2014 SUSTAINABILITY REPORT

AES Eletropaulo

Uma Empresa AES Brasil

SUMMARY

MESSAGE FROM THE CEO

GRI: G4-1

The increased severity of the hydrological period experienced in Brazil in 2014 has imposed an even greater depletion to the reservoirs in the Brazilian hydroelectric network, requiring a broader and more costly base thermal generation. We closed 2014 with the Brazilian reservoirs with about 22% of their capacity, after registering yearly affluence equivalent to 81% of the long-term average.

By limiting the generation of hydroelectric power, given the water shortages, and raising energy costs generated throughout the system, this framework has imposed significant pressure on the purchased energy cost, far beyond the existing tariffs, with their respective effects on generators and power distributors' cash flow.

The impacts on electric power distributors were partially solved by CDE investments (Energy Development Contribution) and mainly by bank loans amounting to R$ 17.8 billion to CCEE (Electric Energy Trading Chamber), for later transfer to electric power tariffs.

Within this environment and based on pre-defined business plans for AES Brazil companies on its Sustainable Strategic Planning for the 2014-2018 cycle, we sought adjustments aiming at further efficiency gains and necessary solutions to the challenges presented in 2014, in order to preserve the sustainability of our business and the interests of our customers, shareholders, employees and other business partners.

AES Brazil ended 2014 with net income of R$16.7 billion, EBITDA of R$1.8 billion and net income of R$0.5 billion. Levels below those recorded in 2013, reflecting the impact of hydrology severity, especially in our power generator AES Tietê. Throughout 2014, we invested R$ 1.0 billion in our distribution and electric power generation operations.

We allocated R$186 million towards the modernization of our AES Tietê hydroelectric plants. This investment program remains continually contributing to greater reliability and efficiency of our generating units. In 2014, unplanned outages were reduced by 35%, also as a result of our asset management.

The storage level of AES Tietê's power plant reservoirs ended the year with 34.7% of average storage capacity, and its power generation was reduced by 39% as compared to 2013. Given the unfavorable hydrology and the need for power purchasing to meet their contracts, AES Tietê recorded impact of R$816 million on its EBITDA.

Regarding sale of electricity, we closed 2014 with 1,034 MWm and 909 MWM sold (83% and 73% of the available energy) to delivery in 2016 and 2017, respectively. The agreements made in 2014 reflect higher prices due to the hydrological scenario. In the year 553 MWm were sold to be delivered from 2016 at an average price of R$149/MWh.

Our thermoelectric plant, AES Uruguaiana, resumed operations in March 2014, on an emergency basis. We operated for about 70 days generating 224 MWm. On February 12, 2015, operations were resumed again, and should be extended for 60 days. Along with the Brazilian and Argentinian governments, we continue seeking feasibility of a more sustainable and effective long-term operation system, given the needs of the national integrated system.

At our power distributors, we have invested R$ 789.5 million, allocating R$583 million to AES Eletropaulo and R$206.5 million to AES Sul. These investments were designed to improve the quality of services provided to our customers, including modernization and automation programs for our power grids, increasing capacity to respond to the consumption growth and more efficient operating and management systems.

In 2014, both AES Eletropaulo and AES Sul faced extreme weather events. AES Sul was affected in a rather continuous manner with more significant magnitude and frequency throughout the year, had average frequency and duration of impacted interruptions. We ended 2014 with a DEC (equivalent duration of interruption) of 17.76 hours and FEC (equivalent frequency of interruption) of 8.88 times, compared to 14.08 hours and 7.42 times, respectively, over 2013. AES Eletropaulo, more precisely in December, was impacted by severe rainfalls and winds of up to 100 km/h in its concession area, mainly affecting the average duration of power outages. At AES Eletropaulo we have reduced the FEC to 3.81 times, compared to 4.37 times in 2013. However, the DEC stood at 8.86 hours compared to 7.99 hours in 2013. Recovery plans of these indicators have been structured and have been implemented for both AES Sul and for AES Eletropaulo.

The Group's distribution companies have invested in the continuous improvement of customer service. About 8,000 employees were trained in JAAT - Jeito AES de Atender, a program aimed at efficiency, discipline and courtesy in customer service. This program was recognized by Exame Sustainability Guide on its 2014 edition.

In Safety, our number 1 Value, 2014 ended without any fatal accident involving 20 thousand AES Brazil own employees and subcontractors. Our investment in safety totaled R$ 29.2 million. After experiencing an increase in fatal accidents involving the population in 2013 and reinforcing our educational campaigns in 2014, we recorded a reduction of 22% (23 to 18) in fatal accidents involving the population in the areas served by the Group's power distribution companies. At AES Eletropaulo's concession area this reduction was 44% (from 18 to 10 fatal accidents). These results reflect the investments and the company's initiatives with the purpose of educating and disseminating knowledge about the risks involving electricity.

These first two months of 2015 indicate a potentially more severe hydrological context. On the other hand, important actions have been taken to restore the economic and financial balance of power distribution companies. Tariff flags, which came into force from January 1st, go through price increase process. Aneel (Brazilian Electricity Regulatory Agency) promotes public hearing to implement Extraordinary Tariff Review, in order to adjust the tariff coverage of the distributors to recent increases in energy from Itaipu (46%), new CDE quotas, hydrological risk of energy quotas,

among several other non-manageable cost items, which have overtaxed the distributors without proper tariff correspondence.

If on one hand, these measures correctly seek to financially offset energy costs and all other non-manageable components, it is fundamentally important that the methodology for the 4th Periodical Tariff Review is completed in a consistent manner and with correct and adjusted incentives and economic signals. If the measures on energy costs will prevent future impacts on the investment capacity of the distributors, strengthening them and ensure their sustainability are directly linked to the quality of the 4th Tariff Cycle, to start next April.

Another aspect that requires objective and priority treatment is the GSF - Generation Scaling Factor – impact, at the hydroelectric generators. The burden imposed to the generators in 2014 is estimated at about R$23 billion. 2015 suggests comparable figures. Developments of the Brazilian generation matrix, current dispatch features, among many other variables, need to be re-evaluated and considered for a broader and more structured solution, which brings a better balanced equation and more appropriate to the MRE (Energy Allocation Mechanism).

The prospects for 2015 are quite challenging, but also bring the opportunity for a more coordinated and joint action between granting power, regulator, companies and investors in the sector, both to objectively treat short-term issues, such as to establish the necessary basis so the sector may solve their weaknesses and resume its role as potential inducer of development, competitiveness and growth of the country. For 2015, we plan to invest R$1.035 billion, allocating R$ 867 million for distribution, R$ 155 million for the generation of electricity and R$ 13.8 million for electricity services.

I thank our employees, customers, investors, shareholders, lenders, suppliers, communities, regulatory agencies and governments.

BRITALDO SOARES

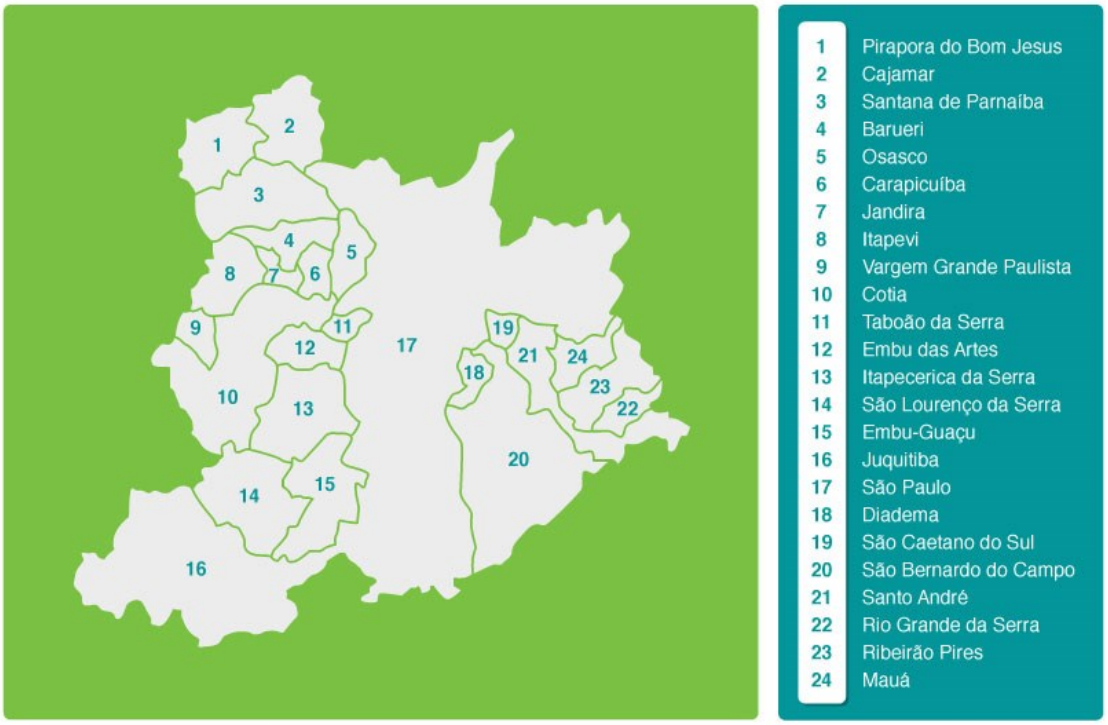
AES Brasil's CEO

ABOUT THE COMPANY

GRI: G4-3 G4-4 G4-6 G4-8 G4-9 EU1

PROFILE

AES Eletropaulo is an electric power distribution company that is part of the AES Brasil Group and serves 24 cities of the metropolitan region of São Paulo – including the state capital, one of the main financial and economic centers of Brazil and the world. Considered the largest distributor in Brazil in terms of energy distribution[1], the Company operates in a concession area with high demographic density, which has the largest GDP (Gross Domestic Product) in Brazil. Each km2 concentrates more than 1.5 thousand consumer units, double the country's second largest distributor's density, and features an operating environment resenting the challenges associated with a large scale.



AES Eletropaulo knows the important role it plays as a reliable, safe and sustainable energy provider for the well being of millions of people and for the development of the country. Its workforce dedicates itself to always work better and faster, listening to its customers and other stakeholders, while always being aware of the importance of the collective good and the environment.

[1]*Source: DATA FROM THE ELECTRIC POWER DISTRIBUTORS ASSOCIATED TO ABRADEE - Reference year 2013 - version 07/02/2014.*

AES ELETROPAULO IN NUMBERS

- 6,152 employees and 8,798 contractors
- 4,526km2 of concession area
- 1,490 consumer units per km2, the highest density among distributors in Brazil
- 24 cities served
- 20,1 million people served
- 6.7 million consumer units
- 46,415.3 GWh of energy distributed to the captive market and free customers
- Participation in the supply of electric power consumed:
- 34.1% in the State of São Paulo
- 9.8% in Brazil
- 152 substations
- 14,242 MVA of installed capacity
- 1,847.3 km of subtransmission lines
- 205 thousand distribution transformers
- 1.2 million power poles
- 38.352 km of aerial distribution grid
- 2.558 km of underground distribution grid
- R$10.56 billion in net operating revenue
- R$1.26 billion in share capital

GRI EU3, EU4

CONSUMER UNITS PER CLASS[1]	2012	2013	2014
Residential	6,094,754	6,242,621	6,328,583
Industrial	27,972	27,242	26,472
Commercial	340,098	392,108	366,688
Others[2]	19,737	20,033	20,271
Total	6,482,561	6,682,004	6,742,014

[1] *The figures differ from those in the 2013 report, due to the change of the source used.*

[2] *Includes free market customers, and excludes own consumption.*

AES IN THE WORLD

AES Corp. is a global company that operates through a diversified and growing portfolio in the generation and distribution businesses providing reliable and affordable electric power for customers in 18 countries, with a workforce of approximately 18,500 people.
AES Brasil Group is composed of a service company, AES Services; two distributors, AES Eletropaulo and AES Sul; and two generators, AES Uruguaiana and AES Tietê. Together, these companies account for 14.3% of the power distributed and 2.5% of the installed capacity of generation in Brazil.

AWARDS AND RECOGNITION IN 2014

AES BRASIL:

- Sustainability Exame Guide: best company in the energy sector and market leader in the Customer Relations area; The Group was also listed in the Guide in 2009, 2012 and 2013;
- ECO Award 2014 category ELIS (Strategy, Leadership and Innovation for Sustainability) – Amcham Brasil;
- IBEF Sustainability Award in the category Corporate Governance – Brazilian Institute of Finance Executives (IBEF – Instituto Brasileiro de Executivos de Finanças);
- Award for Companies that Best Communicate with Journalists – Negócios da Comunicação;
- 17th place among the most innovative companies in Brazil and second in the category Business Strategy and Innovation – INFO Exame magazine;
- Sustainability TOP Prize – ADVB (Associação dos Dirigentes de Vendas e Marketing do Brasil – Association of Sales and Marketing Managers of Brazil).

AES ELETROPAULO:

- Corporate Sustainability Index (ISE) – BM&FBovespa 2015 Portfolio: included in the portfolio of the Index for the 10th consecutive year;
- Transparency Prize – Associação Nacional dos Executivos de Finanças, Administração e Contabilidade (ANEFAC – National Association of Executives in Finance, Administration and Accounting);
- 1st place in the ranking of the energy sector – "Most Admired Companies in Brazil" (“Empresas Mais Admiradas do Brasil”), Carta Capital;
- Eloy Chaves Medal 2014: 3rd best company in health and safety in the Distribution category with more than 2,000 employees - Brazilian Association of Electricity Companies (ABCE – Associação Brasileira de Companhias de Energia Elétrica);
- ABT Award in the Technical Support and Quality Management – Brazilian Institute of Relationship Marketing (IBMR – Instituto Brasileiro de Marketing de Relacionamento);
- 13th most sustainable company according to the media - PR Newswire.

CONTEXT

INCREASING DEMAND FOR ENERGY

According to the projection of a study by the Energy Research Company (EPE) in 2014, the demand for energy in Brazil will double by 2050, which reinforces the key role of the energy sector for the development of the country[1]. Over the past decade, the electricity industry grew alongside the growth in demand, with an expansion of 35% in energy generation capacity.

HYDROLOGICAL CRISIS AND CLIMATIC EVENTS

The Brazilian energy sector has faced major challenges as a result of unfavorable climatic and hydrological conditions. Similar to 2013, 2014 was characterized by reservoirs operating below capacity in different regions, which impacted Brazil's energy source, since about 65% of the energy generated in the Country comes from hydroelectric plants[2].

In the Southeast, the affluent natural energy (ENA) in 2014 – volume of energy that can be produced according to volume of rainfall – was equivalent to 68% of the ENA in 2013. The reservoir levels in the Southeast and Midwest ended 2014 with about 19.4% of their total capacity, lower than the levels seen in late December 2013 (43%)[3].

In addition, in the last days of 2014 and early 2015 the metropolitan region of São Paulo was hit by a series of storms, with strong winds and thousands of lightning strikes that brought down hundreds of trees and affected the urban infrastructure.

AES Eletropaulo's electricians and customer service teams worked hard to restore power. Learn more in the Operational Excellence chapter.

[1] *Source: http://www.epe.gov.br/Estudos/Documents/DEA%2013-14%20Demanda%20de%20Energia%202050.pdf*

[2] *Source: http://www.aneel.gov.br/aplicacoes/capacidadebrasil/capacidadebrasil.cfm Figures verified on 12/31/2014.*

[3] *Source: Operador Nacional do Sistema*

ENERGY SECURITY

Since 2009, the energy sector has been experiencing a significant development in sources of renewable energy generation, with an increase in installed capacity through wind and hydroelectric power plants, the latter with reduced water storage capacity. Furthermore, in 2014 the first specific auction for photovoltaic power took place. Solar energy was successful in its first auction with the sale of 160MW on average (~890MW of installed capacity). These intermittent sources of renewable generation have been largely responsible for Brazil's increased installed capacity in recent years.

On the other hand, the National System Operator (ONS) must – as one of its basic tasks – develop studies and activities in order to manage the stock of stored energy to ensure the security of continuous supply throughout the country, which becomes more challenging with a larger number of intermittent sources. Due to the low reservoir levels and to ensure the power supply in the country, there was an intensification of thermal generation. According to the ONS, thermal generation in 2014 was 28% higher than in 2013.

This trend emphasized the need for expansion of installed capacity through reliable and dispatchable sources such as termal as power plants, which has been seen in the last auction of new energy in 2014, the A-5[1]. These sources should also be encouraged and have active participation in auctions in order to pave the way for the sustainable development of intermittent renewable energy and its continued increased participation in national energy production.

[1] *Auction where the distributors contract energy from generators five years before the day of delivery.*

FINANCIAL ASSISTANCE TO THE SECTOR

Besides the high cost of power purchase in the short term market, resulting from factors following the enactment of the Provisional Measure n.° 579/2012 (converted into Law n.° 12,783/2013), the costs of thermoelectric dispatch (Energy System Service Charge) and hydrological risk caused great financial instability to the distribution concessionaires. In 2013, resources were transferred from the National Treasury to the Energy Development Account (CDE) and to distributors to cover these additional costs. In 2014, funding was increased by the CCEE (Electric Power Trading Chamber) with financial institutions, and funds were transferred by the ACR Account in order to mitigate the financial impact of the distributors.

In 2014, the transfer of funds from CDE and ACR Account, recorded by AES Eletropaulo to mitigate the effects of involuntary exposure totaled R$1,296.9 million. Learn more in the company's 4Q14 Quarterly Release.

TARIFF FLAGS

Besides the unpredictable cost of thermal energy, the MP 579 promoted the early end of concession contracts, maturing until 2017, in order to reduce energy prices. In 2014, the exposure of distributors to the increase in the cost of energy purchased in the short-term market was not passed on directly to the consumer. However, from January 2015 the effects of drought are already reflected in electricity bills. Through the tariff flags – a new billing system regulated by Aneel (National Electric Power Agency) – electricity bills indicate that the power will have a higher or lower rate, according to the conditions of electricity generation every month. Currently, the power purchase costs are included in the adjustment calculation of tariffs for power distributors and are passed on to consumers about a year after occurred, when the adjusted rate becomes effective. The introduction of tariff flags, theoretically, reduces the risk of mismatch between rising costs and revenues, which was a major factor contributing to the financial imbalance in the sector in 2013 and 2014.

The tariff flags will be the monthly indicator of the generation cost of the electricity that will be charged. Each tariff flag is set monthly by Aneel according to information provided by the National System Operator – ONS, due to the capacity of electric power generation in the country.

Over 2013 and 2014 (test-years), AES Eletropaulo has been publishing the flags on its electric bill that would be active in each area as if the system was already in operation. In 2014, the company held information campaigns on its website, social networking and bills, distributed leaflets directly to customers and inside newspapers explaining the subject. In addition, 100% of the customer service teams have been trained to inform and clarify customers about the changes and all employees are aware of the subject.

PERIODICAL TARIFF REVIEW

Carried out periodically by Aneel, as stipulated in AES Eletropaulo's concession agreement, the periodical tariff review studies more comprehensively all the items that comprise electricity bills, keeping distributors economically and financially balanced, and considering all the investments made, operating costs, quality of services, productivity gain estimation, among others. The methodology to be applied in the 4th Tariff Review Cycle that starts in January 2015 is still under review by the agency.

AES Eletropaulo's next periodic tariff revision will be held in 2015, when the company will forward to Aneel – among other documents and studies – the appraisal report of the asset base, a multidisciplinary study that engages all areas of the company, to back their investments. At AES Eletropaulo, the tariff revision is held every four years.

ANNUAL TARIFF ADJUSTMENT

The adjustment in electricity tariffs is also stipulated in the concession contracts and is calculated annually by Aneel (except in years when the periodic tariff revision already happens). From rules set by the agency, both energy bill parcels are adjusted:

- Parcel A – to restore the purchasing power of the distributor's revenue in order to cope with variations in costs with industry burdens, transmission charges and energy purchases; and
- Parcel B – composed of compensation[1], depreciation and operating costs, and which annual adjustment considers the year's IGP-M deducted from what is called "X Factor" – This consists of three components with the following objectives: (i) share productivity gains with consumers; (ii) encourage greater efficiency and (iii) encourage quality improvement.

AES Eletropaulo's average adjustment in 2014 was 18.06% for low voltage customers and 19.93% for high voltage customers. Among a total of 64 distributors, AES Eletropaulo closed the year with the 4th lowest electricity tariff in Brazil.*

Learn more about the tariff of AES Eletropaulo in the Ethics and Respect to Clients Chapter.

** excluding tax / referring to customers of residential class. Source: Aneel website*

[1]*Compensation is calculated by applying the WACC (Weighted Average Cost of Capital) defined by Aneel for the sector in net Regulatory Compensation Basis, the latter formed from the evaluation of the concessionaire assets.*

PUBLIC LIGHTING

Aneel's Normative Resolution 414/2010, 2010, determined that the distributors in Brazil should transfer the public lighting assets to municipality governments, within a maximum period of 24 months. The deadline has been extended twice and ended on 31 December 2014. From that date, the responsibility for the operation and maintenance of public lighting is no longer with distributors. Municipalities may establish the Public Lighting Contribution (CIP), which can be collected through electricity bills.

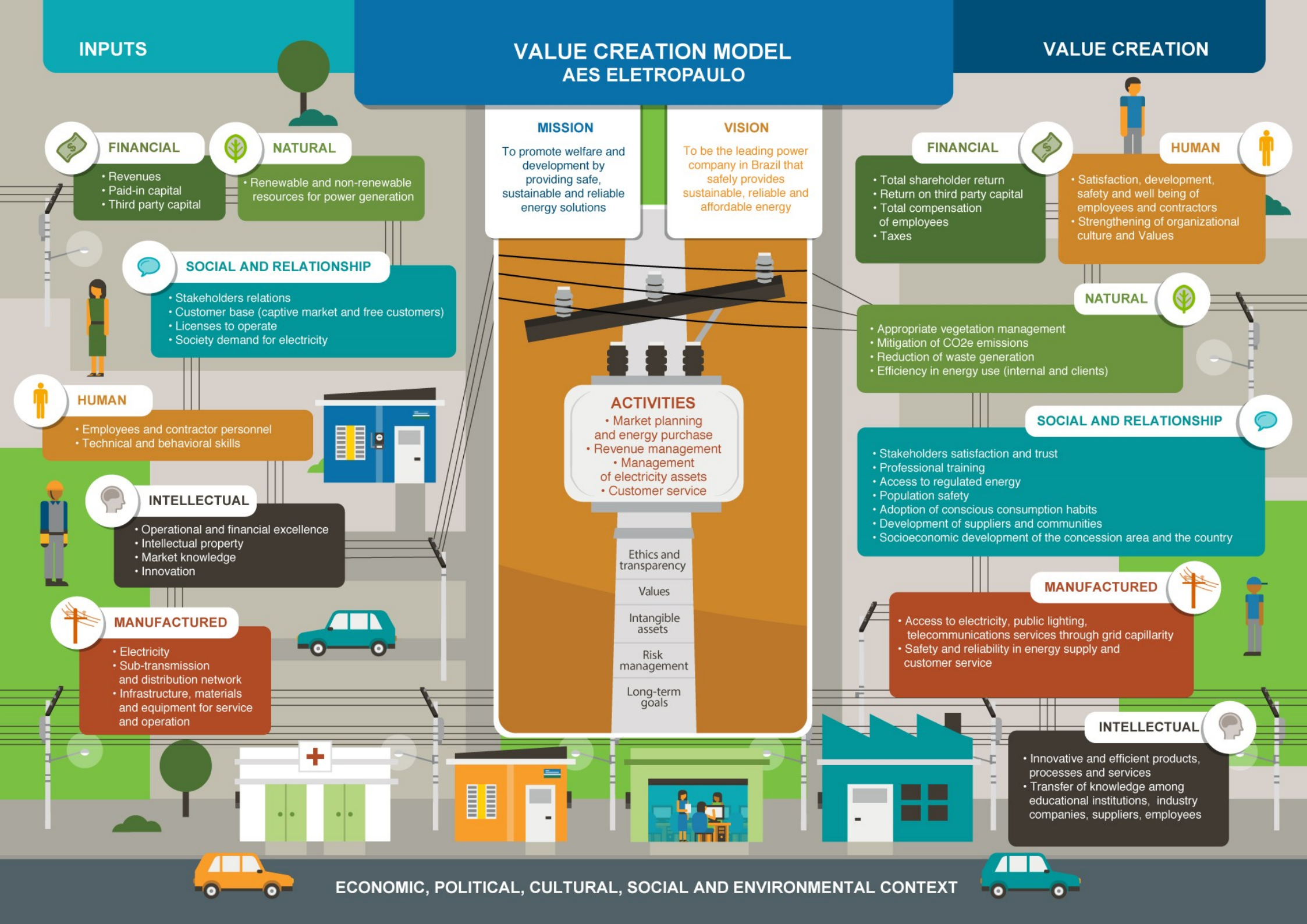
AES Eletropaulo was responsible for the lighting of 18 municipalities of a total of 24 in its concession area. By the end of the year, the company successfully completed the transfer of assets to five municipalities. The transfer is not yet concluded in the remaining municipalities, as 11 of them have not completed the necessary work to do so and two municipalities were granted an injunction contrary to the transfer.

CUSTOMER SATISFACTION WITH THE DISTRIBUTION OF ENERGY

Despite all the challenges of the sector, the residential customer satisfaction surveys – conducted by the Associação Brasileira de Distribuidores de Energia Elétrica (Abradee – Brazilian Association of Electric Energy Distributors), in partnership with the Institute INNOVARE – show that, for 15 years, 66.2% of customers were satisfied or very satisfied with the quality of supply and services provided by the Brazilian distributors. This index has increased significantly on a sustained basis, reaching 78.9% in 2014, the best result since 2009.

The ISQP (Quality Satisfaction Index) of AES Eletropaulo was 78.6% in a survey released in March 2014, higher than the 78.3% registered in 2013. The intermediate ISQP, released in October 2014, reached 80.6%, the highest level since the March 2012 survey. Learn more in the Ethics and Respect to Clients chapter.

