Serra do Mar State Park, S. Sebastião center	0.486
PL Caraguatatuba – Ubatuba	138	42.5	Crosses the Serra do Mar State Park in four stretches of the Caraguatatuba Center, occupying a total area of 12.01 ha, between T. 16 and 40, and in two stretches of the Pinguaba center, between T. 67 and 85, occupying an area of 7.34 ha	Serra do Mar State Park in 4 stretches of the Caraguatatuba center	0.1935
Rio Pardo – São Sebastião	138	28.485	Crosses the Serra do Mar State Park, S. Sebastião center, in two stretches between T. 24 and 53	Serra do Mar State Park, S. Sebastião center	
PL Sto. Ângelo – Bertioga II	138	35.624	Crosses the Serra do Mar State Park, Cubatão center, between T. 60 and 70	Serra do Mar State Park, Cubatão center	0.129

Name of line	Voltage KV	Line Length on the Div. (km)	Predominant environmental features	Location	Area (km <sup>2</sup> )
PL Santo Ângelo – Rio Pardo	138	64.072	Initial stretch with pasture land and reforestation. Crosses the Serra do Mar State Park, S. Sebastião center, between T. 77 and 127	Serra do Mar State Park, S. Sebastião center	0.771
PL São Sebastião – Caraguatatuba	138	21.732	Crosses the Serra do Mar State Park, S. Sebastião center, between T. 17 and 23	Serra do Mar State Park, S. Sebastião center	0.086
PL Bertioga II – Vic. de Carvalho C1-C2	138	42.818	Crosses the Serra do Mar State Park, Cubatão center, between T. 39 and 40	Serra do Mar State Park, Cubatão center	0.031
LT Bertioga II – Vic. de Carvalho C3-C4	138	32.266	Crosses the Serra do Mar State Park, Cubatão center, between T. 41 and 43	Serra do Mar State Park, Cubatão center	0.074
PL Baixada Santista – Vic. De Carvalho	138	22.403	Crosses the Serra do Mar State Park, Cubatão center, between T. 46 and 47	Serra do Mar State Park, Cubatão center	0.056
PL Capão Bonito – Registro	138	52.472	Crosses Carlos Botelho State Park between T. 113 and 158	Carlos Botelho State Park	0.121
PL Embu Guaçu – Peruíbe	138	75.345	Crosses the Serra do Mar State Park, Curucutu center, between T. 43 and 63	Serra do Mar State Park, Curucutu center	0.336
PL Paraibuna – Caraguatatuba	88	31.529	Crosses the Serra do Mar State Park, Caraguatatuba center, between T. 54 and 78	Serra do Mar State Park, Caraguatatuba center	0.316
PL Chavantes – Botucatu	88	147.71	Crosses the Manduri State Forest between T. 231 and 138	Manduri State Forest	0.053
PL Pres. Prudente – Assis	88	131.708	Crosses the Assis Experimental Station, between T. 439 and 447 and between 450 and 453	Assis State Forest	0.087
<b>Total</b>					<b>548.22</b>

In 2011, CTEEP finalized reforestation of 239.39 hectares of Forest Institute areas (remaining area of 33 hectares, according to the Term of Adjustment of Operating License Conduct 0136).

Planting is underway on three hectares next to the Jupiá dam (TCRA), planting of 1.82 hectares in the 345 kV BSA-SUL Power Line band (authorized for intervention in PPA - Permanent Preservation Area) and planting of 0.345 hectares in the area adjacent to the CAV Substation (TCRA).

In an effort to ensure protection or restore different habitat areas other than those supervised by CTEEP, a partnership was established with Instituto Guatambu de Cultura (Guatambu Culture Institute) in the area surrounding the Anhangueira-Guarulhos PL, in the Cantareira State Park.

In total, the Company accounts for 2.723 km<sup>2</sup> of protected and/or restored habitat areas. To ensure efficacy in all compensatory activities, CTEEP relies on monitoring and approval by external specialists from the FEALQ (Luiz de Queiroz School of Agricultural Engineering).

## Location of protected or restored areas GRI EN13 PG 8

Batatais State Forest – (total replanting)	33 ha
Batatais State Forest – (densification)	7.46 ha
Mogi Guacu Experimental Station	96.01 ha
Itapetininga Experimental Station	39.35 ha
Buri Experimental Station	49.83 ha
Assis Experimental Station	46.74 ha
<b>Total</b>	<b>272.3 ha = 2.723 km<sup>2</sup></b>

## Compliance with Laws and Regulations

### GRI EN28

All environmental management activities, proper disposal of waste, treatment of wastewater and environmental restoration are done pursuant to current environmental law.

