

ANNUAL
AND

**SUS
TAIN
ABI
LITY**

REPORT

2016



Chesf



4
MESSAGE FROM
THE MANAGEMENT

10
ABOUT
THE REPORT

16
CHESF

32
CORPORATE
GOVERNANCE

42
MANAGEMENT
AND RESULTS

58
INNOVATION

64
STAKEHOLDERS

80
RESPONSIBILITY TO
THE ENVIRONMENT

89
GRI/G4
CONTENT INDEX

102
CORPORATE
INFORMATION

103
CREDITS



MES SAGE

FROM THE MANAGEMENT

(G4-1, G4-2)





ANOTHER YEAR OF CHALLENGES OVERCOME

2016 was a challenging year for the Brazilian economy and inevitably the repercussions were felt at Chesf. It was a daily exercise during this period to review our business structure, seeking to maintain the same efficiency and quality at a lower cost – a process that brought us many challenges but also many opportunities. Actions included the evaluation of internal processes efficiency, including personnel, services, administrative expenses, and maintenance. In the area of personnel management, the Company carried out a study to map its activities with the aim of scaling staff requirements in relation to what our business activities actually involve and, as a result, adjust the total number of employees. This meant that another phase of the Voluntary Resignation Incentive Plan (PIDV) could be launched, a process that should continue throughout 2017.

The reason for all of this business planning is to help Chesf adapt to the new conditions arising from Law No. 12,783/2013, which brought forward the renewal of generation and transmission concessions and resulted in a sharp drop in revenue for the Company. The initiatives are challenging and laborious, yet fundamental for us to move forward and ensure the continuity and sustainability of the business. With the support of the Ministry of Mines and Energy and Eletrobras, Chesf was able to finish 2016 having delivered a set of priority works, carried out improvement and modernization of substations and participated in generation and transmission projects in partnership with private initiative.

In 2016, the problems associated with the lack of rainfall in the São

Francisco river basin continued to influence Chesf's system as a result of changes to the flow rate affecting the operations of its hydroelectric power plants along the river. Meanwhile, construction began on two wind farms, both of which are scheduled for completion by early 2018. A solar generation project was initiated for deployment at the Company's substations, principally those supplied by distributors, which could potentially provide the Company with estimated savings of eight million Brazilian reais per year. The pilot project has already been installed at the Abreu and Lima (PE)



substation warehouse and a second has already been approved for the SE Messias substation (AL). Another important initiative to report was the signing of an agreement between the Company and the National Education and Research Network (RNP), which will greatly increase the data and information transmission capacity through the expansion and modernization of the optical fiber cable system, along transmission lines and at an extremely competitive



cost. At the same time it will provide high-speed internet to education and research institutions across almost the entire Northeast region via the CHESF system.

ANEEL's decision regarding the transmission assets of the infrastructure known as the Basic Network of the Existing System (RBSE), calculated an amount of R\$ 5.09 billion for the Company (2013 prices), which should be received by mid-2017. This positively influenced the economic result of 2016, which recorded a profit of R\$ 3,985.4 billion, an increase of R\$ 4,461.4 billion over the previous year.

It is important to emphasize that Chesf has worked single-mindedly on projects and processes that help bring balance to our economic-financial health, opening up the possibility of new investments with the diversification of our energy matrix and the modernization of our operations. The Northeast Energy Fund (FEN), created by the Federal Government in 2015 to compensate for the gradual reduction of Chesf's contracts with large industrial consumers in the Northeast, represents a great investment opportunity for the Company, as this funding will finance energy generation and transmission projects in which Chesf can create partnerships with private companies, with a shareholding of up to 49%. We are already carrying out studies and analyses to define which projects to invest in, based on profitability and success in meeting the construction deadlines. Within the Engineering and Construction Department, we also created a planning center, which has already brought important results for the Company in 2016 with a 70% increase in the average number of completed projects and a 43% reduction in the construction delay time.

The year was also marked by the dedication of our employees in the elaboration of our Business and Management Plan 2017-2021, based on the Eletrobras Business and Management Master Plan, detailing actions to increase efficiency, compliance, risk management and integrity, as well as establishing short- and medium-term goals for all of our organizational units. The purpose is to strengthen the control mechanisms for our operations, not only in relation to financial management, but also in the operational area, with a focus on reducing environmental and safety risks. In addition, a Conformity and Risk Management Coordination area was created - linked directly to the Presidency - demonstrating the level of importance attributed to the issue by Chesf, which seeks to work ethically and with compliance and integrity in its operations.

In addition, the Sustainable Development Goals (SDG) became even more strategic for Chesf with the integration of the Sustainability area into the Planning and Innovation area. It is worth mentioning that the sustainability guidelines were also considered in the Company's Strategic Map (2017-2021), as well as the management of opportunities and threats associated with the strategic planning and innovation processes.

Chesf will continue to work tirelessly to position itself as a benchmark for sustainability in the energy sector in the medium and long term. We understand that we are on the right track by taking this reorganizational approach, working from within to build a company that grows ever stronger and more capable of creating value for society.

José Carlos Miranda de Farias
CEO/President
(2015-2016 management)





FOCUS ON RESULTS, WITH ETHICS AND TRANSPARENCY

The year 2016 featured major challenges for Chesf and all of the Eletrobras companies, marked by a significant change in the company's management and business activities.

As part of this new trajectory we approved the Chesf Business and Management Plan 2017-2021, part of the deployment of the Eletrobras Business and Management Plan 2017-2021 launched by the Holding with the title "Challenge 21 - Sustainable Excellence", within the strategic planning for 2015-2030. The name embodies the concern for sustainability inherent in a structural business such as Chesf's. The Chesf Business and Management Plan is based on three pillars, which we have identified as the Company's key requirements - operational excellence, corporate governance and financial discipline - and includes eleven premises relating to the Company's performance in the segments of generation; transmission; protection, automation and telecommunication; and business management and marketing, which will help to put the company on the road towards more efficient and sustainable management.

We are signatories to the commitments of the Global Compact and play an important role in achieving the UN Sustainable Development Goals for 2030, with which we have been aligned since their launch. In recognition of this commitment to contemporary society's demands for sustainable development and ethical responsibility, Chesf, through Eletrobras, participated for the tenth consecutive year in the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange - Bovespa.

We believe that CHESF is a significant asset for Brazil and we are aware that by implementing the changes that we have planned throughout this important year 2016 and following our values - focus on results; ethics and transparency; appreciation of and commitment to people; entrepreneurship and innovation; and sustainability - we can continue to be one of the main drivers of sustainable development in our country.



Wilson Ferreira Junior
Chairman of the Board of Directors





OUTLOOK FOR THE FUTURE

A scenario of an economic downturn coupled with political instability and a crisis in the electricity sector has made 2016 a difficult and overcoming year for Chesf. The challenges were overcome because the Company reacted with measures capable of ensuring quality operations, even in an environment presenting such adversities, and also looked to the future by preparing and planning the next steps towards the goal of returning the company to growth. The Company has suffered a reduction in revenues since 2012 as a result of regulatory changes in the electricity sector. In addition, in 2016 it had to deal with a legal block of almost half a billion Brazilian reais called "Factor K" resulting from a lawsuit filed in the 12th Civil Court of Recife, further impacting on cash availability.

This situation motivated Chesf to readapt itself structurally. The Company's Governance has acted to promote streamlining of processes and reduction of operating costs; created a Compliance, Internal Controls and Risk Management Coordination area; and implemented the "Eletrobras 5 Dimensions Program" to improve integrity practices in the working environment, among other actions that will be detailed throughout this report.

Also in 2016, the Company updated its Business and Management Plan and revised the Strategic Map, both for the five-year period, 2017-2021, redirecting its activities by establishing financial, operational and socio-environmental targets. These new targets challenge us to continually improve and contribute to advancing along the path we are taking to a responsible and sustainable growth.

It was in the middle of this period of overcoming that I assumed, in January 2017, fully motivated, the Presidency of the Company. This year, we will continue with the planning started in the previous year and focus on restoring cash flow, prioritizing projects with their bidding processes already approved for revenue generation, sale of assets and reductions to expenditure.

In parallel, with the integration of the Sustainability area into the Planning and Innovation area, we will strengthen the issues related to this theme.

I would like to reiterate our commitment to the Principles of the Global Compact, the National Pact for the Eradication of Slave Labor, the Principles of Women's Empowerment, the Pro-Equity Gender and Race Program and the Declaration of Commitment to Confront Sexual Violence Against Children and Adolescents. The development of our business is only valid based on ethical values and principles and full respect for human rights in all of their forms.

I believe that 2017 will be the year in which we emerge from the level of economic discomfort experienced in recent years. With significant support from Eletrobras and the Ministry of Mines and Energy our actions become even more strategic and assertive, contributing to achieving the sustainability and operational efficiency that we aim for.



Sinval Zaidan Gama
CEO/President (2016 - present)



Chapada I Wind Park



ABOUT

THIS REPORT

(G4-28, G4-29, G4-30)



Published for the seventh consecutive year and following the GRI-G4 version of the Global Reporting Initiative (GRI) for the fourth year, this report describes Chesf's financial-economic and socio-environmental performance in 2016 and covers all of the company's operations in the Northeast region of Brazil, including 13 hydroelectric plants and one biofuel-powered thermal plant.

Following the Core version of the methodology, the materiality process for this report selected 85 indicators: 27 referring to organizational profile, 40 to performance and 18 to the sector-specific supplement.

These indicators, designated during the materiality process, reflect the work of Chesf with regards to its strategies and the challenges faced in 2016 from the perspective of its key stakeholders.

This publication is available in Portuguese and English in print and online versions. The GRI Content Index presents the indicators reported, indicating the pages where they can be found. The other indicators considered material to the business can be seen in the Annex:

www.chesf.gov.br > **Sustentabilidade**



To find out more about the guidelines and indicators used in this report, access www.globalreporting.org



Transmission line



MATERIALITY PROCESS

The process for defining the material topics followed the methodology recommended in the G4 version of the GRI, which comprises the stages of Identification, Prioritization, Validation and Analysis, as well as the inclusion of key stakeholders and the context of sustainability for business. Based on studies of the energy sector, benchmarking and Chesf’s internal documents, 20 issues considered essential to the business were identified. Thereafter, a questionnaire was presented to a group of internal leaders and to another group representing the key stakeholders of the company: employees, customers, suppliers, government, regulators, society, shareholders, media, partners, and market analysts. In addition, the company held a face-to-face event with multi-area and regional representatives with the objective

of involving professionals who do not frequently participate in discussions on sustainability, allowing for new visions of how Chesf can integrate good practices into day-to-day operations. As a result of the prioritization process, six topics were flagged as very important, eight as important and six as potentially material.

Based on these results it was possible to create a materiality matrix to correlate the degree of importance of certain issues for Chesf and its stakeholders, assessing impacts (positive and negative) for both. The material topics, approved by the Executive Board, were correlated with the organization’s main sustainability and performance indicators and are marked in the report, in the Annex and in the Content Index.

(G4-18, G4-19, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27, G4-48)



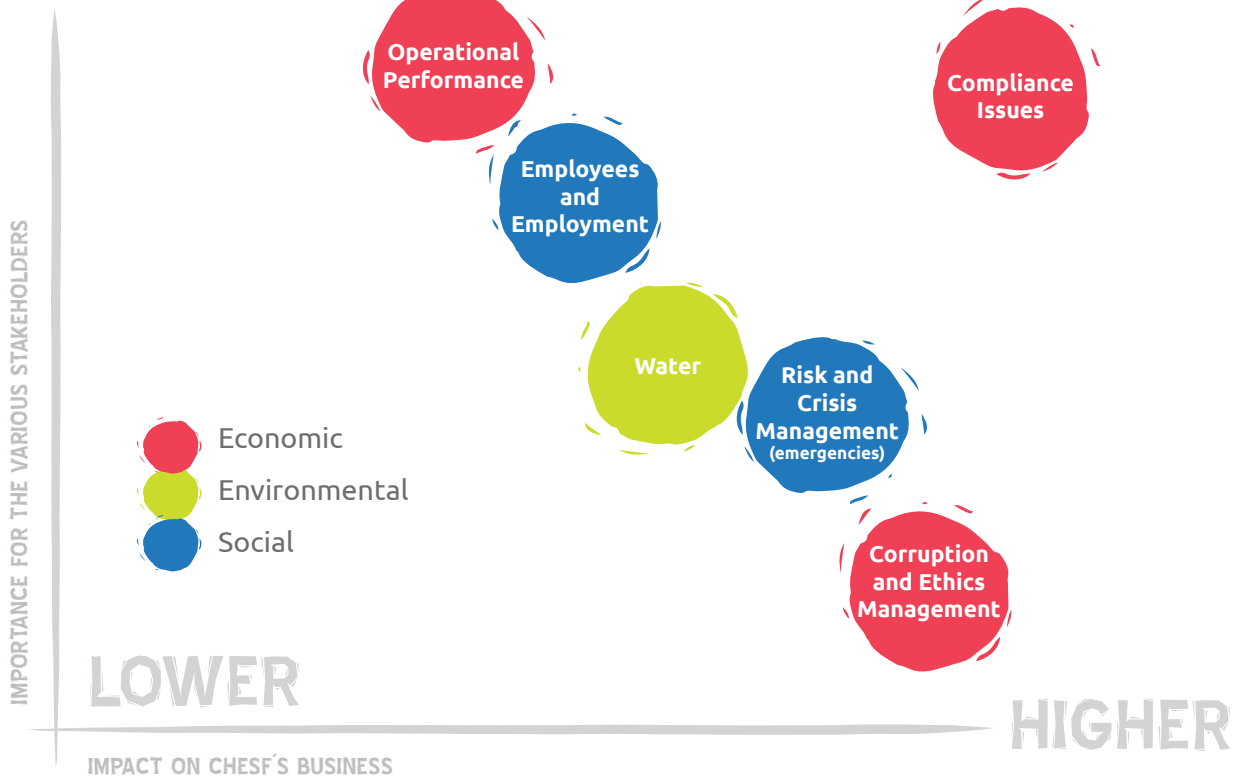
MATERIAL TOPICS 2016

RANKING	TOPIC	RELEVANCE
1	Compliance Issues	Very important
2	Operational Performance (Supply)	Very important
3	Employees and Employment	Very important
4	Risk and Crisis Management	Very important
5	Water	Very important
6	Corruption, Management and Ethics	Very important
7	Biodiversity	Important
8	Energy Matrix	Important
9	Energy Efficiency	Important
10	Quantity of Assets	Important



G4-18, G4-19, G4-27

HIGHER



RANKING	TOPIC	RELEVANCE
11	Satisfaction	Important
12	Communities	Important
13	Climate change	Important
14	Health and safety	Important
15	Innovation, Diversification and R & D	Potentially material
16	Special Purpose Entities	Potentially material
17	Supplier management	Potentially material
18	Participation in Integrated Committees and Studies	Potentially material
19	Waste	Potentially material
20	Human Rights	Potentially material



WHO ARE CHESF'S STAKEHOLDERS?

(G4-24, G4-25, G4-26, G4-27)

All parties directly and indirectly affected by Chesf's results and actions are considered to be stakeholders. The mapping of these parties is guided by the Eletrobras Policy for Communication and Engagement with Stakeholders and the guidelines of the Strategic Plan and follows the assessment of the key issues to be addressed by the company in each period.



Public Audience in PA



ENGAGEMENT PRACTICES

(G4-18, G4-25, G4-26, G4-27, G4-37)

Chesf defines a set of practices throughout the year to engage with its stakeholders. Many of them are applicable to all of the stakeholder groups and involve meetings, visits, telephone calls, e-mails and newsletters. Among the more specific actions are public hearings and campaigns involving government and society, quality of life actions with employees and their relatives, sponsorship of social projects, contact with suppliers through the supplier service center and customer satisfaction surveys.

Through these engagement practices and communication channels it is possible to identify the perceptions, suggestions and concerns of these groups, provide responses and appropriately handle each situation. An example of this were the suggestions received from universities, research institutions and employees concerning the issues that the Company should be aware of, including: forecasting of solar radiation for energy generation, studies of technology for energy storage and its application on the national level, energy generation from waves and tidal flow, etc.



Educação Solidária Programm



CHESE



The clean and efficient generation of energy and the guarantee of its delivery to customers and consumers are commitments that drive Chesf's day-to-day operations



CHESF

One of the Eletrobras Companies, Chesf (Companhia Hidro Elétrica do São Francisco) is a concessionaire with one of the largest generation and transmission systems in Brazil, with a generation complex providing more than 10,000 megawatts (MW)

(G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-17)

of installed capacity. A mixed-capital limited company headquartered in Recife (PE), the Company was established by the 1st General Meeting in 1948 and operates in the generation, transmission and trading of electricity in Brazil.

Chesf's power generation processes are concentrated in the Northeast region of Brazil and are influenced by the region's hydrological regime. In all, the Company has 13 hydroelectric plants - with 10 reservoirs storing 56.8 billion cubic meters of water

(G4-EU1)

- responsible for 99.9% of its total energy production in 2016 and one biofuel-powered thermal plant. Together they provide total production of 10,613.13 MW of installed capacity.



CHESF'S INSTALLED CAPACITY

POWER PLANTS	RIVER	INSTALLED CAPACITY (MW)
HYDROELECTRIC		10,268.33
Sobradinho	São Francisco	1,050.30
Luiz Gonzaga (Itaparica)	São Francisco	1,479.60
Apolônio Sales (Moxotó)	São Francisco	400.00
Paulo Afonso I	São Francisco	180.00
Paulo Afonso II	São Francisco	443.00
Paulo Afonso III	São Francisco	794.20
Paulo Afonso IV	São Francisco	2,462.40
Xingó	São Francisco	3,162.00
Funil	Rio de Contas	30.00
Pedra	Rio de Contas	20.01
Boa Esperança	Parnaíba	237.30
Curemas	Piarcó	3.52
Araras (*)	Acaraú	4.00
THERMOELECTRIC		346.80
Camaçari (**)	-	346.80
TOTAL		10,613.13

(*) Concession awaiting extinction by MME upon the recommendation of ANEEL.

(**) In the process of closing the concession. All units with commercial operations suspended.

Chesf's energy production is ensured for the North and Southeast/Midwest regions by means of a transmission system consisting of 20,313.3 km of lines operating at voltage levels ranging from 69 kV to 500 kV and supplies the Interconnected National System (SIN).

(G4-EU4)

EXTENSION OF CHESF TRANSMISSION LINES BY VOLTAGE LEVEL

KV	KM
69	311
138	462.6
230	14,167.8
500	5,371.9
Total	20,313.3



The transmission system is also supported by 114¹ substations and 14 step-up substations from power plants. With 9,815 km of Optical Ground Wire (OPGW) cables, the Company can send a stable flow of electricity to the final consumer, with high speed and low losses, providing a reliable, high-quality service.

(G4-EU4)

Chesf diversifies its investments in other generation and transmission projects through Special Purpose Entities (SPEs). The SPEs in which the Company has the largest interests are wind farms (40 in total) and four other hydroelectric plants. Chesf has equivalent installed capacity of 1,015 MW and 15,644 MW in these projects, respectively. The transmission projects consist of 5,296.5 km of transmission line and 10,650 MVA of equivalent processing capacity.

(G4-17)

	SOURCE	OUTPUT (MW)	NUMBER OF PLANTS/ COMPLEXES	TRANSMISSION LINES (KM)	NUMBER OF SUBSTATIONS/ CONVERTERS	TRANSFORMER CAPACITY (MVA/MW/MVAR)
Own Facilities *	Hydro	10,266.33	13	20,313.3	128	55,947
	Thermal	346.80	1			
Jointly-owned Facilities (SPE) **	Wind	-	0	5,306.5	9 / 2	10,650 / 6100/1022
	Hydro	15,644.10				
	Wind	918.70	40			

* Hydroelectric Generation: Sobradinho; Luiz Gonzaga (Itaparica); Apolônio Sales (Moxotó); Paulo Afonso I; Paulo Afonso II; Paulo Afonso III; Paulo Afonso IV; Xingó; Funil; Pedra; Boa Esperança; Curemas; Araras. Thermal Generation: Camaçari.

** Hydroelectric Generation: Energética Água da Pedra S.A.; ESBR Participações S.A.; Norte Energia S.A.; Companhia Energética SINOP S.A. Windpower Generation: Complexo Eólico Sento Sé I; Complexo Eólico Sento Sé II; Complexo Eólico Sento Sé III; Complexo Eólico Vamcruz; Complexo Eólico Chapada do Piauí I; Complexo Eólico Chapada do Piauí II; Complexo Eólico Pindaí I; Complexo Eólico Pindaí II; Complexo Eólico Pindaí III; Complexo Eólico Serra das Vacas. Transmission: Sistema de Transmissão Nordeste S.A. – STN; Integração Transmissora de Energia S.A. – INTESA; Manaus Transmissora de Energia S.A.; Interligação Elétrica do Madeira S.A.; Transmissora Delmiro Gouveia S.A. – TDG; Interligação Elétrica Guaranhuns S.A. – IEG; Extremoz Transmissora do Nordeste S.A. – ETN.

¹ Including substations of other transmission companies in which Chesf has a stake.



PRINCIPLES AND VALUES

(G4-56)

Chesf's activities are guided by values, principles, standards and norms of behavior expressed in the Code of Ethics, the Resolution and the Instruction of Disciplinary Measures and the Company's Strategic Map.

Mission

Contribute to the wellbeing of society through the generation and transmission of electricity

Vision

To be efficient and sustainable as a company

Values

- Safety
- Respect for People with fairness and equality
- Ethics and Transparency
- Innovation and Entrepreneurship
- Commitment to Society
- Preservation of the Environment



The Code of Ethics is delivered to every employee upon arrival at the Company. Its contents are disseminated through the Ethics Committee, the managers and the Human Resources area. An explanatory talk about the document is also foreseen in the Corporate Education Plan.



