

● Sustainability
● Report

2017

Eletropaulo





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Use the special icons to return to the Table of Contents or print the pages of your choice.



MENU
Easily access the Report chapters from the top menu.



ARROWS
Navigate through each page by clicking the arrows in the lower right corner.

Message from the Management

The year 2017 was marked by significant transformations for Eletropaulo, which allows us to reaffirm our enthusiasm and commitment to a better operational performance, with the sustained growth of the company's value and the return to our shareholders. We have perfected our corporate governance standards by promoting the migration of Eletropaulo to the Novo Mercado, a segment of B3 (Brazil, Bolsa, Balcão), which brings together companies with the highest governance standards in Brazil.

We achieved the main goals of our Strategic Plan for Value Creation published at the beginning of the year:

- Operational expenses* were reduced by R\$ 203 million;
- We served our customers with superior quality services. The average duration of the interruptions in electrical energy supply was reduced by 25.4% and their frequency by 9.6%;
- We invested, with marked discipline, R\$ 1 billion in our operations.

With the completion of the migration to the Novo Mercado in November 2017, Eletropaulo became a corporation in which all its capital was represented solely by common shares, enhancing the liquidity of these shares and equalizing the rights of all our shareholders. With this, we have established a new perspective for raising funds in the capital market, which will enable us to search for a more robust capital structure with greater agility and financing at a more adequate cost for our business plan and investments.

Our Board of Directors was reformulated, strengthening its role and enhancing diversity in its composition. We started to rely on the participation of nine members, among which five are independent. We created statutory advisory committees: Remuneration and Personal, Audit and Related Parties. These committees contribute directly to the improvement and Independence in analysis of multiple themes, enabling higher transparency and agility in our capacity of value creation.

We plan to invest around R\$ 4.9 billion from 2018 to 2022, with emphasis on technology and innovation, and focusing on higher efficiency in serving our customers, actual gains in operation productivity and the continuous evolution of the quality of our services.

Strategically, we are prepared to cope with current and future transformations occurring in the electrical sector, specifically in the distribution segment, as new technologies are being implemented, aiming to attend new demands of increasingly more demanding and proactive customers.

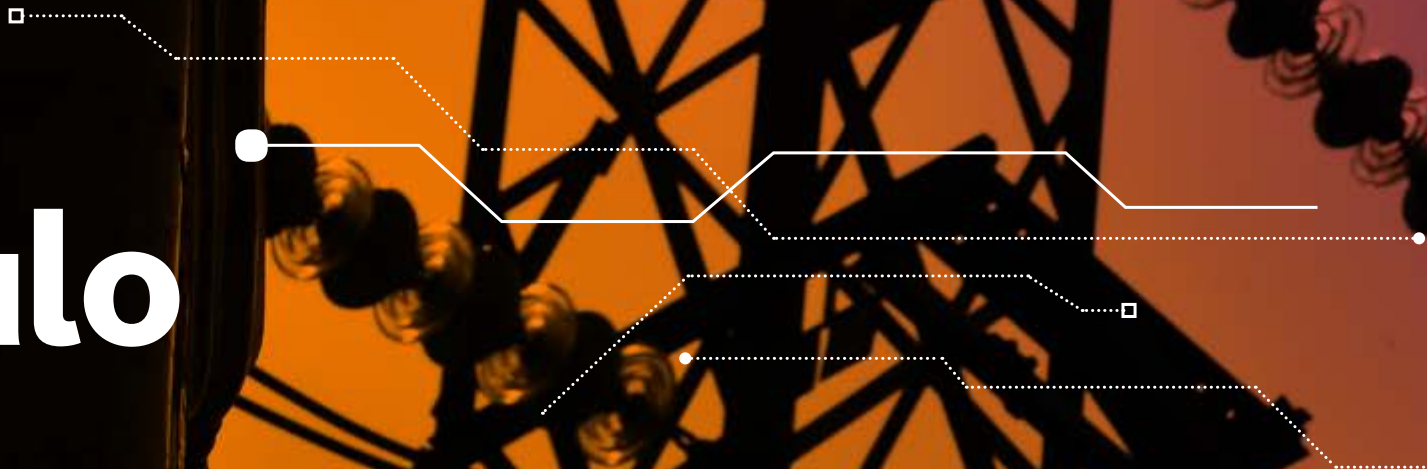
Britaldo Soares
Chairman of the
Board of Directors

Charles Lenzi
CEO

**The figures are in real terms, weighted by the effective monthly rate (IPCA index for staff costs and IGP-M index for all other costs), in comparison to the 2016 results, not including the expenses with the Company's pension fund neither the impact due to the recognition, in December, of the figures related to the agreement with Eletrobras (R\$ 9.2 million).*