STRATEGY


INPUTS
VALUE CREATION MODEL
AES ELETROPAULO
VALUE CREATION
MISSION
To promote welfare and development by providing safe, sustainable and reliable energy solutions
VISION
To be the leading power company in Brazil that safely provides sustainable, reliable and affordable energy
FINANCIAL
• Revenues
• Paid-in capital
• Third party capital
NATURAL
• Renewable and non-renewable resources for power generation
SOCIAL AND RELATIONSHIP
• Stakeholders relations
• Customer base (captive market and free customers)
• Licenses to operate
• Society demand for electricity
HUMAN
• Employees and contractor personnel
• Technical and behavioral skills
INTELLECTUAL
• Operational and financial excellence
• Intellectual property
• Market knowledge
• Innovation
MANUFACTURED
• Electricity
• Sub-transmission and distribution network
• Infrastructure, materials and equipment for service and operation
ACTIVITIES
• Market planning and energy purchase
• Revenue management
• Management of electricity assets
• Customer service
Ethics and transparency
Values
Intangible assets
Risk management
Long-term goals
FINANCIAL
• Total shareholder return
• Return on third party capital
• Total compensation of employees
• Taxes
HUMAN
• Satisfaction, development, safety and well being of employees and contractors
• Strengthening of organizational culture and Values
NATURAL
• Appropriate vegetation management
• Mitigation of CO2e emissions
• Reduction of waste generation
• Efficiency in energy use (internal and clients)
SOCIAL AND RELATIONSHIP
• Stakeholders satisfaction and trust
• Professional training
• Access to regulated energy
• Population safety
• Adoption of conscious consumption habits
• Development of suppliers and communities
• Socioeconomic development of the concession area and the country
MANUFACTURED
• Access to electricity, public lighting, telecommunications services through grid capillarity
• Safety and reliability in energy supply and customer service
INTELLECTUAL
• Innovative and efficient products, processes and services
• Transfer of knowledge among educational institutions, industry companies, suppliers, employees
ECONOMIC, POLITICAL, CULTURAL, SOCIAL AND ENVIRONMENTAL CONTEXT

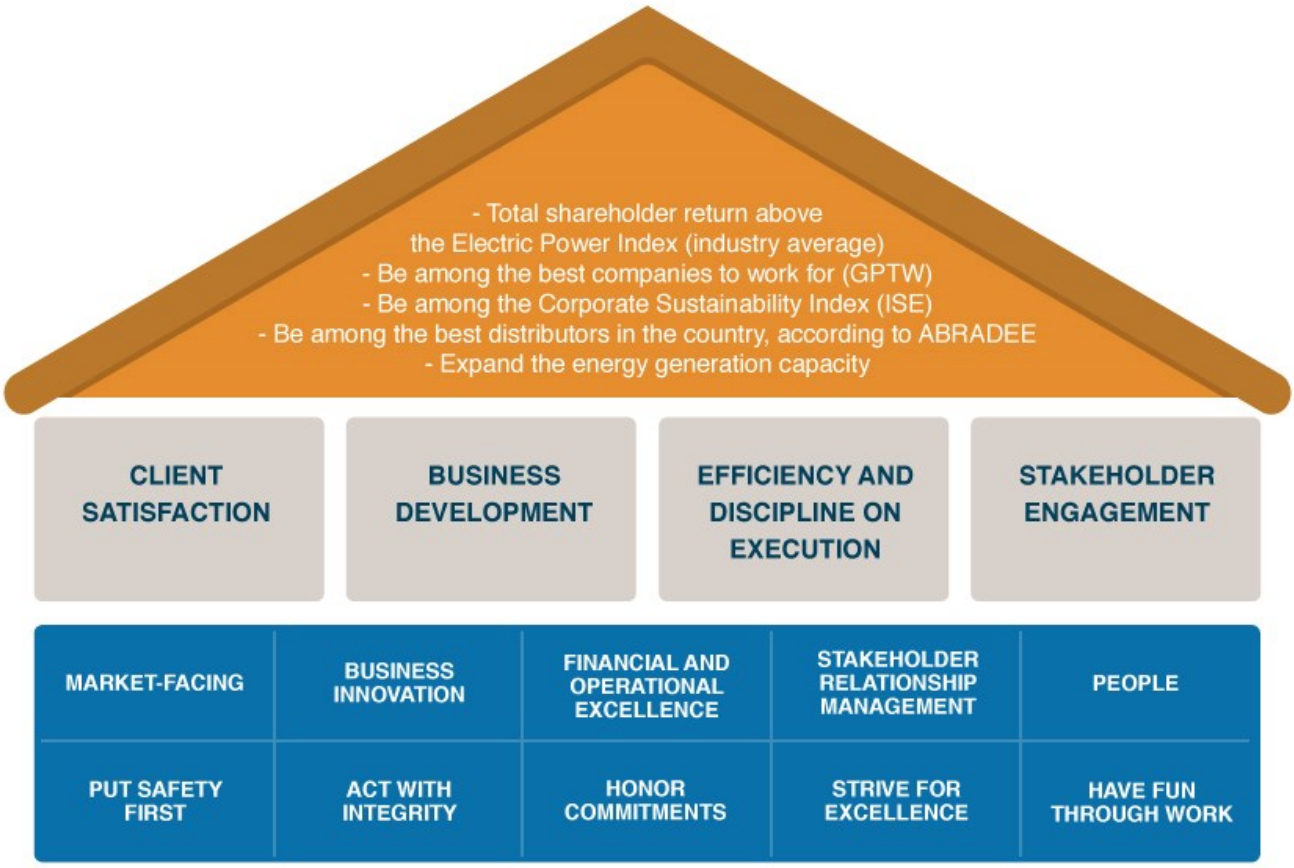
SUSTAINABLE STRATEGIC PLANNING

Since the Sustainable Strategic Planning 2012-2016 was released, the AES Brasil Group has undergone changes in its operating context, such as the distributor's tariff review, the adjustments in the growth prospects for the country, as well as a period of unfavorable hydrological conditions and the elections. Changes in the economic, political and industrial environments highlighted the need to revalidate Sustainable Strategic Planning for 2015-2019.

The main leaders of the company were engaged in this revalidation, and the process included talks with external experts about the sustainability, regulatory and external market scenarios.

Simplification and focus were the main drivers of the new strategy, consisting of long-term goals, strategic guidelines and business commitments. It is a strategy that is based on its main Intangible Assets and the Group's values.

STRATEGY TEMPLE:



STRATEGIC GUIDELINES:	BUSINESS COMMITMENTS:
Client satisfaction;	Ensure service excellence with ethics and respect for the clients;
Business development;	Grow with sustainable energy solutions;
Efficient use of resources and discipline in execution;	Maximize value by anticipating and reducing risks and economic, social and environmental impact;
Public engagement.	Encourage progress in the sector, educate the population for conscious consumption and develop employees, partners and communities.

The monitoring of strategic indicators is conducted periodically in performance forums and meetings with managers and leaders, in which decisions regarding the fulfillment of established goals are taken.

The company builds on the Management Excellence Model (MEG), of the National Quality Foundation (FNQ) as one of the pillars of the strategy. From the MEG, many of the Company's management processes are reviewed annually to evaluate the level of maturity of the company management and to define action plans for processes improvement.

As a base for this diagnosis, an assessment is made within the National Quality Award (PNQ) cycle, an initiative of the FNQ that recognizes world-class companies, considered as having the best management practices.

WITH THE NEW SUSTAINABLE STRATEGIC PLANNING, WHAT HAPPENS TO THE SUSTAINABILITY PLATFORM?

With advances made in terms of shared vision, understanding of the relationship between sustainability and business and in terms of the challenges brought by climate change and regulatory scenarios, the top management of AES Brasil decided to take a very important step.

In order to make the integration of social, environmental and governance issues more tangible, the main aspects of the Sustainability Platform were incorporated into the Sustainable Strategic Planning 2015-2019.

The new plan, therefore, offers all the company's stakeholders with a consistent and unified strategy so that AES Brasil can move toward its new vision from 2015 and create shared value for all.

Moreover, the strategic planning also reinforces the understanding of the AES Brasil Group in its role as a change agent and the impact that its business has on stakeholders, and is the result of intense work to integrate the logic of sustainable thinking to the decision-making to all hierarchical levels of the Group.

The Sustainability Platform, which launched in 2009, was an essential step for the subject to be gradually integrated into AES Brasil's strategy. Based on five themes of sustainability and three transversal themes within the strategy, the results were monitored to make sustainability increasingly tangible for all of AES Brasil's stakeholders.

This report presents AES Brasil's results ahead of the commitments made in the five themes of sustainability of the Sustainability Platform, during the last year of monitoring.

- Safety
- Innovation and excellence for the client's satisfaction
- Efficient use of financial resources
- Efficient use of energy resources
- Efficient use of natural resources
- Development and valorization of employees
- Development and valorization of suppliers
- Development and valorization of communities

Click here to learn more about the Sustainability Platform, its main results and learnings.

STAKEHOLDERS

GRI: G4-24, G4-25

For AES Brasil Group, stakeholders are people or a group of people that, in some way, are affected positively or negatively by the company's activities. They are people and organizations that depend, influence, sponsor or supervise the activities of the Group.

AES Brasil's ten stakeholder groups, shown in the chart below, were defined in 2011, in workshops involving various areas of business.

MANAGEMENT AND ENGAGEMENT OF STAKEHOLDERS

The new 2015-2019 strategic planning has, as one of its main guidelines, the engagement of stakeholders, representing an improvement compared to the previous strategy, which focused on the management of these groups. In line with the new strategy, AES Brasil's companies will aim to strengthen the relationship with its ten stakeholders.

In 2014, the Stakeholder Performance and Management Forum was created, which will operate from 2015 and will be responsible for measuring and monitoring – through key performance indicators – each of the stakeholders' requirements regarding the company's activity. Therefore, AES Brasil's companies will have to measure the status of the engagement process, as well as the service and management of these groups' expectations, considering the challenges presented in the implementation of the business strategy.

The engagement results will be incorporated into the Sustainable Strategic Planning cycle in order to support business decisions.

The table below describes listening mechanisms, forms of engagement and requirements of AES Eletropaulo's stakeholders that have undergone some type of consultation with structured methodology.

GRI G4-26, G4-27

	REQUIREMENTS	CONSULTATION MECHANISMS	ENGAGEMENT METHODS
Clients	• Quality of energy supply • Fair price perception • Deadlines between bill and payment; bills without error • Easiness to contact the company • Information about disconnection	Abradee Research (semiannual)	• Service channels and actions of the Jeito AES de Atender program (JAAT) • Relationship with customer protection agencies • Online communication actions, mass media and targeted publications to specific audiences • Disclosure of Values Guide More information in the Innovation and Excellence for Customer Satisfaction Chapter
Employees	• Ethics • Pleasant environment • Growth • Development • Recognition • Fair compensation • Organizational environment	Round table discussions (annual)	• Climate Survey • Development and retention program • Internal communication • AES Helpline • Disclosure of Values Guide More information in Development and Valorization of Employees and Corporate Governance Chapters
Suppliers	• Transparency • Isonomy • Development • Long-term partnerships • Demand Planning • Price and quality relation	Online Research (annual)	• Best Suppliers Award • Newsletter • Events • Disclosure of Values Guide More information in the Development and Valorization of Suppliers Chapter
Socially responsible investors	• Management of social, environmental and governance issues that potentially impact the company's results • Transparency in communication	Meetings with representatives of asset management companies and rating agencies questionnaires (on demand)	• Results Release • Conference call results • Participation in conferences and road shows • Telephone assistance Channel and "IR Contact" • Disclosure of Values Guide
Government	• Quality service provision for the population • Meeting of the demands of society • Public-Private Partnership in strategic projects of public nature	Municipal governments radar (monthly monitoring)	• Institutional and technical visits • Participation in events • Exclusive service channel • Participation in committees and public hearings • Disclosure of Values Guide

This information was used as input in the materiality analysis to define important and essential aspects for the report (click here). Given the variety and scope of the audience, it was not possible to conduct an external validation of all internally mapped requirements by different areas of the companies. Throughout 2015 they will be revalidated in periodic approaches such as research and specific discussion forums.

For the 2014 report, consultation was held with socially responsible investors – mainly asset managers – that evaluated the environmental, social and corporate governance initiatives of AES Brasil's companies. These institutions have provided input to improve the content of sustainability reports in line with the Group's efforts to apply the principles of Integrated Reporting in our communications.

PARTICIPATION IN ASSOCIATIONS AND ORGANIZATIONS

GRI G4-16

AES Brasil, through leadership representation, is part of associations and organizations representing its interests in issues relating to the sector or in areas of strategic relevance to the Group's companies.

MAIN ASSOCIATIONS AND ORGANIZATIONS OF WHICH AES BRASIL AND AES ELETROPAULO ARE PART OF:	TYPE OF PARTICIPATION:
National System Operator (ONS)	Board of Directors
American Chamber of Commerce (AmCham)	Board of Directors and thematic committees
Sindicato da Indústria da Energia no Estado de São Paulo (Sindienergia – Union of the Energy Industry in the State of São Paulo)	
Associação Brasileira de Distribuidores de Energia Elétrica (Abradee – Brazilian Association of Electric Energy Distributors)	
International Integrated Reporting Council (IIRC)	Group of companies of the <IR> Business
Center for Sustainability Studies (GVces – Fundação Getulio Vargas)	Business initiatives
Associação Brasileira de Comunicação Empresarial (Aberje – Brazilian	Thematic committees
World Water Council	Brazil section
COGE Foundation	Environmental Committee
Secretary of Green and Environment	Extraordinary Commission for the EnvironmentAmbiente

GOVERNANCE

The management structure of AES Brasil Group's companies is decentralized and relies on the relationship between shareholders, managers, independent auditors and fiscal council to align corporate policies and decisions. The practices and principles adopted, among others, are transparency, separation between the functions of the board's chairman and the CEO, reporting channels, and broad dissemination of ethics. The corporate governance is a fundamental element of the value creation model of AES Brasil's companies.

VISION

To be the leading power company in Brazil that safely provides sustainable, reliable and affordable energy.

MISSION

To promote welfare and development by providing safe, sustainable and reliable energy solutions.

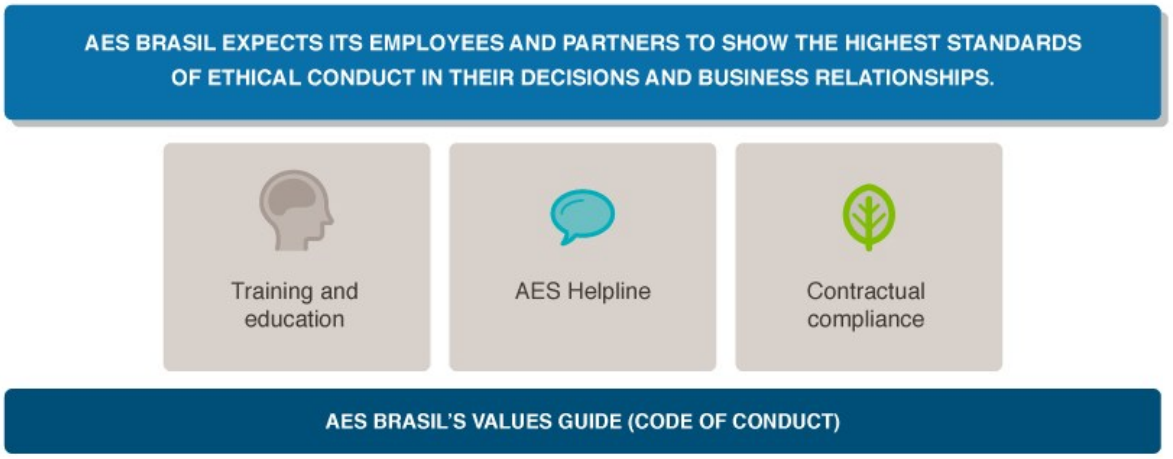
VALUES

Put Safety First
Act with Integrity
Honor Commitments
Strive for Excellence
Have Fun through Work

COMPLIANCE AND ETHICS

AES Brasil Group's Compliance and Ethics Program was created from the company's commitment to transparency and to ensure ethical conduct in all its business as well as to meet the applicable national and foreign laws. The initiatives developed within the program aim to protect the highest levels of integrity and ethical values among the Group's stakeholders.

The Compliance and Ethics Program consists of three pillars: Training and Education, AES Helpline and Contractual Compliance.



VALUES GUIDE

GRI G4-56

All activities performed by AES Brasil are founded by the document "Os Valores da AES – Das Palavras Às Ações", which is the code of ethics and conduct in the business based on the AES Corp. guidelines. This document is available to all the Group's stakeholders and can be accessed *here*.

TRAINING AND EDUCATION

The Group develops an education and training program that has several initiatives related to the themes of Ethics, Compliance, Corporate Values and Anti-Corruption, among others. In 2014, 27,134 training sessions were performed for employees of all hierarchical levels of AES Brasil's companies – from trainee electricians to the CEO – and contracted parties. The amount of training sessions was approximately 27% higher than in 2013. The growth is mainly due to the Values Guide Certification training, which is mandatory and demanded every two years. Among other actions, the highlights are:

- Training on the process of Contractual Compliance;
- Global Ethics Day;
- Compliance Program in the integration session for new employees, interns and trainees;
- Ethics Multipliers;
- Diga Não à Caixinha – strengthening the policy of employees not accepting customer money, or money from anyone else.
- Training with the CECO (Chief Ethics and Compliance Officer) of AES Corp., Peter Jaffe who, during his visit to Brazil, gathered about 150 people to discuss issues related to the themes Gifts & Entertainment and Conflict of Interest.

AES HELPLINE

AES Brasil relies on the AES Helpline, an open communication channel for all the Group's stakeholders and available 24 hours a day and 365 days a year to receive and handle claims or questions related to the company's values.

The complaints can be made anonymously and confidentiality is assured. All cases are handled by a third party company contracted by AES Corp., located in the United States. All events are analyzed and investigated by AES Brasil Group's investigation and training team and, when necessary, other areas are involved, such as Audit and Corporate Security. Special cases are taken to the Ethics Committee composed of representatives of senior leadership of AES Brasil.

The Committee meets monthly to analyze special complaints received through the AES Helpline to support the decision making of the leaders involved with the issues. It also promotes the exchange of information between different areas, in order to adjust and adopt procedures to prevent the recurrence of cases that are inconsistent with the values of AES Brasil.

In 2014, 414 complaints were made via AES Helpline, 23.5% more than in 2013, due to the increase in the number of inquiries sent in the year (183%), of which a significant portion was related to invitations and tickets for the matches of the World Cup in Brazil.

AES Corp., in turn, manages the outcome of these investigations, being the last instance of the process before each case is closed permanently.

Telephone: 0800 891 4167

Website: www.aeshelpline.com

CONTRACTUAL COMPLIANCE (DUE DILIGENCE FOR THIRD PARTIES)

GRI-G4 SO3

AES Brasil is committed to conducting ethical business with its trading partners. As part of the Compliance and Ethics Program, before the company engages in any business transaction, a due diligence process is conducted to assess risks of new business with potential business partners, service providers or suppliers.

When performing due diligence, some tools are used to map reports in the national and/or international media that may involve the potential business partner, service providers or suppliers for possible violations to North American anti-corruption Law - Foreign Corrupt Practices Act (FCPA) the Brazilian Anti-Corruption Law, and other determinations and prohibitions in the Brazilian legislative framework.

In 2014, 2,074 transactions were reviewed by the Contractual Compliance department, with 100% of transactions eligible for compliance analysis submitted to be reviewed through the due diligence process. Significant risks that may be identified during the due diligence process may be related to the existence of alerts involving a potential business partner, service provider or supplier under review, or even be related to the interaction (whether directly or indirectly) that the service provider or supplier might have with government bodies and agents during the contract under review (cases in which scrutiny is differentiated and the approval of the transaction requires the compliance with a series of prerequisites that are also beyond the local analysis, reviewed by the headquarters in Arlington). Other possible significant risks assessed concern the verification of potential beneficiaries under donations or sponsorship contracts, which are also subjected to the due diligence process, in which potential conflict situations are analyzed, as well as the existence of warnings for the beneficiary.

MAIN INITIATIVES IN 2014:

- Update of the Contractual Compliance Review Process by AES Corp., shared with all companies of AES globally;
- Evaluation on site by the global team of ethics and compliance of AES Corp. – including from the CECO (Chief Ethics and Compliance Officer) of AES Corp. to the operations of the AES Brasil Group – to conduct an audit on the development and effectiveness of the Compliance and Ethics Program, as well as to sign possible opportunities for improvement, meeting the national and international legal requirements and keeping the Group ahead of good market practices;
- New Anti-Corruption Law (12,846) – in 2014, presentations were made to the Board and Audit Committee of the AES Brasil Group's companies about the new law and how businesses are ready to meet the contemplated obligations.

The AES Brasil Group does not make donations to campaigns or political parties, as provided by the Tribunal Superior Eleitoral, which prohibits this type of donation by public service concessionaires.

GOVERNANCE STRUCTURE

GRI G4-34

According to AES Eletropaulo's Bylaws, the responsibility for the analysis and the decisions made by the company lies with its corporate bodies. They are:

General Meeting: highest deliberative body, with powers to decide on all businesses related to the company's subject matter and make the decisions it deems appropriate for its defense and its development.

Fiscal Council: supervises the actions of the administrators and verifies compliance with their legal and statutory duties.

Board of Directors: guides the businesses and acts on relevant matters and its exclusive authority.

Board of Executive Officers: responsible for the administration and management of the company, as well as implementing the decisions of the General Meeting and the Board of Directors.

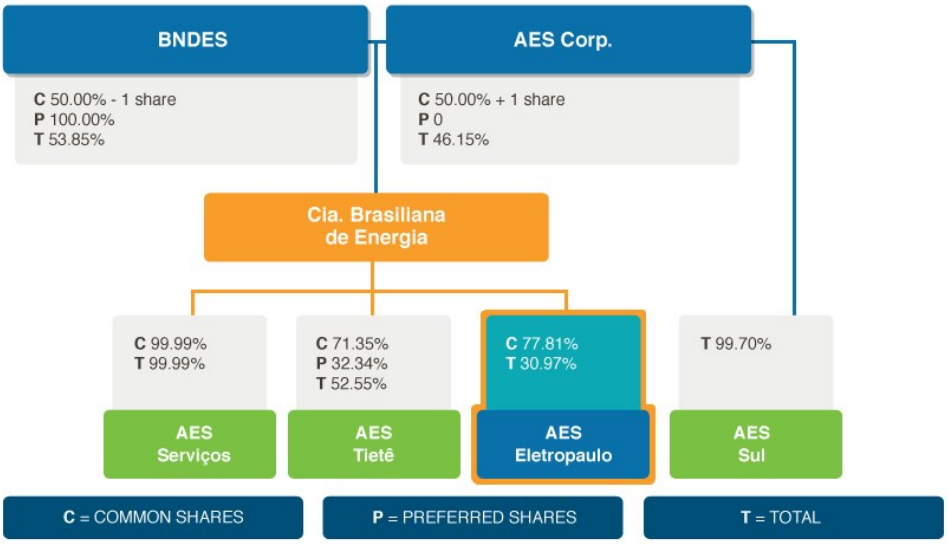
Sustainability Committee: non-statutory body responsible for the management and accountability related to sustainability. Committee members are the AES Brasil Group's CEO and Vice-Presidents.

Operational and Investments Policy Management Committee: operates with the Board of Directors and the Board of Executive Officers, and functions as an advisory service in the analysis of proposed business plans, investment plans and the development of performance indicators, among others.

To see the composition of the corporate governance bodies,
access http://ri.aeseletropaulo.com.br – Corporate Information – Management and Boards.

Click here to access the Corporate Governance Manual on the Investor Relations website.

CORPORATE STRUCTURE



RISK MANAGEMENT

GRI G4-14

The current risk mapping, which may be amended according to new Sustainable Strategic Planning, considers the external and internal contexts in which the Group is inserted and provides input for leadership decision-making in order to protect and create value for the companies and its stakeholders.

The Integrated Risk Management Policy defines the governance of the subject and the direction of the actions. According to the COSO ERM methodologies and the Guideline for Corporate Risk Management of the Brazilian Institute of Corporate Governance, the probability of the risk and its impact on the Group's EBITDA are defined.

RISK CATEGORIES ANALYZED:

- Legal;
- Sectoral regulations;
- Information technology;
- Market.

PERIODIC REPORTING:

MONTHLY:
CEO and VPs and leadership of AES Corp.

QUARTERLY:
Fiscal Council and Board of Directors, and the Risk Oversight Committee of AES Corp.

Social, environmental and governance risks are included within the four categories, based on their business impact. A manager is assigned for each risk, being responsible for periodically update the information, as well as action plans and results achieved.

In 2014, AES Brasil incorporated a new tool into its strategy management. The 'Watch Tower' (the name refers to an observation tower) gathers external environment monitoring indicators, which are updated and submitted regularly to the Group's leadership, in order to anticipate events and take decision ahead the different scenarios that may arise.

CAPITAL MARKETS

Listed on the BM&FBovespa since 2004, AES Eletropaulo integrates Level 2 of Corporate Governance under the ELPL3 (common shares) and ELPL4 (preferred shares) codes. Following or exceeding this level of governance, the company:

- Releases its financial statements in Portuguese and English;
- Grants tag along of 100% to shareholders of common shares (ON) and preferred shares (PN);
- Shareholders of preferred shares (PN) are entitle to vote in some subject matters;

- Provide membership to the Market Arbitration Chamber for resolution of corporate disputes;
- Has at least 20% of independent members on its Board of Directors.

AES Eletropaulo also integrates, for the tenth consecutive time, the Corporate Sustainability Index (ISE) of BM&FBovespa, a portfolio reviewed annually that gathers companies with the best performance in corporate sustainability. In addition, the company's shares are part of the Electric Power Index (IEE), that aims to target and measure the performance of the electric sector companies, and the Special Tag Along Stock Index (ITAG), which measures the performance of a theoretical portfolio composed of the companies' shares that offers better terms to minority shareholders in the event of control sale.

AES Corporation is a publicly-held company with shares in the New York Stock Exchange and, as its subsidiary, AES Eletropaulo adjusted its controls to the Sarbanes-Oxley Act (SOX), which aims to reduce the risk of financial fraud and ensure reliability of the financial statements of the companies that trade shares in the North American market. The company also has American Depositary Receipts (ADRs) traded on the North American Over The Counter market (OTC) under the EPUMY code.

Further information is available at http://ri.aeseletropaulo.com.br.

SUSTAINABILITY STRATEGIC THEMES

SAFETY

Reducing the occurrence of accidents involving employees, service providers and more than 20 million residents in AES Eletropaulo's concession area is the company's commitment. For this, the company opted for a strategy to anticipate the risks and seek preventive actions that provide the best safety conditions for all.

SAFETY IS AES BRASIL GROUP'S NUMBER ONE VALUE.

The company's safety programs are based on the global guidelines of AES Corp. and Occupational Health and Safety Management System (OHSMS), the requirements of which are in accordance with the specifications of OHSAS 18001:2007 (Occupational Health and Safety Assessment Series), an international standard focused on health and safety at work, aimed at the preservation of physical integrity and health of employees and service providers, through mitigation practices or elimination of risks in activities and facilities.

In 2012, the company received OHSAS 18001 certification, and in 2014, a maintenance audit was held by the certification ABS Quality Evaluations.

SUSTAINABILITY PLATFORM *

COMMITMENTS		PROGRESSO
No fatal accidents (employees and contractors) per year		No fatal accidents were recorded with employees and contractors at AES Eletropaulo in 2014..
Reduce by 50% the frequency and severity rates with employees and contractors by 2016*		In 2014, the number of accidents with employees increased by 9%, and there was a reduction of 44% of accidents with contractors compared to 2013. Compared to 2011, the rates did not reach 50%. The reduction in severity rate with contractors exceeded 40%.
Reduce by 20% the number of accidents involving the population by 2016*		In 2014, the number of accidents involving the population was reduced by 34%, the best result in recent years. The reduction compared to 2011 exceeded 20%.

** Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

WORKFORCE SAFETY

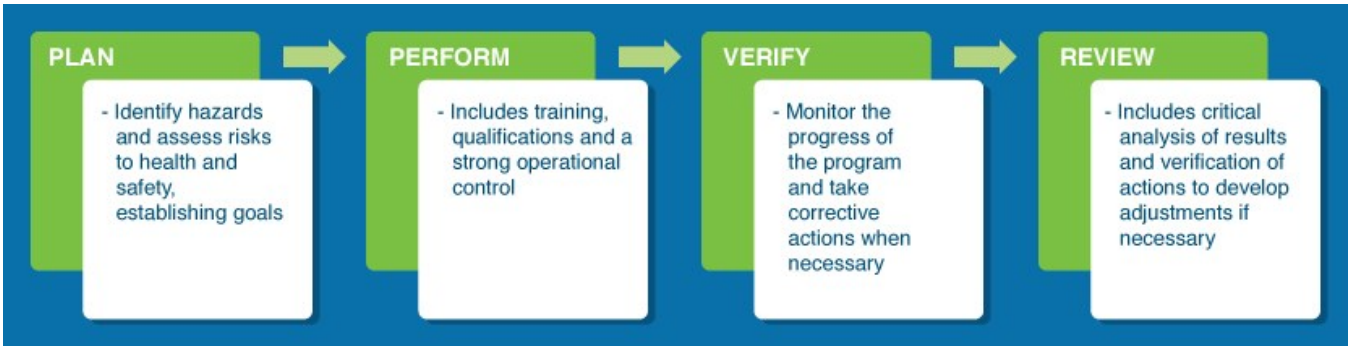
GRI: EU16

In order to supply electricity in a safe, sustainable and reliable way, it is essential that AES Eletropaulo's workforce acts in accordance with Health and Safety regulations in the main business activities.

The main risk situation to the company's workforce is contact with the power grid. To protect employees and contractors, the company has a safety program that gathers all proactive practices to identify unsafe conditions, behavior, capacity, awareness and monitoring of the teams. The program is designed to contribute to the consolidation of a safe environment and aims to overcome challenges such as lack of professional qualifications and little experience in real situations.

In 2014, R$14.8 million was invested in AES Eletropaulo's Safety Program.

To ensure efficiency, the security actions taken are monitored through AES Corp's. safety management system methodology, the process of which is based on a continuous cycle of four steps:



This program is based on the standards of the AES Corp. and includes 25 security protocols focused on improving procedures and practices, also based on meeting the requirements of OHSAS 18001.

AWARDS

In 2014, AES Eletropaulo won 3rd place in the Eloy Chaves Medal, a Latin American award that recognizes excellence in safety management programs.
AES Eletropaulo also won two gold medals in the Rodeio Nacional de Eletricistas de Distribuição (National Rodeo for Distribution Electricians), in the categories "substituição de isoladores" and "destreza com bastão".

GRI LA5

AES Eletropaulo has the following Safety Committees:

- Comissão Interna de Prevenção de Acidentes (CIPA – Internal Commission for Accident Prevention) – from base employees (electricians, meter readers) to directors (nominated and elected). 100% of employees are represented by CIPA, considering that some members are defined by election;
- Directors Committee of AES Eletropaulo – coordinators, managers and nominated directors;
- Comitê Integrado da Alta Administração do Sistema de Gestão Integrada (Senior Management Integrated Committee) – managers, directors and nominated Vice-Presidents;
- Comitê de Segurança do Trabalho AES Brasil (Safety at Work Committee AES Brasil) – managers, directors and nominated Vice-Presidents;
- Comitê de Sustentabilidade AES Brasil (Sustainability Committee AES Brasil) – Vice-Presidents and Chief Executive Officer.

GRI EU17, EU18

The highest risk activities for AES Eletropaulo employees are categorized as services in the electric power system – construction, maintenance and/or operation, totaling 6,123,878 hours worked in 2014. All employees hired in this category receive periodic training on health and safety.

SAFETY INDICATORS

GRI LA6

HEALTH AND SAFETY AT WORK	2012	2013	2014
FR (frequency rate)[1] – employees	3.29	4.36	4.68
FR (frequency rate)[1] – contractors	4.27	3.89	2.45
SR (severity rate)[2] – employees	33.00	37.64	71
SR (severity rate)[2] – contractors	500	14.48	31
Fatal accidents – employees	0	0	0
Fatal accidents – contractors	1	0	0
Work accidents with or without days lost – employees	36	52	57
Work accidents with or without days lost – contractors	71	50	28
Days lost/debited – employees	366	449	866
Days lost/debited – contractors	2,432	186	351

[1]Frequency rate (FR): number of projected accidents, designed for risk exposure of one million man-hours.
[2]Severity rate (SR): the loss of time (in number of days) resulting from accidents occurred in one million man-hours of risk exposure, reported in accordance with NBR14,280.

The severity rate (SR) of accidents with employees in 2014 was 71, compared to 37.64 in 2013. This result reflects an accident earlier this year, where three employees ignored risk during the maintenance of ground level cables and approached a heat source near a gas pipe, causing the outbreak of fire.

During the verification of goals and revision of actions, even the small possibility of an accident is treated just as seriously as an occurrence. In 2014, some highlights of the Safety Program which contributed to strengthen the culture of safety and reduce the risk of accidents were:

BEHAVIOR BASED SAFETY

The concept of Behavior Based Safety (BBS) was implemented in 2007 – and revitalized in late 2013 – in AES Brasil's companies. Through this program, a colleague observes the other while performing their activities. If a procedure is performed in an unsafe manner, the employee is instructed to correct their action. The objective is to contribute to the increased perception of risk and the proactive behavior by employees working in the operating segments.

SAFETY VISITS

The safety visit program consists of "safety walks" with managers and "safety inspections" with the operational supervision. During these visits, a feedback is given to the employees about positive behaviors and points to be improved. Besides having goals, the program is regularly monitored by safety committees, and is also discussed in management meetings at all levels of the organization.

In 2014, 58,755 safety visits were made against 53,734 in 2013. All employees, including operating segments and their respective working shifts were evaluated in safety visits throughout the concession area.

SAFETY CHAMPIONS

The search for an increasingly safe environment is one of the roles of Safety Champions, aimed at sharing knowledge and experiences on the best practices adopted at AES Brasil Group, so that everyone is able to exercise their duties safely and efficiently. Safety Champion is chosen yearly among the company's leaders.

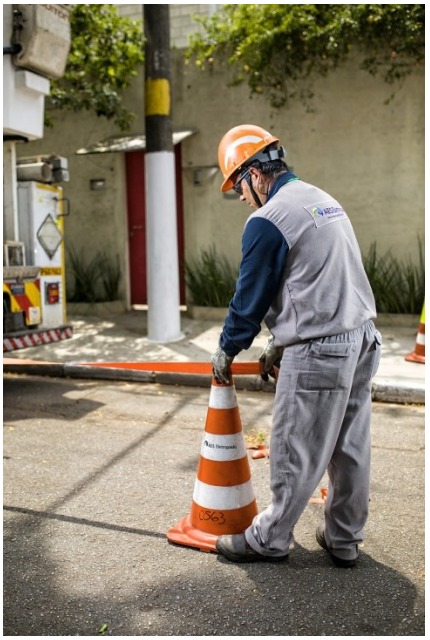
To be a Safety Champion an employee must have the desire to achieve excellence in health and safety management system, be a leader recognized for their actions and take responsibility for operational safety.

In 2014, six Safety Champions worked for the safety of all at AES Eletropaulo.

NEW UNIFORM FOR ELECTRICIANS

In 2014, AES Eletropaulo began to change its electricians' uniforms. Designed to offer greater comfort to these professionals, the new uniform is made of a lighter fabric, providing less sweat retention and extra durability while maintaining flame retardant characteristic.

Putting the distributor's logo on the shirt's front pocket, on the back and on the pants, the uniform also facilitates the identification of AES Eletropaulo electricians.



SPEAKING SAFELY

Launched in 2014 by AES Corp., the new program offers a communication channel through which all employees are free to ask questions and report situations regarding safety, such as unsafe conditions and behaviors, and environmental problems. All employees can report anonymously any matter that requires some action towards the prevention of safety, health and environment incidents in the company's operations. Employees are often encouraged to talk to their managers, the safety department or file reports through a website or a dedicated phone number.

AES Corp.'s team of environmental, health and safety is responsible for moderating the channel and the occurrences are shared with the safety department of each country. All cases are investigated, treated and the monitoring is reported to AES Corp. According to the report, working groups are formed to investigate each case.

PSYCHOLOGICAL ASSESSMENT OF THE OPERATIONAL LEADERSHIP

In 2014, the occupational health department implemented the psychological assessment program for operational leaders, which includes skills related to Safety, Emotional Balance, Perception Capacity, Operational Discipline, Interpersonal Relationship and Leadership.

SAFETY ON TWO WHEELS

The 56 electricians who travel on motorcycles while working for AES Eletropaulo have received special guidance to move safely within São Paulo's traffic. Among the items of the safety program dedicated to these employees are technical riding classes, defensive driving, training course by the Traffic Engineering Company (CET) and use of personal protective equipment (PPE).

The motorcycles used have a speed limiter that won't exceed 70 km/h. In addition, drivers are constantly assessed for accidents, recurrence, among other items, and are given constant feedback aimed at conduct even safer conduct. Read more about it here.

POPULATION SAFETY - MOVIMENTO VIVA SEM ACIDENTES (LIVE WITHOUT ACCIDENTS MOVEMENT)

To prevent injury to the population, AES Eletropaulo promotes several campaigns and awareness programs as part of the Viva Sem Acidentes Movement. In 2014, safety talks in communities and companies, 'Safety Blitz' with the population and training courses focused on construction workers were carried.

One of the main initiatives was the 'Safety Blitz'. Teams visit construction sites in the company's concession area and present the workers with a documentary about electric power grid risks and appropriate behavior for the work to be done safely.

The project also broadcast awareness campaigns on open TV and radio stations to inform about the risks and advise on which is the safest behavior when executing activities close to the electric power grid, as well as the special care with kites and construction activities. In 2014, the program gained strength by integrating actions between the safety, communication and energy efficiency areas, enabling increased presence in the media.

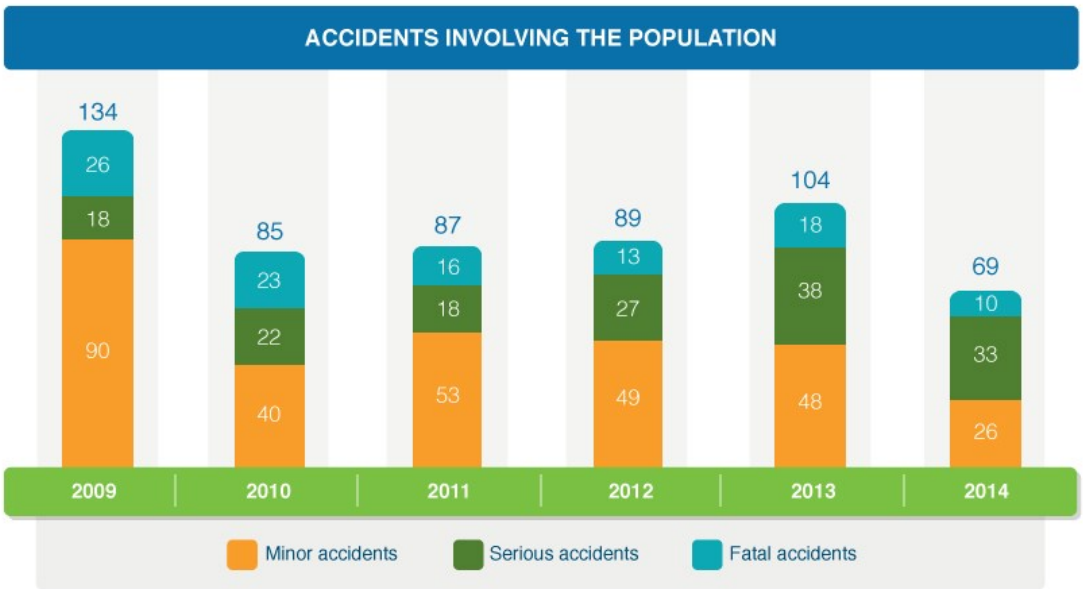
The company invested R$4.2 million in 2014 to bring information to the low-income population, the public group with the highest number of accidents. 4,677 safety talks were conducted throughout the concession area, 7,673 presentations held on interactive trucks, 128 training in the civil construction area, and the 'Safety Blitz[1]' events, which reached around 827 thousand people.

https://youtu.be/CJgsGrNI-XE

[1] *The Safety Blitz takes place in works done at the Company's concession area to disseminate information on safe procedures and attitudes appropriate to work in the electrical network.*

PROACTIVE SAFETY ACTIONS WITH THE POPULATION	2012	2013	2014
Safety talks	3,777	5,219	4,677
Number of people at the safety talks	124,668	98,051	113,359
Presentations held on trucks	6,199	8,091	7,673
Number of people at the presentations held on trucks	99,020	201,600	192,114
Training for civil construction workers	372	477	128
Number of civil construction workers trained	32,378	25,752	14,278
Distributed leaflets	911,343	835,721	368,787
Distributed displays	2,355	3,776	2,050
Distributed gifts	47,982	92,659	128,450
Number of people approached by 'Safety Blitz' events	9,547	6,568	7,923
People reached	1,227,293	1,264,126	826,961

GRI EU25



In 2014 the total number of accidents involving the population decreased by 34% over the previous year. It represents the best results in recent years, reflecting the company's awareness measures regarding the risks of the power grid.

In the case of accidents with the population, AES Eletropaulo offers social worker support for victims and their families. Compensation is given under specific circumstances, after consideration of a multidisciplinary committee.

HIGH VOLTAGE WIRES AND UNDERGROUND NETWORK

Disruption of high voltage power lines is an unusual occurrence in AES Eletropaulo's electric power grid and, for such cases, the network is prepared to automatically shut off the electric current and avoid accidents from the contact of the population with the wires. In 2014, accidents led to the death of two people and seriously wounded two others. AES Eletropaulo provided support to victims and families, through the psychological support of social workers and reimbursement of expenses. To reduce the risk to a minimum, the company constantly invests in regular and preventive maintenance. Each accident is analyzed separately to reach an accurate diagnosis of the causes and define improvement actions.

AES Eletropaulo has about three thousand kilometers of underground circuit in its concession area, and 41,000 km of aerial cabling. The concessionaire rents the poles to about 20 telecommunications companies, following an obligation imposed by law. The distributor follows strict rules of ABNT (Associação Brasileira de Normas Técnicas – Brazilian Association of Technical Standards), which determine that the electrical wiring, the configuration of a standard pole, to be located twenty feet from the ground.

Although it is not the company's obligation under regulations governing the Brazilian electricity sector, AES Eletropaulo is in favor of undergrounding the aerial network and supports the financial equalization of this change, as well as the determination of those responsible for this cost to minimize the impact on electricity tariffs. In 2011, the company held a research and development project to determine the viability of the aerial electric power network undergrounding. The study included the participation of McKinsey, Fundação Getúlio Vargas, Escola Politécnica of USP and had a survey conducted by Data Folha, including examples worldwide and models for a possible undergrounding in São Paulo, with technical options, forms of funding and financing, priority areas and time taken to perform the change.

The company actively participates in discussions with government and sector entities and other companies to find solutions to this issue. Among the challenges identified are the high impact road works required for the undergrounding of the wires and the complexity in mapping the underground networks of water and gas, among others, in the concession area. In São Paulo, AES Eletropaulo suggests a model to be applied primarily in the expanded center. As for costs, most would be paid through tax exemption, improvement contribution by the landlords who own properties in the areas served by the underground network and direct funding from the municipality for civil infrastructure works; the rest would be passed on to electricity tariffs. It is estimated that the underground network will cost ten to twenty times the amount of an aerial installation, with approximately 70% of the cost attributed to construction works.

ELECTRIC AND MAGNETIC FIELDS

G4-14

AES Eletropaulo adopts a cautious position towards electric and magnetic fields, which are always present where there is transmission of electric power. Preventive measures regarding the population's exposure are taken during the conception of the projects, following the recommendations of the World Health Organization (WHO). The company also seeks to define the most adequate architecture for the electrical system and the development of terminals of remote sensor of magnetic fields (meters) in the selected places.

In compliance with current legislation (Federal Law n.º 11,934, of May 5, 2009, regulated by Aneel Resolution n.º 616, July 1, 2014, amending Resolution n.º 398 of March 23, 2010), the company undertook studies of measurement and simulation of magnetic fields and periodically monitors the analysis of the institutes about the subject.

In this sense, it is highlighted that since 2011, AES Eletropaulo monitors magnetic fields of 60 Hz, called ELF fields ("Extreme Low Frequency"), existing in substations and subtransmission lines of the company, through a system developed within a project of Research and Development. The project was conducted under the supervision of AES Eletropaulo and coordination of the Associação Brasileira de Compatibilidade Eletromagnética (Abricem – Brazilian Association of Electromagnetic Compatibility).

However, AES Eletropaulo has been sued in court regarding the transmission line LTA Pirituba-Bandeirante 3-4, on the grounds that the radiation coming from the electromagnetic fields generated by that line has adverse effects on people living in the area. The case was considered "General Effect" by the Supreme Court (STF), and a public hearing was held in March 2013, with over 21 participants. At the hearing, the Supreme Court was provided with clarifications on various issues related to the case.

On July 29, 2014, the Federal Public Prosecutor's Office presented before the STF its legal opinion stating that AES Eletropaulo's appeal should be granted, as the electromagnetic fields generated by the transmission lines are in compliance with the Brazilian legislation and with the international limits recommended by the World Health Organization (which adopts ICNIRP guidelines). The judgment of the appeal is yet to be scheduled by the STF.

INNOVATION AND EXCELLENCE FOR THE CLIENT'S SATISFACTION

Innovation is an increasingly essential condition for the competitiveness of businesses. In the electric power sector, which is highly regulated, AES Eletropaulo has been evolving in order to meet customers' needs in an increasingly demanding environment.
In addition, the new electronic media and recent technologies have created a new working environment, in which the change cycle has become shorter and faster, requiring greater business efficiency.

In this challenging context, AES Eletropaulo maintained its investments and believes it necessary to innovate, creating new processes, products and services or improving existing ones so that they enable the generation of new sources of revenue and seek efficient ways to operate and improve the quality of services provided in a regulated environment. Therefore, AES Eletropaulo creates value for its stakeholders, offering reliability and efficiency in energy supply and customer service.

Since 2006, the innovation theme has evolved at AES Eletropaulo:

- **2006-2008:** cost reduction and continuous improvement;
- **2009-2014:** productivity and performance efficiency to create value;
- **2015-2019:** generation of adjacent revenues, new technologies and customer satisfaction.

SUSTAINABILITY PLATFORM *

COMMITMENTS		RESULTS
Achieve a satisfaction level of more than 85% among AES Eletropaulo customers in the survey conducted by Abradee, by 2015.		AES Eletropaulo reached 78.6% at the Quality Satisfaction Index (ISQP) in 2014. The intermediate ISQP, released in October, reached 80.6%, the highest level since March 2012.
Implement five innovative solutions and clean technologies in AES Brasil, which will generate value for our stakeholders, increasing quality and reducing costs and environmental and social impacts of our operations by 2016.		The five projects have already been implemented or are under implementation: • Biomass Projects; • Pyrolyzer; • Electrolysis Fuel Cell; • Geothermal Energy; • Ethanol Fuel Cell.
Spread the innovation concept and strategy in the value chain and establish partnerships that will expand the results by 2016.		The new Portal do Fornecedor (Supplier Portal), to be launched in 2015, will provide content regarding innovation.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

RECOGNIZED INNOVATION

*AES Brasil was in **17th place among the most innovative companies in Brazil** according to a survey conducted by Info Exame magazine, in conjunction with the Escola Superior de Propaganda e Marketing (ESPM). In all, 91 companies were analyzed, including companies recognized for the innovative culture of their organizations. The research considered six topics and AES Brasil was second in the **Business Strategy and Innovation** category.*

In 2014, the innovation area has been restructured to suit the new guidelines adopted. The targets will be reviewed in 2015.

SEMINÁRIO NACIONAL DE DISTRIBUIÇÃO DE ENERGIA ELÉTRICA (SENDI – NATIONAL SEMINAR ON ELECTRIC POWER DISTRIBUTION)

AES Eletropaulo presented 22 studies at the National Seminar on Electric Power Distribution (SENDI) in 2014, considered the most important event of the electric power sector in Brazil. One of the highlights presented by the company is the Inspeção Termográfica Embarcada em Veículo (Thermographic Inspection Embedded in Vehicle), a technology that helps with preventive maintenance of the electric power grid, ensuring more security to customers and to the distribution network operators. (Read more here: Operational Excellence Chapter)

In line with AES Brasil Group's innovation strategy, AES Eletropaulo is constantly investing in Research and Development (R&D). In 2014, R$23.3 million was allocated to the following segments:

GRI EU8

FUNDS FOR TECHNOLOGICAL AND SCIENTIFIC RESEARCH AND DEVELOPMENT (R$)	2014
Alternative electric power generation sources	943,955
Electric Power System Planning	320,188
Electric Power System Operation	830,761
Supervision, Control and Protection of Electric Power Systems	12,686,440
Quality and Reliability of Electric Energy Services	2,497,580
Metering, billing and control of commercial losses	3,463,722
R&D Management	2,537,119
Total investment in R&D	23,279,764

RESEARCH & DEVELOPMENT

PORTABLE VOLTAGE REGULATOR FOR LOW VOLTAGE DISTRIBUTION NETWORKS

In 2014, AES Eletropaulo ended the development of the Portable Voltage Regulator for Low Voltage Distribution Networks. When the network that serves the customers directly shows some kind of problem, this new technology will allow the company to maintain – temporarily – a steady level of voltage until there is a solution to the variation.

An important feature of the equipment is its portability, since it can be installed on a post close to the customers who are having problems with the voltage level.

In addition to bringing direct benefits to customers, the Portable Regulator contributes to AES Eletropaulo's compliance with regulations established by Aneel, as any changes in voltage can cause harm to consumers. In addition, through the prototype, the company registered another patent, which means it can market the solution to other distributors and other companies in the sector.

The project, in partnership with AES Sul, will be completed in 2015. From 2009 to 2014, AES Eletropaulo invested the amount of R$3.1 million.

APEX PROJECTS

AES Brasil has development initiatives that, together with the Research and Development and Innovation initiatives, support the achievement of the strategic objectives of the organization. The main one is the Apex (AES Performance Excellence), a global program consisting of management methods and quality tools that enable the continuous improvement of processes impacting operating and financial results. In 2014, 2,559 people were trained in their different areas, which made possible an impact of R$413.2 million in the EBITDA, from 173 projects.

SMART GRID PROJECT

G4-EC2; EU6; EU8

Launched in 2013, the Smart Grid project aims to bring more quality to the energy supply and customer satisfaction.

In addition to automatic detection of all system interruptions, in case of failure, the system will inform when the energy will return. The customer can have access to various information about their consumption in real time, use distributed generation technology for personal consumption (such as photovoltaic panels) and deliver the excess back to the power grid.

For AES Eletropaulo, the project will bring gains regarding the efficient use of resources, as it will help to reduce commercial losses, reducing the possibility of illegal connections, and increase operational efficiency.

Smart meters will be integrated to the communication solution and will transmit the information available to AES Eletropaulo, together with the advanced network automation solutions that are also being implemented, and will be able to identify possible incidents in the energy supply, isolate the problem and, depending on the reason of the failure, restore the system remotely. This way, unnecessary displacements and greenhouse gases emissions can be avoided.

In 2014, the Smart Grid project invested approximately R$3.3 million in the implementation of a measurement system for two thousand families located in Barueri. These customers can now better manage their own energy supply, visualizing the volume of daily consumption through a display installed in each residence. This system also allows AES Eletropaulo to perform remote controls, such as reading of power consumption direct from the central distributor of measurement.

It is expected that by 2017, the project will be available to more than 62,000 customers in the city of Barueri. The total investment will be R$75 million.

Also, during the year, partnerships with technology companies for the manufacture of smart meters and network communication solutions were celebrated. Both will be installed in 2015, totaling about R$40 million in contracts.

Learn more about the project on this link:

https://youtu.be/ycbrDCNKosI

SMART HOME

In 2015, AES Eletropaulo will present a smart home, where it is possible to see the new energy distribution model in practice and interact with cutting-edge technologies, in addition to new features such as air conditioning, lighting and automation equipment.

The smart home will also have energy microgeneration. The installation of solar panels, for example, allows the house to capture energy from the sun and "return" the excess to the energy grid. The system will also be prepared for recharging electric cars.

ETHICS AND RESPECT FOR THE CLIENT

The customer has always been at the center of AES Eletropaulo's decisions. With the new Sustainable Strategic Planning 2015-2019, the company has further enhanced this importance when made the commitment to ensure its service excellence with ethics and respect for the client.

*AES Eletropaulo interacts with its customers around **180 million times** per year.*

JEITO AES DE ATENDER

The Jeito AES de Atender Program (JAAT) was launched in May 2013 and aims to engage employees who have direct contact with customers, ensuring a standard in the relationships in every point of interaction. The program has three main pillars:

- Serve the customer in the first contact;
- Address dissatisfaction effectively and in a timely manner; and
- Quality of all customer service aspects.

In 2013, employee awareness, guidelines and targets of the program were improved by implementing the use of control tools such as the Regras de Ouro (Golden Rules) and the Caminhada do Cliente (Client Walk). More than ten thousand employees and contractors were trained on the behavioral manual, a customer service and dress code guide.

In 2014, the program focused on consolidating the Jeito AES de Atender with the "Service Culture". At this stage, more than eight thousand employees were trained on the importance of areas

integration in the customer service process, not only for those directly serving but also for those who are "behind the scenes", handling the demands received by the customer service department.

More than R$300,000 was invested in the program in 2014, and the main initiatives were:

CAMINHADA DO CLIENTE

The company's executives choose – randomly – a customer call to follow and then evaluate the relationship between the employees and the customer under different aspects, such as communication, employment ethics and efficiency.

This initiative had high participation of the company's leaders and the number of guided visits increased by 269%, from 2,174 in 2013 to 5,858 in 2014.

CLIENTE É COMIGO

Focused on listening to the customer's needs, the program aims to strengthen the relationship between the customer and meter readers. If the customer has a request, they can inform the meter reader, who will register data into the system. The customer service team has three working days to contact the customer and handle the issue.

Currently, the program works as a pilot in five meter reading and delivery management bases.

DIA DO CLIENTE

On September 15, 2014 an event was held to celebrate the "Customer Day", where employees who work fin customer satisfaction functions and had examples of improved quality of services were rewarded.

The event was attended by over 300 participants, including electricians, meter readers, administrative staff and company's leaders, as well as members of Aneel (National Electric Power Agency), the Arsesp (Regulatory Agency for Sanitation and Energy of the State of São Paulo) and Conselpa (AES Eletropaulo Customer Council).