Usina de Xingó

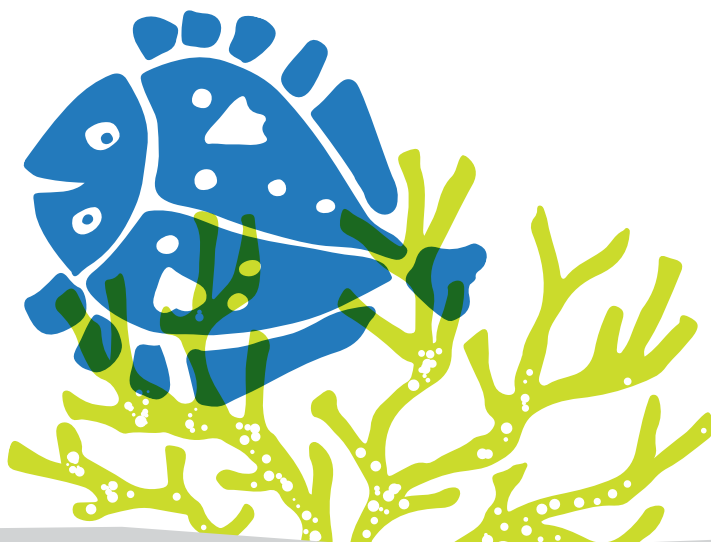


VOLUNTARY COMMITMENTS

(G4-15)

In line with the Company’s Vision to ensure sustainable growth, Chesf assumes commitments to national and international initiatives for dissemination and development in this area.

CHARTER, PRINCIPLE OR OTHER INITIATIVE	PARTICIPATION	ENVIRONMENTAL, ECONOMIC OR SOCIAL?	GROUP OF STAKEHOLDERS INVOLVED IN THE DEVELOPMENT AND GOVERNANCE OF THESE INITIATIVES
Global Compact	2009	All three dimensions	All stakeholders
Declaration of Commitment to Combat Sexual Violence Against Children and Adolescents	2014	Social	All stakeholders
Network to Combat Sexual Violence Against Children and Adolescents in the State of Pernambuco	2016	Social	All stakeholders
Commitment to the National Pact for the Eradication of Slave Labor	2015	Social	All stakeholders
Principles of Women’s Empowerment (UN Women)	2011	Social	Employees
Pro-Equity Gender and Race Program	2007	Social	Employees





The Company also participates strategically in associations and committees that promote forums and discussions on sustainability.

(G4-16)

NAME	SEAT ON THE GOVERNING BOARD	PARTICIPATION IN PROJECTS OR COMMISSIONS	FINANCIAL CONTRIBUTION
Brazilian Association of Large Electricity Transmission Companies (ABRATE)	General Meeting and Directing Council	Yes	Yes
Brazilian Association of Electricity Generating Companies (ABRAGE)	General Meeting and Fiscal Council	Yes	Yes
Brazilian Association of Technical Standards (ABNT)	No	Yes	Yes
Brazilian Committee of the Regional Energy Integration Commission (BRACIER)	Yes	Yes	Yes
Brazilian Dams Committee	Yes	Yes	Yes
São Francisco River Basin Committee (CBHSF)	Representative of the Hydroelectricity Segment	Yes	No
Brazilian National Committee for Production and Transmission of Electricity (CIGRÉ)	Executive Board (Financial Board)	Yes	Yes
National Sponsorship Committee of the Presidency of the Republic's Government Communications and Strategic Management Department	No	Yes	No
Public Ethics Commission of the Presidency of the Republic's Executive Secretariat of Public Ethics	No	Yes	No
National Water Resources Council (CNRH)	Council Member for Hydroelectric Generation Concessionaires and Licensees	Yes	No



CHARTER, PRINCIPLE OR OTHER INITIATIVE	PARTICIPATION	ENVIRONMENTAL, ECONOMIC OR SOCIAL?	GROUP OF STAKEHOLDERS INVOLVED IN THE DEVELOPMENT AND GOVERNANCE OF THESE INITIATIVES
Global Compact	2009	All three dimensions	<i>All stakeholders</i>
Declaration of Commitment to Combat Sexual Violence Against Children and Adolescents	2014	Social	<i>All stakeholders</i>
Network to Combat Sexual Violence Against Children and Adolescents in the State of Pernambuco	2016	Social	<i>All stakeholders</i>
Commitment to the National Pact for the Eradication of Slave Labor	2015	Social	<i>All stakeholders</i>
Principles of Women's Empowerment (UN Women)	2011	Social	Employees
Pro-Equity Gender and Race Program	2007	Social	Employees



Awards and recognition

In 2016, Chesf received the following awards and recognition:

- Elected to participate in the Code of Good Personnel Management Practices at Federal State Companies - Cycle 2016 - in recognition of the practice of Allocation, Integration and Monitoring of New Employees at Chesf. This work is conducted by the Department of Coordination and Governance of State-Owned Enterprises (SEST).
- Recognition for the significant participation of employees in the Circuito das Estações - Spring Stage and Summer Stage, in Recife (PE).

CHESF IN NUMBERS



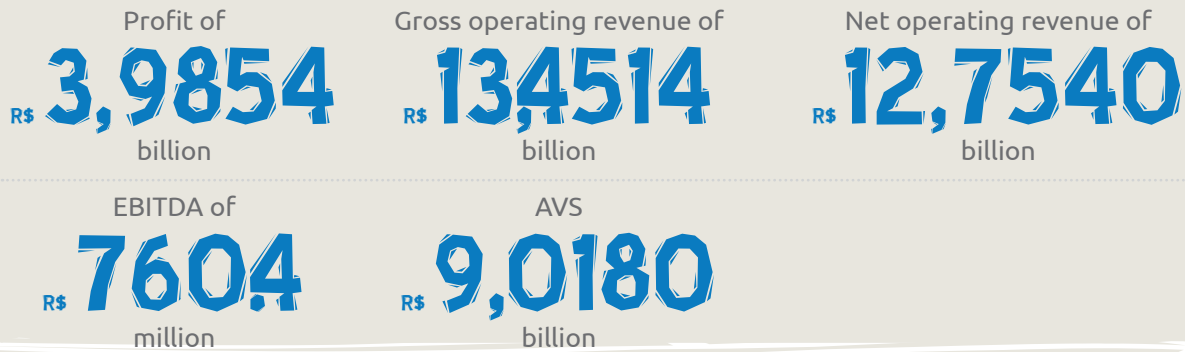
MANAGEMENT

- Approval of the Management Business Plan 2017-2021
- Revision of Strategic Mapping 2017-2021
- Incorporation of the Sustainability area into the Planning and Innovation area
- Creation of the Compliance, Internal Control and Risk Management Coordination area

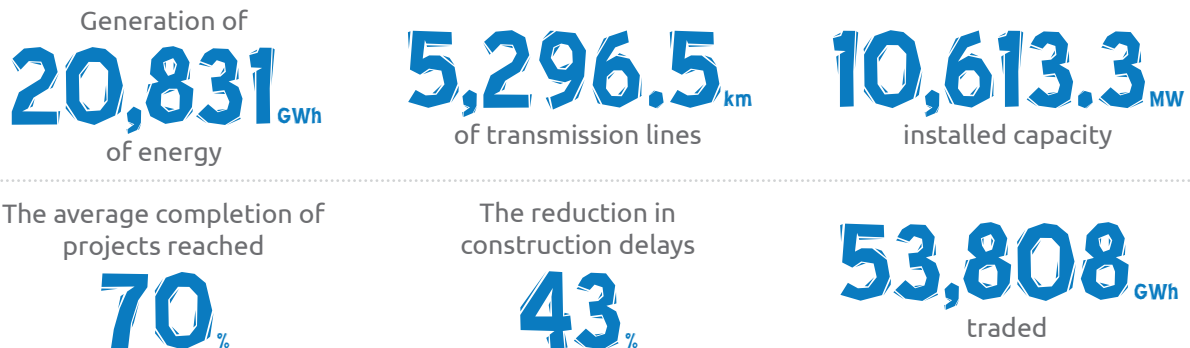




ECONOMIC



OPERATIONAL



SOCIAL

- Occupational Accident Frequency Rate fell to **2.33** (a figure well below the tolerable limit established by Chesf at 3.18)
- 636** corporate education actions held, totalling **187,724 hours** and reaching **8115%** of the staff
- Participation of employees in the Chesf Volunteer Program increased from **0.5%** to **2.34%** in various campaigns and actions in the communities
- Investment of **R\$ 37,882,188** in social responsibility programs and projects
- 107** assessments of the labor practices of suppliers conducted
- Customer Satisfaction index of **80.9%**



ENVIRONMENTAL

- An energy efficiency project to deploy solar energy at the substations was initiated
- 49,000** trees were planted as part of the riparian woodland restoration program in the Lower São Francisco region downstream of Xingó
- The volume of energy savings reached **64 MWh**
- A public meeting was held in Paulo Afonso (BA) to discuss the renewal process for the licensing of the Paulo Afonso Hydroelectric Complex
- Public meetings were held in Canindé do São Francisco and Propriá (SE) and in Penedo (AL) to discuss the renewal process for the Operating License of the Xingó Hydroelectric Power Plant.





CORPORATE STRATEGY

Eletrobras created the Business and Management Master Plan for the period 2017-2021, in which it establishes a set of economic and financial guidelines, associated with investment limits, indebtedness capacity, indication of expansion targets, and capital costs for implementation by the Group companies. The Plan comprises three strategies and 18 initiatives that aim to consolidate corporate sustainability.

CORPORATE SUSTAINABILITY



GOVERNANCE AND COMPLIANCE

1. Alignment of Bylaws and approval competence
2. Implementation of the Eletrobras 5 Dimension Program
3. Elimination of material weaknesses
4. Implementation of actions to be listed on indices and obtain GC seals

FINANCIAL DISCIPLINE

5. Reduce investments
6. Privatization of distributions
7. Sale of administrative real estate
8. Divesture in SPEs
9. Tax Optimization
10. Corporate restructuring aiming at using tax credits

OPERATIONAL EXCELLENCE

11. Organizational Restructuring
12. Retirement Incentive Plan
13. Implementation of PRO-ERP
14. Shared Services Center
15. Reduction of administrative costs
16. Reduction of extra time, hazard and on-call pay
17. Regulatory Strategy for G and T
18. Integrated energy commercialization



Find out more about the implementation of these strategies by visiting the Eletrobras Investor Relations website: ri.eletrobras.com > **Results Center**





Monitoring meeting

Based on Eletrobras' Business and Management Master Plan, Chesf prepared its Business and Management Plan for the same period, addressing issues related to the recent evolution of the generation and transmission businesses, the Company's expansion prospects, the study of opportunities and Regulatory issues.

In the preparation of the Business and Management Plan, Chesf considered the following factors:

- Generation Revenue
- Transmission Revenue
- Personnel, Material, Outsourcing and Other Services (PMSO)
- Depreciation
- Transmission Indemnity (RBSE)
- Generation Indemnity
- Servicing of Debts
- Investments
- Return of Advances for Future Capital Increases
- Sale of assets
- Potential impacts on results and organizational performance

The Plan also established business targets that should guide management actions for their achievement:

Transmission Works Plan:

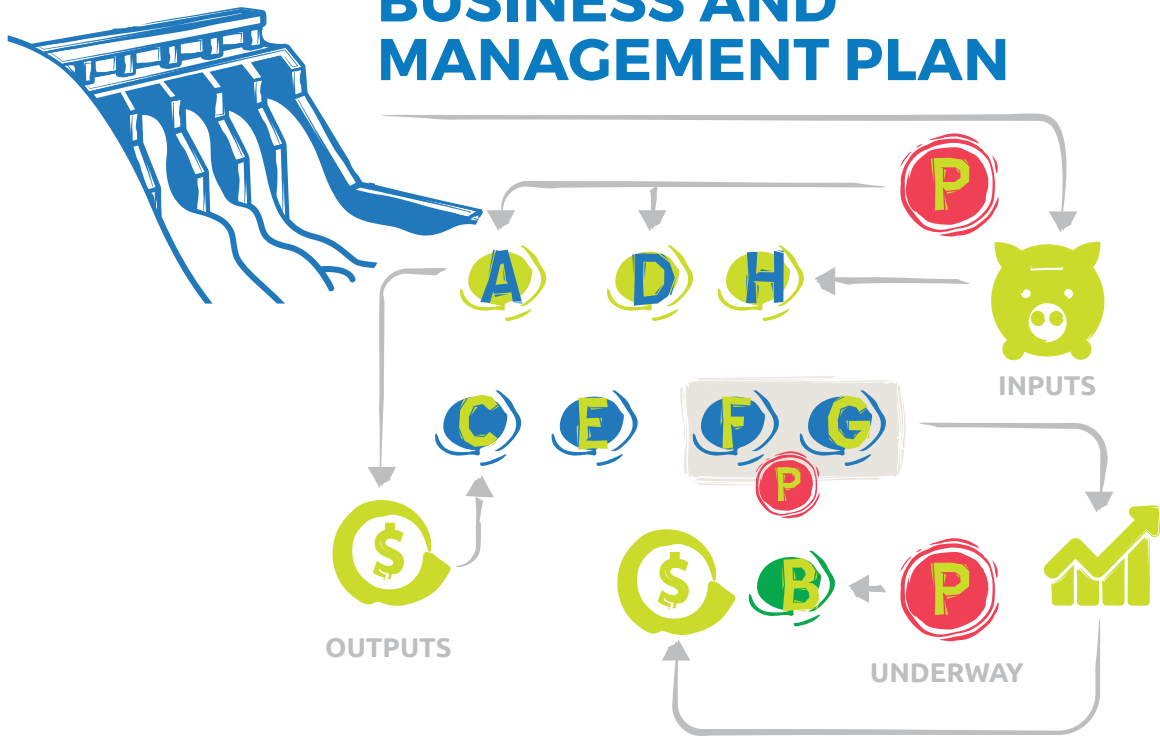
the Engineering and Construction Department prioritized 47 transmission projects: 24 with completion scheduled for 2017, with Permitted Annual Revenue estimated at R\$ 65 million, and 23 for 2018, with Permitted Annual Revenue estimated at R\$ 62 million. Direct investment of R\$ 593 million is required for 2017 and R\$ 223 million for 2018. In order to realize the planned investment for the implementation of this Work Plan an additional R\$ 277 million will need to be found for the investment budget for 2017.

Generation Works Plan:

includes Casa Nova I, Casa Nova II and Casa Nova III Wind Farm Complexes. In relation to Casa Nova I, the budgeted amounts refer to the conclusion of the Transmission Line and Substation that will permit the outflow of energy from Casa Nova II and III. In order to realize the planned investment of R\$ 264 million for the implementation of this Work Plan it will be necessary to seek an additional R\$ 152 million for the investment budget for 2017.



BUSINESS AND MANAGEMENT PLAN



SUBTITLE

A – Revenues (Generation and Transmission);
 B – Personnel, Services and Materials;
 C – Depreciation;
 D – Indemnity (Generation and Transmission);

E – Servicing Debt;
 F – Investments;
 G – Return of Advances for Future Capital Increase (AFAC);
 H – Sale of assets;
 P – Potential impacts (results and performance).

In 2016 the Company also approved the revision of the Strategic Mapping that will guide it over the next five years. The new guidelines contain the Company’s organizational identity (Mission, Vision and Values), the Strategic Results to be achieved and the Strategic Goals that will enable these results to be achieved. This work of updating planning involves the entire Executive Board and consists of proposing new solutions considering internal and external factors. It is worth mentioning that the strategies are revisited annually or whenever the Executive Board deems it appropriate.

(G4-42)

For preparation of the Strategic Mapping, management tools such as brainstorming are used, involving the organization’s key managers and SWOT³ analysis, performed by the holding company, considering the regional characteristics and specific features of the Company. The departments also consider the work environments in which they are inserted to identify and add other environmental factors.

(G4-2)

Notable focuses for actions in the 2017-2021 planning include the search for increased efficiency, compliance and risk management.

³ Strengths, Opportunities, Weaknesses and Threats - Scenario study tool used as a basis for management and strategic planning of a corporation or company.



STRATEGIC MAPPING 2017-2021



STRATEGIC GOALS

- 1 Apply Best Practices for Management of Change, Knowledge and Human Resources
- 2 Increase the Profitability of the Organisation
- 3 Deploy New Expansion and Improvement Works, Prioritizing increasing Profitability
- 4 Execute Operations and Maintenance with Efficiency and Quality
- 5 Refine Corporate Governance



Operation room



The Strategic Goals are broken down into Strategies, Targets, Measures and Action Plans, permitting the involvement and participation of all organizational levels in business planning. Indicators are also defined for each strategic goal.

The indicators are monitored through meetings of the Executive Board and the management team, with live transmission via the intranet to all employees, thereby strengthening the transparency of the management process.

(G4-42)

These meetings also involve the indicators of the Corporate

Performance Targets Agreement with Eletrobras, permitting monitoring of shortfalls between the targets set and the results obtained. The Agreement also foresees the management of measures for dealing with the mapped risks.

The Board of Directors periodically monitors progress in relation to the financial, operational and socio-environmental targets established and, based on the result, the Executive Board is responsible for setting guidelines to improve business performance.

(G4-45, G4-46, G4-47)

COMMITMENTS AND TARGETS

The indicators monitored by Chesf in relation to its targets are divided into economic and financial indicators, operational indicators, and management, governance and socio-environmental indicators.

Financial

- Reduce operating expenses (PMSO) in relation to Net Operating Revenue
- Increase % of EBITDA Margin vs. Net Operating Revenue
- Increase the return on Shareholders' Equity
- Maintain net debt at levels compatible with operating cash generation
- Raise funds for corporate investments, including improvements and contributions to Special Purpose Entities (SPEs)

Operational

- Deploy portfolio of expansion projects
- Implement improvements to Chesf's transmission assets
- Promote greater efficiency in operating expenses

Management, Governance and Socio-environmental

- Reduce administrative consumption of water from mains supply network
- Reduce fossil fuel consumption
- Reduce electricity consumption
- Implement the Eletrobras 5 Dimensions program in alignment with the guidelines of the Holding
- Increase the favorability rating of the organizational climate index
- Improve performance of indicators of the Corporate Sustainability Index (ISE/Bovespa)



Further information about Chesf's Corporate Strategy can be found on the Company's website at chesf.gov.br > **Governança Corporativa** (only available in Portuguese)





CORPPO RATE

GOVERNANCE





Chesf believes in a model of transparent corporate governance, supported by the commitment to operate effectively and fairly



Global Compact



SDGs



Chesf’s principles of Corporate Governance are guided by Capital Markets and existing industry standards and direct the Company’s working strategy. Therefore, a culture of good practice is intrinsic to the business and ensures effective and transparent initiatives that continually pursue value creation opportunities for the organization and its stakeholders.

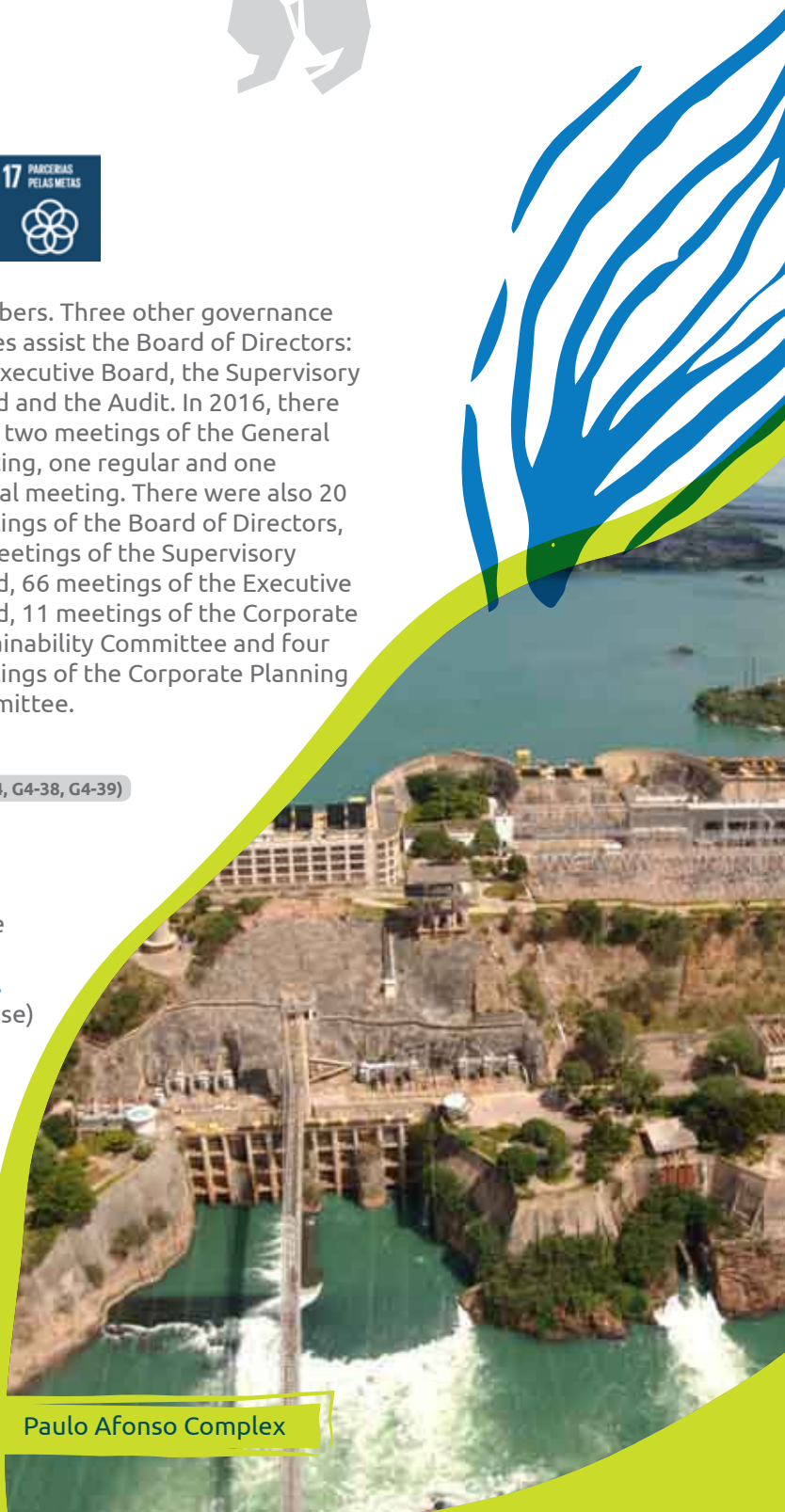
The Company’s corporate governance structure is directed and represented by a Board of Directors with six

members. Three other governance bodies assist the Board of Directors: the Executive Board, the Supervisory Board and the Audit. In 2016, there were two meetings of the General Meeting, one regular and one special meeting. There were also 20 meetings of the Board of Directors, 14 meetings of the Supervisory Board, 66 meetings of the Executive Board, 11 meetings of the Corporate Sustainability Committee and four meetings of the Corporate Planning Committee.