Eletropaulo

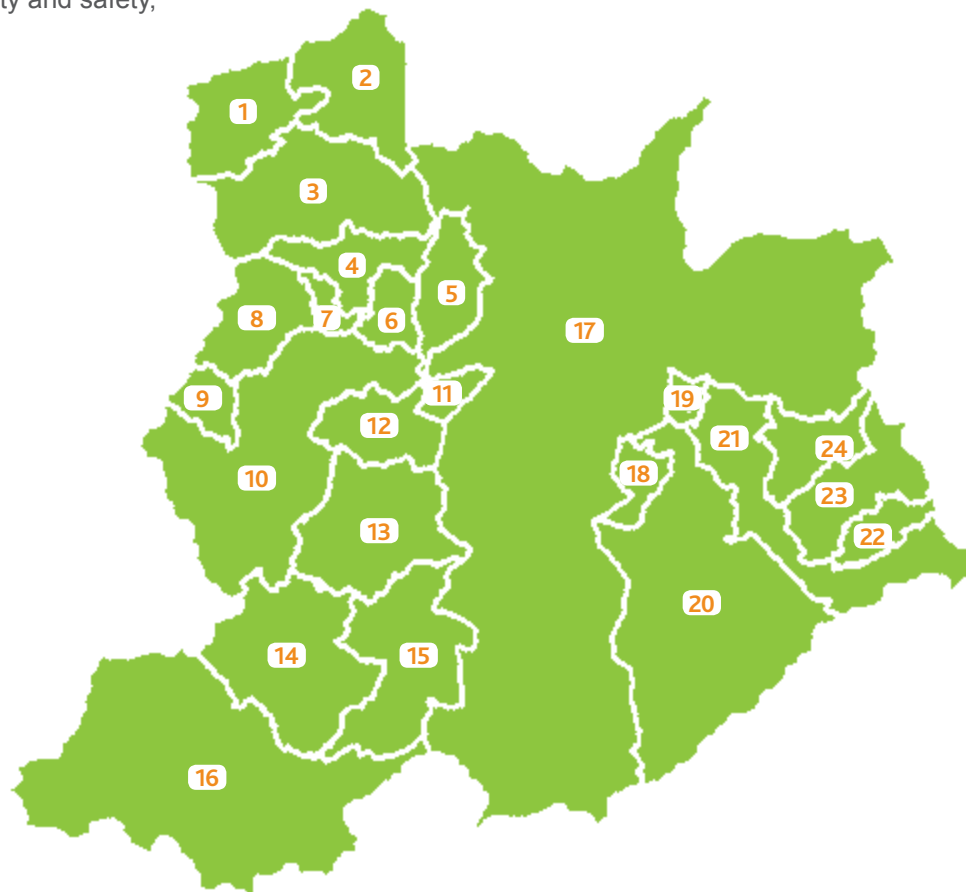


Profile

We connect 18 million people, distributing electricity to 24 municipalities within the metropolitan region of São Paulo, including the capital, which represent 0.05% of country's area and generate 17% of GDP.

To attend this population, we provide our services 24 hours a day, every day of the year. We are 7,355 own employees and 15,276 contracted employees united by the ongoing challenge of bringing energy, with quality and safety, to all of our 7.155 million of customers.

- 1 Pirapora do Bom Jesus
- 2 Cajamar
- 3 Santana de Parnaíba
- 4 Barueri
- 5 Osasco
- 6 Carapicuíba
- 7 Jandira
- 8 Itapevi
- 9 Vargem Grande Paulista
- 10 Cotia
- 11 Taboão da Serra
- 12 Embu das Artes
- 13 Itapecerica da Serra
- 14 São Lourenço da Serra
- 15 Embu-Guaçu
- 16 Juquitiba
- 17 São Paulo
- 18 Diadema
- 19 São Caetano do Sul
- 20 São Bernardo do Campo
- 21 Santo André
- 22 Rio Grande da Serra
- 23 Ribeirão Pires
- 24 Mauá



Eletropaulo is the largest distributor in Brazil, in terms of distribution of electrical energy

Source: market data from distributing companies associated to the Brazilian Association of Energy Distributors (Abradee) on 2017.

Our consumers*

6,705,497 residential units

26,932 industrial units

402,368 commercial units

20,771 others**

**Consumer units by billed class in 2017.
**Rural consumer, public administration, street lighting and public service.*

Eletropaulo in numbers

7,355
own employees



15,276
contracted
employees

14,553 MVA
of installed
capacity

156
substations

4,526 km²
of concession area

24
municipalities served

**+ 1.5 thousand
consumer units**
per km²,
the highest density among
Brazilian distributors



**R\$ 1.0
billion**
in investments

**R\$ 21.7
billion**
in gross operating
revenue

**R\$ 1.1
billion**
EBITDA*

*Earnings Before Interest, Taxes,
Depreciation and Amortization.