In 2011, CTEEP did not receive any significant fines and/or non-monetary sanctions and it was also not included in any arbitration processes regarding environmental matters.

Throughout the year, CTEEP received some notifications for clarification and measures on various environmental issues, which did not result in punishment of the Company.

In 2011, the Company had not been notified of any decision regarding administrative processes from 2010:

- 1) Notice of Violation No. 11,491 from the São Paulo City Hall, in the amount of BRL322,500.00, related to the practice of sacking earth carried out by a trespasser on CTEEP property. The Company presented an administrative defense in 2010.
- 2) Notice of Violation No. 027,241 A from the Ministry of Environment – ICIBIO, in the amount of BRL1,000.00, regarding suppression of vegetation in an environmental preservation area, between the cities of Matão and Cosmópolis (SP). In 2010, CTEEP presented an administrative defense because it had done conservation work in the right of way for the power line.

## Main Projects

### Burn Prevention Campaign

GRI EN14, PG 8

Every year, CTEEP holds a Burn Prevention Campaign, whose goal is to raise awareness among stakeholders (plants, rural workers, farmers, society and employees) about the risks of the practice of burning in areas close to electrical power lines.

Through a publicity campaign and initiatives to build closer relationships with communities, this project is aimed at educating the population in the communities surrounding the transmission towers, in addition to contributing to cutting CO<sub>2</sub> emissions. In 2011, the Company invested BRL391,880.00 in the tenth edition of the campaign, directed at the regions of Andradina, Limeira, Lins and Sandovalina, selected because of their history of problems with burns.

The 2011 campaign also covered the use of harvesters, which have been replacing fire in the removal of unused sugarcane. When used close to tower and cable structures, these machines can cause serious accidents and interrupt the supply of power.

CTEEP employees play a fundamental role in the campaign, distributing material and spreading information. The campaign has garnered effective results. In 2011, the events related to burns caused shutdowns to drop by 61% and occurrences to fall by 55% compared to 2010.

### Green Shield

GRI EN26, PG 8, 9

CTEEP developed an R&D project to replace vegetation in Permanent Preservation Areas (PPA) through which its power lines pass. The project uses the "green shield" technique, which consists of replacing large native vegetation with other, smaller vegetation that does not present a risk to power lines.

Among the benefits of the project is environmental conservation, protection of power lines, reduced trimming and mowing and lower monitoring costs. The project has been applied to planting done in Botucatu and Jarinu, in the interior of the State of São Paulo.

A digital map of the lines in the state's interior is being created, with the location and size of rural areas, unsuitable for agricultural use, which could also house the project. Moreover, the Company has prepared a technical manual of recommendations of plant species for PPAs (Permanent Preservation Areas).

### Cuca Project

CTEEP also supports the Cuca Project environmental education program, developed by Cantareira State Park (SP) in partnership with the Instituto Guatambu NGO. The program is one of the conditions for licensing of the Guarulhos-Anhanguera Power Line.

The project includes activities for student groups and the surrounding community inside and outside of the environmental conservation unit, focusing on combating illegal disposal of waste, predatory hunting of wildlife, fires, trespassing, etc., in addition to holding talks to raise awareness and on citizenship, preservation of biodiversity and power lines. In 2011, project activities reached a public of 14 thousand people.

### Urban Orchard

CTEEP was one of the first companies to adhere to the Urban Orchard project in 2000. In partnership with the São Paulo State Government, the Urban Orchard promotes environmental and landscape recovery along the banks of the Pinheiros River, professional training and environmental education.

The Green Shield project replaces large vegetation with other, smaller species that pose no risk to the power lines.



# Annexes

Indicators presented in the following pages translate the sustainability in the business.