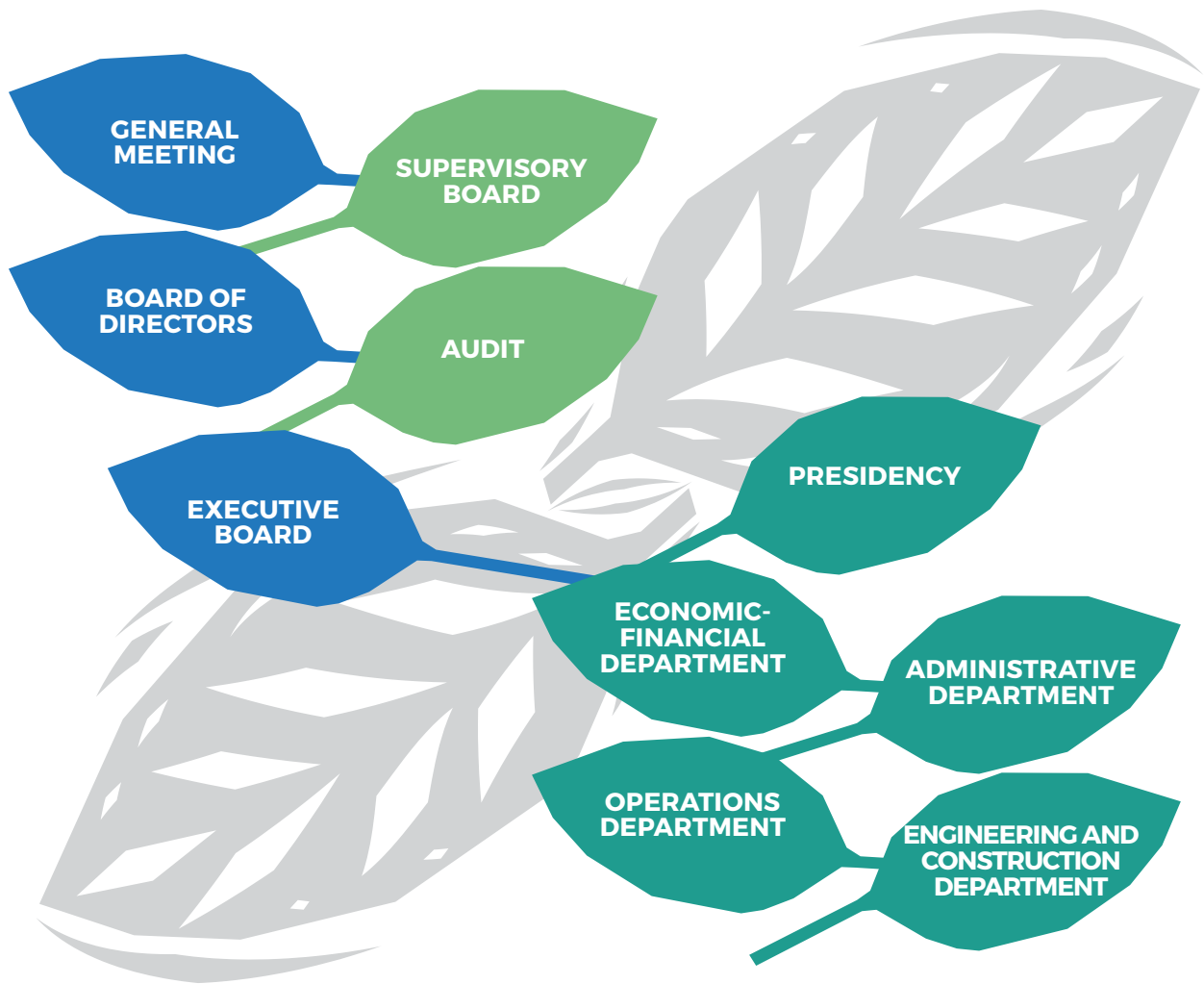
(G4-34, G4-38, G4-39)



Further information about Chesf’s Governance can be found at chesf.gov.br > **A Empresa**. (only available in Portuguese)



Paulo Afonso Complex



GOVERNANCE AND SUSTAINABILITY

The Board of Directors and the Executive Board of Chesf are actively engaged in sustainability issues and the integration of the theme into the Company's strategy. In 2016, the management bodies approved a number of initiatives pursuing business sustainability in the long run, considering the new levels of income and the importance of maintaining the quality of services.

(G4-35, G4-36, G4-42)





PRIORITY ISSUES FOR GOVERNANCE IN 2016

ITEM	GOAL	STATUS
1. Update the corporate identity	Promote streamlining of processes, reduction of operating costs and the modernization of the organizational structure.	In the phase of engagement and training of employees. Expected deployment: May 31, 2017.
2. Updating of the Strategic Map 2017-2021	Corporate sustainability and efficiency	Approved by the Executive Board and validated by the Board of Directors. Expected deployment: 2017-2021.
3. Creation of the Compliance, Internal Control and Risk Management Coordination Office	Formalize an area responsible for managing the Integrity Program within the Company structure	In operation since October 2016.
4. Reestablishment of Cash Flow	Balance cash flow by the end of 2017	In progress.
5. Prioritization of transmission and generation projects	Prioritize developments with bidding processes already approved	Beginning in 2017.
6. Implementation of the Eletrobras 5 Dimensions Program	Improve integrity practices in the corporate environment	In operation since November 2016.
7. Cooperation Agreement with the National Education and Research Network (RNP)	Integration and mutual use of telecommunications infrastructure between Chesf and RNP (National Education and Research Network)	Beginning in 2017.





The principles of sustainable development have become even more strategic at Chesf with the integration of the Sustainability area into the Company's Planning

and Innovation area. Actions for Sustainability were also strengthened by their inclusion on the Strategic Map goals for 2017-2021.



Chesf's Strategic Guidelines for Sustainability

- Prioritize clean and renewable energy production
- Rational use of resources
- Act as a fomenting agent for energy efficiency
- Commitment to ethics and transparency
- Respect for human rights
- Add value for stakeholders
- Ensure appropriate working conditions and the well being of employees



In 2016, the Sustainability Committee, which meets monthly, consolidated the following initiatives:

- Establish a Technical Committee for the Management of Waste, Effluents and Emissions.
- Elaborate a pilot project for deployment of solar energy at the Messias substation (AL) and the warehouse in Abreu and Lima (PE).
- Revise the existing targets related to socio-environmental parameters - water, waste, electricity and fuel - for the next four years and the indicators for the ISE/Bovespa. These targets are included in the Corporate Performance Targets Agreement signed with Eletrobras.



ORGANIZATIONAL RESTRUCTURING

At the end of 2016, Chesf’s Executive Board initiated a restructuring of the organization with the aim of promoting the streamlining of processes, reducing operating costs and modernizing the organizational structure. The initiative involves several aspects related to the Company’s Organization: processes, hierarchical levels, redistribution of roles and responsibilities, rewarded functions, operating costs and centralization of functions, among others.

After evaluation and discussion, the proposal for the new organizational structure was approved by the Executive Board and the Board of Directors in May 2017. The actions, which are already under way and based on an action plan that establishes deadlines and responsibilities, are being implemented by a Working Group composed of representatives of all of the Departments, under the coordination of the CEO/President’s Office.

This restructuring was prompted by the fact that the Company has maintained the same structure for over 25 years, as well as the need for improving performance, productivity gains and operational efficiency and elimination of wastefulness with subsequent cost savings. Moreover, the electricity sector has undergone significant changes, with the creation of new agents, leading to a need for adjustments in the way that Chesf operates, including its role and its responsibilities. The proposed new structure provides the following changes:

- Removal of two hierarchical levels at the headquarters (divisions and services) and the Regional Offices (services and centers). The new structure will consist of three levels.
- Elimination of Department advisory offices.
- Creation of rewarded functions for project managers, approved by the Executive Board and included in the Eletrobras Business and Management Master Plan.
- Reduce the number of secretaries, adopting a pooling system to meet the needs of the Offices and internal departments.

The main benefits expected from the restructuring are:

- Increase in the Company’s market competitiveness
- Process optimization.
- Agility in decision making.
- Opportunity for professional learning and growth.
- Team integration.
- Reduction of direct and indirect costs
- 27.3% reduction in the cost of bonuses.

To support the restructuring of the company, the Human Resources area, in partnership with the



Institutional Affairs area, prepared a transition plan with a focus on training and communication actions. The plan is composed of three steps:

Step 1: Inform about the new cycle by announcing the new structure and the new organization chart approval, a CEO statement and videos on TV Chesf with all board members, among other actions.

Step 2: inform, engage and interact through Management Dialogues and Team Dialogues on the new structure and a seminar about the changes.

Step 3: interact, engage and provide training, through a Processes and Teams Restructuring Workshop.

Specific action plans were also prepared for the development of the new skills required for the employees performance within the new processes.

(G4-40, G4-43)



TRANSPARENCY AND ETHICS

The principles of ethics and transparency are explicit in Chesf's organizational values and the company strengthens this behavior among its employees day-to-day operations, supported by the Unified Code of Ethics and Conduct of the Eletrobras Companies.

The topic is continuously disseminated among all employees, including those at the administrative headquarters and regional offices. In 2016, lectures were given on the Conflict of Interest Law and information sheets were distributed internally with examples of situations of conflict.

To ensure that there is no conflict of interest in its Governance, Chesf determines that the members of the Board of Directors and the Supervisory Board, as well as the Executive Board, must comply with the following procedures:

- Respond to the questionnaire set by the Securities and Exchange Commission (CVM), which covers issues related to conflicts of interest.
- Complete the Confidential Information Statement, established by the Public Ethics Commission which, among other topics, addresses the issue of conflicts of interest.

In addition, the Corporate Governance participates in the Integrity Program created by the Compliance Coordination Office, in accordance with the guidelines of the Holding. The Office assesses cases of conflict of interest directly related to the Anti-Corruption Law and an Ethics Commission examines cases of complaints about conduct received through internal and external channels (intranet or institutional website) and the Ombudsman.

(G4-41, G4-58)



CODE OF CONDUCT

(G4-41, G4-56, G4-58)

In 2016, the Ethics Commission released the updated version of the Code of Ethics and Conduct and carried out the 2nd edition of the online training. The company also launched the "Ética em Tudo para Tod@s" ("Ethics in Everything for Everyone") campaign, which aims to strengthen the issue through internal reports, meetings of committees, the ombudsman, Internal Commission for Accident Prevention events and even through digital signatures. Employees also attended a lecture on Moral and Sexual Harassment in the Workplace,

held at the auditorium of the Company's Center for Development of the Human Being (CDSH) and broadcast live to all of the regional offices. All employees received a copy of the updated Code.

Externally, Chesf's Ethics Committee attended the XII Seminar of the National Forum of Ethics Management in State Enterprises and XVII International Seminar - Ethics in Management, offered by the Public Ethics Commission.





COMPLIANCE

In order to continue with improvements to integrity practices in the corporate environment, in 2016 Chesf created the Compliance, Internal Control and Risk Management Coordination Office (CCR). Linked directly to the Presidency, the Coordination Office reflects Eletrobras actions to strengthen its Integrity Program.

The Company also follows the Compliance Manual related to the Anti-Corruption Policy of the Eletrobras Companies, applicable to all of its employees, and since 2015 has been a member of the Anti-Corruption Program of the Eletrobras Companies.

In addition, in 2016 Chesf joined the “Eletrobras 5 Dimensions” program, which aims to improve integrity practices and make the Company's

controls more efficient. The program foresees the implementation of actions and projects based on the five dimensions of the Integrity Program model proposed by the Comptroller General of the Union (CGU) and the guidelines of the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

The dimensions that will be worked on through the program are:

1. Development of the management environment of the integrity program
2. Periodic risk assessments
3. Structuring and deployment of the policies and procedures of the integrity program.
4. Communication and training
5. Monitoring of the program, measures for remediation and application of penalties

COMPLIANCE WITH THE STATE COMPANIES LAW

(G4-17, G4-41, G4-56, G4-58)

Based on two large groups of standards - transparency and governance; and bidding and contracts - the State Companies Law No. 13,303/2016 involves significant changes to the bylaws, to governance practices for special purpose entities in which the companies have shareholdings and to the procurement process for goSDGs and services.

The adaptation of the Eletrobras Group to the provisions of this legislation is being led by the

Holding. Chesf already complies with the resolutions relating to corporate structure, since it is a publicly-traded mixed-economy corporation governed by Law No. 6,404/1976 and is registered with the Securities and Exchange Commission (CVM).

By determination of the Coordination and Governance Office of State Owned Companies (SEST), the deadline for the adaptation of the Bylaws of the Eletrobras companies is November 2017.



RISK MANAGEMENT

Following the guidelines of the Risk Management Policy of the Eletrobras Companies, Chesf has defined a risk matrix that considers economic, social and environmental aspects and demonstrates the main risks to which the Company is exposed, based on the COSO ERM and COSO 2013 methodology and the ISO 31000:2009 and ABNT ISO GUIA 73:2009 standards.

The Risk Committee is responsible for prioritizing risks for analysis, defining attempts to mitigate them and monitoring the results, after approval by the Executive Board and the Board of Directors.

Regarding internal controls, Chesf annually participates in the SOX certification process to ensure compliance with the requirements of the US law known as the Sarbanes-Oxley Act. The certification involves an annual review of documentation related to business processes and governance previously defined in the scope and effectiveness testing of the internal controls, carried out by both the management - under the responsibility of Chesf's Internal Audit - and the independent auditor.

All of the group companies need to be certified for the Eletrobras companies to continue trading their shares on the New York Stock Exchange (NYSE).

(G4-2)

RELATIONSHIP CHANNELS

Respect for people is explicit in Chesf's organizational values and is evident through the work of the Ombudsman, a management mechanism that aims to bring the company closer to its stakeholders. The Ombudsman works impartially and its responsibilities include giving advice, providing information and contributing to the continuous improvement of the Company's work processes, in line with current legislation, acting transparently and ethically.

At Chesf, the responsibility for management of the Citizen Information System (SIC) belongs to the Ombudsman. Through the Citizen Information System, requests for information of individual or collective interest are received and the proper management of this system ensures that the Company complies with the Access to Information Act, No. 12,527/2011, in force since 2012.

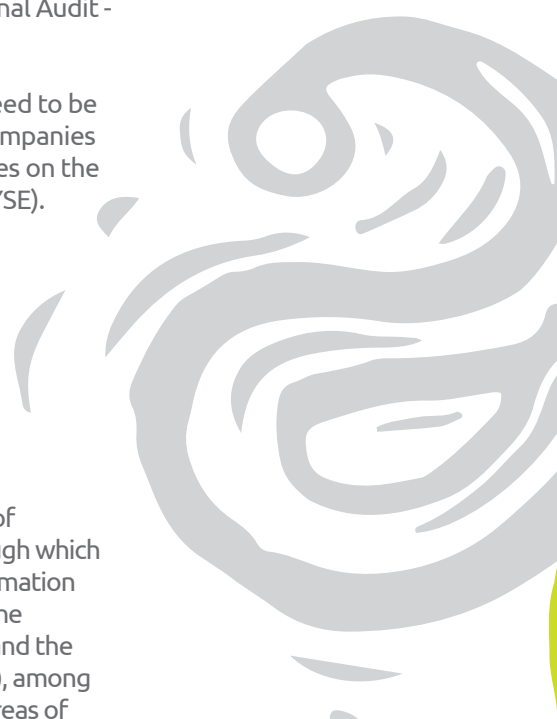
(G4-57)

There are also other channels of communication available through which stakeholders can request information from the Company, including the Supplier Service Center (CAF) and the Customer Service Center (CAC), among others. Contact with specific areas of Chesf can also be made through the Corporate Website and the Company offers a 0800 number for dealing with Fires and the Environment. All of these channels can direct questions to different areas and hierarchical levels within the Company, including the Board of Directors.

(G4-37)



The Ombudsman and the other channels of communication can be reached by emailing ouvidoria@chesf.gov.br or via the Contact Us portal www.chesf.gov.br/page/faleconosco

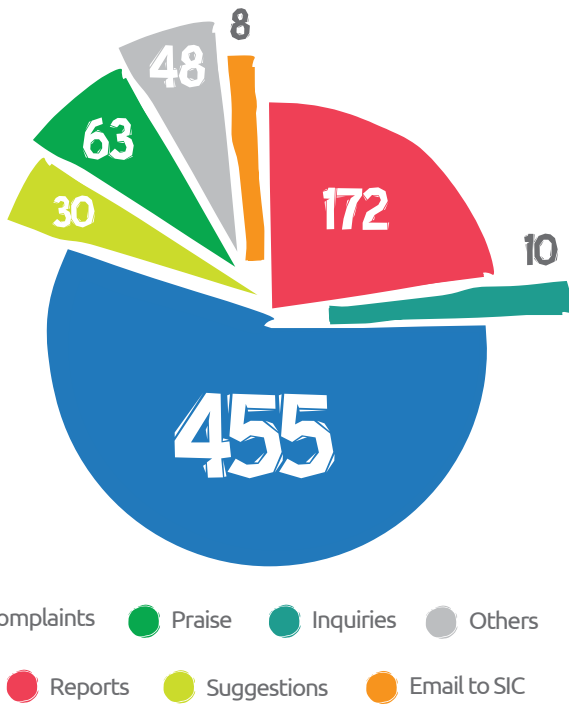
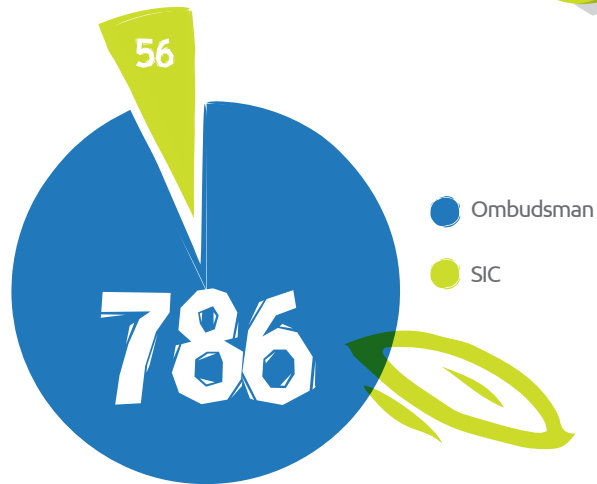




INQUIRIES

In 2016, the Company recorded 842 communications through its communication channels, with 786 communications received via the Ombudsman and 56 requests for information directed to the Citizen Information System. The deadline for responding to Citizen Information System inquiries is 20 days, extendable by another 10 days.

In 2016, all inquiries were responded to on time.



The communications received are classified by topic as Reports, Email to SIC, Praise, Complaint, Inquiry, SIC, Suggestion and Others. The topics presented included issues related to complaints about labor practices. In 2016, 230 demands were filed relating to this issue, with four cancelled and 217 receiving appropriate measures.

(G4-LA16)

Subjects related to impacts on society in 2016 are also represented in the graph above. In total, 163 communications were received, with 128 being resolved.

(G4-HR12; G4-SO11)



For additional information, consult the content in the Annex to this report at chesf.gov.br > **Sustentabilidade**

(G4-35, G4-36, G4-38, G4-39, G4-40,

G4-42, G4-43, G4-44, G4-45, G4-46,

G4-49, G4-52, G4-53, G4-54, G4-55,

G4-56, G4-EC6, G4-LA12)





MANA GEMENT

AND RESULTS



Even in challenging scenarios, Chesf has worked for almost 70 years to produce, transmit and trade electricity, profitably, sustainably and with quality



In 2015, the crisis that hit the United States and, consequently, many countries around the world had the impact of reducing electricity consumption. However, in December 2016 it was observed that the sector had stabilized with total national consumption of 38,717 GWh: with a 1.4% increase in the residential sector, and 2.9% and 2.5% decreases in the industrial and commercial sectors, respectively.