**1.8
thousand km**
of sub-transmission lines

39.2 thousand km
of aerial
distribution network

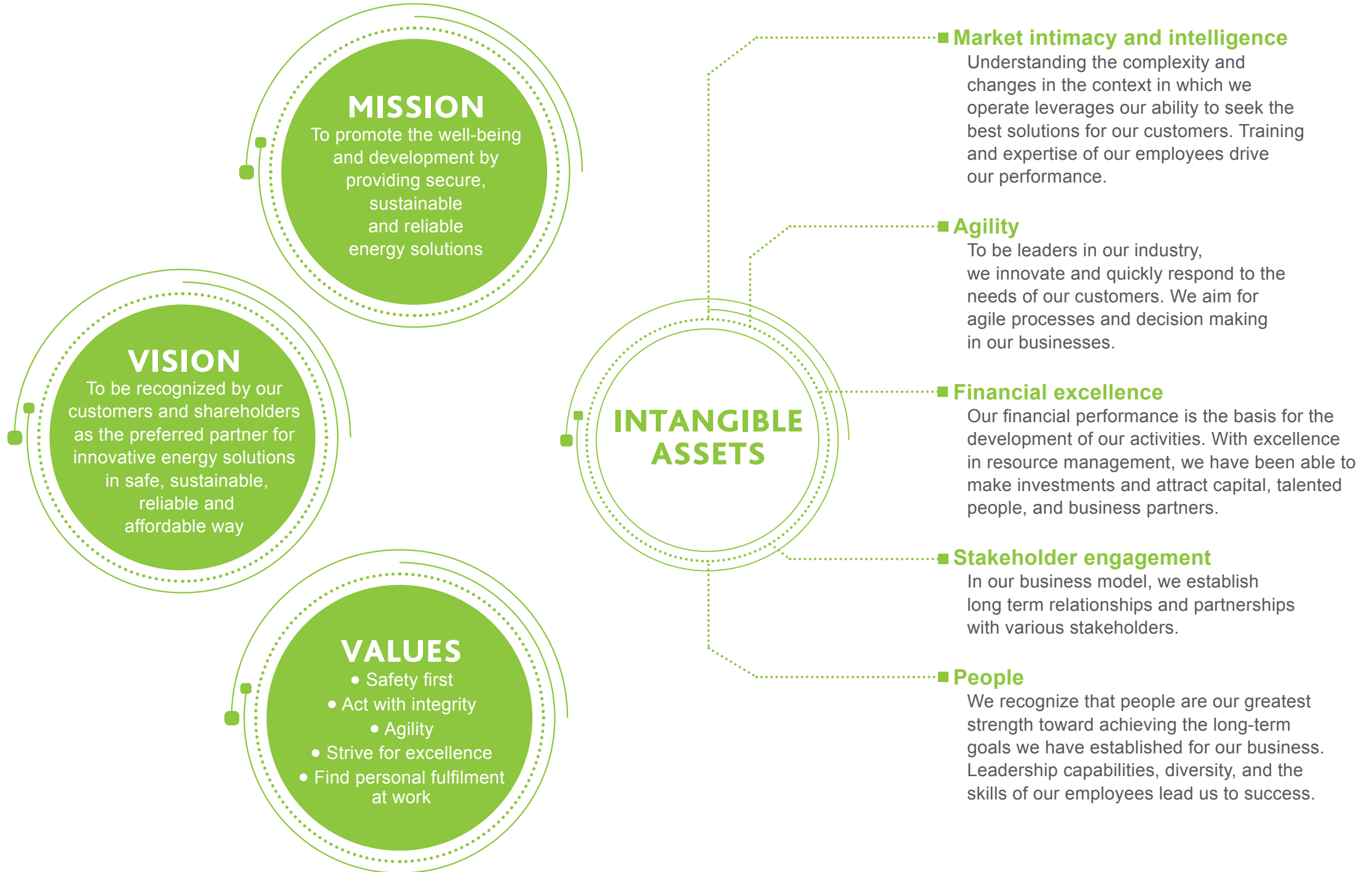
2.3 thousand km
of underground
distribution network



Approximately
18 million
people served

7.155 million
consumer
units

**43
thousand GWh**
of energy distributed to
the captive market and
free customers



Voluntary commitments assumed

Engaging in external commitments is part of our search for sustainable growth, in a broader sense. This way of acting contributes to incorporating strategic visions, and, through our management and expertise, to collaborating with civil society initiatives that further the sustainable development in alignment with our corporate values.

Since 2016 we promote the alignment of our business to the Sustainable Development Goals (SDG), defined by the Agenda 2030 proposed by the UN. The ODS consider great targets for the reduction of the inequalities and the development of the nations.



2006

2008

2016

2017

In 2006 we became signatories of the Global Compact (UN), hence yearly reporting our efforts lined up to the 10 principles of this initiative.



In 2008 we signed the Corporate Pact for Integrity and Against Corruption, a commitment also articulated with the United Nations and coordinated by Instituto Ethos.



Last year we committed to the Principles of Women's Empowerment, an initiative promoted by UN Women and by the Global Compact. As signatories of the seven corporate principles which seek to highlight women in social and professional environment, we strengthen our commitment in promoting gender equity and diversity.