## IBASE Table

Basis of Calculation	2011			2010		
Net Revenue (NR)	2,025,847			1,735,190		
Operating Income (OI)	1,188,425			1,035,092		
Gross Payroll (GP)	123,379,824			123,859		
Internal Social Indicators	Amount	% w/o GP	% w/o NR	Amount	% w/o GP	% w/o NR
Meals	11,858	0.01	0.59	10,005	8.08	0.58
Compulsory social charges	65,684	0.05	3.24	60,068	48.50	3.46
Private pension	3,311	0.00	0.16	3,016	2.44	0.17
Health	12,393	0.01	0.61	18,228	14.72	1.05
Occupational health and safety	2,128	0.00	0.11	1,131	0.91	0.07
Education	841	0.00	0.04	831	0.67	0.05
Culture	0	0.00	0.00	0	0	0
Professional training and development	1,448	0.00	0.07	1,629	1.32	0.09
Daycare or daycare assistance	195	0.00	0.01	169	0.14	0.01
Profit sharing	12,230	0.01	0.60	12,024	9.71	0.69
Others	0	0.00	0.00	0	0	0
Total – Internal social indicators	110,088	88.88	6.34	107,101	86.47	6.17

External Social Indicators	Amount	% over OI	% w/o NR	Amount	% over OI	% w/o NR
Education(*)	0	0	0	0	0	0
Culture(*)	2,200	0.19	0.11	1,618	0.16	0.09
Health and sanitation(*)	0	0	0	0	0	0
Sports(*)	0	0	0	0	0	0
Combat against hunger and food security(*)	0	0	0	0	0	0
Others(*)	154	0.01	0.01	407	0.04	0.02
Total contributions to society	2,354	0.198077287	0.116198311	2,025	0.20	0.12
Taxes (excluding social charges)	344,443	28.98	17.00	324,126	31.31	18.68
Total	346,797	29.18	17.11861755	326,151	31.51	18.80

Environmental Indicators	Amount	% over OI	% w/o NR	Amount	% over OI	% w/o NR
Investments related to production/operation of the company	1,539	0.13	0.08	2,345	0.23	0.14
Investments in programs and/or external projects	171	0.01	0.01	123	0.01	0.01
Total investments in the environment	1,710	0.14	0.08	2,468	0.24	0.14

Regarding establishment of annual targets for minimizing waste, general consumption in production/operation and increased efficacy in using natural resources, the company:

(X) has no targets	(X) has no targets
( ) meets from 51% to 75%	( ) meets from 51% to 75%
( ) meets from 0% to 50%	( ) meets from 0% to 50%
( ) meets from 76% to 100%	( ) meets from 76% to 100%

Workforce Indicators	2011	2010
No. of employees at the end of the fiscal year	1,418	1,402
No. of admissions during the period	111	65
No. of outsourced employees	1,083	913
No. of interns	53	41
No. of employees over 45 years of age	499	449
No. of women working at the company	154	159
% of supervisory positions occupied by women	13	15
No. of black people working at the company	-	-
% of supervisory positions occupied by black people	-	-
No. of disabled people or people with special needs	65	57

## Relevant Information regarding the Exercise of Corporate Citizenship

	2011			2010		
Ratio between the highest and lowest pay	43 times			52 times		
Total number of occupational accidents	12			12		
Social and environmental projects developed by the company were defined by:	<input type="checkbox"/> board	<input checked="" type="checkbox"/> board and managers	<input type="checkbox"/> all employees	<input type="checkbox"/> board	<input checked="" type="checkbox"/> board and managers	<input type="checkbox"/> all employees
Safety and health standards in the workplace were defined by:	<input type="checkbox"/> board	<input checked="" type="checkbox"/> board and managers	<input type="checkbox"/> all + CIPA	<input type="checkbox"/> board	<input checked="" type="checkbox"/> board and managers	<input type="checkbox"/> all + CIPA
Regarding union freedom, the right to collective bargaining and internal representation of workers, the company:	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> follows ILO standards	<input type="checkbox"/> encourages and follows ILO	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> follows ILO standards	<input type="checkbox"/> encourages and follows ILO
Private pension covers:	<input type="checkbox"/> board	<input type="checkbox"/> board and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> board	<input type="checkbox"/> board and managers	<input checked="" type="checkbox"/> all employees
Profit sharing includes:	<input type="checkbox"/> board	<input type="checkbox"/> board and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> board	<input type="checkbox"/> board and managers	<input checked="" type="checkbox"/> all employees
In selecting suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	<input type="checkbox"/> are not considered	<input checked="" type="checkbox"/> are suggested	<input type="checkbox"/> are required	<input type="checkbox"/> are not considered	<input checked="" type="checkbox"/> are suggested	<input type="checkbox"/> are required
Regarding employee participation in volunteer work programs, the company:	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> supports	<input type="checkbox"/> organizes and encourages	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> supports	<input type="checkbox"/> organizes and encourages
Total number of complaints and criticisms from consumers:	at the Company 0	at Procon 0	in the Courts 0	at the Company 0	at Procon 0	in the Courts 0
% of complaints and criticisms resolved:	at the Company 100%	at Procon 0%	in the Courts 0%	at the Company 100%	at Procon 0%	in the Courts 0%