Also in 2016, 9,526 MW were added to the national electricity system, with the main contributing sources with significant installed capacity being hydroelectric and wind power, contributing to energy surpluses, over-contracting by distribution utilities and price retraction. There was also an increase of 4,777 kilometers of transmission lines, providing an excellent year for the transmission area, as witnessed by

the sale of 21 lots of lines auctioned by ANEEL in October, with projected investment of R\$ 11.5 billion for 6,000 km of lines.³

Another area that saw growth in 2016 was the number of migrations to the free energy market in search of cost reductions, increasing 25 times over. This migration scenario is expected to continue throughout 2017. The mobility between the Regulated Contracting Environment (ACR) to the Free Contracting Environment (ACL) helped free consumption grow by 18.6% in November alone.⁴

The forecast for the years 2017 to 2021 is that the consumption of the National Interconnected System (SIN) will grow at an average rate of 3.5% per annum, initiating a reversal of the crisis scenario in the electricity sector, even if the trend of falling prices cannot yet be reversed.⁵

³ Ministry of Mines and Energy. Source: http://www.mme.gov.br/web/guest/pagina-inicial/outras-noticias/-/asset_publisher/32hLrOzMKwWb/content/cmse-analisa-realizacao-de-leilao-de-descontratacao-de-energia-de-reserva

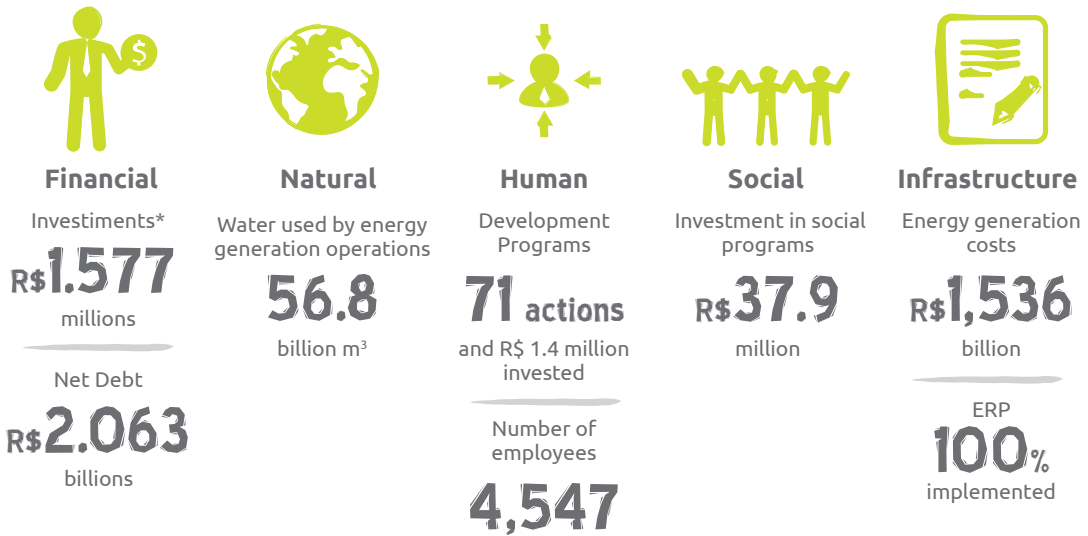
⁴ Electric Energy Trading Chamber. Source: http://www.ccee.org.br/portal/faces/pages_publico/noticias-opiniao/noticias/noticia-leitura?contentid=CCEE_384293&_afLoop=426815729551820#%40%3Fcontentid%3DCCEE_384293%26_afLoop%3D426815729551820%26_adf.ctrl-state%3D1nlpdr36z_66

⁵ Technical Bulletin ONS-EPE. Source: http://www.ons.org.br/download/operacao/previsao_carga/Boletim_Tecnico_ONS-EPE_PlanejamentoAnual_2017-2021.pdf



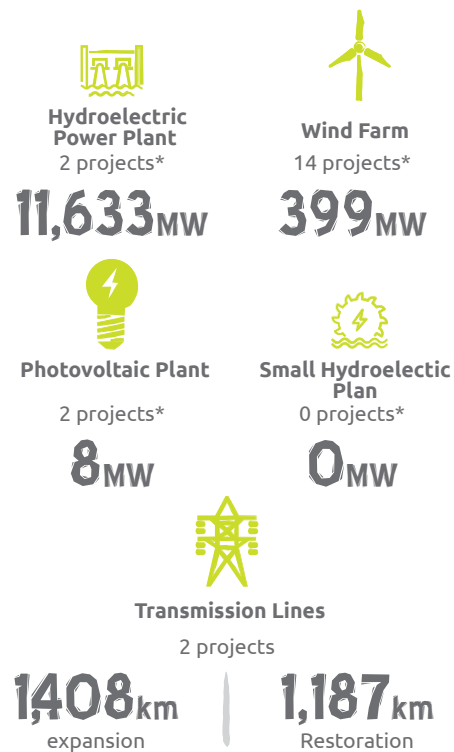
CHESF'S BUSINESS MODEL

OUR RESOURCES

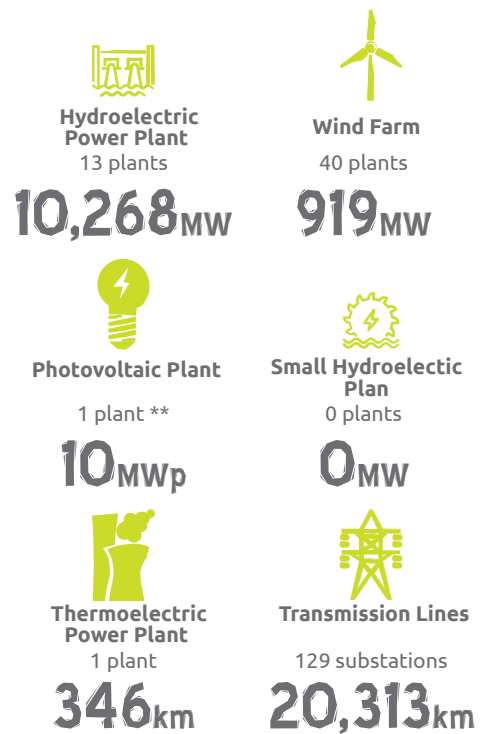


*Corporate and SPE (Contributions of capital + Advances for Future Capital Increases)

PROJECTS UNDER CONSTRUCTION



OPERATION (ENERGY GENERATION AND TRANSMISSION)



MAIN IMPACTS
 Displacement
 Conflicts
 Labor
 Social

MAIN IMPACTS
 Water Scarcity
 Wind Changes/Intensity
 Lease Contracts
 Regulation



SALE



Potentially Free Consumers

12



Free Consumers

5



Distributors

45



Traders

6

VALUE CREATION

COMPARTILHADO



Investors / Shareholders



Customers



Employees



Civil Society

RESULTS



Investors / Shareholders

EBITDA

R\$ **7604**
million

Profit/Assets

R\$ **3,9854**
billion



Customers

Energy Generated

20,831MW

Satisfaction

80.9%



Employees

Hours of Training

187,724

hours

Internal Satisfaction

71.5%



Civil Society

Training of Labor Force

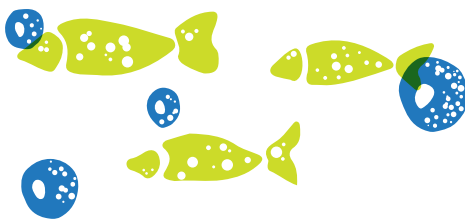
636

corporate education actions

People Benefitted by the Company's Programs/Projects

210,219

people



* By 2021; ** Pilot project in Sobradinho (BA) and Balbina (AM)



MANAGEMENT

ASSETS

Chesf's asset management considers the maintenance of the generation and transmission operations to guarantee the availability and reliability of the product, as well as the safety of the workers and the populations located close to the enterprises. Investments are planned for equipment and infrastructure, as well as the modernization of existing operations and new business.

Faced with difficulties in making new investments, the Company has

dedicated its efforts to completing ongoing projects, seeking to optimize resources and management procedures, and reinforcing compliance with deadlines. Examples are the investments in two wind farms planned for 2018 and the maintenance of the Transmission Expansion Plan, which already includes actions planned for the next four years such as priority investments in the expansion and restoration of lines costing around R\$ 448 million per year.

SUPPLIERS

Relationships with suppliers follow the Guide to Good Practice for Sustainability in the Supply Chain of the Eletrobras Companies. The Company establishes transparent dialogue in the procurement of goSDGs and services, requiring suppliers to adopt ethical and environmental responsibility standards. All contracts include an attachment denominated "Principles and Standards of Business Conduct in Chesf's Relationship with Suppliers", which lists the behaviors expected of contractors. The communication channels between the Company and its suppliers are disclosed on the website and include the Ombudsman (ouvidoria@chesf.gov.br) and the Supplier Service Center (caf@chesf.gov.br).

(G4-SO10)

Chesf performs periodic assessments in the supply chain with the aim of ensuring the compliance of its contractors and subcontractors with their labor obligations. The documents that are checked monthly include receipts of payment of labor and

pension contributions, food stamps and transport vouchers, and analysis of pay slips, among others. In 2016, the Company conducted 107 assessments related to the labor practices of its suppliers.

(G4-LA15)

With regard to environmental aspects, Chesf does not conduct on-the-spot assessments. However, in the bidding notice a statement is required from the companies that they did not suffer penalties due to environmental violations alongside other technical documents relating to the obligations of contracted suppliers.

(G4-EN33)

Human rights clauses are also inserted into all contracts. 14 contracts were identified in the year 2016 that could result in significant real and potential impacts on human rights, considering contracts that are labor-intensive and of a specified period.

(G4HR11)



Read more about the performance of supplier management in the Suppliers chapter, on [page 58](#).



PEOPLE

The management of Chesf’s human capital is the responsibility of the Human Resources Office, which aims to follow best practices for relationships with all employees. During the year, a working group was dedicated to the preparation of human resources management processes for the implementation of e-Social, a Federal Government project that seeks to unify the sending of employee information by the employer.

Another action for improving human resources management was the adoption of a single database to standardize the processes in the SAP system that will serve the Eletrobras Companies. Representatives of Chesf attended meetings with the Holding concerning the planning and deployment of the system in 2017, in order to meet the deadline for Eletrobras of January 1, 2018.

Information and investments pertaining to professional development and training are generated by the Integrated Human Resources System (RHSin). Corporate education indicators are monitored quarterly by comparing

the hours of attendance by employees with the targets set in the education plan drawn up at the beginning of the year.

With regard to health and safety, the Company has a Health and Safety at Work Policy and other internal rules that seek to ensure a safe environment for its employees and meet the Regulatory Standards of the Ministry of Labor and Employment (MTE).

The Health and Safety at Work Portal has been consolidated as a source of information about the topic. Through the System for Reporting of Incidents and Non-Conformities, the recording, monitoring and treatment of incidents has now been intensified. Monitoring of the health and safety issues of service providers occurs through the requirement for Occupational Health and Safety Plans, which relate the work safety and occupational health aspects related to the activities performed. Compliance with the requirements of the Safety Plans is also a condition for the payment of invoices.

(G4-LA6)



Read more about the performance of human resources management in the Employees chapter, [page 50](#).





ENVIRONMENTAL

Environmental management is handled by the Engineering and Construction Department, responsible for ensuring compliance with environmental legislation at the local, state and federal levels and increasing good practice at the projects. Last year, Chesf created a Planning Center in the Engineering Department to minimize risks and unforeseen occurrences and thereby increase the success rate for completing projects on time by fulfilling all of the requirements for the licensing of facilities.

The management of solid waste, water and effluents, biodiversity and atmospheric emissions at Chesf is guided by the Internal Coordination Principle of the Environmental Policy of the Eletrobras Group, approved and published in 2013 and which seeks to “ensure the incorporation of the environmental dimension in the company’s processes”.

Chesf also invests in technologies to improve environmental management processes in all operations, including the Reservoir Borders System (SISBORDAS), the Documentation System (SISDOC) and the Transmission Line Service Strips Monitoring System. Importantly, Chesf seeks to adopt

preventive actions in relation to the environmental impacts of its developments. In addition to the studies already foreseen, the Company has deployed a corporate risk management process, following the principles and guidelines set forth in the Risk Management Policy of the Eletrobras Companies, which identified 71 potential risks in the matrix and prioritized them for analysis by the Sustainability Committee. Of these risks, some have an environmental focus, including: Environmental Licensing, Climate Change, Greenhouse Gas Emissions (GHG) and the Environmental Management of Developments. The aim is to establish a more integrated process of management of the environmental risks that could affect the organizational goals, strengthening the responsibility of the business areas to define and implement actions to mitigate those risks. The actions already underway include a task force set up to evaluate the feasibility and implementation of a model to develop strategies for adaptation to climate change and the elaboration of the Greenhouse Gas Emissions Inventory and Carbon Footprint.

(G4-14)



Read more about the environmental management performance in the Environmental Responsibility chapter, [page 60](#).





RESULTS

ECONOMIC

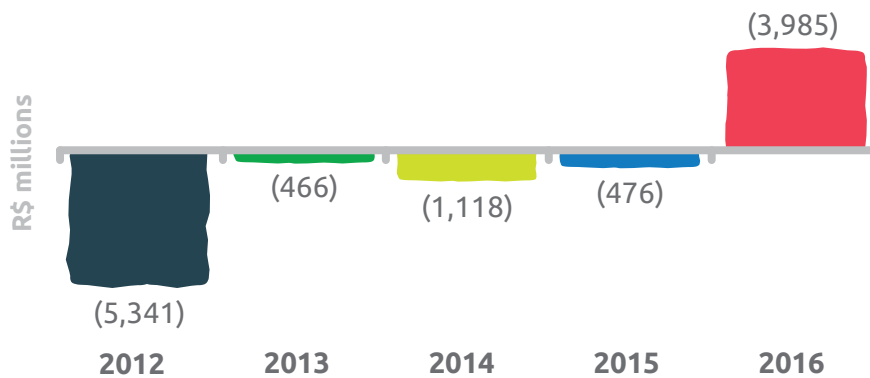
For Chesf, the year 2016 was marked by important events with significant impacts on the financial result for the year. On the one hand, the Company had to deal with a reduction in working capital due to judicial blocks to the value of R\$ 491.1 million, handed down as a result of a lawsuit filed at the 12th Civil Court of Recife (“Factor K”).

On the other hand, it accounted for an input of R\$ 5.09 billion as a result of ANEEL’s homologation referring to the transmission assets of the infrastructure known as the Existing System of the Basic Network (RBSE), existing in May 2000 and not amortized and/or not depreciated. The input was included in the accounts for 2016 but the financial resources will only be received by the Company in 2017.

This ANEEL decision positively influenced the economic result for 2016, meaning that the Company recorded a profit of R\$ 3.9854 billion, an increase of R\$ 4.4614 billion over the previous year.

As a result, Chesf was able to mitigate financial commitments and normalize payments to suppliers. With the financial renegotiation of some contracts, support from the Holding through the release of resources necessary for new projects, and the new revenue level in the second half of 2017 associated with the administrative restructuring process, Chesf aims to balance its cash flow by the end of 2017.

NET PROFIT (LOSS)



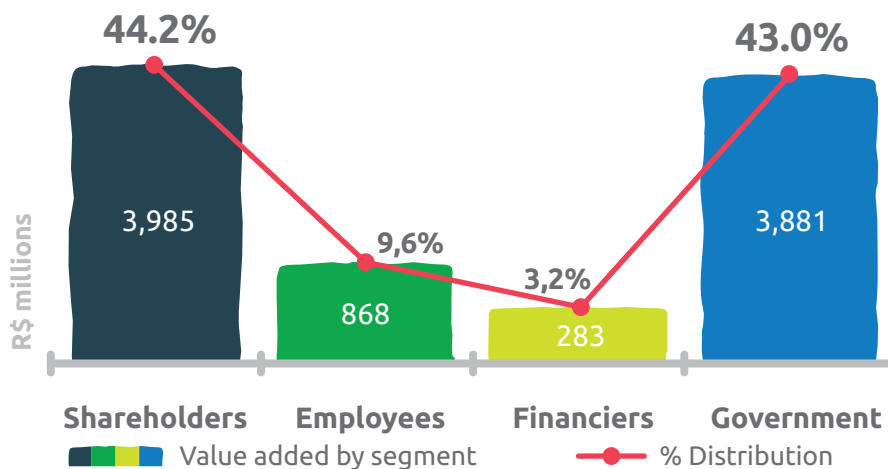
The economic value created by the Company in 2016 increased considerably, from R\$ 1.3123 billion to R\$ 9.0180 billion. The amount was distributed as follows: wages, labor charges and benefits for employees

(9.6%); Taxes, fees and contributions to federal, state and municipal governments (43.0%); Interest to financiers (3.2%) and earnings to shareholders (44.2%).

(G4-EC1)



VALUE ADDED DISTRIBUTION



More detailed financial information can be found at chesf.gov.br > **Demonstrações Financeiras** (Portuguese only)

ACQUISITION AND DIVESTITURE

The Chesf's Business Plan (2017-2021) includes projections for the sale of its stake in the wind power projects in which the Company participates through a Special Purpose Entity (SPE). The goal is to enable the transaction to occur in the year 2017 and receive the resulting payment of R\$ 734 million.



Vam Cruz Wind Farm



OPERATIONAL

In 2016, Chesf’s power generation was affected by low water availability in the Northeast region of Brazil. The Sobradinho reservoir, the largest in the region, reached 2.82% of its useful storage volume by the end of the year. Faced with this scenario, the Company’s power plants generated 20,831 GWh, a decrease of 16.9% compared to 2015. To ensure that energy demands were met it was necessary to maximize thermal and wind power resources in the region, as well as interchange with other regions of the National Interconnected System (SIN).

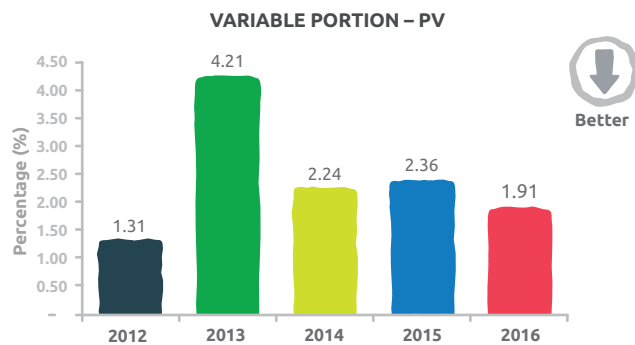
The year was also marked by investments in the modernization of the telecommunication and automation systems of the Operating Centers. The centers were equipped with

video-assisted monitoring facilities, which permit the remote command of substations and power plants, an LCD Video Wall system and a new high-performance SCADA server. These investments contributed to increasing system visibility, reaching the mark of 157,145 supervision points. It is also worth noting the expansion of the operations and maintenance support systems in the areas of Automatic Voltage Regulation, Supervision of Protection Systems, Power Quality and Oscilography.

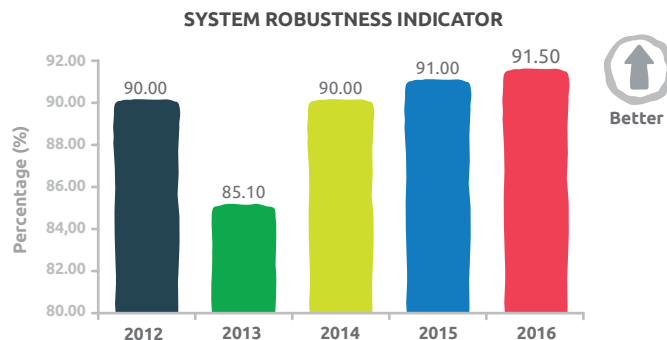
As a result, the Company is able to maintain greater control over its operations, ensuring the quality of services provided and associated costs savings.

PERFORMANCE

In 2016, Chesf recorded the best Variable Portion result of the last three years. This result is associated with the suspension of the calculation of events for the period from July to December by the National Electrical System Operator (ONS), to allow adaptation to the establishment of new calculation rules set by ANEEL. The calculation for these months will be computed in 2017.

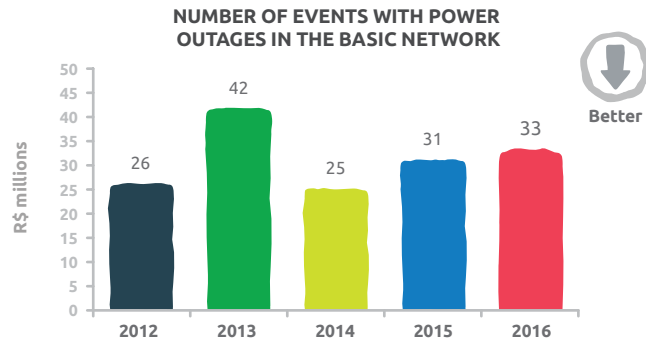


The Robustness indicator maintained a continuing trend of improvement in recent years. This result demonstrates the evolution of the Chesf System (Basic Network) with regard to events involving interruptions to electricity supply.

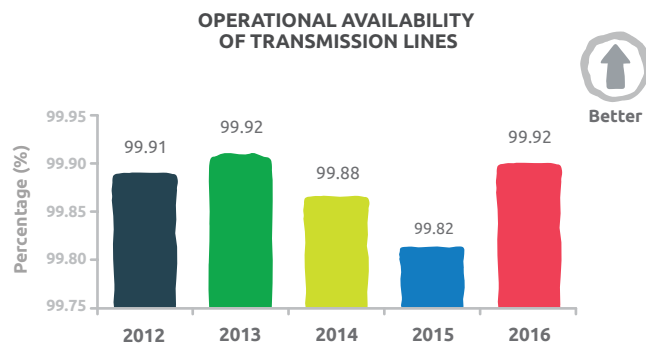




The indicator of the Number of Events with Power Outages in the Basic Network (NEIC-RB) showed a slight increase compared to 2015. Events in November and December 2016 affected this result, up until the month of October it was on track for its best historical result.

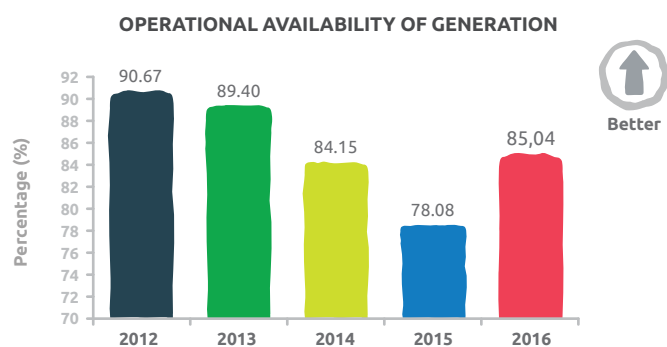


The indicator for Operational Availability of Transmission Lines showed a value reflecting the good performance in the service provided, with only a slight variation compared to previous years.



The indicator for Operational Availability of Generation improved significantly in 2016 compared to 2015, reversing a negative sequence observed during the previous two years.

(G4-DMA EUSD EC – EU6, G4-EU30)

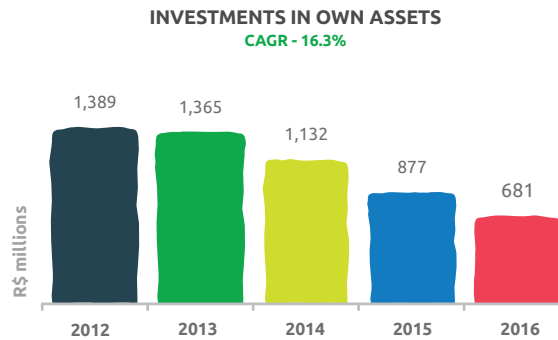




INVESTMENT IN OWN ASSETS

Chesf's investments in its own assets in 2016 totaled R\$ 681.4 million. This amount is distributed as follows: R\$ 97.4 million for power generation; R\$ 551.9 million for transmission system works; and R\$ 32.1 million for other infrastructure spending. In the period 2012-2016, the Compound Annual Growth Rate (CAGR) was -16.3%.

(G4-17)



GENERATION SYSTEM

The following investments were made in the generation system:

- R\$ 31.8 million on hydroelectric power plants, for maintenance of levels of continuity and availability that are satisfactory to meet demand.
- R\$ 65.5 million for the deployment of the Company's own wind farms Casa Nova II (MW 28) and Casa Nova III (MW 24), which total 52 MW and are located in the municipality of Casa Nova, in the state of Bahia.
- R\$ 0.2 million on the 1 MWp heliothermal project to be deployed in the municipality of Petrolina, in partnership with Eletrobras Cepel (Electric Power Research Center).
- Completion of the construction of an oil-separating box at the Apolônio Sales Plant.
- Completion of the drawing-up of the basic Project for the renovation of the structures of the Apolônio Sales Plant.
- Updating of prices (considering that the Basic Project is from 2012) for deployment of digital systems at the Sobradinho Plant, an activity carried out with internal funding.
- Seismological monitoring of the Boa Esperança, Sobradinho, Itaparica and Xingó Plants.

Highlights of the actions carried out in 2016 include:

- Completion of the work of implementing digital systems in the substation and water intake, as well as modernization of back-up electrical services at the Boa Esperança Plant.
- Completion of the remaining outstanding work for the digitalization of the Paulo Afonso II plant.