BUSINESS INITIATIVES ADOPTED

- Child Friendly Company – Empresa Amiga da Criança – Abrinq Foundation
- Business Initiatives within the Sustainability Study Center of FGV (GVCes)
 - Companies Committed to the Climate – Emissions' Management and Climatic risks
 - Applied Life Cycle (CiViA)
 - Thematic Group Climate and Energy- Brazilian Net of the Global Compact
 - Innovation and Sustainability in the Value Chain
 - Local ID – Local Development and Great Enterprises
 - TeSe – Tendencias in Ecosystem Services
- Integrated Report – International Integrated Reporting Council
- Abradee Group of Social Responsibility – Brazilian Association of Energy Distributors

External recognition



For the 13th consecutive year, included in the ISE portfolio, the Corporate Sustainability Index of B3 (Brazilian stock market)

For the 8th time and the 6th consecutive year, indicated as one of the most sustainable companies in the energy sector by the *Exame Sustainability Guide* (Guia Exame de Sustentabilidade)



Ranked for the 2nd consecutive year among the 150 best companies to work for, through the survey of *Voce S.A.* magazine

Winner of the *Exame Women at Leadership Guide* in the electric sector, for promoting gender equality



Elected the most innovative company in the energy sector by the yearbook *Valor Inovação Brasil*, from the *Valor Econômico* journal



Fiesp (Federation of the Industries of São Paulo) granted Eletropaulo the Ambiental Merit Award in the category of Featured Social Responsibility, due to the project Eletropaulo in Schools



Ranked gold in the Brazilian GHG Protocol Program due to its transparency and assurance of the inventory of greenhouse gas emissions

Ranked 5th in the award promoted by NAFA Institute and Instituto PARAR for best practices on fleet's management



Acknowledged the Silver Trophy, in the Smart Award 2017, in the category Innovation in Relationship, due to the project of revamping the relationship system with customers

Entrepreneur of the Year, in the category Sustainability of the EY Award, due to the Program of Transformation of Consumers in Customers



One of the three finalists of the National Award for Innovation, in the category of Organizational Innovation. The award is granted by the National Confederation of Industry (CNI) and the Brazilian Support Service to the Micro and Small Businesses (Sebrae)

Seventh among the 20 more innovative companies in Brazil, according to the Award Best Innovator



Elected for the 4th consecutive year as one of the companies that best communicate with journalists within the energy sector, based on the votes of more than 25,000 journalists from the whole country. The award is organized by the Studies of Communication Center (Cecom)



Corporate governance

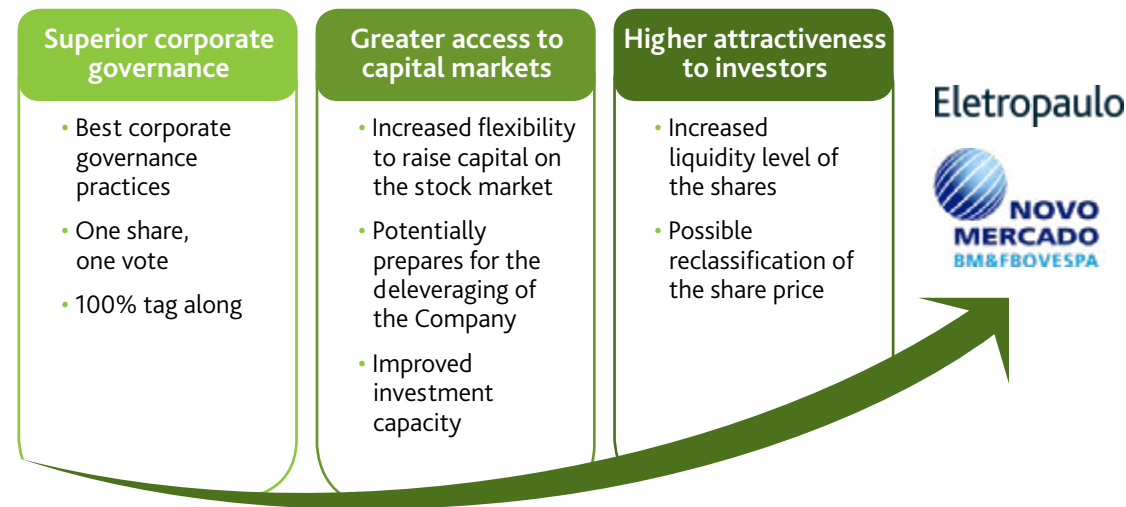
On September 12, 2017, the conversion of all preferred shares to common shares and the migration of the Company to the special segment of B3, named Novo Mercado, was approved, in an Extraordinary General Shareholders' Meeting. The deliberation about converting the shares was ratified by 60.36% of the shareholders owning preferred shares during a Special Meeting held by these shareholders at the same date.