## Total added value to distributed (in thousands of BRL):

In 2011:

In 2010:

Distribution of Added Value (DAV):	30% government	40% shareholders	10% employees	14% third parties	6% withheld	32% government	47% shareholders	10% employees	9% third parties	2% withheld
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In 2011, accounting statements were presented including a reversal on interest on shareholder equity in the financial result, that is, said item has no effect within the operating result. For comparison purposes, we used the same practice to be changed in the IBASE 2010 report.

Starting in 2010, the Company adopted international accounting standards (IFRS) in its accounting statements.

Note the change in the 2010 indicator in the private pension item. The number reported the previous year was wrong and was corrected on this spreadsheet.


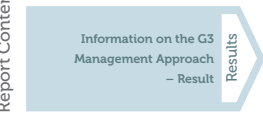

Interns: In 2011, we had 53 interns during the Internship Program, with 11 being hired in 2011 and another nine in 2012, resulting in a 38% rate of hiring.

Sixteen participants remained in the program, continuing internships in 2012, and in March, along with new participants, they made up a staff of 113 interns.

# GRI Index

GRI 3.12

## THIS REPORT USES APPLICATION LEVEL B+

Level of Report Application	C	C+	B	B+	A	A+
	Respond to items: 1.1 2.1 to 2.10 3.1 to 3.8, 3.10 to 3.12 4.1 to 4.4, 4.14 to 4.15	With External Verification	Respond to all of the criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 to 4.13, 4.16 to 4.17	With External Verification	The same required for Level B	With External Verification
	Not required		Information on the Management Approach for each Indicator Category		Management Approach reported for each Indicator Category	
	Respond to at least 10 Performance Indicators, including at least one of each of the following areas: Social, Economic and Environmental		Respond to at least 20 Performance Indicators, including at least one of each of the following areas: Economic, Environmental, Human Rights, Labor Practices, Society and Product Responsibility		Respond to each essential G3 Indicator and the Industry Supplement(*) with due consideration of the Principle of Materiality in one of the following forms: (a) responding to the Indicator, or (b) explaining the reason for omission	

(\*)Sectorial supplement in its final version.

### Reporting Profile

Profile	Description	Compliance	Note	Page	PG
1.1	Statement from the organization's top executive.	Total		9	
1.2	Description of the main impacts, risks, and opportunities.	Total		9 and 24	
<b>2. Organizational Profile</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
2.1	Name of organization.	Total		4	
2.2	Main brands, products and/or services.	Total		4	
2.3	Operational structure of the organization, including main divisions, operational companies, subsidiaries, and joint ventures.	Total		4 to 7	
2.4	Location of organization's headquarters.	Total		4	
2.5	Number of countries in which the organization operates, and names of countries with central operations or that are specifically relevant to the topics of sustainability covered in this report.	Total		4	
2.6	Nature ownership and legal form.	Total		4	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Total		4	
2.8	Scale of the reporting organization.	Total		4 to 6	
2.9	Significant changes during the reporting period regarding size, structure or ownership.	Total		4 to 6	
2.10	Awards received in the reporting period.	Total		20	
<b>3. Reporting Parameters</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
3.1	Reporting period (ex.: fiscal/calendar year) for information provided.	Total		11	
3.2	Date of most recent previous report (if any).	Total		11	
3.3	Reporting cycle (annual, biennial, etc.).	Total		11	
3.4	Contact for questions.	Total		11	
3.5	Process for defining report content.	Total		12	