The Generation Works Plan for 2017 includes the Casa Nova I, Casa Nova II and Casa Nova III Wind Farm Complexes. For Casa Nova I, the budgeted figures are related to the conclusion of the Transmission Line and Substation that will permit the outflow of energy from Casa Nova II and III. In order to realize the investment of R\$ 264 million foreseen in this Work Plan, Chesf needs to raise an additional R\$ 152 million for the investment budget for 2017.



TRANSMISSION SYSTEM

Investments in the Transmission System in 2016 were focused on expansion, with the addition of 264.2 km of transmission lines and three new Substations, increasing processing capacity to 2,290 MVA. The following projects were brought online:

PROJECT	SE	KM	MVA	MVAR
SE Lagoa Nova - 2º TR 230/69 kV - 150 MVA – complement SE Lagoa Nova II			150	
SE Bongí - 3º TR 230/13,8 kV - 40 MVA			40	
SE Piripiri - 1º Capacitor Bank 230 kV - 30 MVar				30
LT 230 kV Ribeirão/ Recife II C1 – Restoration				
SE Santa Rita II – Installation of 3º 3-phase transformer 230/69 kV - 150 MVA and associated connections			150	
SE Polo 230/69 kV - 100 MVA	1		100	
SE Mirueira II 230/69 kV	1		300	
SE Milagres - 3º single-phase autotransformer bank 500/230 kV, 3x200 MVA			600	
SE Mossoró II - 4º TR 230/69 kV - 100 MVA			100	
LT 230 kV Banabuí ú / Mossoró II C2 – Launch of 2º circuit		177.2		
SE Igaporã II – Installation of 3º transformer 230/69 kV - 150 MVA and associated connections.			150	
SE Ibiapina II 230/69 kV - 200 MVA, sectioning of 11 km in LT 230 kV CD and adaptations to the 230 kV ELs of SE Piripiri and SE Sobral II.	1	21.6	200	
SE Itabaianinha – Replacement of TR-1 230/69 kV, of 33 MVA, for another with 100 MVA			100	
SE Arapiraca III - 2º 3-phase transformer 230/69 kV, of 100 MVA, and connections			100	
SE Ribeirão - 4º tri-phase transformer 230/69 kV - 100 MVA			100	
SE São João do Piauí - CT and IB 500 kV				
SE Lagoa Nova II - 3º TR 230/69 kV - 150 MVA			150	
SE Campina Grande II – Installation of Metering System for Invoicing				
SE Tauá II – Static Var Compensator 230 kV -40/+90 Mvar				90
LT 230 kV Paraíso/ Lagoa Nova II and SE Lagoa Nova II 230/69 kV		65.4		
SE Currais Novos II – Replacement of TR 138/69 kV - 33 MVA with TR 138/69 kV - 50 MVA			50	
Sectioning of LTs Angelin II-Pau Ferro, Recife II-Pau Ferro, C1		164.8		
Total 2016	3	429.0	2.290	120



In 2016, Chesf prioritized the work of Installation of Wind-power Generation Collectors and completed the following projects:

- Substation Ibiapina II will offer energy from wind farms to be installed in the State of Ceará (Alternative Sources Auction - LFA-2010), with installed capacity of 150 MW. To connect the new substation it was necessary to construct 11 km of transmission line at 230 kV, in dual circuit, cutting off the old Piripiri/Sobral II line and forming the new Piripiri/Ibiapina II and Ibiapina II/Sobral II lines.
- Work to provide outflow for the wind energy generated in Rio Grande do Norte to the rest of Brazil.
- Implementation of the third stage of the New SE Lagoa II substation, with the connection of the second 150 MW transformer.
- Expansion of ICG Lagoa Nova with connection of the 3rd 150 MVA transformer.
- Process of connecting the LT 230 kV Paraíso/Lagoa Nova II Transmission Line.

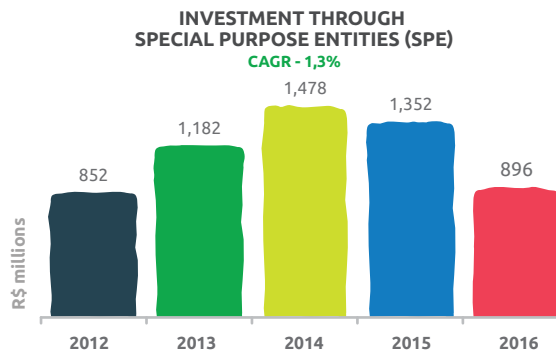
The Company also brought forward the completion of three projects: SE Arapiraca III - 2nd 230/69 kV three-phase transformer, SE Lagoa Nova II - 3rd TR 230/69 kV - 150 MVA and SE Currais Novos II - Replacement of TR 138/69 kV - 33 for TR 138/69 kV MVA - 50 MVA.

For the coming years, the Engineering and Construction Department has prioritized 47 transmission projects, 24 with completion scheduled for 2017, with estimated Permitted Annual Revenue (RAP) of R\$ 65 million, and 23 for 2018, with expected RAP of R\$ 62 million.

Direct investment required to 2017 totals R\$ 593 million and, for 2018, R\$ 223 million. To go ahead with the investment planned for the implementation of this Work Plan it will be necessary to raise an additional R\$ 277 million for the investment budget for 2017.

INVESTMENT THROUGH SPECIAL PURPOSE ENTITIES (SPE)

In 2016, Chesf invested R\$ 895.7 million in the projects of Special Purpose Entities (SPEs) through the Payment of capital and the realization of Advances for Future Capital Increases. The reduction of 33.8% compared to the investments of the previous year is due to the start of operations of the majority of the SPEs. Over the period 2012-2016 the compound annual growth rate (CAGR) was 1.3%.





Chesf's investments in Generation through SPEs total 16,616.81 MW, corresponding to 3,125.23 MW equivalents and totaling R\$ 895.0 million. Of this amount, R\$ 853.1 million was invested in the Special Purpose Entities (SPE) ESBR, Norte Energia and Sinop (Hydroelectric Projects) and R\$ 41.9 million in the SPEs Baraúnas I, Morro Branco I and Mussambê (Wind power Projects). For Transmission, Chesf invested R\$ 0.7 million in the SPE Interligação Elétrica Garanhuns. The Company reached a total of 5282.0 km of transmission lines, corresponding to 1584.2 kilometers equivalent to its participation in SPEs.

	SPES	LOCATION	MW (*)	SHARE	MW EQUIV.	BEGAN OPERATION
HYDRO GENERATION	Energética Águas da Pedra S.A.	Aripuanã / MT	261,00	24,5%	63,95	Aug - 11
	ESBR Participações S.A.	Porto Velho / RO	3.750,00	20,0%	750,00	Sep - 13
	Norte Energia S.A.	Altamira / PA	11.233,10	15,0%	1.684,97	Nov - 15
	Cia Energética SINOP S.A.	Sinop / MT	400,00	24,5%	98,00	Jan - 18
WIND GENERATION	Eólico Sento Sé I	Sento Sé / BA	90,00	49,0%	44,10	Mar - 13
	Eólico Sento Sé II	Sento Sé / BA	98,70	49,0%	48,36	Sep - 15
	Eólico Sento Sé III	Sento Sé / BA	51,30	49,0%	25,14	Apr - 16
	Complexo eólico Vamcruz	Serra do Mel / RN	93,00	49,0%	45,57	Dec - 15
	Complexo Eólico Chapada do Piauí I	MARcolândia, Caldeirão Grande and Simões / PI	205,10	49,0%	100,50	Jul - 15
	Complexo Eólico Chapada do Piauí II	MARcolândia, Caldeirão Grande and Simões / PI	172,40	49,0%	84,48	Jan - 16
	Complexo Eólico Pindaí I (*)	Pindaí / BA	102,00	99,95%	101,95	Oct - 16
	Complexo Eólico Pindaí II (*)	Pindaí / BA	38,00	99,97%	37,99	Oct - 16
	Complexo Eólico Pindaí III (*)	Pindaí / BA	24,00	83,01%	19,92	Oct - 16
	Complexo Eólico Serra das Vacas	Saloá / PE	90,76	49,0%	44,47	Nov - 15
Potência Total and Equivalentes da Chesf em SPEs			16.609,36		3.149,39	

(*) Plants in the process of reducing installed capacity, awaiting definition by Aneel.
 Total Capacity of hydroelectric developments in partnerships = 15,644,1 MW
 Total Capacity of wind developments in partnerships = 965,3 MW

	PROJECT	LOCATION	KM	SHARE	KM EQUIV.	BEGAN OPERATION
Sistema de Transmissão Nordeste S.A. - STN	LT 500 KV Teresina II - Sobral III - Fortaleza II, SE Teresina II; SE Sobral III; SE Fortaleza II	CE/PI	546,0	49%	267,5	Jan-06
Integração Transmissora de Energia S.A. - INTESA	LT 500 KV Colinas - Miracema, LT 500 KV Miracema - Gurupi; LT 500 KV Gurupi - Peixe II, LT; LT 500 KV Peixe II - Serra da Mesa II; SE Peixe II; SE Serra da Mesa II	TO/GO	695,0	12%	83,4	May-08
Manaus Transmissora de Energia S.A.	LT 500 KV Oriximaná - Itacotiara; Estação Retificadora - 500/600KV-3150MW; Estação Inversora - 600KV/500KV - 2950MW	PA/AM	559,0	19,5%	109,0	Mar-13
Interligação Elétrica do Madeira S.A.	LT 600KV Porto Velho - Araraquara II; Estação Retificadora - 500/600KV - 3150 MW; Estação Inversora 2950 MW	RO/MT/MS/SP	2.275,0	24,5%	581,9	Aug-13
Transmissora Delmiro Gouveia S.A. - IEG	LT 230 KV São Luiz II - São Luís III; SE Aquiraz and SE Pecém II (em operação)	MA/CE	156,0	49%	76,4	Oct-13 (LT 230KV São Luís II - São Luís III - Expected Jul-17)
Interligação Elétrica garanhuns S.A. - IEG	500KV Luis Gonzaga - Garanhuns; LT 500KV Garanhuns - Pau Ferro; LT 230 KV Garanhuns - Angelim I; SE Garanhuns; SE Pau Ferro	PE/PB	666,0	49%	326,3	Nov-15
Extremoz Transmissora do Nordeste S.A. - ETN	LT 500 KV Ceará Midim - João Câmara II; LT 500KV Ceará Mirim - Campina Grande III; LT 230KV Ceará Mirim - Extremoz II; LT 230KV Campina Grande III - Campina Grande II; SeccLT 230KV J Camara II - Extremoz - Ceará Mirim Secc; LT 230 KV Campina Grande II - Extremoz II; SE João Camara II, SE Campina Grande III; SE Ceará Mirim	PB/RN	299,5	49%	146,8	Oct-14

Total Transmission Lines in Operation – SPE

4.974,5

1.433,5

Total Transmission Lines under Construction – SPE

322,0

157,8

Overall Total

5.295,5

1.591,3



For further information, refer to the Annex to this report at

chesf.gov.br > **Sustentabilidade**

(G4-EU12, G4-EU18, G4-EU25, G4-EU26, G4-EU27, G4-EC4, G4-EC5, G4-EN1,

G4-EN2, G4-EN3, G4-EN4, G4-EN6, G4-EN10, G4-EN25, G4-EN28, G4-EN29,

G4-EN32, G4-LA3, G4-LA11, G4-LA14, G4-LA16, G4-HR1 a G4-HR7, G4-HR9

a G4-HR11, G4-SO3 a G4-SO9, G4-PR2, G4-PR4, G4-PR7, G4-PR8, G4-PR9)



INNO VATION





Growth strategies combined with risk management in a challenging environment are characteristics of Chesf's performance in the medium term



Global Compact



SDGs



The topic of innovation is considered in Chesf's growth strategy, which envisions future prospects based on the understanding of the present scenario in the energy sector. Thus, through its Corporate Planning, it seeks to integrate the various different areas of the Company to propose and implement good practices based upon corporate sustainability.

The basis for the success of this innovative vision brings clarity to how Chesf acts on risks and opportunities in relation to climate change, investments in a more diverse energy matrix, investments in new business and infrastructure, and investment in R&D+I.

ENERGY MATRIX

Faced with the water crisis in the main river basins of the interconnected system, investments in a more diversified energy matrix, i.e. less dependent on hydroelectricity, make it possible for the country's energy needs to be assured. Considering this scenario for the sector, Chesf has directed investments to wind and thermal generation in the region of the São Francisco basin, an area heavily affected by drought. This year the water level of the Sobradinho reservoir reached its lowest volume in history.

invested in an energy matrix composed of renewable sources, and in 2016 invested in the construction of its own wind farms - Casa Nova II (329 MW) and Casa Nova III (28.2 MW) – scheduled for completion by October 2017. In addition, through Special Purpose Entities (SPEs), Chesf participates in 29 wind farms in Northeastern states (BA, PE, RN and PI), already in commercial operation and totaling 818.7 MW. It also participates as a majority shareholder in the SPEs of 11 other wind farms under construction in Pindaí (BA), with 110 MW to be installed.

The Company has increasingly

(G4-EU1)



INVESTMENT IN INFRASTRUCTURE

TELECOMMUNICATIONS

In keeping with its Business Plan, Chesf is attentive to new business opportunities. As such, the Company planned Investments to structure business in telecommunications for the period 2017-2021 to obtain additional revenue or avoid costs while developing infrastructure, in accordance with Eletrobras’s guidelines.

The feasibility of the strategy will be ensured by the following considerations:

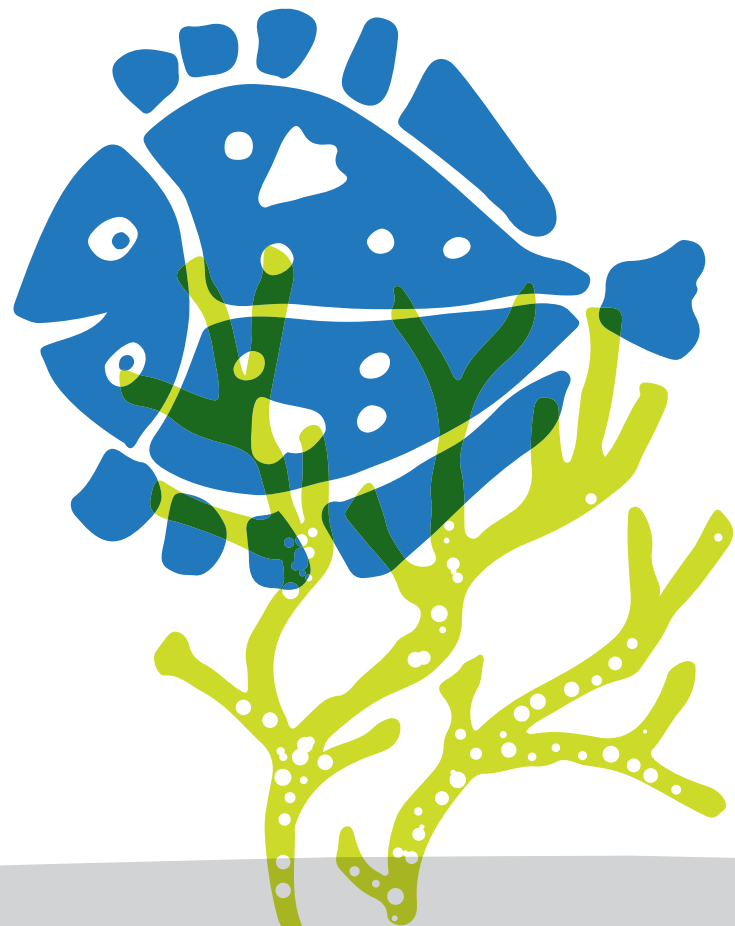
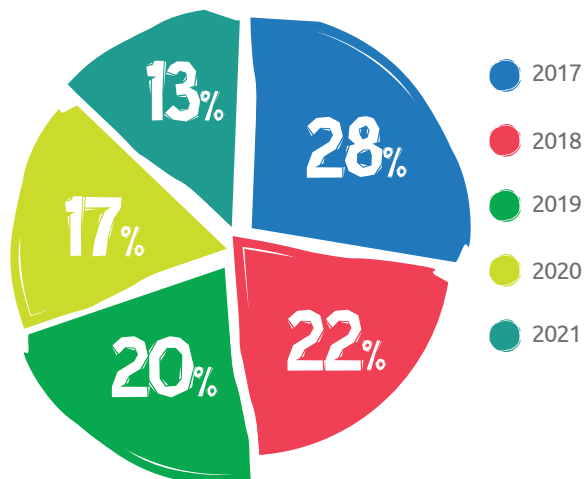
- Prospecting for business opportunities within the electric sector
- Sharing the telecommunication infrastructure with partner companies to obtain greater capacity to service new demands
- Provision of services to agents or entities in the sector

The new business is expected to add another 925 km of OPGW Cables to the Chesf transmission lines already in operation through an infrastructure sharing agreement with Telebras, which will be responsible for the costs of the project until 2017.

In addition to the opportunity to diversify its portfolio of operations, Chesf is also considering eight other projects for the telecommunications sector, including the insertion of 2,358 km of OPGW fiber optic cables, 2,077 km along Chesf’s own transmission lines and 281 km along the lines of third parties, among other investments. The Company will invest a total of R\$ 87,426,704 in these initiatives by 2021.

FUNDING FOR TELECOMMUNICATIONS PROJECTS FOR THE PERIOD 2017-2021

Investment in Telecommunications Projects





MUTUAL COOPERATION AGREEMENT

In 2016, Chesf and the National Education and Research Network (RNP) signed a CVNE Cooperation Agreement with the aim of the integrated and mutual use of each other’s telecommunications infrastructure.

The National Education and Research Network (RNP) will build a new Dense Wavelength Division Multiplexing (DWDM) system, provide Synchronous Digital Hierarchy (SDH) equipment, and fine-tune existing Chesf telecommunications systems, including the essential power. The new network will allow the deployment of a high-capacity and reliable telecommunications transport layer, providing an initial capacity of 100 Gbps for Chesf and RNP. Chesf’s contribution, in addition to the availability of the

telecommunications infrastructure, will be to operate the entire system and ensure the maintenance of the equipment installed in the facilities. The partnership will provide a technological upgrade for Chesf’s telecommunications platform, meeting current and future needs for technical, administrative and operational management. For RNP, it will meet the demand for academic telecommunications in Brazil and their integration with other academic networks in other countries.

The project, which foresees the inclusion of 70 of the Company’s operational facilities, was divided into three phases and covers all of the regional offices in eight Northeastern states. Executive work will begin in May 2017.

PROTECTION AND AUTOMATION

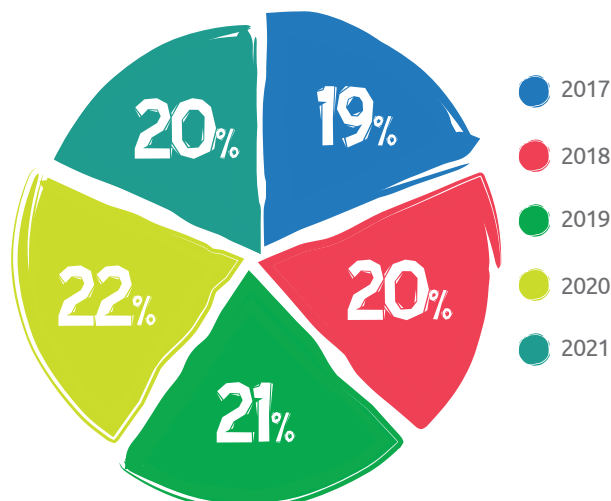
Ensuring the Protection and Automation of its activities is also a concern for Chesf. This segment possesses supervisory features and resources, necessary for the operation of the Company’s electro-energetic system.

Chesf already invests in the most advanced technologies available in the market and aims to evolve towards the adoption of international standards of architecture and functionality, which will meet the requirements of availability and reliability expected in the transmission segment.

As such, the Company is planning to prepare its facilities to meet current demands and future expansion.

Investment of approximately R\$ 201.5 million is planned for a five-year horizon, involving nine projects in the area of Protection and Automation.

Investments in Protection and Automation







RESEARCH AND DEVELOPMENT

Innovation is one of Chesf's strategies in its business, with the guideline of creating continuity through modern, efficient projects with sustainability criteria. The mission is to generate technical and operational, economic, social and environmental benefits, adding value for the Company and for the whole society.

In the face of current challenges the Company seeks to renew itself constantly and in its Strategic Map of Corporate Planning 2017-2021 it proposes actions targeting investment in research projects in partnership with R & D institutions. To do so it has a structured flow in place for Research, Development and Innovation (R&D+I) Programs, which includes

the Internal Standard, IN-AS 03 001 – Management of Research, Development and Innovation Projects and the Research and Development Management System (SGPPED). Chesf has been developing solar energy projects to compete for sale at ANEEL auctions. Three projects are underway with this focus; two of them refer to R&D:



Paulo Afonso III Complex



- Petrolina Solar platform (3 MW): Project involves the installation of a photovoltaic plant with commercial operation scheduled for 2017
- Floating Solar Photovoltaic platform on the reservoir of the Sobradinho Dam (5 MW): Project in partnership with Eletronorte, scheduled for commercial operation in 2017 (1 MW) and 2018 (4 MW)

Another example relates to management, with the development of the project “From idea to market: Development and implementation of an innovative method to ensure a systematic and continuous process of value creation in the development of R & D + I projects for CHESF”. The main objective is the creation of an innovative method for Chesf and the electricity sector that will accompany

projects from their conception through to the arrival on the market, with repercussions throughout the productive chain and consequently the sector. The project’s is scheduled for completion in June 2019.

In 2016, the amount invested in R&D+I programs totaled R\$ 27 million, which includes regulatory projects of the Ministry of Mines and Energy (MME) and projects carried out by CEPEL (Electric Power Research Center). For the ANEEL projects, R\$ 3.46 million was invested in 40 initiatives focused on energy efficiency, renewable or alternative sources, the environment, quality and reliability, planning and operation, supervision, control and protection, and new materials and components. In its business plan, Chesf established investments in R&D+I of approximately R\$ 30 million in 2017.

(G4-DMA EUSD EC – EU8, G4-EN7)



R&D Project - Sobradinho Photovoltaic Panels



STAKE HOLDERS



It is the right time to review standards and processes to give continuity to the business. And the work begins from within.



Global Compact



SDGs



INTERNAL PUBLIC

This year, Chesf began the restructuring of its management model. The Human Resources Office conducted a qualitative and quantitative assessment of the staff with a review of the processes and skills that are necessary to carry out activities according to the new reality of the Company. One of the actions implemented was a Voluntary Redundancy Incentive Plan, which will continue throughout the year 2017.