To those shareholders owning preferred shares of the Company who didn't attend the meeting, abstained from voting or voted against the share conversion, it was given the prerogative to withdraw their shares. The period to exercise the right of withdrawal began on September 29, 2017 and lasted till October 30, 2017. Along this period of time, 359 shareholders owning 3,058,154 preferred shares of the Company, correspondent to 2.7% of all preferred shares, chose to exercise the right of withdrawal. The right of withdrawal to these shareholders was calculated based on the Company's shareholders' equity as of December 31, 2016 (R\$ 16.10 per share), totaling the amount of R\$ 49.2 million, which was paid on November 9, 2017.

On November 27, 2017, all preferred shares of the Company were converted into common shares, at the proportion of one preferred option for one common share, and started to be traded, as of that date, in Novo Mercado of B3, under the code ELPL3.

Through the effectiveness of the migration to Novo Mercado, the Company is no longer controlled by The AES Corporation and the Agreement of Shareholders, signed on December 30, 2016, by The AES Corporation, AES Holdings Brasil Ltda. and BNDES Participações S.A. was extinguished. On an Extraordinary General Shareholders' Meeting held on January 2, 2018, the Board of Directors was adapted to the new ownership structure, being composed of nine members without any substitute.

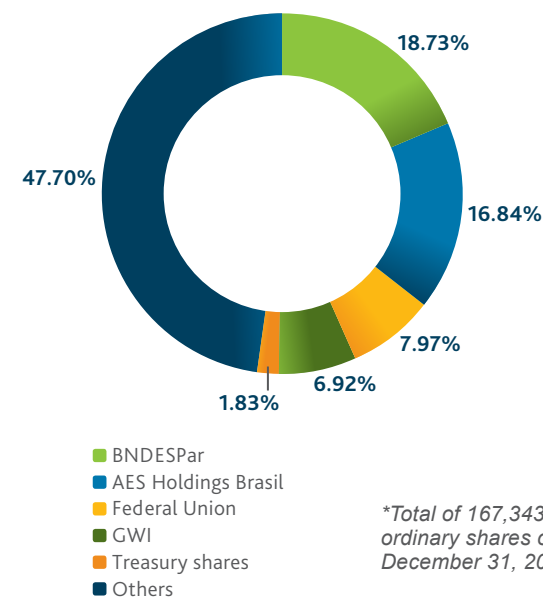
This change implies an important transformation in the corporate governance model of the Company and one more step within the Strategic Plan for Value Creation. The migration of Eletropaulo to Novo Mercado contemplated the following main purposes: (i) strengthen the corporate governance; (ii) increase the investment capacity, facilitating access to the capital market and enabling the reduction of



capital costs; (iii) potentialize the liquidity of shares publicly negotiated by the Company, through the consolidation of negotiation of mobile values exclusively through common shares, therefore also increasing the attractiveness to new investors.

After the migration to Novo Mercado, the Audit, Related Parties and Remuneration and Personnel Committees became statutory. All committees were created with the purpose to advise the Board of Directors of the Company on the deliberation of relevant themes and count on the participation of independent counselors.

Ownership structure of Eletropaulo after migration to Novo Mercado*



Governance structure

The Board of Directors is the managing collegiate body which members are indicated by the shareholders and it acts in the interest of Eletropaulo, being responsible for defining the general business orientation of the Company and defining its mission, strategic objectives and guidelines, as well as electing the members of the Executive Board and supervising the management of directors, among other activities defined in law and by the Bylaws of the Company

The members of the Board of Directors are elected in a General Shareholders' Meeting, for a unified mandate of two years, eligible for re-election. Currently the board is formed by nine members and has to include at least two or minimum 20% of independent counselors and our employees have the right to elect one of the members.

It is up to the Executive Board to perform their duties according to Eletropaulo's corporate purpose and to assure normal business and operations conduct in strict observance to the Bylaws and any deliberations taken during General Shareholders' Meetings or by the Board of Directors.

The Executive Board is formed by five members, all on exclusive dedication to the Company for three years terms, eligible for re-election. All five directors have terms till March 31, 2019 and their curricula are available on Eletropaulo's website, at the Investors Relations section.

In addition, our governance structure counts on the participation of the Fiscal Council, formed by five effective members and five substitutes. This organ inspects the acts of the administrators and verifies the fulfillment of the legal and statutory duties.