POSITIVE RESULTS WITH CUSTOMER RELATIONSHIPS

AES Eletropaulo has achieved significant results through initiatives such as the implementation of new technologies related to customer service, revision of processes, culture change and engagement within the organization and the management of the complaints received by PROCON (Customer Protection Agency).

In the last State Ranking of Substantiated Complaints, published in March 2014, AES Eletropaulo registered an improvement of ten positions, moving from 11th place in 2012 to 21th place in 2013.

In addition, the company reduced by 42% the number of commercial claims over three years in comparison to 2011.[1]

[1]*Does not include emergency complaints and complaints registered at the ombudsman.*

In 2015, the Jeito AES de Atender Program will look at customer experience. The building of a good customer service culture is continuous and has a development plan, which passed first through the standardization of services, then the engagement of the organization and improving processes and now, in 2015, it will focus on building relationships through the customer's journey with the company.

CUSTOMER SERVICE CHANNELS

SERVICE TO CORPORATE CLIENTS AND THE PUBLIC AUTHORITIES

In 2014 AES Eletropaulo redefined its customer base, creating a new segmentation and grouping corporate clients. The new segmentation enabled the company to direct the actions according to the expectations mapped in a customer survey conducted in 2013, which raised the demand for a more targeted service for each audience.

This exclusive customer service channel for the new segment also had to be restructured. The name of the service channel (which was called "Contact Center") was changed to Central de Relacionamento Corporativo e Poder Público (Relationship Center for Corporate Clients and Public Authorities) in the beginning of 2014. In addition to that, the professionals have undergone several technical and behavioral training programs, focusing on personalized commercial service, which has already reflected in customer satisfaction improvement.

The emergency service also had changed because of the new segmentation. In 2014 we completed the implementation of the IVR (Interactive Voice Response Unit – an automatic call answering system) dedicated exclusively to corporate clients, enabling greater convenience and flexibility and significantly improving the service for this audience.

The relationship and customer service actions carried out for large corporate clients resulted in an increase in satisfaction in this segment from 75.7% in 2013 to 80.5% in 2014 (*).

(*) Research conducted on behalf of ABRADEE by the INNOVARE institute.

SERVICE TO COMMERCIAL AND RESIDENTIAL CUSTOMERS

RTI (REAL TIME IMPACT) – SMART SCREEN

To increase efficiency and reduce the time of service – both in the central office and in the company's stores – AES Eletropaulo started to use custom software in 2014, created to assist the attendants to solve specific issues: the electricity bill.

HOW DOES IT WORK?

The electricity bill is the subject with the highest number of complaints related to AES Eletropaulo at PROCON. Because it is a relatively complex matter – as the reason for the increase of a user's electricity bill can be linked to several things – when a customer contacted the center to talk about their bill, the attendant had to analyze all variables to offer a precise answer or identify a possible billing error.

The new tool offers a smart screen that – by simply entering the customer's data – does all the analysis work in seconds and returns to the attendant a precise answer. In about nine months, this tool has generated impressive results:

- Decreased the overall average service time by 30 seconds per call (20% reduction);
- Increase of 10% in solving the problem on the first call;
- Reduced training time required for new attendants.

The return on investment is projected to be R$2.7 million in 10 months. This project won the 1st place in the Apex Recognition Event (AES Performance Excellence), sponsored by AES Brasil in the category "Best Apex Project 2014".

CUSTOMER SERVICE STORES

In 2014 AES Eletropaulo invested in standardization, expansion and integration of 32 outsourced face-to-face customer service stores. Throughout the year, these units were taken over by AES Serviços, an AES Brasil Group company. Additionally, AES Eletropaulo has five of its own stores.

AES ELETROPAULO IN THE PALM OF YOUR HAND

In 2015, AES Eletropaulo will launch an application for smartphones through which the user can find the store nearest their home, make calls about a power outage, ask for power reconnection, receive notices of scheduled disconnections, maturity and cuts. The investment in this new tool was R$215,000, which will be offset in about three months – providing a new customer migration rate of 5% per month with efficiency gains in the company's service channels.

One of the main benefits of this new tool is its proactive characteristic, since the company will be able to communicate with the customer through the application wherever they are – unlike the website, for example, where the interaction with the user is only possible when they access it.

CUSTOMER REFUNDS

G4-PR9

In 2014, AES Eletropaulo spent R$968,000 with customer refunds for non-compliance of regulated service periods, especially in new connections activities (Group B) and normal reconnections. The value is 30% higher than 2013 due to changes in legislation that resulted in penalties, calculations and the inclusion of new complaints subject to penalty for breach of the deadline.

OMBUDSMAN

AES Eletropaulo keeps its Ombudsman service available - an open customer service channel to all its stakeholders – through which the main tasks are to receive, investigate and respond to events regarding the provision of services, as well to propose improvements in internal processes.

To receive and treat complaints with more uniformity, AES Eletropaulo's Ombudsman has an exclusive telemarketing structure that has specific supervision and processes coordination responsible for dealing with records generated directly by the company's 0800 numbers, the complaints open by Aneel/ARSESP, and the analysis and conduct of the proceedings received by PROCON.

All events are monitored daily by type of subject and area, as well as the measures taken on the requests. The consolidation and analysis of these records are used as input to the adoption of corrective and preventive actions, aimed at improving the customer service quality.

SOLVED COMPLAINTS	2012	2013	2014
During the service*	64%	55%	60%
After the service**	36%	45%	40%
Up to 30 days	91%	92%	99%
Between 30 to 60 days	8%	7%	1%
More than 60 days	1%	1%	0%
Complaints considered legitimate regarding the total number of complaints solved	52%	53%	48%
Solved complaints regarding the total number of complaints considered legitimate	100%	100%	100%

** Complaints solved during the service include those in which there was explanation and not demanded the opening of record.*

*** The solution deadline may refer to the communication of actions taken to resolve the complaint or request.*

CUSTOMER SATISFACTION SURVEYS

G4-PR5

In 2014, an improvement in the Index of Satisfaction with Perceived Quality by residential customers (ISQP) – a survey by Abradee – was observed, as well in the Aneel Customer Satisfaction Index (IASC).

AES Eletropaulo's intermediate ISQP, released in October 2014, reached 80.6% – the highest level since the survey released in March 2012.

The ISQP of 78.6% was the official result considered by the Abradee ranking Award (Brazilian Association of Electric Power Distributors), which annually recognizes the best distributors in Brazil according to ISQP and other criteria.

CUSTOMER SATISFACTION	2012	2013	2014	2014 (INTERMEDIATE)
Index of Satisfaction with Perceived Quality by residential customers (ISQP) – survey by Abradee (%)	80.6	78.3	78.6	80.6
Aneel Customer Satisfaction Index (IASC) – survey by Aneel (%)	58.66	61.75	65.45	N/D

CASES AWARDED WITH AN ABT PRIZE - EXCELLENCE IN CUSTOMER RELATIONSHIPS

U.M.A. MANEIRA MAIS INTELIGENTE DE ATENDER

The Mobile Service Unit (UMA) is a travelling project intended to approach users residing in communities and lead them to new relationship experiences with the company.

In this sense, AES Eletropaulo believes that the physical presence in these locations leads to values of respect and attention. Therefore, the company has a policy to meet, understand and anticipate the needs of customers who live far from the main routes of access to large centers and neighbourhoods, where the face-to-face customer service stores are located.

DECENTRALIZED/REMOTE CALL CENTER

The Decentralized/Remote Call Center project offers attendants the possibility to carry out their work remotely, that is, outside the call center, but using methodology and tools developed for a normal call center.

The remote service offers advantages for the company, such as the economy of infrastructure costs, transportation and any inconvenience related to the attendants' commuting to work. Working remotely brings them an increase in quality of life by reducing (or eliminating) the travel time and the possibility of commuting accidents.
Besides, as the project was developed with disabled people (DP), it is another inclusion option in the job market for people with walking difficulties and also for people living in cities with fewer job opportunities than major centers.

ELECTRICITY TARIFF

REVISION OF TARIFFS AT PEAK TIMES: SHARED GAINS

According to Brazilian law, distributors have the opportunity to review some strategies, including the relationship between the tariffs at on and off peak times. AES Eletropaulo decided to develop a project to reduce the tariff at peak times and make it more competitive, because, due to the difference between tariffs, the customers chose to use other sources of energy during the time in question – mainly diesel generators. After evaluating the potential market and identifying that the target audience were customers served at medium and high voltage classes, marketing strategies and action plans were developed, obtaining the following results in 2014:

- Additional gain of 87 GWh – which represents an increase of R$16.2 million in EBITDA and R$10.2 million in net income;
- Estimated reduction of 52,731 tonnes of CO_2 in 2014.

NEGOTIATION EVENTS

The negotiation events are events where customers can negotiate their outstanding debts with the distributor and get discounts and installment options. This way they can get their accounts "up-to-date" and will be able to obtain credit and search for jobs. Besides being an additional customer service channel during the weekends, the shows also have lectures on efficient and safe energy consumption.

Every event attracts, on average, 150 customers, and the total value traded reaches R$300,000. In 2014, 19 trading shows took place, representing an investment of R$49,200 and additional revenue of R$4.5 million due to the reduction of bad debt.

REMUNERATION BASE AND TARIFF ADJUSTMENT

In 2014, Aneel's board decided that (Aneel Dispatch nº 4,259/2013 and 2,176/2014) AES Eletropaulo should refund its customers the total amount of R$626 million, which would have been wrongly incorporated in the asset base of AES Eletropaulo on the 1st and 2nd cycles of tariff revisions which included possibly non-existent assets (Cable 1272 MCM). The remuneration base is the set of operating assets (poles, cables, transformers, etc.) of the electric energy distributors that is reviewed and approved by Aneel as one of the determinants of the value of the electricity tariff to be charged. In the 2014 tariff adjustment, the regulator decided to refund 50% of the value (R$326 million), which reduced AES Eletropaulo's tariff to 3.30%. This reduction has made the 2014 tariff adjustment reach, on average, 18.66%, not 22.19%, as expected.

AES Eletropaulo is contesting Aneel's decision in the courts arguing that there was no error in determining the remuneration base value, since the legislation of the time of the 1st and 2nd cycles did not require the exact amount of each asset in operation to integrate the remuneration base, but the compatibility of this value with the set of assets for the provision of electric power distribution

service. Additionally, the company claims that the deadline for Aneel to question their own related acts, would have been exceeded in 2014 and that, if taking Aneel's current position, other assets that were not considered or were undersized at the time should have been calculated on the remuneration base.

Based on the above arguments, in December 2014 AES Eletropaulo obtained a judiciary injunction to suspend the decision of Aneel until completion of the analysis and a decision is taken on the on-going lawsuit.

OPERATIONAL EXCELLENCE

AES Eletropaulo's operational service strategy considers the common good of the population served in the concession area, giving priority to events with the highest number of affected customers, aiming at the safety of the electrical system and people. It also considers the targets set for the DEC indicator, which measures the average length (hours) of occurrences.

The company has a Center of System Operations and Distribution (COS/COD) integrated into the call center service system, which allows closer monitoring of the operation and more agile decision making, both in everyday occurrences such as in emergency situations.

Investments in processes and initiatives aim to overcome the challenges presented by adverse weather conditions such as increased lightning strikes and more intense rainfall during the summer.

OPERATIONAL INDICATORS

The DEC of 2014 hit 8.86 and increased by 10.9% compared to 2013, a consequence of the more regular significant weather events, which brought winds of up to 100 km/h during the year. The FEC index decreased by 12.7% compared to the previous year, reflecting the actions implemented with focus on improving the quality of services provided. Comparing the December 2009 figures with December 2014, the reduction of FEC was 38.2% and DEC was 25.3%.

GRI PR9

Violations of DIC, FIC, DMIC and DCRI limits are set by Aneel to the distributor and incur in compensations that are refunded directly to the customer. In 2014, the fines paid by AES Eletropaulo to its customers totaled R$18.3 million, an increase of 2.0% over 2013.

GRI EU28 EU29

OPERATIONAL INDICATORS	2012	2013	2014
General Company DEC – accrued value	8.35	7.99	8.86
General Company DEC – regulatory limit	8.67	8.49	8.29
General Company FEC – accrued value	4.65	4.37	3.81
General company FEC – regulatory limit	6.87	6.64	6.36

DEC – Duration equivalent of interruption per consumer unit

FEC – Equivalent Interruption Frequency per consumer unit

CENTER OF SYSTEM OPERATIONS AND DISTRIBUTION (COS/COD)

GRI EU6

AES Eletropaulo's Center of Operations and Distribution (COD) has more than 140 operators responsible for monitoring 152 substations, 24 hours a day, with 54 transmission lines and 1,746 electric power distribution circuits (power lines that are part of substations and that, through the posts, reach homes, businesses and industries).

In 2014, R$6.8 million was invested in the implementation of integrated systems that optimize the productivity of services and contribute to the quality of customer service. They are:

- **OMS (Outage Management System):** a management system which can predict defects in electrical networks, manage events to correct the flaws and show the electric power grid in a georeferenced manner;
- **MWM (Mobile Workforce Management):** automatically dispatches work orders to employees on mobile devices; the system also defines service routes for the teams, taking into account the employees' skills, traffic conditions and time optimization;

- **DMS (Distribution Management System):** management distribution system that performs network optimization studies, indicating the best configuration if the company faces an emergency situation, and is programmed to ensure improvement in the energy supply to customers.

These tools work in an integrated way and allow remote monitoring of the network, the management of the teams in the field, while also assisting with detailed management of any emergency situation in the electrical system – whether requested by customers or automatically generated by the distributor.

ELECTRICIANS AND ATTENDANTS WHO WORK ON MOTORBIKES

This project started in 2013 and expanded in 2014. The “motoeletricistas” project's main benefit is that it allows us to be more responsive in terms of customer service. On two wheels, electricians are able to get to customers faster – mainly in São Paulo, where traffic can be problematic.

A motoeletricista team consists of two motorcycle riders / electricians moving on two motorcycles. The tools of the team is divided into two motorcycles

Among the motoeletricistas’ services are: operating as a locksmith; small tree pruning; technical and meters checks; and exchange of transportable equipment in a small vehicle.

During the year, 84 motoeletricistas received training on subjects such as safety, aerial distribution, safe riding and first aid.

In addition to the motoeletricistas, since 2014, 132 motoatendentes have worked in attendance to events with accident potential, for example, with broken wires.

The project also contributes to the company’s reduced fuel consumption and greenhouse gas emissions.

KEY FACTS ABOUT THE PROJECT:

- *84 trained "motoeletricistas";*
- *14 pairs working at different timetables;*
- *28 motorcycles in operation;*
- *88% completion of work related to the aerial network;*
- *83% completion of work related to the underground network;*
- *22% reduction in travel time and location of the problem, compared to conventional teams (working in trucks and pickups).*

BRAZIL WORLD CUP 2014

In order to share in the success of the World Cup, AES Eletropaulo strengthened its team by more than two thousand employees and kept teams on 24 hours standby on match days.

To act efficiently, the company mapped the strategic points of its concession area, looking at areas such as hospitals, airports, bus stations and hotels, as well as regions with high concentrations of fans, such as Vale do Anhangabaú and the Arena Corinthians.

During the 31 days of the games, the company's dealership technicians were allocated in the Centro Integrado de Comando e Controle Regional (CICCR). In addition, AES Eletropaulo was part of a committee created to unify the public and infrastructure services involved with the World Cup, such as the Fire Department, City Hall, Civil Defense, CET, among others.

In addition to the investments in engineering – monitoring, network expansion, among others – the World Cup leaves a legacy for AES Eletropaulo with a permanent seat on the CICCR, which will ensure more flexibility in attendance in situations that require more attention, such as the summer period.

PLANO VERÃO

GRI G4-EC2, EU21

Since 1996, AES Eletropaulo has held the Plano Verão (Summer Plan), which is a special operational plan for the period when climatic conditions have greater damage to the aerial distribution network. In addition to severe rains and strong winds in the regions served by AES Eletropaulo in the summer, lightning strikes also increase, which directly affect operational systems which, being mostly aerial, are susceptible to such events.

The summer of 2013/2014 was characterized by a large number of lightning storms, which increased by 117% over the previous summer and 425% above the historical average.

Main initiatives of the summer plan:

- Increase in the amount of hours worked at the Operation Center and reinforcing the number of emergency teams;
- Training at operational bases;
- Preventative maintenance;
- Increase in the number of call center operators;
- Weather monitoring.

AES Eletropaulo's eleven weather stations perform rainfall forecasting (summer rains) and record wind intensity, enabling the mobilization of teams and people to deal with emergency situations and activation of contingency plans.

To mount special operations and meet people's needs, AES Eletropaulo also made partnerships with the Traffic Engineering Company (CET) and the Fire Department.

CLIMATIC EVENTS AT THE END OF THE YEAR

In late 2014, AES Eletropaulo's concession area was hit by a violent storm, with winds of up to 100 km/h which, coupled with rain and more than five thousand lightning strikes, with countless tree branches and other objects hitting the energy grid, causing damage to wiring, posts and other equipment. In just three days more than 400 trees fell in the city of São Paulo.

To restore power in the affected areas a contingent of two thousand electricians worked intensively, prioritizing life threatening cases and areas where hospitals are located and other areas with large number of customers. In addition, the Call Center was reinforced with 1,200 attendants, and the staff allocated to the pruning of trees worked in coordination with the City Hall and the Fire Department.

THERMOGRAPHIC INSPECTION OF THE NETWORK

AES Eletropaulo implemented a new solution for preventive maintenance of the distribution network, offering more security to its customers and employees. It is a vehicle equipped with a thermographic camera to capture the temperatures of connections and network equipment, as well as an operations table installed inside the car, with software and integrated monitors that record the information captured by the camera.

Inside the vehicle, two professionals manage the data of the operating table and use a digital map of the distribution network to contribute to the location of points to be repaired. With this new technology, teams can locate anomalies in the electric power network and make repairs before any occurrence, improving the quality and continuity of energy supply to customers.

The result of an R$320,000 investment, the vehicle contributes to improvements, such as reduced operator and external agent exposure to hazards, and greater clarity and precision in the captured images.

NETWORK EXPANSION

GRI: EC7

In 2014, the system's maximum demand increased by 1.53% compared with 2013, totaling 8,580.54 MW. The installed capacity was increased by 1.73%, reaching 14,242 MVA.

AES Eletropaulo invested about R$128.9 million in projects located in its concession area to enhance the quality of electric power supply during the World Cup and to meet demand, including:

- Complexo Juscelino Kubitscheck;
- Complexo Jandira;
- Complexo Esplanada;
- Substation capacity expansion at Casa Verde, Jordanésia, Limão, Miguel Paulista and Tamboré.

Three projects can be highlighted for their relevance:

COMPLEXO JUSCELINO KUBITSCHECK

The Juscelino Kubitschek Complex received total investment of over R$80 million for the construction of a new underground transmission line, a new substation and new distribution channels. In 2014 alone, R$28.6 million was invested. The Distribution Transformer Station (ETD) at Juscelino Kubitschek has 120 Megawatts of capacity – enough to supply about 300,000 customers.

The three transformers of the unit and the other devices are housed in a building equipped with soundproofing to avoid noise. All high and medium voltage cables – that make the connection between the new substation and the aerial distribution network – are underground, reducing visual pollution. The Juscelino Kubitschek ETD has the most modern control and protection systems interconnected with optical fiber, making it possible to operate the equipment remotely from the **Operation Distribution Center**.

The JK Complex is operating since May 2014 and the completion of the distribution works is planned for 2015.

COMPLEXO JANDIRA

The Jandira Complex received three sub-transmission lines, which were approximately 33 km long and contained about 270 towers in the cities of Jandira, Itapevi, Barueri, Cotia and surroundings, with total investment of approximately R$130 million, of which R$46.5 million in 2014. Concluded in 2014, the Complex will be capable of carrying a full load of 900 Megawatts, benefiting more than 1 million customers.

COMPLEXO ESPLANADA

With total investment of approximately R$31 million, of which R$13.2 million in 2014, the Esplanada Complex consists of the construction of the 1km long sub-transmission line RAE Esplanada and a 120 MVA substation with 12 primary distribution channels. The project will serve the growing region with reliability, benefiting 113,775 customers in Cotia, Embu, Itapecerica da Serra, Osasco, São Paulo and Taboão da Serra. As well as the residents, other customers in the area include police stations, hospitals, schools, industry, commerce, service providers, government agencies and also the floating population – which cannot be estimated. The Esplanada Complex has been operating since December 2014 and the completion of the distribution works is planned for 2016.

ISO 55001 CERTIFICATION

Created in 2014, the ISO 55001 is a standard that specifies the requirements for an asset management system within an organization. Its application in AES Brasil Group brings many benefits to the improvement and management of risk and decision-making processes. AES Eletropaulo, AES Sul and AES Tietê have tried to gain the new standard since its launch. All companies have mapped the processes of each area, structuring procedures that are continually evaluated. The certification audit is planned for 2015 in all companies.

EFFICIENT USE OF FINANCIAL RESOURCES

GRI: EC1

SUSTAINABILITY PLATFORM *		
COMMITMENTS		**RESULTS**
Restructure the management of intangible assets by 2014		The target was not met by 2014. In 2015, AES Brasil initiated the project that includes a survey of the most relevant intangible assets, in addition to governance structuring (management system) and measurement.

** Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

ECONOMIC AND FINANCIAL PERFORMANCE

GRI EN27

OPERATING REVENUE

The gross operating revenue of the Company totaled R$ 14,509.0 million in 2014, a 15.0% increase when compared to 2013. By excluding the recognition of the net regulatory asset[1], in December 2014, totaling R$ 270.5 million, the gross yearly revenue reached R$ 14.238,5 million, a 12.9% increase compared to the R$ 12,611.3 million recorded in 2013. This increase is explained mainly due to: (i) higher supply revenue amounting to R$ 812.6 million; and (ii) spot market energy sales, increased by R$ 803.9 million.

As a result of the aforementioned variations, the net operating revenue of the Company, excluding the recognition of the net regulatory asset, totals R$ 10,286.8 million, a 14.1% increase when compared to 2013.

[1]*In accordance to the Technical Orientation CPC 08 – The recognition of the Assets and Liabilities determined in the Accounting Financial Reports of General Purpose of the Distribution Companies issued in accordance to the Brazilian and International Accounting Norms, and with the signature of the Fourth Amendment to the Concession Contract, that grants AES Eletropaulo and an indemnity, when the concession ceases, of the amounts registered in the Compensation of the "Parcel A" Values Account – CVA.*

R$ MILLION	2013	2014	CHG (%) 2013 X 2014
Supply Revenue	11,188.8	12,001.3	7.3%
Other Revenues	1,422.5	2,237.1	57.3%
Net Regulatory Assets (Liabilities)	-	270.5	N.D.
Total Gross Revenue	**12,611.3**	**14,509.0**	**15.0%**
Total Gross Revenue ex-net regulatory assets	**12,611.3**	**14,238.5**	**12.9%**
Deductions of Gross Revenue	(3,599.1)	(3,951.7)	9.8%
Net Revenue	**9,012.2**	**10,286.8**	**14.1%**

GRI G4-9, G4-EC1

WEALTH DISTRIBUTION – BY STAKEHOLDERS	2013*		2014	
	R$ THOUSAND	%	R$ THOUSAND	
Employees	861,348	18.27%	880,639	18.84%
Government (taxes and contributions and industry charges)	3,246,461	68.85%	3,366,492	72.02%
Lenders/Third parties	409,357	8.68%	558,942	11.96%
Shareholders/held	198,182	4.20%	- 131,747	-2.82%
Distributed Added Value	4,715,348	100.00%	4,674,326	100.00%

(*) change in value due to some reclassifications made in the current year

OPERATING COSTS AND EXPENSES

In 2014, operational expenses have increased 27.1%, amounting to 9,498.2 million. The main variations are detailed below:

OPERATING EXPENSES - R$ MILLION*	2013	2014	CHG (%) 2014 X 2013
Parcel A Costs	**5,833.5**	**7,895.8**	**35.4%**
Energy Purchased for Resale	5,296.7	7,483.8	41.3%
Transmission	517.0	396.1	-23.4%
Aneel Tax	19.8	15.9	-19.7%
PMSO	**1,640.3**	**1,602.4**	**-2.3%**
Personnel + Pension Fund	844.3	964.8	14.3%
Personnel	506.5	678.8	34.0%
Pension Fund	337.7	286.0	-15.3%
Materials	46.2	42.9	-7.2%
Third Party Services	456.8	445.9	-2.4%
Others	293.2	148.9	-49.2%
Total	**7,473.9**	**9,498.2**	**27.1%**

** Excluding depreciation and construction cost*

PARCEL A

The electric energy purchase expenses increased 41.3% compared to 2013, mainly due to the higher volume of energy purchased (45.077 GWh in 2014 versus 43,539 GWh in 2013) and average price, having being partially compensated by the resources from CDE and ACR-Account amounting for R$ 1,296.9 million.

Expenses with electric transmission network usage have decreased 23.4% in 2014, mainly due to the positive effect of the settlement by the CCEE, in the amount of R$ 91.5 million, due to a

financial adjustment regarding a retroactive discharge of the System Service Tax (ESS) and receipt of financial resources from the Backup Energy Account (CONER) determined by Aneel (R$ 373.0 million), partially compensated by the larger expense with usage of basic connection networks and the ESS, provided the resource granting from CDE occurred in 2013 amounting to R$ 420.3 million.

OPERATING EXPENSES

Operating expenses, excluding the Company's pension funds, have totaled R$ 1,316.4 million, a steady amount compared to 2013 (R$ 1,302.7 million). Also excluding the Company's unmanageable items, such as PCLD, write-offs, contingencies, sale of Cambuci (R$ 114 million impact in 2014) and other non-recurring events, the manageable operating expenses would total R$1,183.9 million, amount 6.3 % higher than in 2013, mainly due to higher personnel costs, as will be detailed below.

PERSONNEL

In 2014, personnel and tax expenses increase 34.0% compared to 2013, amounting to R$ 678.8 million. This variation is mainly due to the changes in owned manpower rate criteria between Opex and Capex, amounting to R$ 91.9 million. Excluding this effect, the increase in Personnel expenses would be of 15.9% in the period, due to the readjustments in wages and benefits, and reversion of the actuarial liability regarding Law n° 9.656/98 (post-retirement medical assistance), amounting to R$ 19,4 million.

In 2014, expenses with private pension plan companies amounted to R$ 286.0 million, 15.3% less than the R$ 337,7 million registered in 2013, mainly due to the increase in the discount rate, reflecting the circumstances of the financial market.

PERSONNEL - R$ MILLION	2013	2014	CHG (%) 2014 X 2013
Personnel and Payroll	506.4	678.8	34.0%
Pension Fund	337.7	286.0	-15.3%
Total	**844.1**	**964.8**	**14.3%**

MATERIALS AND THIRD PARTY SERVICES

In 2014, the expenses with materials and third party services amounted to R$ 488.8 million, a 2.8% decrease compared to 2013. This variation is a result of non recurrent costs registered in the first quarter of 2013 regarding contract terminations and hiring of emergency staff.