3.6	Limits of report (ex.: countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Limits Protocol for further information.	Total		11
3.7	State any specific limitations on the scope or boundary of the report (see the completeness principle for explanation of scope).	Total		11
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Total		11
3.9	Data measurement techniques and bases for calculations, including assumptions and techniques underlying estimations applied to compilation of the indicators and other information in the report.	Total	The indicators presented follow GRI methodology unless the verification methodology and calculation are show along with the information.	11 and 12
3.10	Explanation of the effects of any re-statements of information provided in earlier reports, and the reasons for such re-statement (ex.: mergers/acquisitions, changes in base years/periods, measuring methods).	Total		11
3.11	Significant changes in relation to periods preceding the scope, limit or measuring method applied to the report.	Total		11
3.12	Table identifying the location of standard reporting in the report.	Total		76
3.13	Current policies and practices in relation to gaining external confirmation of the report.	Total		11
<b>4. Governance, Commitments and Involvements</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>
4.1	Organization's governance structure, including committees under the highest governance body, responsible for specific tasks, such as establishing strategy or supervising the organization.	Total		14
4.2	Indicate whether the Chair of the highest governance body also acts as an executive officer.	Total		14 to 16
4.3	For organizations that have a unitary board structure, state the number of members in the highest governance body that are independent and/or non-executive members.	Total		14 to 16
4.4	Mechanisms for shareholders and employees to submit recommendations or direction to the highest governance body.	Total		14 to 16 and 61
4.5	Relationship between the pay of the members of the highest governance body, top executives and executives.	Total		47
4.6	Current processes for the highest governance body to ensure that conflicts of interest are avoided.	Total		14 and 19
4.7	Process for determining the qualifications and competencies of the members of the highest governance body, to direct the organization's strategy on economic, environmental and social topics.	Total		14 to 16
4.8	Statements of the mission or values developed internally, codes of conduct and principles related to economic, environmental and social performance, and their phase of implementation.	Total		8 and 19

4.9	Procedures of the highest governance body for supervising identification and organizational management of economic, environmental and social performance, including relevant risks and opportunities, and adherence to internationally accepted standards, codes of conduct and principles, or compliance with same.	Total	16 and 19
4.10	Processes for assessing the highest governance body's own performance, especially in relation to economic, environmental and social performance.	Total	14 to 18
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Total	24 7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Total	9 to 11
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	Total	58
4.14	List of stakeholder groups engaged by the organization.	Total	12 and 43
4.15	Basis for identification and selection of stakeholders with whom to engage.	Total	12 and 43
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Total	12 and 43
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Total	12

#### STANDARD DISCLOSURES PART III:

##### Performance Indicators

##### Economic Performance

DMA	Management method	Compliance	Note	Page	PG
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Total		37 to 41	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Partial		35 and 56	
EC3	Coverage of the organization's defined benefit plan obligations.	Partial		47	
EC4	Significant financial assistance received from government.	Total		4 and 58	

##### Market Presence

DMA	Management method	Compliance	Note	Page	PG
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Total		47	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Partial		54	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Total		56	

Indirect Economic Impacts		Compliance	Note	Page	PG
<b>DMA</b>	<b>Management method</b>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or <i>pro bono</i> engagement.	Partial		56 to 58	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Partial		56	
<b>Environmental</b>					
<b>Materials</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
<b>DMA</b>	<b>Management method</b>				
EN1	Materials used by weight or volume.	Partial		63	
EN2	Percentage of materials used that are recycled input materials.	Partial		64	8, 9
<b>Energy</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
<b>DMA</b>	<b>Management method</b>				
EN3	Direct energy consumption by primary energy source.	Total		66	
EN4	Indirect energy consumption by primary source.	Total		66	
EN5	Energy saved due to conservation and efficiency improvements.	Partial		66	8, 9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not applicable	Not applicable to CTEEP activities.		8, 9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Partial		66	8, 9
<b>Water</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
<b>DMA</b>	<b>Management method</b>				
EN8	Total water withdrawal by source.	Total		66	
EN9	Water sources significantly affected by withdrawal of water.	Not applicable	Not applicable to CTEEP activities.		
EN10	Percentage and total volume of water recycled and reused.	Partial		66	8, 9
<b>Biodiversity</b>		<b>Compliance</b>	<b>Note</b>	<b>Page</b>	<b>PG</b>
<b>DMA</b>	<b>Management method</b>				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Total		67 to 71	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Partial		67 to 71	
EN13	Protected or restored habitats.	Total		71	8
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Partial		72	8
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not reported			