COMPOSITION OF THE BOARD OF DIRECTORS

Alexandre Meduneckas	Effective Member (indicated by the employees)
Ana Marta Horto Veloso	Effective Member (Independent Member)
Ana Maria Loureiro Recart	Effective Member (Independent Member)
Britaldo Pedrosa Soares	Chairman
Erik da Costa Breyer	Effective Member (Independent Member)
Fernando Quintana Merino	Effective Member
Jerson Kelman	Effective Member (Independent Member)
Julian Jose Nebreda Marquez	Vice-president of the Board
Marcelo Gasparino da Silva	Effective Member (Independent Member)

COMPOSITION OF THE EXECUTIVE BOARD

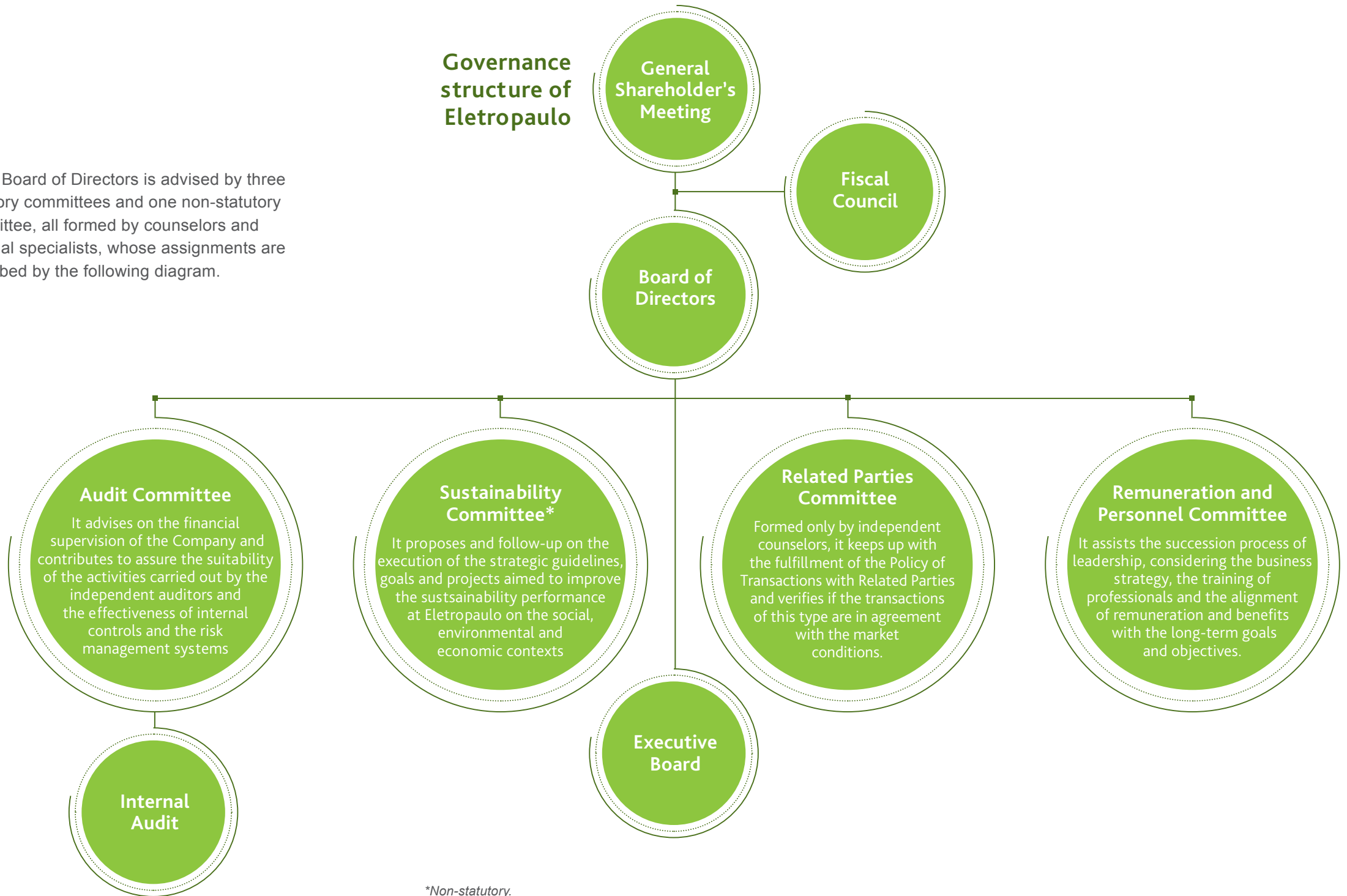
Charles Lenzi	President
Marcelo Antonio de Jesus	Director Vice President and of Investor Relations
Pedro de Freitas Almeida Bueno Vieira	Director Vice President of Legal Affairs, Compliance and Internal Auditing
Sidney Simonaggio	Director Vice President of External Relations
Artur Manuel Tavares Resende	Director Vice President of Operations

COMPOSITION OF THE FISCAL COUNCIL

Alberto Irazê Ribeiro	Effective Member
José Luiz Barbosa Netto	Substitute Member
Karen Sanchez Guimarães	Substitute Member
Maria Carmen Westerlund Montera	Substitute Member
Mario Daud Filho	Effective Member
Mário Shinzato	Effective Member
Newton Akira Fukumitsu	Substitute Member
Raimundo Cláudio Batista	Effective Member
Wilton de Medeiros Daher	Effective Member

Governance structure of Eletropaulo

The Board of Directors is advised by three statutory committees and one non-statutory committee, all formed by counselors and external specialists, whose assignments are described by the following diagram.



*Non-statutory.