To facilitate communication of the changes and ensure the transparency of decisions, Chesf reinforced its communication channels. It created the “Talk to the Administrative Department”, a direct channel to

the Administrative Department permitting suggestions, criticism and praise to reach the senior management.

In the last Climate Survey in 2015 the Favorability Index was 71.48%, an improvement on the 2013 survey, which recorded 67.59%. The result is the fruit of the implementation of the Corporate Plan for Improvement of Organizational Climate, which involved discussions with the areas responsible for these factors and the creation of action plans to provide adequate handling. The next survey will occur in 2017 and will also evaluate the year 2016.



New employees reception

PROFILE OF EMPLOYEES

Chesf ended the year with 4,547 employees: 923 women and 3,624 men. In 2016, the turnover rate reached 0.59% as a result of 23 employees leaving and the admission of 31 more, 23 of these through a public service entrance exam and eight by judicial determination⁷.

(G4-LA1)

It is noteworthy that the maximum limit for Chesf's own staff is fixed by the Ministry of Planning, Development and Management through the Department of Coordination and Governance of State Companies.

(G4-10)

TURNOVER RATE (%)

BY GENDER	2015	2016
Men	0.35	0.54
Women	0.01	0.05
Total	0.36	0.59

NEW HIRING

BY GENDER	2015	2016
Men	5	28
Women	0	3
Total	5	31

⁷ Complainants are either public entrance exam candidates or former employees.



PREPARING FOR RETIREMENT

Chesf is the sponsor of Fachesf (Chesf Foundation for Assistance and Social Security), which provides a supplementary pension plan for employees. Currently the plan’s options are: Defined Contribution (DC Plan) and Settled Benefit (SB Plan). The DC plan, structured in the variable contribution modality, is the only one open to new members and at the end of 2016 covered 4,885 active employees and 1,861 retired employees and pensioners.

plan for retirement by considering economic, social and health-related aspects. Through the Retirement Preparation Program (PPA), alternatives are presented relating to entrepreneurship and voluntary work. In addition, the 1st Fachesf Health and Pension Week was held in 2016, in partnership with the Human Resources Office. The program included lectures on financial education and pensions, and guidance on life projects after retirement.

Chesf encourages its employees to

(G4-EC3, G4-LA10, G4-EU15)

	NEXT 5 YEARS	BETWEEN 6 AND 10 YEARS
Positions with university-level requirement	503 (10.8%)	187 (3.9%)
Positions without university-level requirement	2,114 (45.1%)	246 (5.2%)
Management position	188 (4%)	62 (1.3%)

Legend: Considers employees who retire only through Fachesf, regardless of whether they are already retired through the INSS. Considered the workforce on 12.31.2016. Eligibility within five years: up to 12/31/2021; Eligibility within 10 years: from 01.01.2022 until 31.12.2026.



World Heart Day Action



HEALTH AND SAFETY

The focus on employee safety remains one of Chesf’s tenets and throughout the year it promoted a series of actions to minimize risks at its facilities. The Company has a Health and Safety at Work Policy and other internal rules aimed at ensuring a safe environment for its employees and meeting the Regulatory Standards of the Ministry of Labor and Employment (MTE).

Assessments of the hazards and risks of activities are conducted periodically, with the main risks considered to be electric shocks and thermal effects of electric arcs, considering that more than 50% of employees are exposed to these risks. Other risks relate to noise from generating operations, chemical hazards in laboratories and printing offices, and also biological risks at outpatient clinics and the Paulo Afonso hospital.

To protect its workers, Chesf adopts a series of procedures above and beyond

those specified in the legislation, including the Environmental Risk Prevention Program (PPRA) and the Medical Monitoring of Occupational Health Program (PCMSO) with occupational medical examinations beyond what is provided for in NR 07⁸.

In their day-to-day activities employees use Collective Protection Equipment (CPE) and Personal Protective Equipment (PPE) to perform certain activities. Although the Company does not provide protective equipment to contractors and subcontractors, its use is a requirement of the Occupational Health and Safety Plan and is inspected during safety audits. In addition, the Company systematically monitors safety indicators relating to the Accident Frequency and Severity Rate and proactive indicators, designed based on the System of Reporting and Control of Accidents and Non-Conformity.

HEALTH AND SAFETY	2014	2015	2016
OWN EMPLOYEES			
Frequency Rate of Accidents at Work	2.23	3.00	2.33
Severity Rate of Accidents at Work	64.00	37.00	169.00
Number of deaths (employees)	0	0	0
OUTSOURCED/CONTRACTORS			
Frequency Rate of Accidents at Work	NA	NA	NA
Severity Rate of Accidents at Work	NA	NA	NA
Number of deaths (employees)	0	0	NA
OWN EMPLOYEES + OUTSOURCED/CONTRACTORS			
Frequency Rate of Accidents at Work	2.23	3.00	2.33
Severity Rate of Accidents at Work	64.00	37.00	169.00
Rate of Absenteeism due to Sickness	1.35	1.49	1.60
Number of Deaths	0	0	0

⁸ This Regulatory Standard - NR establishes the obligation for all employers and institutions that admit workers as employees to elaborate and implement a Medical Monitoring of Occupational Health Program (PCMSO), with the goal of promoting and preserving the health of all of their workers.





Importantly, Chesf has certification for its Health and Safety at Work Management System (OSHMS) in accordance with the requirements of the Occupational Health and Safety Assessment Services Standard (OHSAS 18001: 2007). The OHSAS has contributed to the management of the accident prevention system, strengthening internal safety culture and bringing results in risk assessments and mitigation of impacts on operations. An example of this occurred in 2016, when there

was a fire on the premises of Chesf's Insulating Oil Treatment Facility, located next to the Bongi substation in Recife. With the rapid response of the fire department, along with the Chesf team, it was possible to isolate and contain the fire, which did not spread to other facilities and no casualties were reported. After the incident inspections and audits were carried out to identify the causes, resulting in the reviewing of processes and safety infrastructure at all of Chesf's oil stations.

(G4-LA6, G4-LA7, G4-DMA EUSD LA - EU16)

RESULTS OF THE YEAR

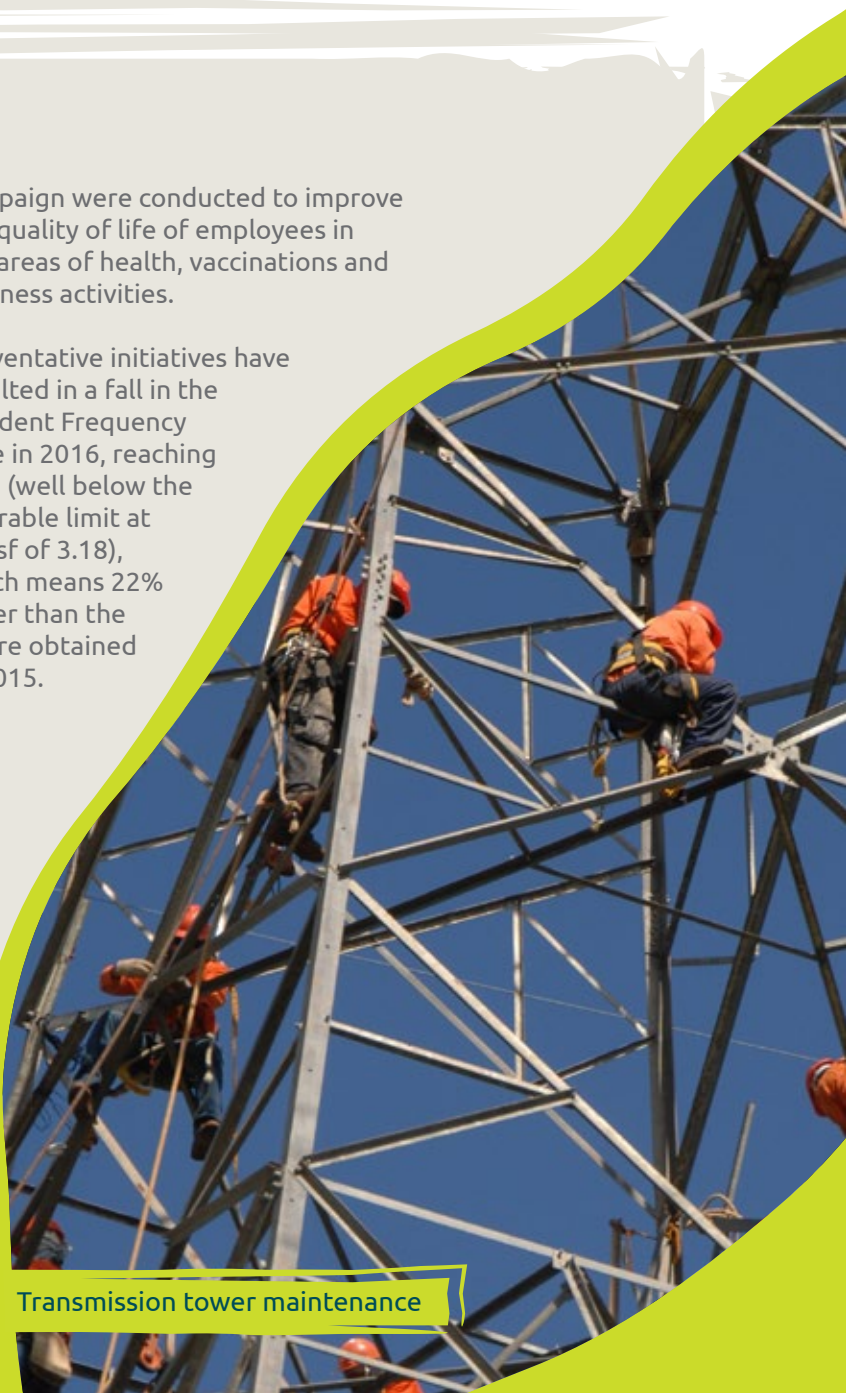
(G4-DMA EUSD LA - EU14)

In 2016, Chesf intensified educational initiatives in the area of Health and Safety, with a total of 71 actions involving 2,245 employees. Some of the technical training focused on issues related to the Company's business, including: Trial Runs, Measurement, Electric and Magnetic Fields; ISO 9001:2008 / SGMS; Basic concepts in substations and their main equipment; Introduction to Substation Auxiliary Services; and Replacement of 500kv Isolator Chains with TLs connected.

Another cycle of the *Fique Alerta para Segurança Dez* ("Stay Alert for Maximum Safety") corporate program was also held, in order to disseminate a culture of health and safety at work. With the motto "Safety is everyone's responsibility", the 2nd Chesf Occupational Health and Safety Knowledge Challenge was held, with the participation of 525 employees and the handover of the 1st Outstanding Health and Safety at Work Award. A series of

campaign were conducted to improve the quality of life of employees in the areas of health, vaccinations and wellness activities.

Preventative initiatives have resulted in a fall in the Accident Frequency Rate in 2016, reaching 2.33 (well below the tolerable limit at Chesf of 3.18), which means 22% lower than the figure obtained in 2015.



Transmission tower maintenance



PROFESSIONAL DEVELOPMENT

Investment in the professional development of its employees is one of Chesf's guidelines that contribute to the growth of the Company. Through internal and external education programs, 636 actions were recorded during the year, totaling 187,724 hours and representing 81.15% of the workforce. The average number of hours of training per employee reached 41.39, exceeding the target of 40 hours set by the Company.

(G4-LA9)

Using creative solutions such as the use of multimedia, institutional partnerships and the activities of the educator employee, the above results are constantly enhanced and enable the optimization of financial resources without reducing the quality of the actions. An example of this was the 1st Knowledge Forum held by videoconference to recognize the efforts of employees participating in long-term courses and the last National Seminar on the Production and Transmission of Electricity (SNPTEE). 45 papers were presented on different themes.

CONTINUOUS IMPROVEMENT OF PROCESSES AND PROFESSIONAL DEVELOPMENT IN NUMBERS:

- 5226 postgraduate hours taught (specialization and Masters/Doctorates)
- 8021 hours at conferences, seminars and symposia
- 2200 hours of actions relating to compliance (Ethics, Compliance, Conflict of Interest, Harassment)

A special mention should go to Chesf's Corporate Education Plan, which offers scheduled educational opportunities to employees who

can contribute to the development of skills related to the Company's corporate guidelines. This plan aims to develop the technical and managerial skills needed for employees to work to tackle the organizational challenges. The Plan was prepared considering the Strategic Planning as its main guide and the total amount invested was R\$ 1.4 million. The average investment per employee was R\$ 317.91.

(G4-DMA EUSD LA – EU14)

CONTINUOUS LEARNING INITIATIVES

Living and Learning Program (Programa Vivendo and Aprendendo)

The Living and Learning program, developed in partnership with SESI, provides elementary school and high school courses at the Company's premises during working hours. In 2016, 23 employees had the opportunity to raise their level of schooling.

Chesf's 2nd Literary Afternoon

The second edition of the project involved forming partnerships to promote workshops, recreation and lectures that, through reading and cultural and artistic expression, encourage the self-development of employees. Another scheme to contribute to the formation of a critical attitude and improvement of the organizational climate at Chesf was the launch of the Reading Corner, with spaces and bookshelves at different locations within the Company to encourage reading and the donation and swapping of books.



COMMUNITY

The relationship and engagement with the communities surrounding Chesf’s operations begins very early on, back at the stage of evaluation of projects. In its organizational structure Chesf has a specialized team that works to define the route of transmission lines and the location of developments, reducing socio-environmental impacts. The study undertaken for environmental licensing purposes includes the expected socioeconomic and anthropogenic diagnostics to understand what the positive and negative impacts on affected populations will be and which can subsequently be considered in the action plans. All works consider human rights aspects and in 2016 five operations were subjected to analysis or impact assessments related to the topic.

(G4-HR9)

When displacement of the population is necessary, dialogue, studies and

negotiations are adopted with the affected communities. All actions are guided by the Guidelines for Resettlement of Populations Affected by Electricity Projects, a document drawn up by a working group composed of representatives of all of the Eletrobras Companies. With regards to indigenous and quilombola (maroons) populations, actions comply with international agreements signed by Brazil and specific national legislation and regulations.

Currently, Chesf has two wind farm projects in the deployment phase, CGE Casa Nova II and CGE Casa Nova III. They are located in rural areas and it was not necessary to displace any of the local population. It is worth noting in fact that the impacts of these developments are positive, e.g. they provide income for the owners of the land where the wind turbines are installed.

(G4-DMA EUSD SO – EU20, G4-EU22)



Voluntary commitments to sustainability

Chesf bases its actions on Agenda 2030, the 17 Sustainable Development Goals (UN), the Guiding Principles of Business and Human Rights and the National Human Rights Program (NHRP 3), acting in an integrated manner with the Holding Eletrobras.

The Company follows the Social Responsibility Policy of the Eletrobras Companies and the Chesf Guidance Manual for Social Projects to guide its activities in the vicinity of the operations. Two important rules were approved in 2016: Normative Resolution 02/2016 to ensure adherence to the Eletrobras Policy and a Normative Instruction for the

Donation of the Unserviceable Assets of the Company, which will enable compliance with ANEEL Resolution 691/2015.

Participation of employees in Chesf’s Corporate Volunteer Program increased from 0.5% of employees to 2.34%, taking part in various campaigns and actions in the communities. The



program aims to encourage, organize, support and recognize voluntary activities involving civic participation by its employees for the good of society. The actions are defined with a view to align the interests of the employees, the business and community needs. Some of the campaigns carried out were: collecting of food donations; giving blood; donation of kimonos for the Judô Cidadão (“Judo Citizen”) project, promoted by the Child Citizen Beneficent Association (Associação Beneficente Criança Cidadã - ABCC); Children’s Day celebrations with handing out of toys and a recreational afternoon in the Vietnã community; Solidarity Christmas activities in the Roda de Fogo Community - territory of Casarão with distribution of toys for children and food baskets for families, as well as distribution of toys to the Esperança, N. S. Auxiliadora and Sementes do Novo Mundo daycare centers and Instituto Filadélfia in the Vietnã community.

It is also worth mentioning the support for Fábrica Gepeto, a small sawmill dedicated to manufacturing wooden toys that were distributed to about 60 children attending two daycare centers. Activities were also held at the Bongi Daycare Center and the Caxangá Daycare Center during Carnival, Easter, Children’s Day and Christmas. Moreover, Chesf has also lent its facilities for the NGO Citizenship Committee of Chesf Employees in Recife (Comitê de Cidadania dos Chesfianos Recife), which developed the Solidarity Education Program, preparing 65 young people for the National High school Examination. During the year, compulsory investment totaled R\$ 561,203.60 and voluntary investment was R\$ 37,882,188.68 in social responsibility programs and projects.

(G4-EC8, G4-SO2)



Volunteer group

NAIR ALVES DE SOUZA HOSPITAL

In 2016, Chesf signed an agreement with the Municipal Government of Paulo Afonso and the Department of Health from the State of Bahia (SESAB) defining actions for the implementation of infrastructure improvements and of operational activities, after the transfer of ownership of the hospital to the Federal University of Vale do São Francisco (UNIVASF).

As a result, the Municipality installed an Emergency Care Unit (UPA) on site for less complex demands, although funding of the hospital is still the responsibility of Chesf, costing some

R\$ 40 million per year. It is estimated that the process of transferring administrative and financial responsibility to the University should be completed by 2018.

At present the hospital serves 22 surrounding municipalities and in the future will have an ICU and increase the number of beds from 105 to 130. During the year there were 102,523 consultancies and 2,964 births. An area was also ceded to build a university campus, which will undoubtedly become a hub for the development of the city of Paulo Afonso.

(G4-EC7)



LUZ PARA TODOS PROGRAM

Chesf develops regional projects aligned to social programs of the Federal Government. An example is the National Program for Universal Access and Use of Electricity (Luz para Todos) which involved 27,661 hook-ups, serving 110,644 people in the year 2016.

(G4-DMA EUSD PR - EU23)

LAGO DE SOBRADINHO (LAKE SOBRADINHO) PROJECT

The Lago de Sobradinho project, executed by EMBRAPA, offers technical expertise to enable small farmers and fishermen living in the vicinity of the Sobradinho dam (BA) to develop and improve their family crop and animal production systems, agro-industries, beekeeping, fishing and fish-farming to better deal with drought.

The project currently serves five municipalities: Sobradinho, Casa Nova, Santo Sé, Remanso and Pilão Arcado, providing technical knowledge and technology and benefiting about 2,000 people. In 2016, R\$ 554,039 was invested in the project.



For more information about the project visit projetolagodesobradinho.blogspot.com.br



CULTURE

With investments to incentivize culture in the Northeast, Chesf democratizes access in different areas and encourages social and environmental counterparts to reaffirm their commitment to sustainability. In 2016, R\$ 311,000 was invested in eight projects related to the cultural area. Among the most significant were:

Eletrobras Companies Sponsorship Program for Electric Sector Events 2016

- IT Meeting 2016
- XIII Symposium on Water Resources in the Northeast
- Wind Energy Socio-Environmental Seminar

Rouanet Law

- Criança Cidadã Orchestra (Annual Activity Plan 2016)
- Virtuosi Programming

ENVIRONMENTAL EDUCATION

Through Chesf's Environmental Education Program, projects were carried out in communities close to Transmission Lines in order to raise awareness, clarify doubts and mobilize the population and employees to participate in the social actions carried out by the Company. The Socio-Environmental Action Plan was also implemented in the vicinity of the Paulo Afonso Hydroelectric Complex and the Xingó HPP with environmental education, health and education actions.

The actions of the Socio-Environmental Action Plan for Paulo Afonso cover five municipalities in three states: Bahia, Pernambuco and Alagoas. Workshops were held with the population and 167 proposals were catalogued on a number of topics: environmental edu-communication, conservation of natural resources, health, education and art, institutional strengthening

and sustainability, etc. During this first filter stage, a portfolio of projects was created with 50 initiatives that will be monitored by the Community Environmental Commissions. Meanwhile, in Xingó the actions cover six municipalities distributed in three states: Alagoas, Sergipe and Bahia. So far the diagnosis and the Work Plan have been carried out with the participation of the population.

(G4-S01)

Chesf also carried out environmental education activities in 10 public elementary and high schools to provide guidance on combating fires. During the year, 1,079 students attended and 290 teachers received training. In total about 7,000 people participated, including parents and residents of the areas in the vicinity of the Company's projects.



HPP Sobradinho

CUSTOMERS

The relationship with customers is managed by the Energy Sales Office, responsible for all management of energy purchase contracts. This closeness to the customers allows the company to provide personalized attention for the handling of complaints and resolution of pending issues. Thinking of joint growth with its customers, the Company is developing an action plan to further improve the services and products offered.

(G4-EU3)

In this sense, it considers as a premise that health and safety issues should be treated with absolute rigor for its customers, as well as being an essential criterion of the relationship with its employees. There are specific clauses on the subject in the contractual agreements, the Transmission System Connection Contract and the Facilities Sharing Contract.

(G4-PR1)

PROFILE OF CUSTOMERS	2016
Potentially free industrial consumers (according to Law 13,182)	12
Free industrial consumers	5
Energy distribution utilities	45
Traders	6
Total number of customers	68



CHESF SATISFACTION SURVEY

In order to measure the satisfaction of its customers, the Company conducts periodic surveys such as the 2nd Integrated Satisfaction Survey of Eletrobrás Companies, which involves the participation of all Group companies. Customers of the businesses of Generation (free and potentially free consumers, traders and distributors) and Transmission (users of connected transmission

services: distributors, free and potentially free consumers and generators) were surveyed. Using the “Customer Window Quadrant” methodology, it was possible to verify the correlation between the degree of satisfaction and level of importance and the result shows that there were no dissatisfied Chesf customers.

CUSTOMER/BUSINESS	1 ST INTEGRATED SURVEY TWO-YEAR PERIOD 2014/2016	2 ND INTEGRATED SURVEY TWO-YEAR PERIOD 2016/2018
Satisfaction index of traders with respect to the generation business	85.2%	82.0%
Satisfaction index of distributors in relation to the generation and transmission businesses	90.4%	83.9%
Satisfaction Index of industrial customers with respect to the generation, transmission and trading businesses	92.4%	77.2%
Satisfaction Index of the accessing users of the transmission services	82.3%	80.6%
Overall average customer satisfaction	87.8%	80.9%

Also in 2016, Chesf conducted a satisfaction survey with a commercial focus. It surveyed customers in the Trading, Free Consumer, Potentially Free Consumer (Law 13,182) and Generator segments. The satisfaction indices were 79% and 87% for the evaluation of the reliability of service and the guarantee of supply, respectively.