Emissions, Effluents and Waste		Compliance	Note	Page	PG
DMA	Management method				
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not reported	CTEEP has not yet carried out mapping of emissions (direct and indirect emissions of greenhouse gasses). Only R&D projects in development.		
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not reported	CTEEP has not yet carried out mapping of emissions (direct and indirect emissions of greenhouse gasses). Only R&D projects in development.		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partial		35 and 66	8 and 9
EN19	Emissions of ozone-depleting substances by weight.	Total	The CTEEP activities do not impact the ozone layer as in the specific case of CFC 11.		
EN20	NOx, SOx, and other significant air emissions by type and weight.	Total	CTEEP does not use these gases in its operations.		
EN21	Total water discharge by quality and destination.	Partial	CTEEP is an Electrical Energy Transmitter, so its water discharge is domestic and treated by concessionaires and there are no significant impacts.	66	8
EN22	Total weight of waste by type and disposal method.	Total		64	8
EN23	Total number and volume of significant spills.	Partial		25	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Partial		64	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not reported			
Products and Services		Compliance	Note	Page	PG
DMA	Management method				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Total		63, 67 and 72	8 and 9
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable	Not applicable to CTEEP activities.		8 and 9
Compliance		Compliance	Note	Page	PG
DMA	Management method				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Total		71	
Transport		Compliance	Note	Page	PG
DMA	Management method				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not reported			



Overall		Compliance	Note	Page	PG
DMA	Management method				
EN30	Total environmental protection expenditures and investments by type.	Total		62	8
<b>Social: Labor Practices and Decent Work</b>					
<b>Employment</b>					
Overall		Compliance	Note	Page	PG
DMA	Management method				
LA1	Total workforce by employment type, employment contract, and region.	Total		44 to 46	
LA2	Total number and rate of employee turnover by age group, gender, and region.	Total		46	6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Total		47	
<b>Labor/Management Relations</b>					
Overall		Compliance	Note	Page	PG
DMA	Management method				
LA4	Percentage of employees covered by collective bargaining agreements.	Total		51	3
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Total		51	3
<b>Occupational Health and Safety</b>					
Overall		Compliance	Note	Page	PG
DMA	Management method				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Partial	The survey of health and safety information is being improved.	50	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Total		51	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Total		49	
LA9	Health and safety topics covered in formal agreements with trade unions.	Partial	The survey of health and safety information is being improved.	51	
<b>Training and Education</b>					
Overall		Compliance	Note	Page	PG
DMA	Management method				
LA10	Average hours of training per year per employee by employee category.	Total		52	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Partial		47 and 52	
LA12	Percentage of employees receiving regular performance and career development reviews.	Partial		53	
<b>Diversity and Equal Opportunity</b>					
Overall		Compliance	Note	Page	PG
DMA	Management method				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Partial		17 and 44	6
LA14	Ratio of basic salary of men to women by employee category.	Total		47 and 48	6

## Social: Human Rights

Diversity and Equal Opportunity		Compliance	Note	Page	PG
DMA	Management method				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Partial		54	1 and 2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Partial		54	1 and 2
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partial		52	1
Non-discrimination		Compliance	Note	Page	PG
DMA	Management method				
HR4	Total number of incidents of discrimination and actions taken.	Partial		19	1 and 6
Freedom of Association and Collective Bargaining		Compliance	Note	Page	PG
DMA	Management method				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Total		49 and 51	1 and 3
Child Labor		Compliance	Note	Page	PG
DMA	Management method				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Total		20 and 54	1 and 5
Forced and Compulsory Labor		Compliance	Note	Page	PG
DMA	Management method				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Total		20	1 and 4
Safety Practices		Compliance	Note	Page	PG
DMA	Management method				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not reported			1 and 2
Indigenous Rights		Compliance	Note	Page	PG
DMA	Management method				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not reported			1
Social: Society		Compliance	Note	Page	PG
Community		Compliance	Note	Page	PG
DMA	Management method				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Total		57	

Corruption		Compliance	Note	Page	PG
DMA	Management method				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Partial		19	10
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Partial		19	10
SO4	Actions taken in response to incidents of corruption.	Partial	Cases of corruption are handled confidentially.	19	10
Public Policy		Compliance	Note	Page	PG
DMA	Management method				
SO5	Public policy positions and participation in public policy development and lobbying.	Total		58	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Total		58	
Anti-competitive Behavior		Compliance	Note	Page	PG
DMA	Management method				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not reported			
Compliance		Compliance	Note	Page	PG
DMA	Management method				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not reported			
Social: Product Responsibility		Compliance	Note	Page	PG
Customer Health and Safety		Compliance	Note	Page	PG
DMA	Management method				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Partial		55 and 56	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Total	There is no case regarding non-compliance regarding the topic for the period.		
Product and Service Labeling		Compliance	Note	Page	PG
DMA	Management method				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Partial		55	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Total	There was no non-compliance with the standard or non-compliance with services provided by the company.		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Partial		59 and 60	