Ethical conduct

Eletropaulo is engaged to maintain transparency and ethics in all its relations – be them with suppliers, commercial partners, customers, shareholders, employees or communities where it operates. Therefore, we follow our internal rules of conduct, as our Values Guideline, the laws, regulations and guidelines that govern our work, including, among others, the Brazilian anti-corruption legislation (Law No. 12.846/13).

Among the activities accomplished by the area of Compliance there is the Contractual Compliance, which consists of a risk assessment performed at third parties by means of a due diligence before we sign or renew any contract. The process ranks the operations according to risk levels (high or low), pursuant the object of contraction.

The contracts are classified considering the value of the negotiation, the reputational history of the partner and the scope of the services to be provided. The hiring of services that, for instance, have any direct or indirect interaction with public workers or agencies or which establish a success fee within the form of payment are always considered as high risk and are thorough and deeply analyzed, with the approval being provided by the VP for Legal Issues, Audit and Compliance. The compliance systems are monitored by the Audit Committee, in order to assure their effectiveness and the compliance with laws

and internal and external regulations. Read more on page 15.

Besides that, we also conduct classroom and online trainings, to reinforce compliance management related themes and strengthen ethical standards of the Company. The training sessions reach employees from all areas and hierarchical levels, including management members. Along 2017 training sessions covered themes like:



In addition to the mentioned trainings, the Company's values were reinforced also by other events like "Multipliers of Ethics" (an initiative which encourages employees to discuss ethical dilemmas that may occur) and the "World Ethics Day" (a whole day event highlighting the theme through speeches and activities for all employees). We also act with releases in partnership with the Communication area of the Company.



There is also a confidential communication channel, accessible to internal as well as external public, 24 hours a day, seven days per week, in local language, for queries and complaints. The person may identify or remain anonymous.

The secrecy is ensured, and all information is kept confidential. A third party collects all contacts and therefore ensures exemption on the receipt and hosting of any report. All reports are investigated, and an answer is provided to the rapporteur, and appropriated actions are taken by the Company based on the findings of the investigations.



Sustainability management

Sustainability is one of the growth vectors for Eletropaulo, supported by the improvement in services' quality, the increase in customers' satisfaction, the engagement and development of our employees and the total return to the shareholders. We have the commitment to incorporate the sustainability principles and practices in our corporate culture and in the business management, taking into account the balance between economic, social and environmental aspects along short -, medium- and long-term planning in the decision-making processes.

To support this commitment our Sustainability Policy provides guidance on how to: (i) promote innovation, (ii) ensure efficiency in the operation of assets and (iii) reduce the risks associated to our activities. Our Sustainability Policy was revised in 2017 and is available to all interested ones on our site of **Relations with Investors**.

Within our corporate governance structure, the Sustainability Committee has the mission of advising the Board of Directors on the integration of sustainability in the management process. The organ, which was redefined in 2017, proposes the strategy and goals and accompanies the execution of projects targeted to improve the company's sustainability performance, paying attention to the impacts and benefits on social, economic and environmental levels.

Aligned to the main global demands and tendencies, in 2017 we structured the Sub-committee on Climate Changes and the Commission on Diversity, both constituted by multidisciplinary teams of employees of Eletropaulo (read more on pages 51 and 45, respectively).

Within the Executive Board, we count on professionals with recognized experience and training to develop the projects and initiatives, which continuously improve the integration of sustainability to our operations and promote the sustainable value creation in our business model. We also counted, along 2017, with the partnership of Instituto AES for the management of part of our social investments done with focus on the development of communities in the municipalities where we are present.