(G4-PR5)

RN Substation





SUPPLIERS

The contracting of Chesf's suppliers is governed by Laws 8,666/93 and 10,520/2002 and by Decree 5,450/2005. The entire process follows the requirements for public calls and assessment of the criteria of legal qualification, technical qualification, economic and financial qualification, tax and labor regularity and compliance with certain legal constraints related to ensuring respect for human rights and compliance with environmental legislation.

In 2016, 269 contracts were signed with 192 suppliers, totaling R\$ 533.8 million. Of these suppliers, 57 were considered to be "essential to the business" because they are suppliers contracted for the execution

of works and services and for the supply of equipment for the generation and transmission of energy. These represent 75 contracts and a total of R\$ 423.6 million, representing 29.6% of the total contracted suppliers, 27% of the contracts signed and 79% of the value contracted during the year.

For direct contracting, denominated Low Value Acquisitions (ABV), of a value below R\$ 16,000, 572 contracts were signed with 253 suppliers, totaling R\$ 4.7 million. Although the bidding process does not prioritize local contracting, currently about 50% of Chesf's suppliers are located close to the Company's main operation.

(G4-12, G4-LA15, G4-EC9)

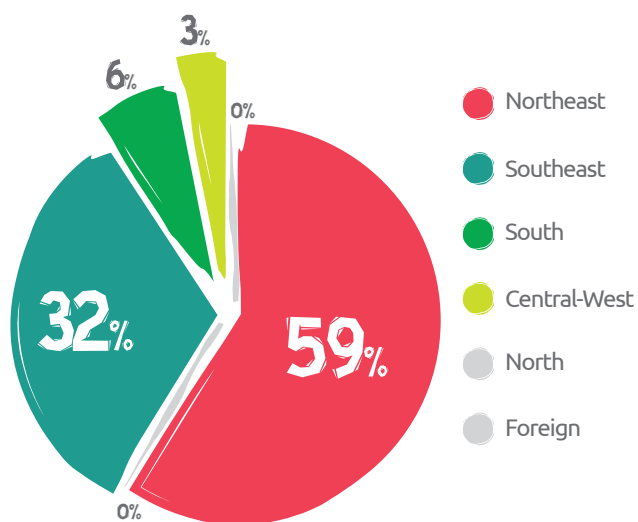
	2014	2015	2016
Total expenses with suppliers (R\$)	-	490,096,373.00	533,788,857.69
Total expenses with local suppliers (R\$)	-	266,983,817.14	129,805,439.04
Percentage of spending on local suppliers by the major operating units (%)	-	54.5	24.3

Note:

1) The figure indicated represents the values of the contracts signed during the period of 2016, and not financial disbursement in the period.

2) Of the total contracts signed in 2016, those suppliers based in the Northeast region were used to establish the figures and percentages in the above table.

SUPPLIERS BY REGION



For further information, refer to the content in the Annex to this report at chesf.gov.br > **Sustentabilidade**

(G4-LA2, G4-LA4, G4-LA5, G4-LA8, G4-LA12,

G4-LA13, G4-EN32, G4-HR1, G4-HR2, G4-HR4,

G4-HR5, G4-HR6, G4-HR8, G4-HR10,

formerly EU19, formerly EU23, G4-SO4, G4-PR3)





RES PON SABI LITY

TO THE
ENVIRONMENT





Chesf operates stringently in its developments. Even before operations begin, its actions are planned and monitored so that potential environmental impacts can be avoided.



Global Compact



SDGs



Chesf’s environmental responsibility starts with the feasibility study for the project, which includes conducting an impact assessment and preparing environmental impact assessments and reports (EIA/RIMA). Following the relevant legislation, the proposed alternatives are evaluated according to the degree of impact and, if necessary, changes are made to the project.

Last year, Chesf created the Planning Center within the Engineering Department, which further improved the environmental management of developments. This efficient management contributed to the profitability of the projects, as by minimizing risks and unforeseen events it is possible to increase the success rate for completing the project on time. Some of the results are noteworthy: the 70% increase in

the average number of completed projects and the reduction of 43% in the time delay of the works.

Today, all of Chesf’s businesses are already licensed or in the process of renewal and regularization. In 2016, Chesf invested R\$ 280,050.65 in infrastructure through the Management Program. Various licenses, both operating and preliminary, were obtained and renewed, notably the renewal of the Preliminary License for the Photovoltaic Array in Bom Nome (PE), the renewal of the Installation License and Single License for the Photovoltaic Array in Petrolina (PE), and the Special Authorization for 800 and 700 m³/s Flow Testing in the São Francisco River. In addition to these, five Renewals of Operating Licenses were obtained, two new Operating Licenses and four corrections.

PUBLIC MEETINGS

With the support of the Brazilian Environmental Institute (Ibama), in 2016 Chesf held public meetings in the Xingó region and Paulo Afonso (BA) to discuss with the public the renewal processes for the Operating License of the Xingó Hydroelectric Power Plant and renewal of the licensing of the Paulo Afonso hydroelectric Complex. Environmental programs were presented before opening up for dialogue with the participants, who made suggestions for improvements. The aim was to provide

greater transparency and assertiveness in the renewal processes.

In addition to local residents, technicians from Chesf and IBAMA's Environmental Licensing Centers were also present, alongside representatives of state environmental agencies, the São Francisco River Basin Committee, the municipal governments of the region and Federal and state Public Prosecutors.

BIODIVERSITY

[G4-EN26]

From the moment that Chesf understands the impacts of its operations it can begin work to prevent, mitigate and offset the negative impacts. In the knowledge that hydroelectric power plants can cause significant impacts on the fauna and flora in Permanent Preservation Areas (APP), Chesf uses GPS tools during the studies for new projects that allow it to perform complex analyses by integrating data from various sources and creating databases of GPS data that permit the minimization of the impact on biodiversity. In addition, during construction and operations it carries out monitoring in the area of

influence to correct any deviation, which may result in changes to the project.

In the case of transmission projects, for example, the procedure of elevating pylons is adopted alongside implementing selective reforestation in the vicinity of the projects and fauna and flora rescue programs. Additionally, Chesf operates a fish farm for restocking the river and reservoirs and a forest tree nursery to produce and distribute native plants from the region with a view to the recovery of riparian woodland and other degraded areas.

(G4-EN11, G4-EN12)



PROTECTING SPECIES

In 2016, Chesf continued the program of restoration of riparian woodland in the region of the Lower São Francisco, downstream from Xingó, by planting 49,000 seedlings. At the Pedra and Funil reservoirs in Bahia 6,759 seedlings were planted across 7.51 hectares of Permanent Preservation Areas (APP). In addition, the Company develops a restoration program on 10 hectares of Atlantic Forest (*Mata Atlântica*) in the Mata do Junco Wildlife Refuge (RVS Mata do Junco) in the state of Sergipe.

(G4-EN13)

The Recovery Program for Degraded Areas was deployed in degraded areas, after previously being presented to IBAMA. The activities were developed with the use of bioengineering techniques for soils to bring about immediate environmental regeneration. A positive example of the work

that was performed took place in the vicinity of the SE Camaçari IV substation where after a year of planting the return of fauna can already be observed, with a predominance of parakeets (*Psittacidae sp*) and the emergence of new shrubs in the vegetation.

(G4-EU13)

No new endangered species of fauna were identified during the year. The Company monitors the species present in both the Generation and Transmission businesses, performing Fauna and Flora Monitoring Surveys every four years. With regard to conservation, the study pointed out the need for future actions to protect the Kaempfer's Woodpecker (*Ceileus obrien*), an endemic species present at the Generation developments.

(G4-EN14)

TABLE OF SPECIES ON THE IUCN RED LIST AND NATIONAL LISTS

ENDANGERED AND VULNERABLE SPECIES*	2014	2015	2016
Critically Endangered	0	0	0
Endangered	39	39	39
Vulnerable	32	32	32
Near Threatened	0	0	0
Least Concern	236	317	317

* Considers the IUCN (International Union for Conservation of Nature) National List and Red List.





WATER AND EFFLUENTS

Water is an indispensable resource for Chesf's business, since almost all of the energy generated by the Company comes from hydroelectric power plants. In the process of hydroelectric generation there is no degradation of the resource because all turbine water returns to the water course without any change to its characteristics.

Even so, the Company evaluates and monitors the water quality of the reservoirs under its responsibility. The management of water resources at Chesf follows the Eletrobras Policy, supported by Law 9.433/97, which is based on two concepts: water is a collective asset (a limited resource with economic value) and is an essential natural resource for

generation of electricity. Aware of the importance of this resource, Chesf participates in the São Francisco River Basin Committee as an active member, participating in discussions with other representatives of civil society.

The management monitors the rational use of the resource at its facilities and operations, generating monthly information for the regional management areas that considers the particularities of the regions and sets preliminary targets in areas already possessing meters. At the Camaçari Thermal Power Plant cooling is provided by refrigerant oil, with no water demand in the productive process.

TOTAL WATER WITHDRAWAL BY SOURCE (M³)

	MUNICIPAL MAINS WATER SUPPLY	GROUNDWATER SOURCE	TOTAL WATER CONSUMPTION	WATER CONSUMPTION PER EMPLOYEE
2014	154,053.0	37,980.0	188,431.0	41.1
2015	94,136.0	35,694.0	126,036.0	27.9
2016*	184,008.5	0.0	184,008.5 *	40.5

* In 2016, measurements were included for the APA Unit (20 new sites that correspond to 32,164 m³), resulting in an increase in consumption in relation to the previous year.

Regarding the disposal of effluents from the operational and administrative areas, the developments have their own treatment plants or, in the case of units that do not have a treatment plant, the domestic effluent is disposed of via the public sewage network.

(G4-EN8, G4-EN22)





WASTE

[G4-EN23]

Waste management is carried out by the environmental area, which controls and monitors compliance with legislation and environmental requirements for the handling of hazardous products and waste.

To this end, the area implements

procedures for handling, operation, maintenance, transport, storage and disposal of hazardous products (Class I and Class II A and B), in compliance with the provisions of Article 9 of Law 12305/2010 (National Policy on Solid Waste). In 2016, the volume of waste generated reached 993 tons.

TOTAL HAZARDOUS AND NON-HAZARDOUS WASTE (TONS)

	2014	2015	2016
Hazardous waste - Class I	263.46	126.54	38.005
Non-hazardous waste - Class II A	1,856.16	680.06	955.08
Non-hazardous waste - Class II B	425.64	363.66	-
Waste from healthcare services	-	0.07	-
Reuse	-	-	-
Recycling	-	75.97	30.00
Composting	-	-	-
Recovery, including energy recovery	35.65	10.56	-
Incineration	132.84	0.07	0.00
Underground injection of waste	-	-	-
Municipal landfill	-	1,042.03	-
Industrial landfill	-	0.42	938.42
On-site storage	-	35.4	28.524
Total waste generated	2,545.26	1,170.33	993.085



ENERGY EFFICIENCY

Chesf applies preventive measures, such as accounting for its GHG emissions since 2003, and seeks to achieve energy savings through energy efficiency programs. In 2016 a new project began for the production of solar energy at substations, especially those that are supplied by distributors. With the installation of small solar arrays at substations it is estimated that savings of eight million Brazilian reais could be made. The first was installed on the warehouse in Abreu and Lima (PE) and the second has already been approved for Messias (AL). The idea is to install other solar arrays at substations over the next year. The total volume of energy savings in 2016 reached 6,346 MWh.

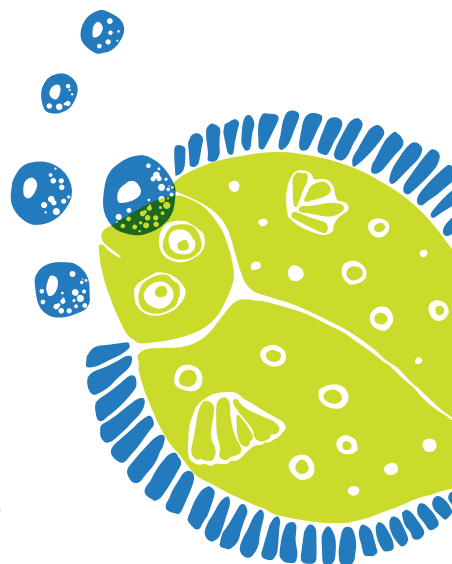
(G4-EN7)

Despite monitoring significant energy usage and consumption, the Company does not have any methodology in place for measuring energy intensity. The Internal Energy Efficiency Committee of the Eletrobras System (CIEESE), a multidisciplinary group formed by companies in the Eletrobras Group, has discussed the best solution and has conducted meetings on the subject, seeking solutions that cover all of the Group companies.

(G4-EN5)

For thermoelectric generation at the Camaçari TPP in particular, an average efficiency for projects was adopted, corresponding to 30.5% for operation with natural gas or oil.

(G4-EU11)



CLIMATE CHANGE

Climate change management occurs through the study and evaluation of actions within the ambit of a multidisciplinary working group created by the Holding, in order to assess the impact of climate change on business. Furthermore, faced with the scenario of reduced water supply, the Climate Strategy working group of the Environment Committee (SCMA), made up of members of all of the Eletrobras Companies, created a task force to develop alternatives for adaptation to climate change to be implemented at the generating facilities.

In addition, Chesf's corporate risk management area performs a periodic assessment of "Climate Change" risks, together with the other areas involved and based on the methodology defined in the Risk Management Policy of the Eletrobras Companies. It involves a survey of the controls implemented by the areas

and the monitoring of indicators and actions to mitigate risks.

Although climate change represents a potential threat to Chesf's business when considering water scarcity, it also represents opportunities when considering investments in other renewable sources - such as wind power and photovoltaics - for energy generation during periSDGs of low water levels in the reservoirs of the Hydroelectric Power Plants.

In the short term, the Company considers the risk of exposure in relation to international and voluntary agreements to be low, given that the reduction target set by Brazil at the 2015 Climate Conference (COP 21) - reducing GHG emissions by 37% by 2015 and 43% by 2030 - is associated with the freezing of the expansion of fossil-fuel thermal energy sources. Still, Chesf performs an annual Greenhouse Gas Emissions





Inventory and directs its strategies to the development of programs that include the revitalization of its hydroelectric plants, incentives for producing new technologies and the development of projects involving alternative energy sources, giving priority to solar and wind power which have great potential in the Northeast region. Chesf has already begun the construction of two wind farms scheduled for 2017.

and are minimized by transparency of information and the sustainability actions adopted by the Company. These include the publication of the Sustainability Report following the guidelines of the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP), which demonstrates greenhouse gas emissions and mitigation strategies from year to year.

(G4-EC2)

In the environment of regulatory risks, the Company follows changes in legislation and is active in regulatory forums in the areas of water resources (Water Resources Councils, River Basin Committees and Agencies) and energy (regulatory agencies and electric utilities associations), as well as participating in forums and working groups related to the topic. As for the management of physical risks to which energy generation from hydropower is susceptible, a range of actions are adopted to avoid damage to the Company. Risks to the reputation and image of Chesf are also considered

For the management of contingencies, Chesf instituted the RN-03/2013 AS-10 standard - Contingency Plan Management for the purpose of establishing principles and guidelines to guide the identification, assessment, treatment, monitoring and communication of potential risks inherent to the Company's activities. All mapped risks are entered into the Basic Contingency Plan, in which they are described and classified to determine local and external responses as well as those responsible.

(G4-DMA EUSD SO - EU21)



Itaparica Project



EMISSIONS

(G4-EU5, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20 G4-EN21)

Part of the management of climate change is to draw up plans to reduce emissions of the gases responsible for causing the greenhouse effect from Chesf’s operations. To do so, a database is being set up to monitor the fuel consumption of its vehicle fleet, with the aim of setting attainable and measurable targets. Other actions towards technical and operational improvements focus on the efficiency of processes, the planning and control of routes through the use of GPS tools, and more effective use of equipment through preventive maintenance, technological upgrading and replacement with more efficient models with lower emissions.

In addition, since 2009 Chesf annually publishes its GHG Emissions Inventory together with the Eletrobras Companies. This is an open access document that informs stakeholders about the responsibility of Eletrobras companies with respect to greenhouse gas emissions.

In its greenhouse gas inventory the Company calculated the emission of 237,924.84 tons of CO2 equivalents from scopes 1, 2 and 3. This represents a reduction of 50.43% over the previous year.

This significant reduction is attributable to the operational downtime of the Camaçari TPP, which in 2016 operated with only one generating unit (UG3) during the month of January. In full operation this thermal power plant is responsible for almost all of the Scope 1 GHG emissions. Currently there is a process underway with ANEEL and the MME to return the concession for the cessation of activities.

Currently, the solar and wind power projects developed by Chesf do not consider technical analysis of the quantity of CO2 avoided or financial analysis of returns in carbon credits because they are not considered as attractive from a cost-benefit perspective due to their small scale.

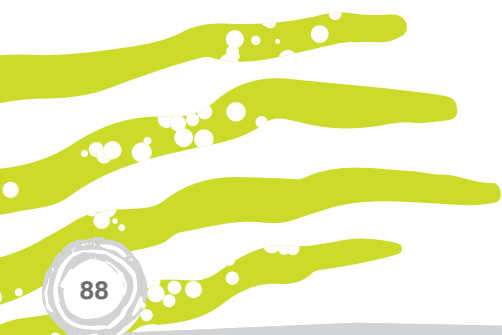


	2014	2015	2016
Scope 1 (direct GHG emissions)	409,163.81	191,084.55	16,170.69
Scope 2 (indirect emissions of GHG and Energy)	316,119.17	277,861.85	220,693.80
Scope 3 (Other indirect GHG emissions)	2,018.57	2,815.12	1,060.35
Total Emissions	727,301.55	471,761.52	237,924.84



For further information, refer to the content of the Annex to this report at chesf.gov.br > **Sustentabilidade**

(G4-EN19, G4-EN20, G4-EN26, G4-EN27, G4-EN30, G4-EN31, G4-EN33, G4-EN34, G4-EU21)





GRI G4 CONTENT INDEX



OVERALL

General standard disclosures	Page	Comment/Omissions	Description
STRATEGY AND ANALYSIS			
G4-1	4, 5, 6, 7		Statement from the most senior decision-maker of the organization
G4-2	4, 20, 29		Description of key impacts, risks, and opportunities.
ORGANIZATIONAL PROFILE			
G4-3	13		Name of the organization
G4-4	13		Primary brands, products and services
G4-5	13		Location of headquarters
G4-6	13		Countries with significant operations or that are relevant to sustainability topics covered in the report
G4-7	13		Nature of ownership and legal form
G4-8	13		Markets served
G4-9	13		Scale of the organization
G4-10	66	Global Compact: 6 SDGs: 5, 8	Profile of employees (e.g. type of contract and gender)
G4-11	100% of employees are covered by collective bargaining agreements.		Percentage of employees covered by collective bargaining agreements
G4-12	60, 78		Describe the organization's supply chain
G4-13	There were no significant changes in relation to topic of this indicator in 2016.	Global Compact: 6	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain,
G4-14	35, 48		Whether and how the precautionary approach or principle is addressed by the organization.
G4-15	21		Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.
G4-16	22		Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization holds a seat, participates in projects or committees, provides funding or views membership as strategic.
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	17, 19, 39		Entities included in the consolidated financial statements and entities not covered by the report
G4-18	12, 13, 15		Process for defining the report content and the Aspect Boundaries
G4-19	12, 13		List the material Aspects identified
G4-20	Annex: page 1		Report the Aspect Boundary within the organization
G4-21	Annex: page 4		Report the Aspect Boundary outside of the organization
G4-22	There were no restatements of information from the previous cycle.		Restatements of information provided in previous reports



General standard disclosures	Page	Comment/ Omissions	Description
G4-23	There were no changes in scope or boundaries in relation to the previous cycle.		Significant changes from previous reporting period in the Scope and Aspect Boundaries.
STAKEHOLDER ENGAGEMENT			
G4-24	12, 14		List of stakeholder groups engaged by the organization.
G4-25	12, 14, 15		Basis for identification and selection of stakeholders with whom to engage.
G4-26	12, 14, 15		Approach to stakeholder engagement,
G4-27	12, 13, 14, 15		Report key topics and concerns that have been raised through stakeholder engagement,
REPORT PROFILE			
G4-28	9		Reporting period
G4-29	9		Date of most recent previous report
G4-30	9		Reporting cycle
G4-31	Institutional Relations and Sustainability Coordination: sustentabilidade@chesf.com.br		Contact point for questions regarding the report or its contents.
G4-32	5, 69		Report the 'in accordance' option the organization has chosen. And location of the GRI Content Index
GOVERNANCE - Global Compact Principles: 8; 10 - SDG: 16; 17			
G4-33	This report did not undergo external assurance.		Policy and current practice with regard to seeking external assurance for the report
G4-34	33		Governance structure of the organization
G4-35	34, Annex: Page 4		Process for delegating authority for economic, environmental and social topics from the highest governance body
G4-36	34, Annex: Page 5		Executive-level position or positions with responsibility for economic, environmental and social topics.
G4-37	12, 29, 40		Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.
G4-38	33, Annex: Page 6		Composition of the highest governance body and its committees
G4-39	33, Annex: Page 7		Chair of the highest governance body
G4-40	37, Annex: Page 7		Nomination and selection processes for the highest governance body and its committees,
G4-41	38, 39		Processes to ensure conflicts of interest are avoided and managed.
G4-42	28, 31, 34, Annex: Page 10		Highest governance body's and senior executives' roles in the definition of strategies, policies, and goals related to economic, environmental and social impacts
G4-43	37, Annex: Page 11		Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics
G4-44	Annex: Page 12		Processes of self-assessment of the performance of the highest governing body
G4-45	31, Annex: Page 13		Responsibility for identification and management of economic, environmental and social impacts, risks, and opportunities
G4-46	31, Annex: Page 15		Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics



General standard disclosures	Page	Comment/ Omissions	Description
G4-47	31		Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.
G4-48	9	Conselho de Administração and Diretoria Executiva.	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.
G4-49	Annex: Page 16		Process for communicating critical concerns to the highest governance body
G4-50	Annex: Page 17		Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.
G4-51	Annex: Page 18		Remuneration policies for the highest governance body and senior executives
G4-52	Annex: Page 20		Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management.
G4-53	Annex: Page 21		Report how stakeholders' views are sought and taken into account regarding remuneration, and their application in the organization's policies
G4-54	Annex: Page 22	For strategic reasons Chesf does not disclose the remuneration of the highest paid individual at the Company.	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees, by country
G4-55	Annex: Page 23	Information subject to confidentiality restrictions due to security of operations and personnel, principally those involved in this indicator.	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees, by country