Marketing Communications		Compliance	Note	Page	PG
DMA	Management method				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Partial		58	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Total	There is no case regarding non-compliance regarding the topic for the period.		
Customer Privacy		Compliance	Note	Page	PG
DMA	Management method				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Total	There is no case regarding non-compliance regarding the topic for the period.		
Compliance		Compliance	Note	Page	PG
DMA	Management method				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Total		59	
Sector Supplement – Electric Utilities					
Organizational Profile		Compliance	Note	Page	PG
DMA	Management method				
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	Not applicable	Not applicable to CTEEP activities.		
EU2	Net energy output broken down by primary energy source and by regulatory regime.	Not applicable	Not applicable to CTEEP activities.		
EU3	Number of residential, industrial, institutional and commercial customer accounts.	Total		59	
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	Total		6, 21 and 30	
EU5	Allocation of CO <sub>2</sub> e emissions allowances or equivalent, broken down by carbon trading framework.	Not reported	CTEEP has not yet carried out mapping of emissions (direct and indirect emissions of greenhouse gasses). Only R&D projects in development.		
Sector Supplement – Electric Utilities: Economic Availability and Reliability					
Availability and Reliability		Compliance	Note	Page	PG
DMA	Management method				
EU6	Management approach to ensure short and long-term electricity availability and reliability.	Total		31 to 34	
Demand-side Management (DSM)		Compliance	Note	Page	PG
DMA	Management method				
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	Total		59	
Research and Development		Compliance	Note	Page	PG
DMA	Management method				
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	Total		27 to 29	

Plant Decommissioning		Compliance	Note	Page	PG
DMA	Management method				
EU9	Provisions for decommissioning of nuclear power sites.	Partial	Not applicable to CTEEP activities.		

Availability and Reliability		Compliance	Note	Page	PG
DMA	Management method				
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	Total		21	

System Efficiency		Compliance	Note	Page	PG
DMA	Management method				
EU11	Average generation efficiency of thermal plants by energy source and regulatory regime.	Not applicable	Not applicable to CTEEP activities.		
EU12	Transmission and distribution losses as a percentage of total energy.	Partial		34	

#### Sector Supplement – Electric Utilities: Environmental

Note: See specific comments on the electric utilities industry and management method of G3 environmental aspects.

Biodiversity		Compliance	Note	Page	PG
DMA	Management method				
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	Partial		67 to 71	

#### Sector Supplement – Electric Utilities: Social – Labor Practices and Decent Work

Note: Specific indicators for the electric utilities industry regarding labor practices and comments on G3 indicators.

Employment		Compliance	Note	Page	PG
DMA	Management method				
EU14	Programs and processes to ensure the availability of a skilled workforce.	Total		23, 26, 27 and 49	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	Total		47	
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	Total		49	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	Not reported			
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	Partial		49 and 50	

#### Sector Supplement – Electric Utilities: Social – Society

Note: Specific indicators for the electric utilities industry regarding society and comments on G3 indicators.

Community		Compliance	Note	Page	PG
DMA	Management method				
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.	Total		22	
EU20	Approach to managing the impacts of displacement.	Total		56	

Disaster/Emergency Prevention and Planning		Compliance	Note	Page	PG
DMA	Management method				
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	Total		25	
Community		Compliance	Note	Page	PG
DMA	Management method				
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.	Total		56	
Sector Supplement – Electric Utilities: Social: Product Responsibility					
Access		Compliance	Note	Page	PG
DMA	Management method				
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	Not applicable	Not applicable to CTEEP activities.		
Provision of Information		Compliance	Note	Page	PG
DMA	Management method				
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	Not applicable	Not applicable to CTEEP activities.		
Public Health and Safety		Compliance	Note	Page	PG
DMA	Management method				
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	Total		51	
Access		Compliance	Note	Page	PG
DMA	Management method				
EU26	Percentage of population not served in licensed distribution or service areas.	Not applicable	Not applicable to CTEEP activities.		
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Not applicable	Not applicable to CTEEP activities.		
EU28	Power outage frequency.	Total		34	
EU29	Average power outage duration.	Total		34	
EU30	Average plant availability factor by energy source and by regulatory regime.	Not applicable	Not applicable to CTEEP activities.		