OTHER OPERATING EXPENSES

In 2014, other operational expenses decreased 49.2% regarding 2013, amounting to R$ 148.9 million, mainly due to the PCLD reversion performed in the period, amounting to R$ 59 million, regarding the Certificates of Indebtness (TCD), as well as reversion of the provision, in 2013, for the Carapicuíba City Hall (R$ 14 million) and social security provisions in 2014 (R$ 21 million).

OTHER OPERATING EXPENSES - R$ MILLION	2013	2014	CHG (%) 2014 X 2013
ADA and Write-off	16.9	80.6	376.9%
Provisions (Reversal) for Contingencies	104.4	29.0	-72.2%
Other *	171.8	39.3	-77.1%
Total	293.1	148.9	-49.2%

** Leasing and rents, indemnification, losses, publicity, banking fees, IPTU, etc*

EBITDA

In 2014, the Reported Ebitda was R$ 476.1 million, as opposite to an R$ 729.3 million result from 2013. Excluding the R$ 270.5 million effect regarding the net regulatory asset, Ebitda in 2014 reached R$ 205.6 million. The decreased variation of R$ 523.8 million compared to 2013 occurs mainly due to (i) unintentional exposure on the first semester of 2014 with larger energy purchases; (ii) return of R$ 563.8 million regarding amortization of the regulatory liability related to the postponement of the 3TRC; and (iii) R$ 162.8 million regarding the return of the possibly inexistent asset. In 2014, the Company has accounted for the resource inflows from CDE and Conta-ACR amounting to R$ 1.3 billion compared to R$ 1.1 billion registered in 2013.

According to IN CVM 527/2012, the disclosure of the EBITDA calculation must be followed by the reconciliation of amounts provided in the financial statements and must be attained as follows: net loss in 2014 (R$ 131.8 million) and net profit in 2013 (R$ 198.2 million), plus taxes over profit (R$ 64.6 million in 2014 and R$ 111.4 million in 2013), net financial expenses in 2014 (R$ 201.9 million) and net financial revenue in 2013 (R$ 16.4 million) and depreciations and amortizations (R$ 470.5 million in 2014 and R$ 435.6 million in 2013) totaling, as above, R$ 476.1 million in 2014 and R$ 729.3 million in 2013.

FINANCIAL RESULTS

In 2014, the net financial results was a financial expense of R$ 201.9 million, as opposed to a financial revenue of R$ 16.4 million in 2013. This variation is explained, mainly, due to (i) the net effect of CDI due to the increase in interest rates and higher debt amount in the period; (ii) reclassification[1], in 2014, of the Provision/Reversion for legal processes for financial expense, amounting to R$ 32.5 million; e (iii) update of the amount of concession assets[2], amounting to R$ 61 million.

NET RESULTS

In 2014 the Company registered a reported net loss of R$ 131.8 million, as opposed to a net profit of R$ 198.2 million in 2013. Excluding the effect of the recognition of R$ 178.5 million, net of Income Tax/CSLL, regarding the net regulatory asset in the amount of R$ 270.5 million, the net loss in 2014 was of R$ 310.4 million, mainly due to: (i) unintentional exposure on the first semester of 2014 with larger energy costs; (ii) return of R$ 372.1 million regarding amortization of the regulatory liability; and (iii) R$ 107.4 million regarding the return of the possibly inexistent asset.

COMPENSATION TO SHAREHOLDERS

Due to the negative results presented in 2014, there is no prospect of distribution of gains, according to the table below:

[1]The Company made certain reclassifications of accounts relating to the statements of income for the year ended December 31, 2014. The main changes were: (i) monetary restatement and interest of court proceedings and other "Provision / Reversal for legal proceedings and others" for financial expense; (ii) monetary variations on assets and liabilities were reclassified respectively to financial income and expense, only remaining the separate currency fluctuations.

[2]Investments which are not to be completely depreciated until the end of the concession. See Explanatory Note n°3 of Financial Statements.

DIVIDENDS 2014 (R$ MILLION)	
Net Income - December 31st, 2014	**(131.7)**
Realization of equity valuation adjustments	96.1
Prescribed Dividends and Interest on Equity	6.2
Legal Reserve (5%)	-
Distribution basis	**(29.4)**
Interim dividends already distributed	-
Interest on Equity already distributed	-
Mandatory minimum dividend	**-**
Statutory reserve	(29.4)

INDEBTEDNESS

On December 31, 2014, the Company's gross debt totaled R$ 4,342.7 million, an increase of 9.6% compared to R$ 3,960.7 million on December 31, 2013.

For analysis purposes of this report, and in accordance with the criteria used for the calculation of the Company's debt agreements, we consider the outstanding balance with the pension fund in the amount of R$ 1,270.8 million (excluding the effect of the corridor).

Cash and cash equivalent totaled R$ 909.2 million at the end of the period, R$ 65.0 million lower than the same period of 2013. As a result, the Company's net debt totaled R$ 3,433.5 million in 2014, an increase of 15.0% compared to 2013, mainly due to:

- receipt of installment of the 2nd contract with FINEP, in the amount of R$ 29 million;
- 16th issue of debentures in the amount of R$ 350 million; and
- reduction of R$ 65 million in cash balance.

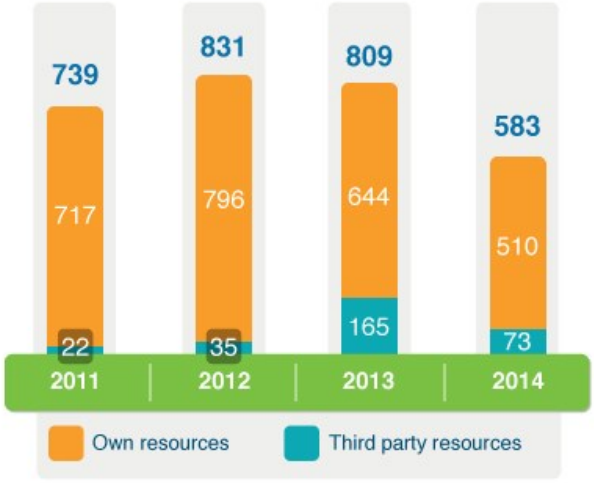
Partially offset by:

- payment of the 2nd amortization installment of the 13th issue of debentures in the amount of R$ 20 million in May 2014;
- payment of the 2nd amortization installment of CCB with Bradesco in the amount of R$ 30 million in November 2014;

On December 31, 2013, the debt linked to CDI, R$ 2,695.1 million, had an average cost of CDI + 1.42% pa, and increased to R$3,009.0 million, at an average cost of CDI + 1.43% pa on December

31, 2014 due mainly to the 16th issue of debentures. But the remaining debt balance of R$ 1,250.3 million, primarily linked to price index, had an average cost of IGPDI + 5.5% pa on December 31, 2013 and the same average cost for the balance of R$ 1,321 7 million on December 31, 2014. The average debt maturity on December 31, 2013 was 6.1 years, higher than the term of 5.4 years, of December 31, 2014.

INVESTMENTS



In 2014, the volume of the Company's investments totaled R$ 583.0 million, of which R$ 510.4 million were made with own resources and R$ 72.6 million was financed by customers.

INVESTMENTS - R$ MILLION	2013	2014	CHG (%) 2013 X 2014
Client Service and System Expansion	361.7	282.3	-21.9%
Operational Reliability	193.1	143.6	-25.6%
Loss Recovery	23.2	8.9	-61.5%
Information Technology	29.9	33.5	12.2%
Client Service and System Expansion	36.6	42.0	14.9%
Total (w/ own resources)	**644.4**	**510.4**	**-20.8%**
Customer Financed	164.7	72.6	-55.9%
Total	**809.1**	**583.0**	**-27.9%**

MAJOR INVESTMENTS IN 2014

CUSTOMER SERVICE AND SYSTEM EXPANSION

- R$ 152.5 million were invested to meet the addition of 153,400 new customers, of which 44,300 are related to illegal connections adjustments.
- R$ 129.9 million were invested in the expansion of the system, whose expansion works benefited approximately 534,000 inhabitants in the period.

OPERATIONAL RELIABILITY

- R$ 143.6 million, were invested mainly for maintenance of 2260 km of grid and modernization of subtransmission and underground grids.

LOSS RECOVERY

- We invested R$ 8.9 million for 26.7 thousand regularizations of illegal connections and in the correction of 18.5000 irregularities through inspections of frauds and anomalies.

INFORMATION TECHNOLOGY

- In 2014 a total of R$ 33.5 million were invested in information technology.

OTHER

- R$ 42.0 million were invested mainly in walls, sidewalks and slopes and renewal of the vehicle fleet.

FUNDED BY THE CLIENT

- The investments funded by clients totaled R$ 72.6 million and are primarily related to conversion and removal of grids and heightening of power lines.

REMUNERABLE INVESTMENT

The remunerable investment, also called Remuneration Basis is composed of the Fixed Assets in Service - AIS and Operation Warehouse, deducted the balance of Obligations to the Public Electricity Service (Special Obligation). On it the remuneration was calculated, as well as the AIS that generated the share of depreciation, which are part of Parcel "B" of the Required Revenue - RR of the Public Utility Company, approved by Aneel Ratifying Resolution of 07/02/2012 and Order no. 4,258 of December 2013.

The table below shows the Remuneration Basis values approved by Aneel for the 3rd cycle in 2013, retroactive to 2011:

REMUNERABLE INVESTMENT COMPONENTS (R$)	RESET* JUL/11	READJUSTMENT JUL/12	READJUSTMENT JUL/13	READJUSTMENT JUL/14
a) Gross Service Fixed Assets	16,189,530,212.21	17,021,672,065.12	18,096,420,439.31	19,225,818,038.92
b1) (-) Depreciation year to date	10,347,767,122.93	10,879,642,353.05	11,566,582,971.22	12,288,453,414.45
b2) (-) Depreciation year to date %	63.90%	63.90%	63.90%	63.90%
c1) (-) Gross Obligation Binding to SPEE	1,370,413,429.38	1,440,852,679.65	1,531,828,117.84	1,627,429,510.67
c2) (-) Net Obligation Binding to SPEE	1,196,630,700.25	1,258,137,518.25	1,337,576,321.15	1,421,054,459.35
d) Assets 100% depreciated	3,364,292,878.86	3,537,217,532.84	3,760,557,447.86	3,995,253,838.18
e) Land and Easements	313,831,954.63	329,962,917.10	350,796,775.69	372,690,002.46
f) = Gross Fixed Assets in Service Depreciable	11,140,991,949.34	11,713,638,935.53	12,453,238,097.92	13,230,444,687.61
g) (+) Warehouse	31,500,064.06	33,119,167.25	35,210,311.58	37,407,787.12
h) = Remunerable Investments (Remuneration Basis)	4,676,632,453.09	4,917,011,361.17	5,227,471,458.52	5,553,717,952.24
i) (+) Investment antecipated in Xe	-	-	-	-
j) IGPM Variation (RH Aneel/Tariff Adiustment)	1.0000	1.0514	1.0631	1.0624
k) Depreciation rate - Average Annual Rate %	3.82%	3.82%	3.82%	3.82%

**) 3rd cycle of RTP - June 2011 Values after recognition of the request for reconsideration Extracted values from André Pepitone's vote*

a) Amount deducted from Administrative Assets amount, Vehicles and furniture and appliances

The RESET values were adjusted by IGP (h) without considering additions, and depreciation between periods.

EFFICIENT USE OF ENERGY RESOURCES

AES Eletropaulo believes that the efficient use of energy resources means combating electrical power losses resulting from technical and commercial reasons, or inappropriate consumption. Besides the responsibility of improving the efficiency of its own assets (the business depends on equipment which consumes a lot of energy), the company also develops and implements action that promotes power consumption efficiency in organizations and for residential customers in its concession area.

10% of all energy consumed in Brazil since 2008 could have been saved with efficiency measures;

R$ 62 billion is the total amount of wasted energy.

Source: ABESCO - Associação Brasileira das Empresas de Serviços de Conservação de Energia

The company dedicates its efforts across three fronts:

Loss reduction: combating global losses caused by system inefficiencies, reducing waste while mitigating the environmental impact involved;

Internal consumption: constantly seeking to reduce internal electric power consumption at AES Eletropaulo;

Reduction of consumption by clients: encourage conscious consumption of energy among the population, providing shared gains.

SUSTAINABILITY PLATFORM*

COMMITMENTS		RESULTS
Reduce global energy losses at AES Eletropaulo to 9.11% by 2016 **		In 2014, global energy losses were 9.66%, over 10% in 2013.
Reduce internal consumption of electric power by 20% by 2016		The internal consumption of electric power at AES Eletropaulo was 40.7 GWh, which corresponds to a 5.2% reduction compared with 2013, and 10.1% compared with 2011.
Encourage the reduction of our customers' energy consumption by 273.5 thousand MWh by 2016		The initiatives resulted in the reduction of 55.4 thousand MWh of our customers' consumption in 2014. In the last three years, over 210 thousand MWh was saved through the projects.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

***Commitments reviewed in 2014.*

REDUCTION OF TECHNICAL AND COMMERCIAL LOSSES

AES Eletropaulo implemented the "Loss Reduction Plan" to combat energy losses caused by the system's inefficiency, with actions such as:

- Inspections of customers with an unusual energy consumption profile compared with peers, and with a higher impact on aggregate energy volumes;
- To recover facilities at locations where the energy was cut off because of payment default, and where energy was then consumed in an illegal manner;
- Review of the internal processes and corrections of technical and/or commercial failures at facilities that generate non-technical losses;
- Regulating of illegal electricity connections through the "Transforming Consumers into Customers" program.

In 2014, AES Eletropaulo completed 404 thousand fraud and anomaly inspections, finding 78 thousand irregularities. Also, 54 thousand facilities where the energy supply had been cut off because of payment default were recovered, and 59 thousand illegal connections were regulated.

The Loss Reduction Plan added 633 GWh to the billed market and allowed total energy losses to reach 9.66%.

Over the last five years, the company reduced non-technical losses by 34%. The average rate of electric power distribution losses in Brazil is 13.99%.[1].

GRI EU12

	2012	2013	2014
Technical losses	6.1%	6.1%	6.1%
Commercial losses	4.1%	3.9%	3.5%
Global losses	10.2%	10%	9.7%

With a total investment of R$42.6 million in 2014, the Plan has enabled additional revenue of R$145.7 million during the year.

[1]*Source: Abradee*

INTERNAL ENERGY CONSUMPTION

GRI: G4-EN3, G4-EN6

ELECTRIC POWER

The internal consumption of electric power at AES Eletropaulo was 40.7 GWh, corresponding to a reduction of 5.2% compared with 2013, and 10.1% compared with 2011.

This consumption reduction is explained by:

- the decrease in the number of operational bases in 2014;
- the transfer of the electric power ownership from Tabatinguera to third parties, upon completion of the activities and equipment removal from the property, in mid-2014;
- internal awareness campaigns to change the culture of our own employees and subcontractors, at bases and in offices.

CONSUMPTION OF ELECTRIC POWER (GWH)	2012	2013	2014
Total	**44.29**	**42.93**	**40.71**

PARTNERSHIP WITH SCHNEIDER ELECTRIC TO REDUCE CONSUMPTION

AES Eletropaulo joined Schneider Electric to develop a project to reduce internal power consumption. To do that, the company visited our operational bases, where most energy is consumed, and the Distribution Transformer Stations (ETDs – Estações Transformadoras de Distribuição), and also analyzed the data of the transformer chambers to identify opportunities for consumption reduction. Based on the information, several points of action will be implemented in 2015 to aid consumption reduction.

FUELS

In addition to electricity, fuel used in the company's vehicle fleet and generators are important energy resources and also receive special attention in the search for greater efficiency.

In fleet management, AES Eletropaulo monitors, prioritizes and encourages the consumption of renewable fuel where economically viable, with its light vehicle fleet being 100% "flex" enabled and fueled by ethanol. In addition, investments in automation of processes and remote controls in infrastructure help to avoid displacement, such as the smart grid project.

The volume of consumed fuel in 2014 is the equivalent of 120,341.46 GJ of energy.[1]

FUEL CONSUMPTION (LITERS)		
Type of fuel	**2013**	**2014**
Diesel	2,326,119.53	2,205,225.11
Gasoline	45,888.46	37,753.64
Ethanol	1,933,627.58	1,929,279.38

[1] *Conversion factors were used from the 2014 National Energy Balance. GJ = Gigajoules.*

ENERGY EFFICIENCY PROGRAM

GRI: EU7, G4-EC8

The Energy Efficiency Program provides guidelines and alternatives to avoid energy waste. Following Aneel's determination, which dictates that energy companies spend 0.5% of their annual net revenue for this purpose, AES Eletropaulo promotes the reduction of energy consumption through different projects. The main ones are explained below:

TRANSFORMING CONSUMERS INTO CLIENTS

GRI EU23

In addition to reducing the irregular consumption and generating additional revenue of around R$400 million in 2014, the "Transforming Consumers into Clients" program also contributes to rational use of electric power. This is due to the fact that the program diagnoses situations of inefficiency in regulated residences, and provides suggested actions to improve consumption in these residences, such as changing old electrical appliances for more modern models (which use less energy).

In 2014, 59,096 illegal electric power connections were regulated, benefiting approximately 236 thousand people from communities in our concession area.

With R$72,362,948.43 of investments made in 2014, the Transforming Consumers into Clients program promoted total savings of 46.07 GWh of electricity. (Learn more about the program here)

ENERGY CONSUMPTION REDUCTION (GWH)	2012	2013	2014
Replacement of light bulbs	58.12	6.24	23.88
Replacement of refrigerators	1.00	1.01	2.10
Regulating	18.37	25.45	19.84
Internal renovation	0.04	0.01	0.10
Heat recovery system	0	0	0
Solar Heater	0.23	2.67	0.15
Total	77.84	35.38	46.07

"BANDEIRANTES" PALACE

In partnership with the Government of the State of São Paulo, AES Eletropaulo implemented the modernization project of lighting systems and the installation of a photovoltaic power plant for electricity generation at the Bandeirantes Palace, in order to increase the energy performance of its facilities. 1,884 lighting points were modernized in the Palace, and 262 photovoltaic panels in an area of 500m^2.

With an investment of R$1,285,000.00, the project will bring the following savings:

- Lighting systems: 638 MWh/year, which is equivalent to approximately 212 residences with consumption of 250 KWh/month.
- Photovoltaic panels: 92 MWh/year, which is equivalent to approximately 31 residences with consumption of 250 KWh/month.

The project begins in 2015 with full operation.

A.C.CAMARGO CANCER CENTER

AES Eletropaulo started an energy efficiency project at the A.C. Camargo Cancer Center (Antonio Prudente Fundation), one of the biggest oncology centers of the world. Through the modernization of air conditioning systems, the construction of a new Cold Water Unit and the connection of the five oldest water units (which will serve as a backup), the project will reduce over 2,682 MWh of electric power consumption per year, the equivalent of saving R$800 thousand per year. This saved energy could attend around 900 residences. This initiative is the result of a partnership between AES Eletropaulo and the Foundation, which are jointly investing R$7.7 million. The work is due to be completed in July 2015.

COTIA'S PUBLIC BUILDINGS

In the period between October and December of 2014, AES Eletropaulo replaced three lighting points at 33 public buildings in the city of Cotia. This energy efficiency action was held in partnership with the municipal council and will generate, from 2015, a decrease of 480 MWh per year and a saving of R$160 thousand per year. The energy saved from this could power around 160 residences.

RECICLE MAIS, PAGUE MENOS

Through the Recicle Mais, Pague Menos (Recycle More, Pay Less) project, the customers who deliver recyclable materials at exclusive collection points will receive a discount on their electricity bill provided by AES Eletropaulo. In 2014, by recycling 2,134 tons of waste, 3,640 customers received discounts on their electricity bills, while AES Eletropaulo saved around 9,233.4 MWh of energy through the project. This happened because recyclable materials spend less energy when used for productive purposes.

Click here to learn more about the program.

PROJECT DESCRIPTION	BENEFICIARY	INVESTMENT IN 2014 (R$ MILLION)	SAVED ENERGY (MWH)
"Bandeirantes" Palace	São Paulo State Government	1.3	106.3 *
A.C.Camargo Cancer Center	Antonio Prudente Foundation	2.0	The energy savings will be obtained after the end of the work, in 2015
Cotia's Public Buildings	Municipality of Cotia	0.6	40 **
Recicle Mais, Pague Menos	AES Eletropaulo's concession area	1.1	9,233.36
Transforming Consumers into Clients Program	101	72.4	46,072.22
Total	-	77.4	55,451.88

**considering savings proportional to two months of project operation in 2014.*

*** considering savings proportional to one month project operation in 2014.*

MUNICIPAL ENERGY MANAGEMENT (GESTÃO ENERGÉTICA MUNICIPAL - GEM)

In 2014, AES Eletropaulo partnered with the municipal council of Itapevi to execute a Municipal Energy Management (GEM) project, aiming to advise the council administrators about the efficient use of energy. The GEM allows them to plan and organize several activities regarding to the use of electric power by the Municipal Council, identifying areas with more consumption efficiency potential. The partnership is for the benefit of the Public Administration, more specifically for the council's technicians who are responsible for consumption management and control, and also for the mayors and secretaries, who are responsible for decisions regarding efficiency culture in public organizations.

In 2015, the following steps will be expected from specialized companies hired by AES Eletropaulo:

- *Training of Municipal Technicians;*
- *Structuring of UGEM - Unidade de Gestão Energética Municipal;*
- *Organization of data on Municipal electric power bills;*
- *Management of Municipal Electric Power Consumption;*
- *Planning of Municipal Electric Power Consumption;*
- *Consolidating of City Energy Management.*

EFFICIENT USE OF NATURAL RESOURCES

SUSTAINABLE PLATFORM *		
COMMITMENTS		**RESULTS**
Recycle, reclaim or reuse 65% of AES Eletropaulo's waste by 2016**		The waste recycling, reclaiming or reuse rate reached 60%.
Reduce water consumption by 10%, COs_2 emissions by 10% and prioritize the use of renewable fuel on the vehicle fleet by 2016		Because of the electricity matrix factor, the CO_2 emissions volume increased. The prioritization of ethanol use on the vehicle fleet has been maintained in 2014. There were changes in water consumption calculation premise, therefore, comparison between years is not possible.
Incorporate at least 20% of recycled and reused materials and/or equipment in the electrical grid by 2016.		As a highlight of 2014, 29.7 tons of insulators and other hardware were recovered.

** Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

*** The commitment was reviewed in 2014. The goal considers only the waste the company considers to be manageable, representing part of the total reported in the GRI G4 EN23.*

The need for the efficient use of natural resources became a more powerful theme in 2014 as a result of the unfavorable drought conditions. Water is a priority natural resource in Brazil, key for the society's wellbeing and for power generation – a resource which must be preserved. During the year, AES Eletropaulo intensified its natural resource management initiatives through advances in consumer awareness, scrap recycling and waste management, in order to help mitigate air pollution, among others.

AES Eletropaulo owns an Environmental Management System (SGA – Sistema de Gestão Ambiental), focusing on the prevention, mitigation and control of environmental impacts caused by its operations. To reach better results, the company sets goals through the SGA and invests in standardization and improvement of operational activity processes, which present higher risks for the environment.

To evaluate its environmental performance, AES Eletropaulo holds monthly meetings with the company's leadership and leading suppliers. At the meetings strategic, tactical and operational

environmental indicators by segment are presented, allowing for a critical analysis by the organization and decision making.

These are the main environmental impacts and the respective mitigating actions that are taken by AES Eletropaulo:

ENVIRONMENTAL IMPACTS	
IMPACTS	**MAIN MITIGATING ACTIONS**
Water and soil contamination by oil leak;	• Work procedures defined in the SGA; • Employee and service provider awareness; • Work area protection; • Periodic inspections; • Equipment and facilities upgrading; • Emergency response plan; • Environmental insurance policy.
Biodiversity change caused by vegetation interference by extension and maintenance of electrical systems;	• Work procedures defined in the SGA; • Employee and service provider awareness; • Differentiated technical training; • Continuous inspections; • Occurrence monitoring; • Strategic environmental evaluations held in the project phase (before its development); • Modernization of applied technology.
Waste resulting from network maintenance;	• Materials recovery and revitalization procedures; • Sorting; • Evaluation of the sorted materials; • Generated volume monitoring; • Monitoring of field activities.
Resource consumption, air quality change and influence on climate change due to gas emissions, mainly from vehicle fleet.	• Mapping and monitoring of emissions and consumption; • Awareness; • Losses control projects; • Investments in smart network; • Automation of electric controls; • Use of renewable fuel.

Supplier management regarding the environmental aspect, environmental legislation in the production chain, policies and best practices in environmental management, and the prevention of environmental impacts and accidents are part of the system's scope, as well as the minimization of impacts on communities who live around AES Eletropaulo's operations.

The actions are guided by AES Brasil Group's Sustainability Policy, which promotes activities in accordance with environmental regulations, aimed at conserving resources and minimizing impact,

as well as AES Corp.'s environmental policy and the guidelines as set out by ISO 14001:2004 certification. In 2014, a maintenance audit (integrated with the Health and Safety Management System) was held by ABS Quality Evaluations, the result of which was "zero non-compliance".

In 2014, the company invested R$96.2 million in training for employees and contractors, process improvement, new technologies, licensing, environmental compensation, investigation of potential liabilities, environmental remediation and environmental audits with suppliers, energy efficiency projects, among other items.

GRI EN31

Investments in environmental protection (R$ thousands)	2012	2013	2014
Direct costs – Environmental Management	3,068	7,279	3,488
Environmental Management System (SGA) and others	1,463	1,494	1,703
Environmental licensing and compensation	1,313	1,760	4,473
Recovering of groundwater and soil quality	11,256	13,776	21,019
Environmental adjustment and pollution prevention	2,078	4,056	17,868
Operational training	1	26	29
Communication	0	19	17
R&D Projects	655	20	-
Energy Efficiency Projects	35,008	57,260	47,570
TOTAL	54,843	85,690	96,167

As was the case in 2013, AES Eletropaulo did not receive significant fines regarding the environment in 2014.[1]

GRI EN29

[1]*Significant criteria: long-term values, over R$1 million, or associated to investors decisions, or that could damage the company's image, in accordance to what is published in reports to external investors.*

REMEDIATION OF IMPACTED AREAS

The company maintains environmental regularization processes of its electrical and other structural installations. These processes include an environmental investigation of soil and groundwater conditions, accompanied by CETESB (Environmental Sanitation Technology Company), according to established procedures by the environmental agency and by legislation.

In 2014, new investigation processes were started owing to enlargement of the electrical system and AES Eletropaulo's real estate purchase and sale plans. These investigations resulted in the need for restoration and/or monitoring that will continue in 2015.

As at the end of 2014, there were eight locations in a recovery process, which received investments of R$21 million.

Also in 2014, the company signed an environmental insurance contract, allowing more structure to attend any potential emergencies.