ETHICS AND INTEGRITY - Global Compact Principles: 8; 10 - SDGs: 16; 17

G4-56	20, 38, 39		Describe the organization's values, principles, standards and norms of behavior
G4-57	29		Internal and external mechanisms for seeking advice on ethical and lawful behavior
G4-58	38, 39		Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity

SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

Information on Management Approach and Indicators	Page	Omissions	Description
ECONOMIC PERFORMANCE			
G4-DMA	49, 67, 87 and Annexes		Management method
G4-EC1	49		Direct economic value generated and distributed
G4-EC2	87	SDGs: 9, 13	Financial implications and other risks and opportunities for the organization's activities due to climate change
G4-EC3	67	SDGs: 8	Coverage of the organization's defined benefit plan obligations



General standard disclosures	Page	Comment/ Omissions	Description
G4-EC4	Zero. It should be noted that the Company's Capital Stock, amounting to R\$ 9.754 billion, is represented by 55.905 million registered shares, divided into 54.151 million common shares and 1.754 million preferred shares, all without par value. Of this total, 99.58% belong to Eletrobras, 0.347% to the Ministry of Finance, 0.016% to Light and 0.059% to other shareholders. Annex		Financial assistance received from government
G4-DMA	Annex		Management method
G4-EC5	For purpose of the calculation, the lowest salary at Chesf was divided by the national minimum wage set for 2016: R\$ 880.00. Annex		Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation
G4-EC6	100% of managerial positions in the Northeast region are hired from the local community. Annex	SDGs: 17	Proportion of senior management hired from the local community at significant locations of operation

INDIRECT ECONOMIC IMPACTS

G4-DMA	73, 74		Management method
G4-EC7	74		Development and impact of infrastructure investments and services supported
G4-EC8	73	SDGs: 8	Significant indirect economic impacts, including the extent of impacts

PROCUREMENT PRACTICES

G4-DMA	78		Management method
G4-EC9	78		Proportion of spending on local suppliers at significant locations of operation

CATEGORY: ENVIRONMENTAL

ENERGY

G4-DMA	63, 86 and Annexs		Management method
G4-EN1	Annex	Global Compact: 7, 8, 9	Materials used by weight or volume
G4-EN2	Annex	Global Compact: 7, 8, 9	Percentage of materials used that are recycled input materials
G4-EN3	Annex	Global Compact: 7, 8, 9	Energy consumption within the organization
G4-EN4	Annex	Global Compact: 7, 8, 9	Energy consumption outside of the organization
G4-EN5	86	Global Compact: 7, 8, 9 SDGs: 7	Energy Intensity
G4-EN6	Annex	Global Compact: 7, 8, 9	Reduction of energy consumption
G4-EN7	63, 86	Global Compact: 7, 8, 9 SDGs: 7	Reductions in energy requirements of products and services

WATER

G4-DMA	84 and Annex		Management method
G4-EN8	84	Global Compact: 7, 8, 9 SDGs: 6	Total water withdrawal by source



General standard disclosures	Page	Comment/ Omissions	Description
G4-EN9	There are no water sources that are significantly affected by withdrawal of water.		Water sources significantly affected by withdrawal of water
G4-EN10	Annex	Global Compact: 7, 8, 9	Percentage and total volume of water recycled and reused
BIODIVERSITY			
G4-DMA	82 and 83		Management method
G4-EN11	82	Global Compact: 7, 8, 9 SDGs: 13	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
G4-EN12	82	Global Compact: 7, 8, 9 SDGs: 13	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
	83		Habitats protected or restored
G4-EN13	83	Global Compact: 7, 8, 9 SDGs: 14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
G4-EN14	64	Global Compact: 7, 8, 9	Número total de espécies incluídas na lista vermelha da IUCN and em outras listas de conservação
EMISSIONS			
G4-DMA	88		Management method
G4-EN15	88	Global Compact: 7, 8, 9 SDGs: 13	Direct greenhouse gas (GHG) emissions (Scope 1)
G4-EN16	88	Global Compact: 7, 8, 9 SDGs: 13	Energy indirect greenhouse gas (GHG) emissions (Scope 2)
G4-EN17	88	Global Compact: 7, 8, 9 SDGs: 13	Other indirect greenhouse gas (GHG) emissions (Scope 3)
G4-EN18	88	Global Compact: 7, 8, 9 SDGs: 13	Greenhouse gas (GHG) emissions intensity
G4-EN19	88	Global Compact: 7, 8, 9 SDGs: 13	Reduction of greenhouse gas (GHG) emissions
G4-EN20	88	Global Compact: 7, 8, 9 SDGs: 13	Emissions of ozone-depleting substances (ODS)
G4-EN21	88	Global Compact: 7, 8, 9 SDGs: 13	NO _x , SO _x , and other significant air emissions
EFFLUENTS AND WASTE			
G4-DMA	82, 84, 86 and Annexs		Management method
G4-EN22	84	Global Compact: 7, 8, 9 SDGs: 6	Total water discharge by quality and destination
G4-EN23	85		Total weight of waste by type and disposal method
G4-EN24		Indicator undergoing process of revision and structuring. Currently Chesf does not have appropriate equipment, monitoring or methodology to obtain this information	Total number and volume of significant spills
G4-EN25	Annex	Global Compact: 7, 8, 9	Weight of transported, imported, exported, or treated waste deemed hazardous
G4-EN26	82, Annex	Global Compact: 7, 8, 9 SDGs: 6	Identity, size, protected status, and biodiversity value of water bodies and related habitats
PRODUCTS AND SERVICES			
G4-DMA	Annexs		Management method



General standard disclosures	Page	Comment/ Omissions	Description
G4-EN27	Annex	Global Compact: 7, 8, 9	Extent of impact mitigation of environmental impacts of products and services
G4-EN28	Not applicable, as Chesf generates and transmits electricity.		Percentage of products sold and their packaging materials that are reclaimed by category
COMPLIANCE			
G4-EN29	Annex	Global Compact: 7, 8, 9	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
TRANSPORT			
G4-EN30	Annex	Global Compact: 7, 8, 9	Significant environmental impacts of transporting products and other goods and materials for the organization's operations
OVERALL			
G4-DMA			Management method
G4-EN31	Annex	Global Compact: 7, 8, 9	Total environmental protection expenditures and investments by type
SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	46 and Annex		Management method
G4-EN32	Annex	Global Compact: 7, 8, 9	Percentage of new suppliers screened for environmental criteria
G4-EN33	46, Annex	Global Compact: 7, 8, 9	Significant actual and potential negative environmental impacts in the supply chain and actions taken
ENVIRONMENTAL GRIEVANCE MECHANISM			
G4-EN34	Annex	Global Compact: 7, 8, 9	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms
CATEGORY: SOCIAL – LABOR PRACTICES AND DECENT WORK			
EMPLOYMENT			
G4-DMA	66 and Annexes		Management method
G4-LA1	66	Global Compact: 6 SDGs: 5	Total number and rates of new employee hires and employee turnover by age group, gender, and region
G4-LA2	Annex	Global Compact: 6	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
G4-LA3	Annex	Global Compact: 6	Return to work and retention rates after parental leave, by gender
LABOR/MANAGEMENT RELATIONS			
G4-DMA	Annex		Management method
G4-LA4	Annex	There is no established notice period and this is specified in the collective agreement. Global Compact: 3, 6	Minimum notice periods regarding operational changes
OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	47, 70 and Annexes		Management method
G4-LA5	Annex	Global Compact: 6	Percentage of total workforce represented in formal joint management-worker health and safety committees



General standard disclosures	Page	Comment/ Omissions	Description
G4-LA6	47, 70	Global Compact: 6 SDGs: 3	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender
G4-LA7	70	Global Compact: 6 SDGs: 3, 8	Workers with high incidence or high risk of diseases related to their occupation
G4-LA8	Annex	Global Compact: 6	Health and safety topics covered in formal agreements with trade unions

TRAINING AND EDUCATION

G4-DMA	67, 70 and Annex		Management method
G4-LA9	70	Global Compact: 6 SDGs: 4	Average hours of training per year per employee by gender, and by employee category
G4-LA10	67	Global Compact: 6 SDGs: 4	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
G4-LA11	Annex	Global Compact: 6	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

DIVERSITY AND EQUAL OPPORTUNITIES

G4-DMA	Annex		Management method
G4-LA12	Annex	Global Compact: 6 SDGs: 16	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

EQUAL REMUNERATION FOR WOMEN AND MEN

G4-DMA	Annex		Management method
G4-LA13	Annex	Global Compact: 6	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

SUPPLIER ASSESSMENT FOR LABOR PRACTICES

G4-DMA	46, 78 and Annex		Management method
G4-LA14	Annex	Global Compact: 6	Percentage of new suppliers that were screened using labor practices criteria
G4-LA15	46, 78	Global Compact: 6 SDGs: 8	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken

LABOR PRACTICES GRIEVANCE MECHANISMS

G4-DMA	41 and Annex		Management method
G4-LA16	41, Annex	Global Compact: 6 SDGs: 8	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

CATEGORY: SOCIAL – HUMAN RIGHTS

INVESTMENT

G4-DMA	Annexs		Management method
G4-HR1	Annex	Global Compact: 1, 2	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
G4-HR2	Annex	Global Compact: 1, 2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained



General standard disclosures	Page	Comment/ Omissions	Description
NON-DISCRIMINATION			
G4-DMA	Annex		Management method
G4-HR3	Annex	Global Compact: 1, 2, 3, 6	Total number of incidents of discrimination and corrective actions taken
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	Annex		Management method
G4-HR4	Annex	Global Compact: 1, 2	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights
CHILD LABOR			
G4-DMA	Annex		Management method
G4-HR5	Annex	Global Compact: 1, 2, 5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor
FORCED OR COMPULSORY LABOR			
G4-DMA	Annex		Management method
G4-HR6	Annex	Global Compact: 1, 2, 4	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor and measures taken
SECURITY PRACTICES			
G4-DMA	Annex		Management method
G4-HR7	Annex	Global Compact: 1, 2	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations
INDIGENOUS RIGHTS			
G4-DMA	Annex		Management method
G4-HR8	Annex	Global Compact: 1, 2	Total number of incidents of violations involving rights of indigenous peoples and actions taken
ASSESSMENT			
G4-DMA	72 and Annex		Management method
G4-HR9	72, Annex	Global Compact: 1, 2 SDGs: 5, 8, 10	Total number and percentage of operations that have been subject to human rights reviews or impact assessments
SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	46 and Annexes		Management method
G4-HR10	Annex	Global Compact: 1, 2	Percentage of new suppliers that were screened using human rights criteria
G4-HR11	46, Annex	Global Compact: 1, 2	Significant actual and potential negative human rights impacts in the supply chain and actions taken
HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	41		Management method
G4-HR12	41	Global Compact: 1, 2	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms



General standard disclosures	Page	Comment/ Omissions	Description
CATEGORY: SOCIAL – SOCIETY			
LOCAL COMMUNITIES			
G4-DMA	73, 75		Management method
G4-SO1	75		Percentage of operations with implemented local community engagement, impact assessments, and development programs
G4-SO2	73		Operations with significant actual or potential negative impacts on local communities
ANTI-CORRUPTION			
G4-DMA	Annex		Management method
G4-SO3	Annex	Global Compact: 10	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
G4-SO4	Annex	Global Compact: 10	Communication and training on anti-corruption policies and procedures
G4-SO5	Annex	Global Compact: 10	Confirmed incidents of corruption and actions taken
PUBLIC POLICY			
G4-DMA	Annex		Management method
G4-SO6	Chesf does not make political contributions to parties or political campaigns. Annex	Global Compact: 10	Total value of political contributions by country and recipient/beneficiary
ANTI-COMPETITIVE BEHAVIOR			
G4-DMA	Annex		Management method
G4-SO7	Annex		Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes
COMPLIANCE			
G4-DMA	Annex		Management method
G4-SO8	Annex		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO9	Annex		Percentage of new suppliers that were screened using criteria for impacts on society
G4-SO10	46		Significant actual and potential negative impacts on society in the supply chain and actions taken
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	41		Management method
G4-SO11	41	SDGs: 16	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms
CATEGORY: SOCIAL – PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
G4-DMA	76 and Annex		Management method
G4-PR1	76		Percentage of significant product and service categories for which health and safety impacts are assessed for improvement



General standard disclosures	Page	Comment/ Omissions	Description
G4-PR2	Annex		Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes
PRODUCT AND SERVICE LABELING			
G4-DMA	77		Management method
G4-PR3	Not applicable. There is no requirement for labeling information for energy generation, transmission and commercialization services.		Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements
G4-PR4	There is no requirement for labeling information for energy generation, transmission and commercialization services.		Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
G4-PR5	77		Results of surveys measuring customer satisfaction
MARKETING COMMUNICATIONS			
G4-DMA	Annex		Management method
G4-PR6	Not applicable. Energy services are neither banned nor disputed.	The only product that Chesf sells is energy, within a highly regulated market.	Sale of banned or disputed products
G4-PR7	Annex		Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes
CUSTOMER PRIVACY			
G4-DMA	Annex		Management method
G4-PR8	Annex		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
COMPLIANCE			
G4-DMA	Annex		Management method
G4-PR9	Annex		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
SECTOR SUPPLEMENT			
ORGANIZATIONAL PROFILE			
G4-EU1	17, 59	SDGs: 7	Installed capacity, broken down by primary energy source and by regulatory regime
G4-EU2	Net Energy Produced: 18,023 GWh Calculation basis: Energy Generated = 20,831 GWh (-) Overall Electrical Losses = 2,808 GWh		Net energy output broken down by primary energy source and by regulatory regime
G4-EU3	76		Number of residential, industrial, institutional and commercial customer accounts
G4-EU4	17, 18, 19		Length of above and underground transmission and distribution lines by regulatory regime
G4-EU5	88	SDGs: 13	Allocation of co2e emissions allowances or equivalent, broken down by carbon trading framework



General standard disclosures	Page	Comment/ Omissions	Description
CATEGORY: ECONOMIC			
AVAILABILITY AND RELIABILITY			
G4-DMA EUSD EC (formerly EU6)	52		Management approach to ensure short and long-term electricity availability and reliability
G4-EU10	-	As a generating company of the National Interconnected System (SIN), Chesf has the responsibility to ensure system reliability. Ensuring that demand is met with quality and continuity is the responsibility of the National System Operator (ONS), to which Chesf offers its production. Ensuring balance of supply and demand is the responsibility of the Granting Authority in the form of the Energy Research Company (EPE/ MME).	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime
DEMAND-SIDE MANAGEMENT			
G4-DMA EUSD EC (formerly EU7)	-	This information falls under the responsibility of the National System Operator (ONS). Chesf's industrial customers are electricity-intensive industries connected to the Basic Network, and the load is managed by the National System Operator (ONS).	Demand-side management programs including residential, commercial, institutional and industrial programs
RESEARCH AND DEVELOPMENT			
G4-DMA EUSD EC (formerly EU8)	63	SDGs: 7, 12	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development
PLANT DECOMMISSIONING			
G4-DMA EUSD EC (formerly EU9)	-	Not applicable	Provisions for decommissioning of nuclear power sites
SYSTEM EFFICIENCY			
G4-EU11	86	Chesf does not manage this indicator. For the specific case of Camaçari TPP, an average efficiency for projects corresponding to 30.5% was adopted, both for operation with natural gas and with oil.	Average generation efficiency of thermal plants by energy source and by regulatory regime
G4-EU12	63	Chesf attempts to track the transmission losses of the Basic Network, the Northeast subsystem, in order to subsidize power load studies, in the short, medium and long term. In 2016, this percentage was 3.17%.	Transmission and distribution losses as a percentage of total energy



General standard disclosures	Page	Comment/ Omissions	Description
------------------------------	------	--------------------	-------------

CATEGORY: ENVIRONMENTAL

BIODIVERSITY

G4-EU13	83	Global Compact: 7, 8, 9 SDGs: 13	Biodiversity of offset habitats compared to the biodiversity of the affected areas
---------	----	-------------------------------------	--

CATEGORY: SOCIAL - LABOR PRACTICES AND DECENT WORK

EMPLOYMENT

G4-DMA EUSD LA (formerly EU14)	70, 71	SDGs: 4	Programs and processes to ensure the availability of a skilled workforce
--------------------------------	--------	---------	--

G4-DMA EUSD LA (formerly EU16)	70	SDGs: 3	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors
--------------------------------	----	---------	--

G4-EU15	67	SDGs: 8	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region
---------	----	---------	---

G4-EU17	Chesf does not have any permanent and exclusive outsourced employees. I.e., it does not contract outsourced workers. Companies are contracted to provide services through bidding processes. For this reason, there is no quantitative control of employees and work times.		Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities
---------	---	--	--

G4-EU18	For contracted and subcontracted outsourced workers: during the contracting process a Work Safety Plan and training of personnel based on MTE Ordinance No. 3.214/78 is required, and the Inspection area accompanies the execution of the Plan, which does not include indicators.		Percentage of contractor and subcontractor employees that have undergone relevant health and safety training
---------	---	--	--

CATEGORY: SOCIAL – SOCIETY

LOCAL COMMUNITIES

G4-DMA EUSD SO (formerly EU19)	Indicator does not apply to the decision-making processes of the Company.	Chesf favors dialogue and the participation of stakeholders in its activities, but as a public service electricity utility and publicly traded, mixed-economy corporation (subsidiary of Eletrobras) the decision-making topics are the responsibility of their internal offices	Stakeholder participation in decision making processes related to energy planning and infrastructure development
--------------------------------	---	--	--

G4-DMA EUSD SO (formerly EU20)	72		Approach to managing the impacts of displacement
--------------------------------	----	--	--

G4-EU22	72	SDGs: 8	Number of people physically or economically displaced and compensation, broken down by type of project
---------	----	---------	--



General standard disclosures	Page	Comment/ Omissions	Description
DISASTER/EMERGENCY PLANNING AND RESPONSE			
G4-DMA EUSD SO (formerly EU21)	87	SDGs: 9,13	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans
CATEGORY: SOCIAL - PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
G4-EU25	It is not possible to accurately report the number of accidents (with or without deaths) involving the company's assets, mainly because of the impossibility of Chesf communicating to the general public that any occurrence of this type should be communicated to it, especially considering the large number of facilities and wide geographical spread of its operations. In any case, three deaths were reported in 2016.		Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases
ACCESS			
G4-DMA EUSD PR (formerly EU23)	74		Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services
G4-EU26	This indicator only applies to Distribution agents. Chesf only generates and transmits electricity.		Percentage of population unserved in licensed distribution or service areas
G4-EU27	This indicator only applies to Distribution agents. Chesf only generates and transmits electricity.		Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime
G4-EU28	This indicator only applies to Distribution agents. Chesf only generates and transmits electricity.		Power outage frequency
G4-EU29	This indicator only applies to Distribution agents. Chesf only generates and transmits electricity.		Average power outage duration
G4-EU30	52		Average plant availability factor by energy source and by regulatory regime
PROVISION OF INFORMATION			
G4-DMA EUSD PR (formerly EU24)	-	Chesf does not manage this indicator yet.	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services



CORPORATE INFORMATION

HEADQUARTERS

Rua Delmiro Gouveia, 333
San Martin - Recife - PE
CEP 50761-901

REGIONAL OFFICES

Special Coordinator of the Brasilia Office (CBR)

Setor Bancário Norte
Ed. Via Capital, Quadra 2
Lote 12 – Bloco F – Sala 708
CEP 70041-906
Phone: (61) 3327-7089
Fax: (61) 3328-5881

Regional Administration Paulo Afonso (APA)

Rua do Triunfo, 170 – Alves de Souza
CEP 48607-020
Phone: (75) 3282-2202
Fax: (75) 3282-2276

Regional administration Salvador (ASV)

Av. São Rafael, s/n – São Marcos
CEP 41253-190
Phone: (71) 3281-2100
Fax: (71) 3281-2104

Eastern Operations Regional Management (GRL)

Av. General San Martin 1450
Anexo 6, Bloco A – Sala 101
San Martin, Recife, PE
CEP 50761-000
Phone: (81) 3334-4569
Fax: (81) 3334-4548

Northern Operations Regional Management (NRM)

Avenida Presidente Costa e Silva,
4677 - Prof. José Walter
CEP 60750-022
Phone: (85) 3499-2833
Fax: (85) 3499-2370

Sobradinho Operations Regional Management (GRB)

Av. Paulo Afonso, s/n
Vila São Francisco
CEP 48905-000
Phone: (74) 3612-2222
Fax: (74) 3612-2351

Paulo Afonso Operations Regional Management (GRP)

Rua Bela Vista, s/n - Capuxu
Paulo Afonso - BA
CEP 48606-820
Phone: (75) 3282-2110
Fax: (75) 3282-2607

Southern Operations Regional Management (GRS)

Av. San Rafael, s/n
São Marcos
Salvador - BA
CEP 41253-190
Phone: (71) 3281-2200
Fax: (71) 3281-2204

Western Operations Regional Management (GRO)

Avenida Henry Wall de Carvalho,
4282 – Parque São João
CEP 64020-720
Phone: (86) 3087-2715
Fax: (86) 3087-2624

Chesf - Xingó (AL)

Rodovia AL 225, km 12
Piranhas
CEP 57460-000
Phone: (82) 3686-2193
Fax: (82) 3686-2185



CREDITS

The publication of this report was only possible as a result of the effort and commitment of the employees of various areas, providing information and accompanying the development of the content to provide transparent accountability of the activities and performance of the Company. We are grateful to all who participated in this process.

EDITING AND GENERAL COORDINATION

Corporate Planning, Innovation and Sustainability Office (APP)
Av. Delmiro Gouveia, 333
San Martin, Recife (PE) – Brazil
CEP 50761-901
Email: sustentabilidade@chesf.gov.br
Phone: (81) 3229-2229/3254
Fax: (81) 3229-2030

INDICATORS COMPILATION AND EDITORIAL PRODUCTION COORDINATION

Keyassociados

GRAPHIC DESIGN, LAYOUT AND INFOGRAPHICS

Kite Estratégias Digitais

PHOTOS

Chesf Archives

PRINT RUN

400 copies

This report is available for download at www.chesf.gov.br





Angiquinho



**Ministério de
Minas e Energia**