## Glossary

- ABCE:** Associação Brasileira de Concessionárias de Energia Elétrica (Brazilian Association of Electrical Energy Concessionaires)
- ABDIB:** Associação Brasileira da Infraestrutura e Indústria de Base (Brazilian Association of Infrastructure and Base Industry)
- ABRASCA:** Associação Brasileira das Companhias Abertas (Brazilian Association of Publically Traded Companies)
- ABRATE:** Associação Brasileira das Grandes Empresas de Transmissão de Energia Elétrica (Brazilian Association of Large Electrical Energy Transmission Companies)
- ADR:** American Depositary Receipts
- ANEEL:** Agência Nacional de Energia Elétrica (National Electrical Energy Agency)
- APIMEC:** Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (Association of Capital Market Investment Analysts and Professionals)
- BSC:** Balanced Scorecard
- CEPEL:** Centro de Pesquisas de Energia Elétrica (Electrical Energy Research Center)
- CHESF:** Companhia Hidro Elétrica do São Francisco
- CIER BRACIER:** Comitê Nacional Brasileiro da Cier (Brazilian National Cier Committee)
- CIGRÉ BRASIL:** Comitê Nacional Brasileiro de Produção e Transmissão de Energia Elétrica (Brazilian National Committee on Production and Transmission of Electrical Energy)
- CIPA:** Internal Accident Prevention Committee
- COSO:** Committee of Sponsoring Organizations of the Treadway Commission
- CTEEP:** Companhia de Transmissão de Energia Elétrica Paulista
- DCR:** Demonstrações Contábeis Regulatórias (Regulatory Accounting Statements)
- DITs:** Demais Instalações de Transmissão (Other Transmission Facilities)
- DRE:** Demonstração do Resultado do Exercício (Fiscal Year Profit or Loss Statement)
- DREQ:** Duração Equivalente de Interrupções (Equivalent Duration of Interruptions)
- DRRE:** Demonstração Regulatória do Resultado do Exercício (Regulatory Fiscal Year Profit or Loss Statement)
- EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortization
- ENS:** Energia Não Suprida (Non-Supplied Energy)
- EPE:** Empresa de Pesquisa Energética (Energy Research Company)
- ERM:** Enterprise Risk Management
- FREQ:** Frequência Equivalente de Interrupções (Equivalent Interruption Frequency)
- GAEs:** Grupos Auxiliares de Emergência (Auxiliary Emergency Groups)
- IRM:** Integral Risk Management
- GRI:** Global Reporting Initiative
- GVO:** Grande Volume de Óleo (Large Volume of Oil)
- GWh:** Gigawatt-hour
- IEMADEIRA:** Interligação Elétrica do Madeira
- IEMG:** Interligação Elétrica de Minas Gerais
- IENNE:** Interligação Elétrica Norte e Nordeste
- IESUL:** Interligação Elétrica Sul
- IF:** Forest Institute of the State of São Paulo
- IFRS:** International Financial Accounting Standards
- IGC:** Índice de Governança Corporativa (Corporate Governance Index)
- km:** Kilometer
- kV:** Kilovolts
- PL:** Power Line
- RCM:** Reliability Centered Maintenance
- MME:** Ministry of Mines and Energy
- MV:** Megavolts
- MVA:** Megavolt Ampere

**MWh:** Megawatt-hour

**OMM:** Division of Maintenance Management

**ONS:** Operador Nacional do Sistema Elétrico  
(National Electrical System Operator)

**UN:** United Nations

**PAR:** Plano de Ampliações e Reforços (Expansion and Reinforcement Plan)

**PET:** Programa de Expansão da Transmissão  
(Transmission Expansion Program)

**GC:** Global Compact

**PLR:** Participação nos Lucros e Resultados (Profit Sharing)

**VP:** Variable Portion

**RAP:** Receita Anual Permitida (Allowed Annual Revenue)

**RTDS:** Real Time Digital Simulator

**Semasa:** Secretaria Municipal de Meio Ambiente de Santo André (Municipal Secretary of the Environment of Santo André)

**SF6:** Sulfur Hexafluoride

**SGSST:** Sistema de Gestão de Segurança e Saúde no Trabalho (Occupational Health and Safety Management System)

**SIESP:** Sindicato da Indústria da Energia no Estado de São Paulo (São Paulo State Energy Industry Union)

**SIN:** Sistema Interligado Nacional (National Interconnected System)

**STO:** Simulador de Treinamento de Operadores (Operator Training Simulator)

**T:** Transmission Tower

**TWh:** Terawatt-hour

**Wh:** Watt-hour



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