LEAKAGES

GRI EN24

In 2014, two leakages were registered, one at the Cupecê Substation (0.4m^3 of insulating mineral oil) and another one at the Brás Substation (0.5m^3 – LAB oil). Both were stopped by the containment systems installed at the substations, avoiding leaked oil reaching the soil and groundwater.

LICENSES FOR NEW LINES

GRI: EN27

The process to obtain environmental licenses is well structured and, in 2014, the company had five new operation licenses. Currently, this process is aligned with AES Eletropaulo's work plans.

In 2014, as a result of the new environmental licenses, an environmental recovery agreement was signed predicting the planting of 50.72 hectares of vegetation. Because of the limited area for planting in São Paulo, AES Eletropaulo negotiated the fulfillment of this obligation by planting at areas of AES Tietê. This adjacent area also allowed an environmental gain, considering the use of more favorable areas to the development of different species, contributing to biodiversity.

VEGETATION HANDLING

AES Eletropaulo pays special attention to the quality of tree pruning, investing in technical and inspections programs along with employees and contractors for this task. As a preventative measure, the company uses a compact network and pre-collected cables to deploy networks in wooded areas, minimizing the contact area and reducing the need for pruning.

AES Eletropaulo is present at technical seminars and other events to share its experience in pruning trees with other companies that perform this service, such as municipalities and the Fire Department. In 2014, the company was present at the National Seminar on Electricity Distribution (SENDI – Seminário Nacional de Distribuição de Energia Elétrica), presenting a workshop on "The Importance of Training and Technique of Pruners for Quality Urban Forestry and the Sustainable Supply of Electricity".

MATERIALS AND WASTE

GRI: EN23, EN27

AES Eletropaulo's development activities consume resources such as cables, poles, metal hardware, insulators and transformers, among other items. Due to positive results in Research and Development (R&D), in 2014 the company adopted a routine of analysis and revitalization of materials removed from the network. Before disposing of these materials, it investigates the possibility of reuse or recycling. In 2014, the recovery of utility materials allowed 29.7 tons of hardware and insulators to be returned to the network. The index of recycling, reclaiming or reuse of manageable waste reached 60%[1].

AES Eletropaulo's waste disposal practices, as detailed below, are in accordance with the National Policy on Solid Waste. Waste receiving companies are among the most critical suppliers of the company and, therefore, AES Eletropaulo performs a process of approval through periodic audits on these companies.

Main not-hazardous waste generated by AES Eletropaulo: scrap metal, rubble, pruning waste and common garbage.

Main hazardous waste generated by AES Eletropaulo: oil, waste impregnated with oil, batteries, lamps and waste impregnated with ink.

ASKAREL (PCB OIL)

The polychlorinated biphenyl (PCB) content of AES Eletropaulo's electrical equipment has been monitored since 1997 by treating and discarding the contaminated equipment, while considering the environment. The company uses a chemical laboratory equipped with a gas chromatograph to analyse the PCB, ensuring the required monitoring in accordance with the Montreal Protocol.

In 2014, the company executed the environmental remediation of two liabilities, putting about 79 thousand tons to Class II Waste, and 10 thousand tons to Class I Waste, allocating them to landfills. About three thousand tons of rubble waste from cleaning the right of way were also allocated to landfill. The waste generated by these liabilities represents 63% of total waste volume in 2014. The recycling or reusing of more than eight thousand tons of civil construction waste, generated on the underground system expansion work of the electric power grid, was also a highlight. The measurement of some waste has been enhanced with weighing of cargo and refinement of conversion factors.

[1]*The goal considers only the waste the company considers to be manageable, representing part of the total reported in the GRI G4 EN23.*

NOT-HAZARDOUS WASTE (T)	2012	2013	2014
Reuse	321.00	715.29	1,881.84
Recycling	21,029.00	37,999.20	26,145.09
Recovery	0.00	90.80	29.70
Incineration (or use as a fuel)*	142.00	1,470.00	2,594.00
Sanitary Landfill	17,045.00	21,140.61	104,250.74
Total	38,537.00	61,415.90	134,901.36

** For waste that is not weighted, conversion factors from volume to weight are applied, estimated by the company, as well as data provided by the contracted companies responsible for the disposal of waste.*

HAZARDOUS WASTE (T)	2012	2013	2014
Recycling	639	54	992.93
Recovery	611	318	634.35
Incineration	33	54	114.39
Sanitary Landfill	1,177	3,624	10,073.33
Co-processing	329	195	82.13
PCB Decontamination	102	279	0
Total	2,891	4,525	11,897.13

WATER CONSUMPTION

GRI: EN8, EN10, EN27

The drought in AES Eletropaulo's concession area in 2014 demonstrated the importance of continuous and preventive measures to minimize the use of water in its operations.

The main tools for reducing water consumption were: the reuse of water, saving some 10,424m^3 of water at the company's headquarters, and the optimization of regional bases by reducing the total number of sites. There were changes in water consumption calculation premise, therefore, comparison between years is not possible.

Total water consumption by source (m^3)	2012	2013	2014
Municipal supply of water or other water supply companies	126,379	103,850	83,780
Water from tanker trucks			782,6
Total water consumption (m^3)	126,379	118,287	84,563
Water consumption per employee (m^3)	22.3	20.1	13.75
Recycled water percentage	-	12%	12%

CONTINGENCY PLAN - WATER SUPPLY CRISIS

To deal with the water supply crisis in the metropolitan region of São Paulo in 2014, AES Eletropaulo developed a contingency plan to minimize the impact on its operations.

Main actions implemented:

- Raising awareness of employees about the importance of reducing water consumption;
- Beginning the installation of efficient taps and showers that help reduce consumption by up to 70%. The goal is to complete the installation in 100% of sites in 2015;
- Partnership with water trucks suppliers with drinking water to ensure water supply at operational bases in emergencies;
- Beginning of the process to increase the reservoirs' capacity in higher consumption bases to ensure their autonomy;
- Reducing courtyards and glass washing with water, washing fleet vehicles without using water.

In addition to these actions, AES Eletropaulo is developing a continuous improvement project on water leakage reduction at the headquarters and bases. Through sensors, measurement of pressure and possible leakage of pipes is performed remotely, facilitating the definition of corrective actions and reduction of waste.

CHALLENGES FOR 2015

Throughout 2014, AES Eletropaulo provided an analysis of its natural resources management in order to identify opportunities for monetization of its actions regarding discipline and efficiency. This work will enable measuring the reduction of costs linked to the results of more efficient use of water, energy and waste management.

Click here to learn about AES Eletropaulo's actions which promote conscious consumption by society.

GREENHOUSE GAS EMISSIONS AND OTHER SUBSTANCES THAT DESTROY THE OZONE LAYER

GRI: G4 EN15, EN16, EN17, EN20

Since 2013, the management of greenhouse gas emissions (GHG) became part of the Climate Change Impacts Governance System, developed by AES Brasil in order to assess the vulnerability points and propose climate adaptation measures for all Group companies.

According to the commitment made by the Sustainability Platform, the AES Brasil Group aims to reduce CO_2e emissions by 10% by 2016, based on 2011 data. However, since the estimate includes the indirect emissions from own consumption and losses, in the case of distributors – conducted based on the Brazilian electricity matrix emission factors – the inventory of the business has been directly impacted by the increased use of thermoelectric power stations in SIN (Interconnected National System) to meet the growing demand for energy in the country during the drought that affected part of the Brazilian territory, which caused an increase in the Group's volume of greenhouse gas emissions.

RESULTS

Considering the sources directly controlled by AES Eletropaulo (scope 1[1]), in 2014, the equivalent of 6,740.7 tCO_2e[2] was released, due mainly to the consumption of fuel by the vehicle fleet, leaked emissions from the replacement of SF_6 gas and carbon gas extinguishers.

Indirect emissions (scope 2), corresponding to the energy consumption for activities related to the organization and overall losses (technical and commercial), amounted to the equivalent of 628,468.9 tCO_2e in 2014, calculated based on monthly emission factors of the national electricity matrix.

Emissions in 2014 were the highest on record since 2006, the first year of publication of such data by the Brazilian government. This increase over previous years is due to the change in the hydrological climate and the consequent increase in the activation of thermoelectric plants to ensure the national energy supply.

The variability of the Brazilian electricity matrix's emissions factor makes the monitoring of reduction targets unfeasible in respect to energy consumption and losses compared with the volumes of emissions between periods.

[1]Scope 1 - direct emissions of greenhouse gases; Scope 2 - indirect emissions of greenhouse gases from energy and Scope 3 - Other indirect emissions of greenhouse gases. Source: "Specifications of the Brazilian GHG Protocol Program" available at http://www.ghgprotocolbrasil.com.br/especificacoes-do-programa-brasileiro-ghg-protocol?locale=pt-br [2]tCO_2e - tons of equivalent carbon dioxide. Corresponds to emissions of six gases / family of greenhouse gases (CO_2, CH_4, N_2O, HFCs, PFCs e SF_6)

In order to demonstrate AES Eletropaulo's efforts and results of Energy Efficiency Programs for the reduction of greenhouse gases, the company proposed, along with academic institutions, to estimate the reduction in percentage terms, projecting energy consumption for the current year against 2011 and, in sequence, compared to the actual data.

This monitoring of the reduction target was adopted by Rules and Parameters, such as accounting methodology of scope 2 emissions in the Emissions Trading System, an FGV/GVces (Getúlio Vargas Foundation - Center for Sustainability Studies) initiative.

AES Eletropaulo's greenhouse gas emissions volume (in tCO_2e) is presented in the table below:

EMISSIONS OF GREENHOUSE GAS BY SCOPE	2012	2013*	2014**
Direct emissions (E1)	7,324	7,158	6,741
Direct emissions (E2)	336,197	494,636	628,469
Subtotal (E1 + E2)	**343,521**	**501,794**	**635,210**
Indirect emissions (E3)***	2,977,223	4,050,081	5,624,762
Total	**3,320,744**	**4,551,875**	**6,259,972**

** The corresponding values in 2013 were updated according to the updates of the national electricity matrix emission factors, after the publication of sustainability reports.*

*** Until the publication date of this report, the national electricity matrix emission factors referring to November 2014 and December 2014, haven't been published by the government. Values from the corresponding months of 2013 were used.*

**** Because the scope 3 (other indirect emissions) is optional, it is not part of the company's established reduction target. However, the monitoring of emission sources in the value chain is achieved and, to ensure transparency is maintained, this information is published in the Public Registry of Emissions.*

Emissions of ozone-depleting substances were due to the recharging of 286 kg of R22 in the company's air conditioning units.

OZONE-DEPLETING EMISSIONS IN TONNES OF CFC-11 EQUIVALENT	2012	2013	2014
Total	0.004	0.006	0.015

DEVELOPMENT AND VALORIZATION OF EMPLOYEES

The AES Brasil Group is committed to attract, develop and retain its talent pool. It seeks to provide an ethical and inclusive work environment, which values diversity and promotes personal and professional development. Also, the Group engages employees with its culture of sustainability, which is based on ethics and the company's values.

In 2014, AES Eletropaulo invested R$630.8 million in its workforce through health and safety actions, initiatives to develop professionals, benefits and others.

AES Eletropaulo has 6,152 direct employees and 8,798 contractors.

SUSTAINABILITY PLATAFORM *		
COMMITMENTS		**RESULTS**
Reach above 85% of satisfaction rate in AES Brasil work environment by 2016		The satisfaction rate at AES Brasil was 79% in 2014, while at AES Eletropaulo it was 78%.

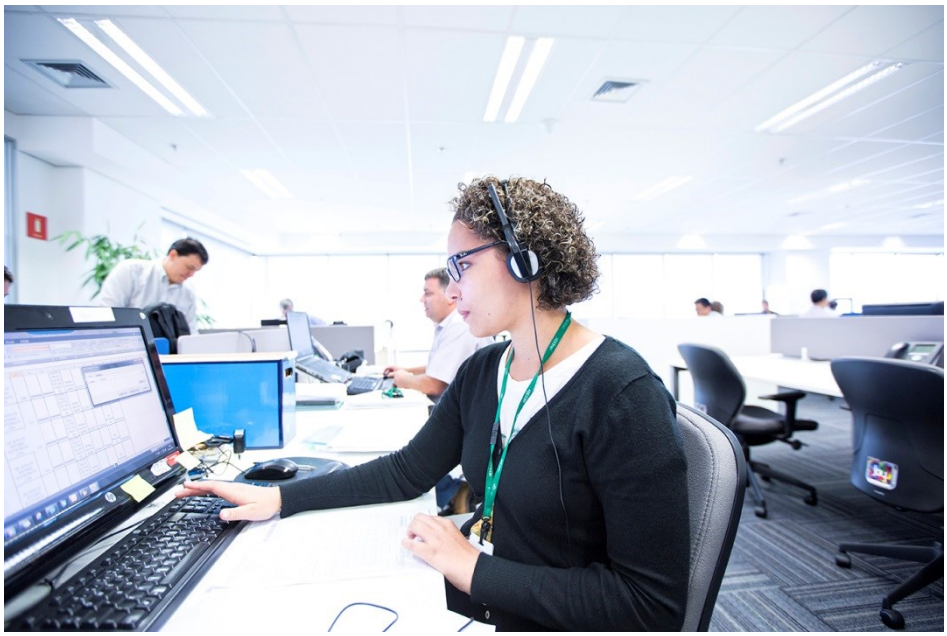
**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

As set out in the revision of the Sustainable Strategic Planning for 2015-2019, all AES Brasil's companies – aligned with AES Corp.'s targets – now have a new goal: to be among the best companies to work for according to the "Great Place to Work" rankings. In 2014, AES Brasil held an event called "SPARK14", which brought together all the Group's leadership to promote discussion and the creation of action plans on issues related to culture and the organizational environment. Organizational climate committees segmented by departments were also created to make it possible to work through specific issues of each department, which will allow for more assertive actions.

AES ELETROPAULO EMPLOYEE PROFILE

GRI G4-10; G4-LA1

EMPLOYEES BY POSITION AND GENDER		2013		2014	
		M	F	M	F
Employees	Directors	19	6	19	5
	Management	63	19	58	18
	Coordination	229	40	222	36
	Administration	670	845	623	826
	Operational	4,135	182	4,170	175
	Total employees	**5,116**	**1,092**	**5,092**	**1,060**
Contractors	Outsourced	9,293		8,639	
	Apprentices	84	97	45	88
	Interns	17	18	10	16
	Total contractors	9,509		8,798	
Total		**15,717**		**14,950**	



ATTRACTING TALENT

COMPENSATION

The company's policy includes, as a fixed compensation, a nominal salary, benefits and additional compensations. Variable compensation is based on the assessment of individual performance and on the company's results, and is paid through the Profit Sharing Program.

The lowest salary paid by AES Eletropaulo in 2014 was R$1,186.88 - 1.64 times the national minimum salary during the same period, which was R$724.00. In regard to equality in compensation between genders, in administrative positions, men received a salary 54% higher than women. In operating functions, men received a salary 5% higher than women.

AVERAGE COMPENSATION FOR WOMEN IN RELATION TO MEN	2012	2013	2014
Directors	83%	98%	109%
Management	88%	91%	96%
Coordination	123%	132%	132%
Administration	66%	70%	65%
Operational	96%	93%	95%

BENEFITS

The benefits offered to all company employees are:

- Meal vouchers;
- Food vouchers;
- Food vouchers for holidays;
- Transport vouchers;
- Life insurance;
- Healthcare;
- Dental care;
- Childcare facilities (creche);
- Complimentary salary in the case of work related accidents or sickness;
- Participation in private pension plans;
- Employee assistance program “Conte com a gente” (Count on us).

TRAINEE PROGRAM

In place at the company since 2010, AES Brasil’s Trainee Program lasts two years and was structured in six months segments. During this period, the company invests in the training of the young people so that they have a systemic and strategic vision, based on two fronts: Technical and Behavioral. Although the number of students per year is not fixed, it is usually about 15 vacancies per program. In 2014 alone, additional 11 trainees were hired, totaling 20 at the end of the year.

Since 2010, 90% of AES Brasil trainees completed the program and 30% from the first group have already taken their first leadership position in the company.

INTERNSHIP PROGRAM

AES Brasil’s Internship Program was created in 2013 with the objective of developing trainees – young professionals in their penultimate and final year of college – and preparing them for positions that require a college degree, i.e., analysts and trainees.

In 2014, the program – which covers a six-month selection process and a training platform – was redesigned to expand the development of trainees and to bring focus on "Junior" positions, which are the company's entry positions.

INCLUSION PROGRAM

In 2014, AES Eletropaulo conducted a **Census of Inclusion**, which was aimed to learn more about the composition of its workforce and the current situation of the organization regarding disability. The census consisted of questionnaires covering the degree of inclusion of people with disabilities and the issue in general.

67% of employees participated in the survey

After medical evaluation, 24 employees were covered by the quota. From knowledge of the main needs of these employees, more concrete actions were initiated to assist professionals with disabilities working in the Group's companies.

TURNOVER

GRI G4-LA1

In 2014, there were 637 employee dismissals. Included in this were 125 women and 512 men. In the same period, 562 employees were hired, including 474 men and 88 women.

The voluntary turnover rate (when there is termination of the employment contract by the employee) was 1.98%, a smaller number than reported in 2013.

DEVELOPMENT AND RETENTION OF TALENT

GRI G4-LA9; G4-LA10

In 2014, 197,583 hours of operational training and development were recorded, with 32.12 hours per employee on average.

OPERATIONAL TRAINING

AES Brasil conducts systematical operational training across all areas.

In 2014, AES Brasil's effectiveness evaluation training tool was refined. This assessment is performed by a leader by applying knowledge acquired by the employee in his activity and provides input for review and improvement of training.

KNOWLEDGE MANAGEMENT

At AES Brasil, knowledge management is carried out through a process of mapping out critical knowledge, through which the company aims to increase – along with other areas – fundamental

knowledge for business processes, which can bring a relevant impact to the company's operations if the employees who have this knowledge leave the organization or are absent. Knowledge was mapped across six thousand cases, with 460 cases selected as being more strategic; 40% of which had been achieved through training (internal, external, practical or rotary) in 2014. The others will be addressed throughout 2015 and 2016.

BANCO DE ELETRICISTAS

GRI EU14

The Banco de Eletricistas (Electricians Pool) aims to recruit, select and train people for the workforce of AES Eletropaulo and contracted partners, given the demand for professionals in the sector and ensuring the quality of technical training of electricians. The project is conducted in partnership with the Serviço Nacional de Aprendizagem Industrial (Senai), the Edson Institute, the Vital Correia Institute (CVI), the Pagamentos Especiais Educação Pró-Energia Institute of São Paulo (Ipesp) and other organizations located in the concession area. In 2014, the partnership with Senai was expanded through the National Program for Access to Technical Education and Employment (Pronatec – Programa Nacional de Acesso ao Ensino Técnico e Emprego), which enabled the training of 60 electricians. In addition, a new training center was developed by AES Eletropaulo in the 2nd Army Battalion of Osasco for training of soldiers before their dismissal from military service. Twenty soldiers were trained in 2014 to work in the Electric Power System (EPS).

Of 265 qualified professionals, 100% were hired by AES Eletropaulo, AES Serviços or other suppliers. Since 2009, there have been 3,271 more electricians trained, and 85% have been contracted.

BANCO DE LEITURISTAS

GRI EU14

The purpose of the Banco de Leituristas (Meter Readers Pool) is to create the basis for a training school and to improve retention and satisfaction of those employees. In 2014, 70 employees were trained. For meter readers employed for at least one year, it was given the opportunity to enroll in the course of the Electricians Pool. Out of the 120 who applied, 47 meter readers were promoted to electricians, offering a new career horizon and potential for personal and professional growth.

TECHNICAL ACTIVITY RECYCLING

Implemented in 2014, the technical recycling project is dedicated to electricians who work in the aerial, losses and subtransmission segments, with 10 to 15 years of activity, and is focused on rescuing concepts through conceptual and practical training that allow contact with new technologies and approaches in the laboratory, and the development of practices and skills. For the

practical part, there are small training centers and operational bases, which include the use of poles, cables and transformers used for simulations.

INCLUSION PROJECT

GRI EU14

AES Eletropaulo is a partner of the Municipality of São Paulo in the project that aims to provide employment opportunities for people who were homeless. The Inclusion Project consists of enrolling – through Pronatec – people living in municipal hostels and Centros de Acolhida (Welcoming Centers), into Senai's professional courses so they can later participate in selection processes in the project's partner companies. Of the 78 candidates enrolled in AES Eletropaulo's course since 2013, 15 were admitted, two of whom remained in the company in 2014. From the experience with AES Eletropaulo, the Municipality included the Centro de Integração Empresa Escola (CIEE – Center for Integration Business-School) as a partner, for behavioral training.

JEITO AES DE ATENDER

As part of the strengthening of the Jeito AES de Atender program, (read more here), direct employees and contractors were trained in 2014, covering the entire chain of customer service and people who, in some way, relate to the customer, including leadership, store attendants, electricians and meter readers.

MORE ACCESSIBLE SERVICE

A group of AES Eletropaulo store employees had found that there were difficulties in communicating with hearing impaired customers who went into the shops. From the demand of the attendants themselves, a course for training in sign language was structured in order to better serve these customers. In 2014, 18 people were trained as sign language interpreters and have had the opportunity to communicate with these customers, generating satisfaction for them and the employees.

GROWTH AND DEVELOPMENT

PERFORMANCE MANAGEMENT

Performance Management aims to analyze the performance of employees, promoting their development. At AES Eletropaulo, the Performance Management cycle consists of three steps:

- Reaching goals;
- Biannual 360º feedback;
- Performance evaluation.

GRI G4-LA11

All employees (100%) go through a kind of regular performance evaluation at AES Eletropaulo, covering both genders and all functional categories.

RECOGNITION

To stimulate a meritocratic culture and the retention of talent, AES Eletropaulo recognizes the effort and the contribution of its employees to the company's success through the following initiatives:

Reconhecimento Dinâmico (Dynamic Recognition) Program: once a month, the company recognizes employees who have excelled in the execution of projects and actions, achieving results above the company's expectations. Recognition is made through the delivery of a gift certificate in the amount of R$200.00.

Pé na Estrada: An event held with AES Brasil's President, which recognizes employees who exemplify the Group's values.

SIGA LIVRE

AES Brasil's employees can refer to Siga Livre, a program that offers clear and direct information on the hierarchical levels and the knowledge and experience necessary to perform each function within the Group.

In 2014, 615 promotions were made and 352 salaries were increased on merit or position.

INTERNAL SELECTION

At AES Brasil, before a position is opened for the whole workforce, the manager assesses whether there are any professionals on their team who is ready to take the job and, if so, an internal promotion is offered. If not, the internal recruitment is done in other areas. If no AES Group employees have the profile required for the job, the position is opened for external recruitment. In 2014, 43% of open positions were filled by people from within AES Brasil.

BEHAVIORAL TRAINING

Behavioral Training is targeted at professionals who occupy positions that require college degrees. The topics of the training are related to the moment experienced by the organization and organizational skills required of all employees. In 2014, the themes were:

- Decision making and initiative
- Time management
- Capacity to work in adverse environment

- Results and Communication orientation

Each training course has at least 20 vacancies and those interested register at the Training Portal. Because they reflect the company's needs, these training courses have a lot of interest and vacancies are filled quickly.

LEADERS ACADEMY

With the aim of training AES Brasil's supervisors, coordinators, managers and directors in concepts and skills that fundamental to achieve the company's strategic objectives, the Leaders Academy – launched in 2013 – provides development paths based on the Sustainable Strategic Planning in business and organizational skills of leadership needs.

All programs are mandatory. The modules offered in 2014 were:

- Compensation
- Effective Planning
- Sustainability Training
- Coordinators and Managers Development Program
- Supervisors Development Program
- Assertive Communication
- Positive Leadership
- Leadership Development Program – module II
- Client Focus
- Productivity in the Electric Power Sector

Some of the topics were conducted internally, by directors, for example. For other programs, external partners were hired as consultants.

In 2014, 431 managers participated in at least one Leadership Academy module and, by April 2015, it is expected that all 549 AES Brasil's leaders will have completed their development paths.

SUSTAINABILITY EDUCATION

The Sustainability Education Program has been a commitment since 2012, included in the Sustainability Platform, and aims to develop skills, abilities and attitudes necessary for AES Brasil to reach its commitment of sustainable development. The program was designed in phases to cover all employees and topics ranging from strategy, to the basic concepts and communication around sustainable practices and attitudes incorporated into AES Brasil's processes.

In the first phase of the program, implemented in 2012, 100% of employees were trained on AES Brasil's sustainability strategy with the support of a Learning Map. In 2013, the conceptual phase begun, with specific activities for the development of leadership and Working Groups directly involved in the implementation and dissemination of the strategy. Nine workshops were held for leaders and two events for employees. The second phase continued in 2014 when 12 specific

workshops with up to 70% of AES Brasil Group's leaders, a workshop for the trainees and four thematic events with the participation of more than 400 people of the Group addressing climate change, innovation, elections and integrated reporting with the presence of renowned experts. At AES Eletropaulo, the education program reached 244 leaders in 10 workshops, and 385 employees in four events.

The third phase of the Education Program will begin in 2015 and its mission is to update all employees on the AES Brasil Group's new strategy and includes the expansion of training for technical and administrative staff, as well as workshops for the leadership team, which can help put sustainability into practice and engage their teams. Other initiatives in the program are cycles of lectures, processes solution workshops and the sharing and communication about AES Brasil's projects and the sustainability practices.

POTENTIAL MANAGEMENT

Focused on the development of higher-level employees (and with more than a year of working for the company), the program aims to make a complete map of potential talent – which are indicated by managers, directors and Vice-Presidents. In 2014, more than 24 AES Brasil's professionals were indicated, of which 17 were selected. All nominated employees participated in a potential evaluation process, which resulted in a Development Plan. Of the 17 people who went through the program, 10 have already assumed leadership positions.

HIGHER EDUCATION DEVELOPMENT PROGRAMS

Launched by the AES Brasil Group in 2012, the Higher Education Development Program (PNS) focuses on developing the skills of its employees. After the first cycle of training, the program was redesigned and in the 2014 cycle, was responsible for the training of 268 professionals, who had a total of 2,198 hours of classroom training.

WORKFORCE COMMUNICATION

AES Brasil believes that an open and transparent communication with its workforce – as well as being an important tool in the engagement of employees towards the company's strategy – is one of the keys to retaining talent. The "Rede Ligado" brings together all internal communication channels and has specific tools for operational, administrative and leadership employees. Among other initiatives, the network includes:

- **Revista Ligado:** reformulated in 2014, Revista Ligado is a monthly publication that brings issues relevant to all of the company's workforce such as strategies, safety, people, behavior, changes in the regulation of the electric power sector, among other topics.
- **Momento Ligado:** a channel created to promote dialogue between leaders and their teams. On a weekly basis, the internal communication team sends a summary of all relevant facts to the

company's leaders, so that they are shared during meetings with all the teams. In addition, Momento Ligado provides a presentation to the teams of the conversation held between the President and the leaders.

- **Pé na Estrada:** the cycle of events held annually in all of the Group's companies, providing a dialogue between the president and employees to talk about the company's strategy, goals and results, providing an exchange of experience.

In 2014, an employee survey was conducted, with 81.58% reporting being satisfied or completely satisfied with the internal communication channels.

STORIES THAT TRANSFORM

In 2014, the Stories that Transform campaign was launched, consisting of testimonials from employees in videos, telling their personal and professional stories relating to AES Eletropaulo, demonstrating how they experience the values and the brand every day and how these behaviors are reflected in interactions with other stakeholders. Click here to see the stories.

DEVELOPMENT AND VALORIZATION OF SUPPLIERS

For AES Eletropaulo, suppliers are business partners and are key to achieve strategic objectives and sustainability. Each year, the company advances in its initiatives of evaluation, development, relationship, valorization and communication with its supply chain aiming at shared gains.

In 2014, the company maintained business relationships with approximately 1,600 suppliers, including small, medium and large national and multinational companies, product manufacturers and service providers.

SUPPLIER BASE

G4-12

Around 85% of AES Eletropaulo's active suppliers base is made up of regional suppliers and service providers.

In addition, approximately 60% of the amount allocated to suppliers is paid to companies providing services in the Electric Power System (EPS) – construction, maintenance, tree pruning – and suppliers of materials applied in the aerial and underground network.

SUSTAINABILITY PLATAFORM*		
COMMITMENTS		**RESULTS**
Implement the 2014 Development and Improvement of Suppliers Management Program		The Program was launched in 2013 and implemented in 2014 in AES Brasil companies.
Have 100% of strategic services providers trained in sustainability by 2016		The Sustainable Partnership Program started training activities for sustainability, which reached several suppliers of materials and services in 2014, through the dissemination of concepts and the exchange of best practices in specific events and lectures. These actions will be potentiated in 2015 and 2016 and directed to strategic service providers.
Implement the Program of Development of Small and New Suppliers by 2014		The Sustainable Partnership Program implemented actions to develop and hire small and new suppliers. These actions come from conducting training events to the simplification of internal rules to facilitate access to these suppliers. In addition, monitoring of the amount of small and medium-sized suppliers, and the amounts spent on these companies became part of the supplier management process.
Adopt process of prioritizing suppliers of materials and services that have good social and environmental practices by 2016		New social and environmental criteria were included in the procurement policy of AES Brasil and are considered from planning the purchase and required in the assessment of offerings.

** Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

SUSTAINABLE PARTNERSHIPS

The Sustainable Partnerships program was created in 2013 and consolidated in 2014 aiming to unify the management of all initiatives from the suppliers of AES Brasil. Its main objective is the formation and strengthening of healthy and lasting relationships with the supplier base. Learn about the program by clicking the link below:

https://youtu.be/ZiqvV2xf0uw

Part of the benefits of the Sustainable Partnerships program is the management of suppliers, with intelligence gained through the cross-analysis of most strategic companies for AES Eletropaulo's business. The main tool for the management of suppliers is the Supplier Performance Index (IDF – Índice de Desempenho do Fornecedor), which was created in 2011 and brings together a set of technical, social and environmental criteria that are evaluated monthly by contract managers.

Technical, environmental and safety inspections are also held periodically in order to assist the company to anticipate operational, image and reputation risks, that may be caused by any improper suppliers.

From this information, a final score is generated that will determine what action AES Eletropaulo may take in relation to the performance of suppliers. These measures range from action plans for the low performance to the recognition for the best performances.

Criteria for evaluating the IDF:

SOCIAL CRITERIA	SAFETY CRITERIA	ENVIRONMENTAL CRITERIA	OPERATIONAL CRITERIA
Workers' rights	Prevention of accidents	Adequate infrastructure	Management system
Compliance and ethics	Employees' Health	Control of chemical products	Production capacity
Environment and Quality of Life at Work	Production process	Pollution Control System	Technical testing
People management	Emergency management	Environmental licenses and permissions	Infrastructure
	Risks of the working environment	Environmental liabilities	

In 2014, Internal Committees of Suppliers were created to meet quarterly to review information about the suppliers and make decisions on critical cases.

AES Eletropaulo's IDF was 78.31 in 2014, higher than the target of 75.00.

In order to facilitate access and engage suppliers in a continuous improvement process, the registration and contracting processes were simplified, which had been a major constraint for small suppliers. At AES Eletropaulo, the decentralized procurement process now has an electronic list of small suppliers able to participate, while contracts for more specific purchases were also signed, such as buffet services. These suppliers were trained in internal safety, environment, social responsibility and ethical standards.

In addition, the Sustainable Partnerships also offer support and development actions like the organization of three events which brought together 96 AES Brasil Group's suppliers in 2014. Among the events was a workshop on market trends, and an exchange of best practices between the best suppliers during the year, and also two events on the "Sustainability as a Competitive Edge for Small and Micro Enterprises" theme, with the presence of Ricardo Voltolini[1]. At AES Eletropaulo, 60 suppliers participated in the events.

[1] *CEO of Sustainable Ideas: Strategy and Intelligence Sustainability, founder of the Sustainable Leadership Platform and author of Conversations with Sustainable Leaders (Senac-SP / 2011) and Schools of Sustainable Leaders (Elsevier / 2014)*

All these actions were developed from research and meetings with suppliers since 2012.

AES BRASIL'S BEST SUPPLIERS

Awarded based on the IDF, the Award for AES Brasil's Best Suppliers recognizes their best practices, considering safety, environment, social responsibility, quality, management, productivity, relationships and contract terms. In 2014, 185 companies were eligible for the award, of which 39 were finalists and 13 were awarded. In 2014, the winners of the award in 2013 participated in a workshop to share best practices. The initiative will be repeated in 2015. Click here to see the winners.

RESEARCH WITH SUPPLIERS

In 2014, AES Brasil conducted an online survey with more than 90 suppliers covering the perceptions and demands of these companies regarding the business relationship. When asked about practices that AES Brasil could implement to improve the relationship, about 15% cited the importance of personal meetings and 11% indicate the need for more monitoring and evaluation, such as training courses and feedback sessions.

90% of suppliers consider AES Brasil a transparent company

COMMUNICATION

Connected Suppliers:a quarterly publication created to promote greater transparency and fairness in the relationship with suppliers, discussing relevant topics such as business opportunities, changes in the AES Eletropaulo supplier policies, among others. The content is based on the results of research conducted with suppliers in 2014 and is sent by email to 100% of the supplier base.

Exclusive e-mail: the e-mail address parceriassutentaveis@aes.com was created to facilitate direct communication between AES Eletropaulo and contracted companies.

IDF website: in 2014, the Supplier Performance Index webpage, in the company's website, started to undergo a reform. The IDF 2.0 website will be released in 2015 and will allow more interactivity between AES Eletropaulo's contract managers and suppliers, regarding things such as indicator queries, historical data, charts and other information.

[1]CEO of Sustainable Ideas: Strategy and Intelligence Sustainability, founder of the Sustainable Leadership Platform and author of Conversations with Sustainable Leaders (Senac-SP / 2011) and Schools of Sustainable Leaders (Elsevier / 2014)

TRAINING OF CONTRACT MANAGERS

In 2014, AES Brasil revisited the roles and responsibilities of contract managers and initiated a training grid. The first training action covered the review of the IDF criteria, which reached 80% of contract managers. This initiative will remain active in 2015 and will be expanded to include other important topics for training.

AES SERVICES

G4-13

In 2014, AES Serviços established itself as an increasingly important partner in AES Eletropaulo's supply chain, taking over customer service activities (stores) and field services (commercial technical services – disconnect, reconnects, losses – and replacement of poles). This change allowed greater efficiency, strategic alignment and cost reduction for AES Eletropaulo.

AES Services provided services to AES Eletropaulo in the amount of R$23 million in 2014, 119% more than in 2013.

COMBATING CHILD AND SLAVE LABOR

In addition to the contractual terms and the consultation of the Ministry of Labor's "Dirty List" (record of labor exploiters analogous to slavery) in order to make sure that their suppliers were not listed, AES Brasil performs positive action to educate its suppliers, dealing with the events, sending communicated guidance and requesting declarations that they do not adopt these practices. Since 2010, AES Eletropaulo has held an annual procedure to map the regions with the highest incidence of child labor and sends a statement calling attention to suppliers based in these regions, so they can check their operations and value chain.

Click here to see AES Brasil Group's actions related to contractual compliance with potential business partners, service providers or suppliers.

DEVELOPMENT AND VALORIZATION OF COMMUNITIES

Organizations and individuals rely on electricity for their development and for their wellbeing. This is the primary reason for the existence AES Eletropaulo. Therefore, the company performs a set of initiatives aimed at the communities located in the concession area and to society in general, to increase the degree of satisfaction and trust of its stakeholders and contribute to sustainable development in these localities.

In order to promote the continuous improvement of social work and to ensure maximum alignment with the business strategy and the Sustainability Policy, the relationship and the commitments of AES Eletropaulo with communities are guided by Corporate Social Responsibility Management System (SGRSC – Sistema de Gestão de Responsabilidade Social Corporativa), which meets the regulations and external standards applicable to AES Group's businesses in Brazil, such as ISO 26000 and AA 1000.

79% OF SÃO PAULO'S RESIDENTS RELY ON AES ELETROPAULO, THE HIGHEST RATE SINCE 2010.

Source: IRBEM 2014 (Welfare Benchmark Indicators in the Municipality), a survey conducted by Rede Nossa São Paulo and IBOPE in 2013.

79% OF SÃO PAULO'S RESIDENTS RECOGNIZE THAT AES ELETROPAULO EDUCATES CUSTOMERS ABOUT THE SAFE AND EFFICIENT USE OF ENERGY; 69% SAY THAT THE COMPANY CARES ABOUT CUSTOMERS.

Source: Corporate sustainability monitor 2014 – survey conducted by Market Analysis in São Paulo

The initiatives for communities are grouped into four pillars of the Private Social Investment Policy (aligned with the corporate value creation model):

- Education, Culture, Sport and Health[1];
- Inclusive Professional Training;
- Access to Energy and Energy Efficiency;
- Social Influence.

[1]*The health component was incorporated into the AES Brasil Private Social Investment Policy in 2014 in order to include opportunities to contribute to organizations and high-impact projects in this theme, while optimizing the use of tax incentives for the company and the society.*

The evaluation system is composed of activity management indicators, measuring the impact on the public and investment per project, besides conducting surveys with the benefit to gauge satisfaction feedback and to meet the expectations of the public. This methodology has been extended to some of the social projects of the Consumo Mais Inteligente program.

In 2014, R$90.3 million were invested and allocated to social projects, of which R$52.5 million from incentive funds and R$37.8 million from own resources.

SUSTAINABILITY PLATAFORM *		
COMMITMENTS		**RESULTS**
Participate in the development and implementation of three public policies aimed at sustainability by 2016		In 2014, partnerships were held with municipal governments in public policies aimed at social inclusion, environment and conscious consumption.
Identify and recognize best practices towards a sustainable society by 2014		The target was not met by 2014. The company will consider this initiative as a possible action of the Consumo Mais Inteligente program, from 2015 onwards
Expand access to regulated and efficient electric power to 164 thousand families in low-income communities by 2016		In 2014, 59,000 families in the concession areas of AES Eletropaulo have benefited from access to regulated energy. From 2012 to 2014, 190,362 families have benefited from the regularization

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

EDUCATION, CULTURE, SPORT AND HEALTH

CULTURE AND CITIZENSHIP HOUSE

AES Brasil's main social project, the Culture and Citizenship House promotes cultural and sports activities for children and young people in seven units located in the states of São Paulo and Rio Grande do Sul. In 2014, 61,700 people participated in cultural, sports activities and lectures given in the municipalities of São Paulo (Vila Guacuri) and Osasco.

The Vila Guacuri unit stood out in 2014 for its results in artistic gymnastics competitions, in which the Culture and Citizenship House team participated against clubs and colleges with recognized teams.

https://youtu.be/S5K_8FvdMbU

Main research results performed in 2014 in the seven Culture and Citizenship houses maintained by AES Brasil:

- For 89.8% of students and accountable adults, the relationship and family interaction has improved since the child or young person began to attend the Culture and Citizenship House; in 2013, the rate was 84.4%.
- In 2014, a growth of 11 percentage points is recorded for those considering the Culture and Citizenship House very important for beneficiaries, reaching 89.3%.

ENERGIA DO BEM

Energia do Bem (Good Energy) is AES Brasil's volunteer program that, in 2014, involved 1,106 employees, through two components:

- **Agindo para Transformar (Acting to Transform)** activities aimed at education on the efficient and safe use of electricity;
- **Distribuindo Energia do Bem (Good Energy Distribution):** promotion of campaigns for blood donation, clothing donation, Christmas, and financial contributions to the Centro Educacional Infantil Luz e Lápis.

In 2014, Energia do Bem's highlight was a project carried out by the sustainability area that mobilized AES Eletropaulo employees so that they become the maintainers of the Centro Educacional Infantil Luz e Lápis. Through this initiative, employees could make monthly donations through a system that enables them to discount directly from their salary. After conducting lectures in 15 of AES Eletropaulo's operational bases, the number of maintainers more than tripled to 220 employees, and monthly donations grew by 258%.

In 2014, AES Brasil held an event to recognize and value the Energia do Bem's volunteers for the first time. Seven employees and three leaders were recognized for their role and contribution to the program.

The employees of AES Brasil can apply for volunteer positions, offered by the company's partner institutions, in the website www.energiadobem.com.br

IN 2014, 4,845 PEOPLE BENEFITED FROM THE ENERGIA DO BEM PROGRAM.

https://youtu.be/FrnfBBSd9Eo

CENTRO EDUCACIONAL INFANTIL LUZ E LÁPIS

The Centro Educacional Infantil Luz e Lápis (Luz e Lápis Children Educational Center) is dedicated to children from the ages of 1-6 years old and from low-income families or who are socially vulnerable, and seeks to contribute to the emotional and social wellbeing of these children.

The project has run for over 25 years and, in 2014, 234 children from the Santo Amaro and Guarapiranga neighbourhoods on the south side of São Paulo were assisted for free.

CONSUMO MAIS INTELIGENTE

The Consumo Mais Inteligente Program (Smarter Consumption) aims to raise awareness about the efficient and safe use of electric power and promote environmental education. Several different projects sit within the scope of the program: AES Eletropaulo nas Escolas; Recicle Mais, Pague Menos; and Movimento Viva sem Acidentes (described in chapter Safety – (click here).

AES ELETROPAULO NAS ESCOLAS

AES Eletropaulo nas Escolas (AES Eletropaulo in Schools) works directly in teacher education, helping increase information on the efficient use of electricity and security, in addition to providing three trucks with games and playful and interactive activities that visit schools and communities.

In 2014, the project assisted 2,906 teachers from 314 public schools in the concession area of AES Eletropaulo and was attended by 88,600 children and adolescents, who developed work on energy consumption through scale models, games, music and dance among other features.

Between 2009 and 2014, 1.2 million people in 1,914 schools benefited by AES nas Escolas.

To assess the extent of the project's impact, a survey of 252 students across four municipalities in the concession area of AES Eletropaulo was performed in 2014. The main results are as follows:

- Of the students who commented on conscious consumption at home, more than half cited the example *Turning off the lights when leaving a room*, and 44% cited *Saving of shower or bath water*.
- More than 90% said that AES Eletropaulo is committed to guiding the community on how to avoid the risk of accident with the electric power grid and gives important information about conscious consumption of electricity.

RECICLE MAIS, PAGUE MENOS

Recicle Mais, Pague Menos (Recycle More, Pay Less) is a project that offers discounts on energy bills for customers who deliver recyclable materials (paper, plastic, metal, glass and TetraPak packaging) in the collection points scattered around the concession area. The main benefits of the project are to reduce energy bills – and customers can even reset the value of the bill to nothing through the delivery of materials – and the proper disposal of recyclable solid waste.

Since the beginning of the project (2013), over 2,176 tons of recyclables have been collected and the accumulated discount already reached more than R$124,000.

The Recicle Mais, Pague Menos project was recognized by the Ministry of Environment as a reference practice to face the challenges due to the implementation of the National Policy on Solid Waste (PNRS) and was inserted into the virtual platform EducaRES. Check out the platform at http://educares.mma.gov.br.

PROJECT HIGHLIGHTS IN 2014:

- Investment of R$1,121,032.23;
- Eight collection points in the cities of São Paulo and Barueri – four new points opened in 2014;
- 2,113 tonnes of recycled material collected;
- R$116,349.32 was discounted from 3,638 customers' bills;
- 5,468.89 kg of CO_2e emissions were avoided;
- 9,233.4 MWh/year are no longer consumed, the equivalent to the energy consumed by 3,077 households with consumption of 250 KWh/month.

In 2014, a survey of 300 registered customers was carried out at different collection points to assess the main impacts of the project. Among the results were:

- For 95% of respondents, the project is very important or important both for them and for their community;
- AES Eletropaulo is recognized by 90% of respondents as a company that cares about the community, develops projects for environmental protection and guidance on the safe and efficient use of electricity.

In 2015, it's expected that current collection points will be maintained and three more points will be opened in new locations.

https://youtu.be/pZkMdN0cpPo

MENSAGENS QUE BRILHAM

During the World Cup in 2014, AES Eletropaulo made an innovative campaign on the streets of São Paulo, the Mensagens que Brilham (Messages that Shine). The most inspiring messages sent by fans via Facebook with the hashtag "#energiaquebrilha" were projected on street lights near bars in the streets during the days of the Brazil games.

https://youtu.be/wfeAK6ZLpjA

ACCESS TO ENERGY AND ENERGY EFFICIENCY

GRI G4-EC7; G4-EC8, E23

TURNING CONSUMERS INTO CLIENTS

The program aims to promote regular access to electricity for low-income families in the concession area of AES Eletropaulo. In addition to the regularization of illegal connections, the program conducts educational work among the population to encourage efficient and safe use of electricity. In 2014, 59,096 connections were regulated, benefitting around 236 thousand people.

VIDEO – DOCUMENTARY "A ENERGIA TRANSFORMA"

https://youtu.be/sy-LiIBdg_A

Documentary about the 10-year program launched in 2014, with testimonials of beneficiaries in different communities

In the same year, the program achieved the lowest default rate in its history, reaching about 17%, the result of intensive educational and door-to-door relationship with communities. AES Eletropaulo operates in partnership with municipalities to update their registration of the low-income population in social programs that allow discounts on energy rates, enabling the introduction of a new account value into the family budget.

In 2014, the program completed ten years since launch and, besides celebrating the various results achieved, AES Eletropaulo took the opportunity to internally assess the program and structure the next steps. The strategy for the coming years is to invest in projects that promote the socioeconomic development of communities in order to make this process sustainable over time. New projects will be developed and partially implemented in 2015 in some communities and, based on the results obtained, will be extended to a larger number of communities.

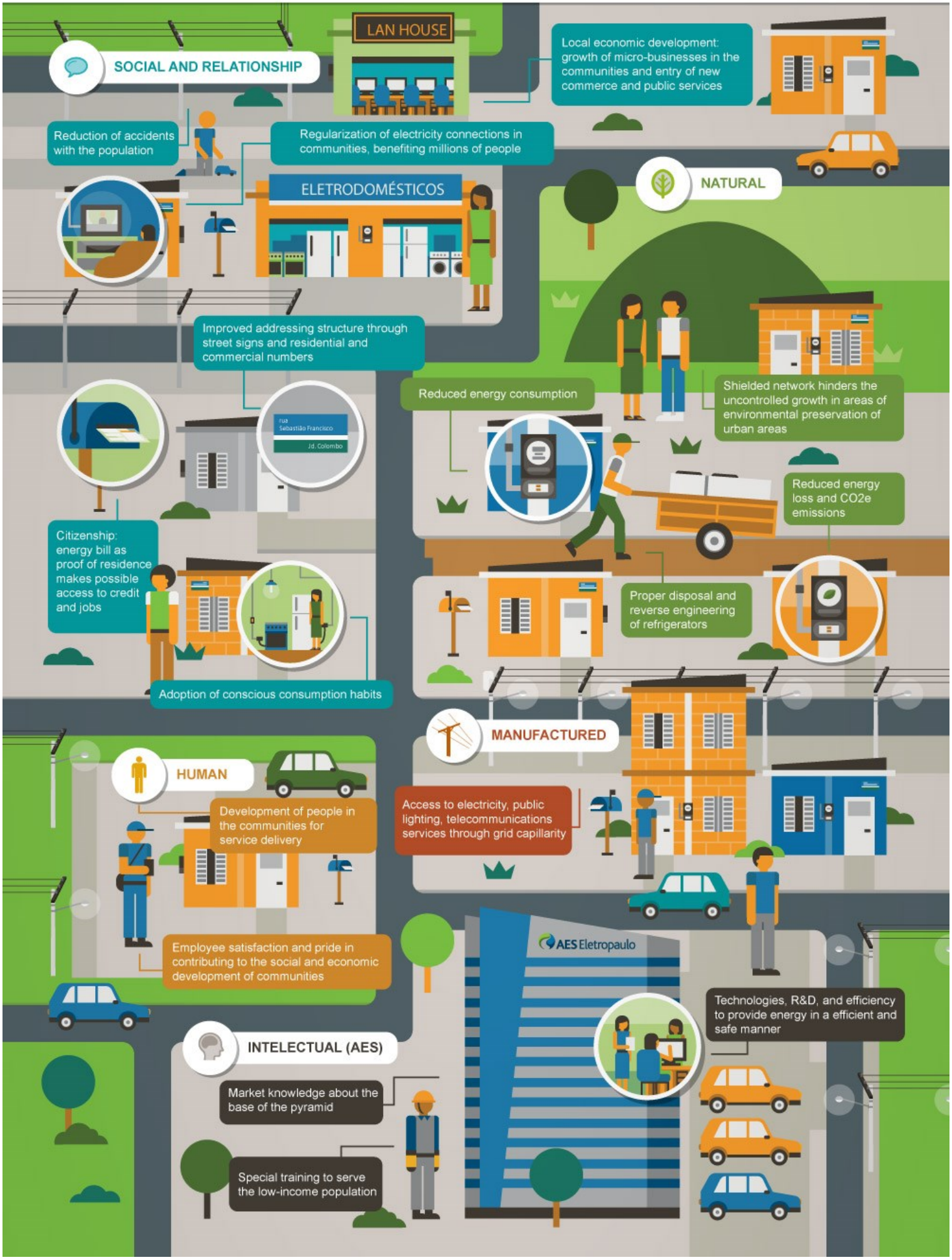
10 YEARS OF TURNING CONSUMERS INTO CLIENTS

- *Regulating 647,604 illegal connections in 1,538 communities;*
- *647,604 families and around 2,6 million people benefited;*
- *Replacement of 56,354 refrigerators and 2,157,187 lamps;*
- *4,006 internal reforms;*
- *4,436 solar heating system installations, replacing conventional electric showers;*
- *R$535,7 million was invested in expansion and improvement of network and energy efficiency actions.*

Learn more about how the program contributes to creating value for society:

TRANSFORMING CONSUMERS INTO CLIENTS

How the program creates value for different AES Eletropaulo stakeholders



SOCIAL ELECTRICITY TARIFF

The Normative Resolution 572/2013 of 08/13/2013, effective from 12/12/2013, established procedures for proof of compliance with the eligibility criteria for granting the Social Electricity Tariff – TSEE. With the Resolution, a customer who does not meet the established criteria will lose the right to the social tariff, and distributors shall report the reasons and provide guidance on the maintenance of the benefit. As a measure to minimize such impact on the customers, AES Eletropaulo has adopted the following measures:

- Created material (leaflet and poster) and distributed through customer service channels, municipalities, in communities etc;
- Held specific meetings on the subject with representatives of 24 municipalities in the concession area;
- Promoted meetings with community leaders to guide them on the steps to maintain this benefit;
- Included a cover story in the newspaper that is distributed to communities (concentration of the target audience);
- Conducted training for customers service teams which aimed to clarify customer's questions;
- Held a meeting with PROCON aiming to record the impact on customers;
- Sent letters to customers who could potentially lose these benefits.

MAIN PRIVATE SOCIAL INVESTMENTS IN 2014

GRI G4-EC4, G4-EC8

LINE OF ACTION: EDUCATION, CULTURE, SPORT AND HEALTH

PROJECT	DESCRIPTION	AREA OF INFLUENCE	ESTIMATED NUMBER OF PEOPLE WHO BENEFIT	INVESTED RESOURCES	SOURCE OF FUNDS
Consumo Mais inteligente: - AES nas Escolas - Viva sem Acidentes - Recicle Mais, Pague Menos - Campanha Consumo Consciente	Through various projects, it aims to raise awareness of the efficient and safe use of electricity and promote environmental education.	The entire concession area of AES Eletropaulo	920,694 AES Eletropaulo nas Escolas (88,6 thousand) Recicle Mais, Pague Menos (5,133) Viva sem Acidentes (826,961)	AES Eletropaulo nas Escolas: R$3,787,412.44; Recicle Mais, Pague Menos: R$1,121,032.23 Viva sem Acidentes: R$ 4.2 million; Consumo Consciente: Campaign R$2.5 million	R$1 million of own funds and R$10,652,179.67 funds granted by Programa de Eficiência Energética
Culture and Citizenship House	The main social project of AES Brasil, the Culture and Citizenship House aims to transform the lives of thousands of children, young people and adults through activities related to art, culture, citizenship and quality of life, especially for low income communities.	São Paulo (Vila Guacuri) and Osasco	61,7 thousand benefited, through participation in regular courses, lectures and presentations	R$2,359,034.68	R$683,550.00 of own funds and R$1,340.387.74 of funds incentivized by Rouanet Law and R$335,096.94 of funds incentivized by the Sports Law
Centro Educacional Infantil Luz e Lápis	With the title of Organização da Sociedade Civil de Interesse Público (Oscip), assists children between the ages of 1-6 years from low-income families or social risk	Two units, Santo Amaro and Guarapiranga, both in the southern region of São Paulo	234 children	R$1,843,214.32	Own funds
Energia do Bem	AES Brasil's voluntary	Applicable to all units	1,106 employees	R$ 44,627.70	Own funds

	program, which aims to engage and provide support to the company's employees and their families who wish to voluntarily contribute to the development of communities in which the Group is located.	of AES Eletropaulo	involved 4,845 benefited		
Conselhos Municipais dos Direitos da Criança e do Adolescente (CMDCA)	Support for social projects chosen by CMDCAs, social diagnosis and training of members of the Councils	Embu das Artes, Juquitiba e Mauá	Undetermined (with the new process implemented in 2015, it will be possible to estimate the number who benefit)	R$307,595.95	Incentivized funds – FUMCAD (Fundo Municipal dos Direitos da Criança e do Adolescente) Incentivized funds – Programa de Ação Cultural
Exposição Itinerante (Museu de Energia)	Traveling exhibition that shows the evolution of energy. The project will be implemented in 2015	Municípality of São Paulo	Not estimated	R$186,103.44	Incentivized funds – Programa de Ação Cultural
Virada Sustentável	Collaborative mobilization movement for sustainability, in which AES Eletropaulo presented the theme of "Conscious Energy Consumption"	São Paulo	16,100 people directly benefited 342,600, indirectly benefited	R$199,991.00	Incentivized funds – Programa de Ação Cultural
Às Margens do Rio Pinheiros	Urban interventions conceived by visual artist Eduardo Srur in order to raise awareness about the importance of caring for the Rio Pinheiros and the environment	São Paulo	215,256 people benefited	R$211,887.67	Incentivized funds – Programa de Ação Cultural
Cinema e Cidadania	Film screenings with focused messages to raise awareness about important issues such as energy, water and recycling. The project will be implemented in 2015	Municipalities of Mauá, Barueri, Embu das Artes, Carapicuíba, Embu-Guaçu, Jandira and Vargem Grande Paulista	15 thousand people	R$237,512.00	Incentivized funds – Programa de Ação Cultural
É Proibido Miar	Promote the importance of reading to children through	São Paulo, Osasco and Santo André	1,5 thousand people	R$228,329.41	Incentivized funds – Programa de

	theater performance. The project will be implemented in 2015				Incentivo ao Esporte
Jiu Jitsu	Training children through Jiu Jitsu	São Paulo and São Bernardo	270 children	R$144,884.25	Incentivized funds – Programa de Incentivo ao Esporte
Acadêmicos do Futebol	Encouraging football as a factor of social inclusion, education and recovery of citizenship	São Paulo and Osasco	400 children	R$157,623.15	Incentivized funds – Programa de Incentivo ao Esporte
Fortalecer Esporte	Training of girls aged 10 to 17 years to practice basketball	Mauá	90 girls	R$331,041.00	Incentivized – Programa de Incentivo ao Esporte
Vida Ativa	Awareness of the importance of constant practice of sport and physical activities	São Paulo	2 thousand people	R$118,705.95	Incentivized funds – Programa de Incentivo ao Esporte
Passeio Ciclístico	Encouraging the practice of sport on a daily basis and to promote the importance of physical activity for health and urban mobility. The project will be implemented in 2015	Diadema	1 thousand people	R$151,206.61	Incentivized funds – Programa de Incentivo ao Esporte
Motivational talks – "Último Fôlego"	Motivational lectures by sports manager and Olympic medalist Edson Luciano about the importance of sport. The project will be implemented in 2015	Itapevi, Cajamar, Taboão da Serra, São Lourenço da Serra, Ribeirão Pires, Carapicuíba, Juquitiba, Rio Grande da Serra, Itapecerica da Serra, Pirapora do Bom Jesus, Santana do Parnaíba and Vargem Grande Paulista	2,4 thousand people	R$202,500.00	Incentivized funds – Programa de Incentivo ao Esporte
Fundo do Idoso	Support for registered social projects, in accordance with the priorities and standards set by the Council	Mauá	Undetermined	R$307,595.95	Incentivized funds – Fundo do Idoso

Grupo de Apoio ao Adolescente e à Criança com Câncer (GRAACC)	Conduct research to develop new methods for diagnosis of cancer in children under 5 years	São Paulo	3 thousand people annually	R$396,736.40	Incentivized funds – PRONON (Programa Nacional de Apoio à Atenção Oncológica)

LINE OF ACTION: INCLUSIVE PROFESSIONAL TRAINING

PROJECT	DESCRIPTION	AREA OF INFLUENCE	ESTIMATED NUMBER OF PEOPLE WHO BENEFIT	FUNDS INVESTED	ORIGIN OF FUNDS
Banco de Eletricistas, Banco de Leituristas and Projeto de Inclusão	Recruitment, selection and training of AES Eletropaulo's own workforce and contracted partners, given the demand for professionals in the sector. Learn more about the projects in the chapter	The entire concession area of AES Eletropaulo	343 people	R$290,307.00	Own funds
Training of people wi th disabilities	Training courses for administrative assistant jobs in the labor market.	AES Eletropaulo's concession area	50 people	R$59,571.00	Own funds

LINE OF ACTION: ENERGY EFFICIENCY AND ACCESS TO REGULATED ELECTRICITY					
PROJECT	**DESCRIPTION**	**AREA OF INFLUENCE**	**ESTIMATED NUMBER OF PEOPLE WHO BENEFIT**	**FUNDS INVESTED**	**ORIGIN OF FUNDS**
Transforming consumers into clients	Its main objective is to promote regular access to electricity, in order to secure and reliable supply for all, contributing to the well-being of low income communities	AES Eletropaulo's concession area	59,100 families, with 236,000 people	R$72,362,948.43	R$33.8 million from own resources and R$38.6 million with resources raised by the Energy Efficiency Program
Energy efficiency initiatives	Aimed at large energy consumers, aims to replace equipment with more efficient models. Learn more about the projects in the chapter Efficient Use of Energy Resources.	AES Eletropaulo's concession area	Undetermined	R$3,812,032.01	Own funds – Energy Efficiency Program

LINE OF ACTION: SOCIAL INFLUENCE					
PROJECT	**DESCRIPTION**	**AREA OF INFLUENCE**	**ESTIMATED NUMBER OF PEOPLE WHO BENEFIT**	**FUNDS INVESTED**	**ORIGIN OF FUNDS**
Sendi (Seminário Nacional de Distribuição de Energia Elétrica)	The purpose of the event is to promote the exchange of experiences between the concessionaires of public service in Brazil	The event took place in Santos	1,4 thousand people	R$58,000.00	Own funds
GVces – Fundação Getulio Vargas Business Initiatives	Business Initiatives are linked to GVces projects focused on the sizing of the economy, gathering companies to discuss and Jointly build tools, solutions, strategies and policies related towards sustainable development.	Brasil	No estimate	R$35,000.00	Own funds
Fundação Abrinq	Mobilize society towards issues related to rights of children and adolescents. AES Eletropaulo is recognized as a Child Friendly Company.	Brasil	No estimate	R$12,057.00	Own funds
Encontro de Jovens Transformadores	The purpose of the event is to bring together young people with the greatest potential to transform the country. Discussions were held on education issues, entrepreneurship, mobilizing networks, social business, public administration and private enterprise	São Paulo	100 young people	R$6,000.00	Own funds

IBASE SOCIAL BALANCE SHEET

Annual Social Balance Sheet / 2014

Company: Eletropaulo Metropolitana Eletricidade de São Paulo S.A.

1 – Calculation basis	2014 value (thousands of reais)			2013 value (thousands of reais)		
Net revenues (RL)			10.557.279			9.012.207
Operating income (RO)			5.530			293.619
Gross payroll (FPB)			678.759			506.531
2 – Internal social indicators	**Value (thousands**	**% on FPB**	**% on RL**	**Value (thousands**	**% on FPB**	**% on RL**
Food	62.054	9,14%	0,59%	55.663	10,99%	0,62%
Compulsory social charges	131.583	19,39%	1,25%	116.517	23,00%	1,29%
Pension plan	286.038	42,14%	2,71%	337.746	66,68%	3,75%
Health	60.932	8,98%	0,58%	53.082	10,48%	0,59%
Occupational health and safety	14.798	2,18%	0,14%	12.640	2,50%	0,14%
Education	0	0,00%	0,00%	0	0,00%	0,00%
Culture	0	0,00%	0,00%	0	0,00%	0,00%
Professional qualification and development	3.618	0,53%	0,03%	3.973	0,78%	0,04%
Nursery and nursery allowance	1.379	0,20%	0,01%	1.322	0,26%	0,01%
Profit sharing	70.431	10,38%	0,67%	65.745	12,98%	0,73%
Other	0	0,00%	0,00%	0	0,00%	0,00%
Total – Internal social indicators	630.833	92,94%	5,98%	646.688	127,67%	7,18%
3 – External social indicators	**Value (thousands**	**% on RO**	**% on RL**	**Value (thousands**	**% on RO**	**% on RL**
Education	14.197	256,74%	0,13%	20.099	6,85%	0,22%
Culture	3.390	61,30%	0,03%	3.565	1,21%	0,04%
Health and sanitation	704	12,74%	0,01%	0	0,00%	0,00%
Sport	1.441	26,06%	0,01%	1.885	0,64%	0,02%
Fight against hunger and food security	0	0,00%	0,00%	0	0,00%	0,00%
Other	70.542	1275,63%	0,67%	87.639	29,85%	0,97%
Total contributions	90.276	1632,47%	0,86%	113.188	38,55%	1,26%
Taxes (excluding social charges)	2.387.976	43182,21%	22,62%	2.375.071	808,90%	26,35%
Total – External social indicators	2.478.252	44814,68%	23,47%	2.488.259	847,44%	27,61%
4 – Environmental indicators	**Value (thousands**	**% on RO**	**% on RL**	**Value (thousands**	**% on RO**	**% on RL**
Investments in the company's production/ operation	44.124	797,91%	0,42%	28.430	9,68%	0,32%
Investments in programs and/or external projects	52.042	941,09%	0,49%	57.260	19,50%	0,64%
Total environmental investments	96.167	1739,00%	0,91%	85.690	29,18%	0,95%
In relation to the definition of "annual goals" to reduce waste, the consumption in general in the production/operation and improve the effectiveness in the use of natural resources by the company	( ) no goals ( ) compliance between 0 and 50% ( )compliance between 51and 75% (X) compliance between 76 and 100%			( ) no goals ( ) compliance between 0 and 50% ( )compliance between 51and 75% (X) compliance between 76 and 100%		
5 – Personnel indicators	**2014**			**2013**		
Number of employees at the end of the period	6.152			6.208		
Number of admissions in the period	562			953		
Number of outsourced employees	8.798			9.293		
Number of interns	26			35		
Number of employees above 45 years	987			980		
Number of women in the company	1.060			1.092		
% of head positions held by women	16,48%			17,29%		
Number of black employees in the company	1.454			1.363		
% of head positions held by black employees	6,98%			6,11%		
Number of employees with disabilities or special needs	76			66		
6 – Significant information on business citizenship	**2014 value (thousands of reais)**			**2013 value (thousands of reais)**		
Relation between the highest and lowest compensation in	87.97			96.25		
Total number of labor accidents	57			52		
The social and environmental projects developed by the company were defined by:	( ) executive officers	(X) executive officers and directors	( ) all employees	( ) executive officers	(X) executive officers and directors	( ) all employees
The security and hazard standards in the work environment were defined by:	(X) executive officers and directors	( ) all employees	( ) all + Cipa	(X) executive officers and directors	( ) all employees	( ) all + Cipa
Trade union liberty, free collective negotiation and internal representation of employees by the company:	( ) do not participate	( ) according to the ILO rules	(X) promote and comply	( ) do not participate	( ) according to the ILO rules	(X) promote and comply
The pension plan includes:	( ) executive officers	( ) executive officers and directors	(X) all employees	( ) executive officers	( ) executive officers and directors	(X) all employees
The profit sharing includes:	( ) executive officers	( ) executive officers and directors	(X) all employees	( ) executive officers	( ) executive officers and directors	(X) all employees
In the section of suppliers, the same ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	(X) are required	( ) are not considered	( ) are suggested	(X) are required
In relation to the employees' participation in voluntary work programs, the company	( ) do not participate	( ) support	(X) organize and promote	( ) do not participate	( ) support	(X) organize and promote
Total number of claims and concerns by consumers:	in company 32.059	in Procon 4.432	in Justice 4.077	in company 27.778	in Procon 3.592	in Justice 3.138
% of claims and concerns served or resolved:	in company 100%	in Procon 100%	in Justice -	in company 100%	in Procon 100%	in Justice -
Total value added to be distributed (in thousand of R$):	**In 2014: 4,674,326**			**In 2013: 4,715,348 (*)**		
Distribution of value added (DVA):	72,02% government 18,84% employees -2,82% shareholders 11,96 % third parties			68,85% government 18,27% employees 4,20% shareholders 8,68% third parties		
7 – Other information						

(*) change in value due to some reclassifications made in the current year

(**) 'in company' claims account only for Ombudsman control

ABOUT THIS REPORT

GRI: G4-28, G4-31, G4-32

For the ninth consecutive year, AES Eletropaulo is publishing a sustainability report as guided by the Global Reporting Initiative (GRI), which addresses the company's main achievements between the dates of January 1 to December 31, 2014. For the first time, the company followed the G4 – the latest version of the guidelines launched by GRI in 2012 – joining the "Essential" option.

Another important advance of this report is the application of the principles of Integrated Reporting, an initiative that the company has been undertaking since 2012. While the integrated report is the result of integrated management, it also stems from a shared vision for leadership throughout different areas of the company. Over the last few years, we have focused on the internal dissemination of concepts relating to creating and protecting sustainable value.

As an example of the maturity of efforts to promote thinking and integrated management, we developed and included in this report a value creation model, which describes the essentials for the sustainability of the business and how the company creates value for its customers in each of them, considering the short, medium and long term, and taking into account the business's relationship with the external environment (see the value creation model here - link). We also developed a model of value creation for the Transforming Consumers into Customers project (check here).

Included in this report's content is information about the contribution of capital to support AES Eletropaulo's business in tangible and intangible ways, for different audiences.

To ensure alignment to business strategy and the relevance of information for readers of this report, the definition of the content and performance indicators to be reported were based on the

principles of materiality, both operated with GRI guidelines and the Integrated Reporting framework.

In 2014, AES Eletropaulo again presented its report in an online format (in addition to PDF), allowing greater connectivity between the topics discussed and easier navigation between chapters.

If you have questions, suggestions and criticisms about the report's content, it can be forwarded to the company's Sustainability Management team by email to: sustentabilidade@aes.com.

ANALYSIS OF MATERIALITY

GRI G4-18, G4-19, G4-20, G4-21

In order to get an updated materiality matrix on the issues that should be prioritized in the definition of the sustainability report content, and also to better comply with the G4 version of the GRI in 2014, the company revised its materiality analysis process. From 2015 onwards, a more robust process will be made considering AES Brazil's new sustainable strategic planning.

In this action, there was an effort to integrate management tools with company practices and information from different areas of the company, aiming to seek greater integration of processes in the construction of the materiality matrix.

The content definition process was carried out according to the following steps:

Step 1: initial definition of the issues based on:

- Mapping requirements and expectations of the ten stakeholders;
- Context of sustainability to AES Eletropaulo in the year, based on the analysis of risks and environmental, social and governance opportunities involving different areas of the company.

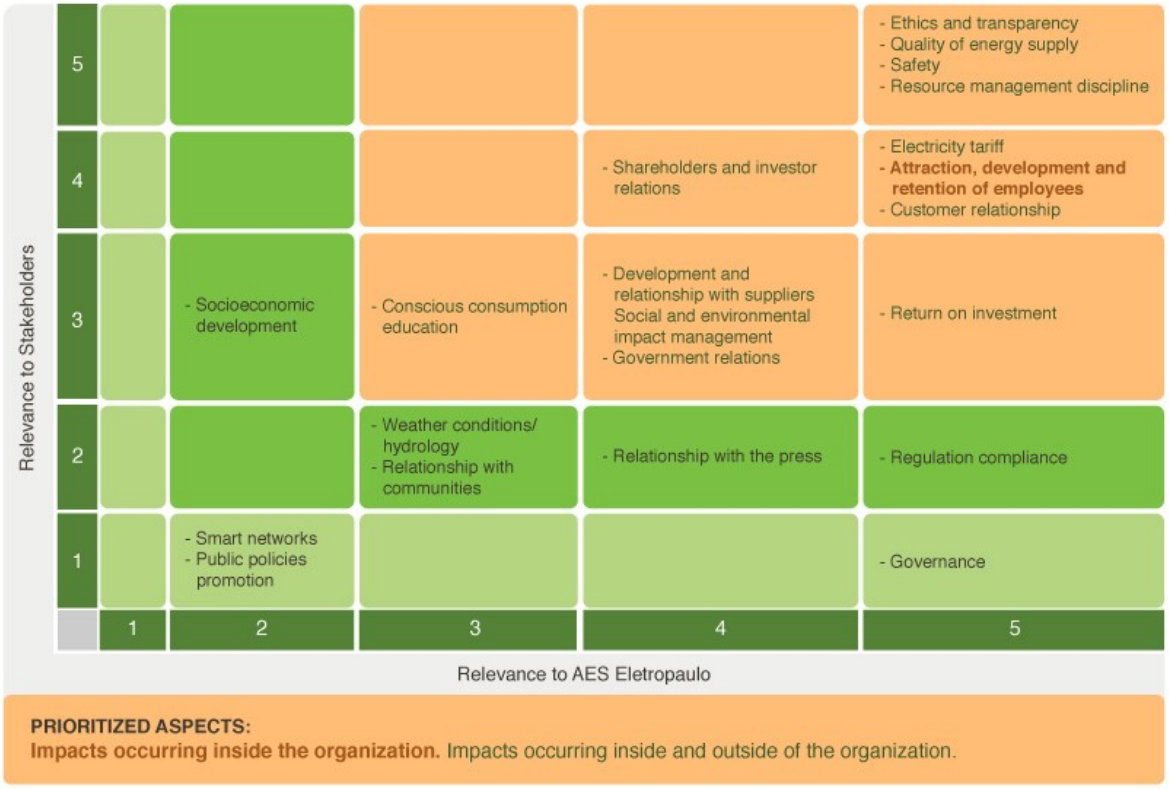
Step 2: materiality analysis of issues:

- Establishment of priority topics for the readership and for AES Eletropaulo;
- Consolidation of issues and prioritization according to the relevance of each, from qualitative and quantitative analysis and discussions, generating the materiality matrix.

Step 3: review and validation of the list of priority issues for the report:

- Review of the materiality matrix, in order to make the prioritization more consistent among the most consistent issues;
- Discussion and validation with senior leadership of the company.

MATERIALITY MATRIX



In this report, the prioritized issues are addressed more specifically through the chapters and make up the five themes of the Sustainability Platform, which were used as the basis for the organization of the content.

Listed below are the issues, with links to the respective chapters in which they are discussed:

ASPECTS	CHAPTERS – REPORT 2014
Ethics and transparency	All; Governance
Quality of energy supply	Innovation and Excellence for Customer Satisfaction
Safety	Safety
Electricity Tariff	Context; Innovation and Excellence for Customer Satisfaction
Attraction, development and retention of employees	Development and Valorization of Employees

ASPECTS	CHAPTERS – REPORT 2014
Customer Relationship	Innovation and Excellence for Customer Satisfaction
Resource management discipline	Efficient Use of Financial, Energy and Natural Resources
Return on investment	Efficient Use of Financial Resources
Shareholders and investors relations	Strategy – Stakeholder Engagement
Development and relationship with suppliers	Development and Valorization of Suppliers
Social and environmental impact management	Safety; Efficient Use of Natural Resources; Development and Valorization of Communities
Government relations	Strategy – Stakeholder Engagement; Innovation and Excellence for Customer Satisfaction; Efficient Use of Energy Resources; Development and Valorization of Employees
Conscious consumption education	Development and Valorization of Communities

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES		
INDICATORS AND DESCRIPTION		**WHERE TO FIND / REPLY**
STRATEGY AND ANALYSIS		
G4-1	Message from the CEO	Message from the CEO

ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	About the Company – Profile
G4-4	Primary brands, products, and services	About the Company – Profile
G4-5	Location of the organization's headquarters	Barueri, São Paulo
G4-6	Countries where the organization operates and where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	About the Company – Profile
G4-7	Nature of ownership and legal form	Privately held company with stocks listed on the BM&FBovespa
G4-8	Markets served	About the Company – Profile
G4-9	Scale of the organization	About the Company – Profile
G4-10	Total workforce by employment contratct, gender and region	Development and Valorization of Employees
G4-11	Percentage of total employees covered by collective bargaining agreements	100%
G4-12	Describe the organization's supply chain	Development and Valorization of Suppliers
G4-13	Significant changes during the reporting period	Development and Valorization of Suppliers
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Governance – Risk Management

G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	http://aesbrasilsustentabilidade.com.br/pt/compromissospublicos
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	Strategy – Stakeholders
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	About the Company – Profile
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	The sustainability report covers the same entities included in the consolidated financial statements of the company.
G4-18	Explain the process for defining the report content and the Aspect Boundaries	About the Report –Analysis of Materiality
G4-19	List all the material Aspects identified in the process for defining report content	About the Report – Analysis of Materiality
G4-20	For each material Aspect, report the Aspect Boundary within the organization	About the Report – Analysis of Materiality
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	About the Report – Analysis of Materiality
G4-22	Effect of any restatements of information provided in previous reports	Restatements in previously published information and indicators are shown in the explanatory notes throughout the report.
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	There were no significant changes from previous reporting periods in the scope and aspect boundaries.
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization	Strategy – Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Strategy – Stakeholders

G4-26	Organization's approach to stakeholder engagement	Strategy – Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Strategy – Stakeholders
REPORT PROFILE		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the Report
G4-29	Date of most recent previous report	February, 2014
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	About the Report
G4-32	'In accordance' option the organization has chosen; GRI Content Index; reference to the External Assurance Report	GRI Content Index
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	The Portuguese versions of the Sustainability Report underwent external assurance by KPMG.
GOVERNANCE		
G4-34	Governance structure of the organization, including committees of the highest governance body	Governance – Governance Structure
ETHICS AND INTEGRITY		
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Governance

SPECIFIC STANDARD DISCLOSURES INDICATORS AND DESCRIPTION ECONOMIC CATEGORY ECONOMIC PERFORMANCE	WHERE TO FIND / REPLY
G4-DMA Management approach	Efficient Use of Financial Resources
G4-EC1 - Direct economic value generated and distributed	Efficient Use of Financial Resources
G4-EC2 - Financial implications and other risks and opportunities for the organization's activities due to climate change	Innovation and Excellence for Customer Satisfaction – Smart Grid Project / Operational Excellence
G4-EC4 - Financial assistance received from government	Development and Valorization of Communities - Main private social investments in 2014
EU6 - Management approach to ensure short and long-term electricity availability and reliability	Innovation and Excellence for Customer Satisfaction – Smart Grid Project / Operational Excellence
EU7 - Demand-side management programs including residential, commercial, institutional and industrial programs	Efficient Use of Energy Resources – Energy Efficiency Program
EU8 - Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Innovation and Excellence for Customer Satisfaction – Commitments and Performance / Smart Grid Project
MARKET PRESENCE	
G4-DMA	Efficient Use of Energy Resources
EU12 - Transmission and distribution losses as a percentage of total energy	Efficient Use of Energy Resources - Reduction of technical and commercial losses
INDIRECT ECONOMIC IMPACTS	
G4-EC7 - Development and impact of infrastructure investments and services supported	Innovation and Excellence for Customer Satisfaction – Network expansion

G4-EC8 - Significant indirect economic impacts, including the extent of impacts	Efficient Use of Energy Resources – Energy Efficiency Program
ENVIRONMENTAL CATEGORY **ENERGY**	
G4-DMA	Efficient Use of Energy Resources
G4-EN3 - Energy consumption within the organization	Efficient Use of Energy Resources – Internal Consumption of Electric Power
G4-EN6 - Reduction of energy consumption	Efficient Use of Energy Resources - Internal Consumption of Electric Power
WATER	
G4-DMA	Efficient Use of Natural Resources
G4-EN8 - Total water withdrawal by source	Efficient Use of Natural Resources – Water consumption
G4-EN10 - Percentage and total volume of water recycled and reused	Efficient Use of Natural Resources – Water consumption
EMISSIONS	
G4-DMA	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN15 - Direct greenhouse gas (GHG) emissions (Scope 1)	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN16 - Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN17 - Other indirect greenhouse gas (GHG) emissions (Scope 3)	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN20 - Emissions of ozone-depleting substances (ODS)	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer

EFFLUENTS AND WASTE	
G4-DMA	Efficient Use of Natural Resources
G4-EN23 - Total weight of waste by type and disposal method	Efficient Use of Natural Resources – Materials and Waste
G4-EN24 - Total number and volume of significant spills	Efficient Use of Natural Resources – Materials and Waste
G4-DMA	Efficient Use of Natural Resources
G4-EN27 - Extent of impact mitigation of environmental impacts of products and services	Efficient Use of Natural Resources

COMPLIANCE	
G4-DMA	Efficient Use of Natural Resources
G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Efficient Use of Natural Resources

OVERALL	
G4-DMA	Efficient Use of Natural Resources
G4-EN31 - Total environmental protection expenditures and investments by type	Efficient Use of Natural Resources

SOCIAL CATEGORY – LABOR PRACTICES AND DECENT WORK EMPLOYMENT	
G4-DMA	Development and Valorization of Employees
G4-LA1 - Total number and rates of new employee hires and employee turnover by age group, gender	Development and Valorization of Employees

EU14 - Programs and processes to ensure the availability of a skilled workforce	Development and Valorization of Employees – Development and retention of talent
EU16 - Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	Safety – Workforce Safety
EU17 - Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities	Safety – Workforce Safety
EU18 - Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	Safety – Workforce Safety
OCCUPATIONAL HEALTH AND SAFETY	
G4-DMA	Safety
G4-LA5 - Percentage of total workforce represented in formal joint management–worker health and safety committees	Safety – Workforce Safety
G4-LA6 - Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	Safety – Workforce Safety
TRAINING AND EDUCATION	
G4-DMA	Development and Valorization of Employees
G4-LA9 - Average hours of training per year per employee	Development and Valorization of Employees – Development and retention of talent
G4-LA10 - Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Development and Valorization of Employees – Development and retention of talent
G4-LA11 - Percentage of employees receiving regular performance and career development reviews	Development and Valorization of Employees – Development and retention of talent
SOCIAL CATEGORY – PRODUCT RESPONSIBILITY	

ACCESS	
G4-DMA	Efficient Use of Energy Resources
EU23 - Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services	Efficient Use of Energy Resources – Energy Efficiency Program
EU28 - Power outage frequency	Innovation and Excellence for Customer Satisfaction – Operational Excellence
EU29 - Average power outage duration.	Innovation and Excellence for Customer Satisfaction – Operational Excellence
CUSTOMER HEALTH AND SAFETY	
G4-DMA	Safety
EU25 - Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	Safety – Population safety
PRODUCT AND SERVICE LABELING	
G4-DMA	Innovation and Excellence for Customer Satisfaction - Ethics and Customer Respect
G4-PR5 - Results of surveys measuring customer satisfaction	Innovation and Excellence for Customer Satisfaction - Ethics and Customer Respect
COMPLIANCE	
G4-DMA	Innovation and Excellence for Customer Satisfaction –Operational Excellence
G4-PR9 - Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Innovation and Excellence for Customer Satisfaction –Operational Excellence
SOCIAL CATEGORY – SOCIETY	

ANTI-CORRUPTION	
G4-DMA	Governance – Ethics and Compliance
G4-SO3 - Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Governance – Ethics and Compliance

DISASTER/ EMERGENCY PLANNING AND RESPONSE	
G4-DMA	Innovation and Excellence for Customer Satisfaction – Operational Excellence
EU21 - Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	Innovation and Excellence for Customer Satisfaction – Operational Excellence

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