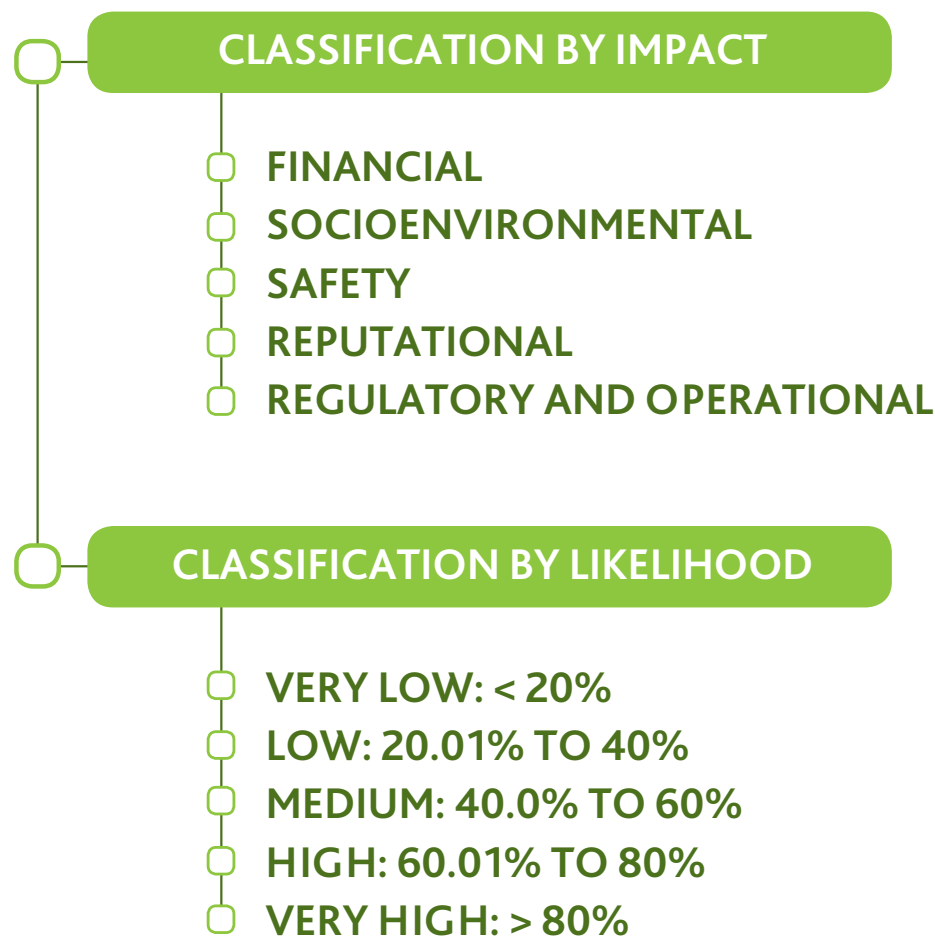
We count on structures at the Company's governance and management to ensure the integration of sustainability to our strategy, goals and management practices

Risk management

We do continuously and in a structured way identify, evaluate and monitor all risks that could impact our business. Aiming to protect our capacity of value creation, the Company follows the guidelines of the Risk Management Policy, approved by the Board of Directors and available to all interested ones on our **site of Relations with Investors**. The Policy was created having as reference the best available practices and following the international standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Enterprise Risk Management (ERM) and the ISO 31000 norm.

The process of identification and evaluation of corporate risks, as well as the measurement of their possible impacts was revised in 2017 with the purpose of improving our governance on this theme. With support from external consulting, a project was carried out, split in two phases. Along the first one, there was made a diagnosis of the level of maturity of the management structure and adopted practices. Then, a new methodology was defined to evaluate the priority risks and identify the mitigation measures.

To classify the potential impact and the likelihood of occurrence of risks, we use quantitative and qualitative criteria, as follows:



As an outcome of our risks' evaluation, we suggested a risks' rating matrix, which provides guidance to the Board of Directors and the Executive Board on their decisions with regards to the necessary measures for the mitigation and control of any risk. The Risk Management Committee, formed by the Executive Board, supervises this process. The Audit Committee monitors the risks management and supports decision-making of the Board of Directors.

ORGANIZATIONAL STRUCTURE

The structure of corporate risks' management counts on the Risk Management department, led by the Finance and Relations with Investors VP (CFO) and responsible for monitoring the risk management model and ensuring its execution according to the defined methodology.

The team of Risk Management is responsible for spreading the culture of risk evaluation, analyzing the degree of exposition to risk of Eletropaulo, defining standards to be followed, supervising and controlling reports and identifying risk managers in all business areas.

The Board of Directors is responsible for deliberating about strategic questions of risk management, including the approval and evaluation of the Risk Management Policy and the risk management model. Every quarter the priority risks are presented in meetings of the Board of Directors, Fiscal Council and Audit Committee.

The Executive Board has to ensure the evaluation of the action plans recommended for the risks' mitigation by the Board of Directors. It also has to share regularly the perception it has regarding the tangible and intangible risks to which the respective business areas are exposed.

The Risk Management Committee is formed by members of the Executive Board of the Company, with the main purpose of supervising and monitoring the process reported by the area of Risk Management. Its meetings are held on a monthly basis and the Company's risk management models, portfolio and relevant risks are evaluated and validated, as well as the approval of targets and actions and the prioritization of resources for mitigation.

It is up to the Fiscal Council and to the Audit Committee to follow up on the Company's risk evaluation, and also discuss with Management periodically its perception regarding to the identified tangible and intangible risks.

The Audit Committee's objective is to monitor compliance with laws and regulations, the effectiveness of compliance systems and ethics and conduct aspects, including the effectiveness of the Company's Code of Conduct and reporting channel, policies and prevention activities and investigation of possible cases of fraud.

The area of Internal Controls, on its turn, acts on the definition of control activities to ensure the compliance to the guidelines related to risks' mitigation.

The Internal Audit acts in an independent way to evaluate the internal processes and controls of the Company, and also evaluates the compliance of the internal policies, rules and procedures.

INTERNAL CONTROLS

The Company has a control matrix for the main business processes, having as reference the Model COSO (Committee of Sponsoring Organizations), which aims to comply to all requirements of the Brazilian legislation and

to the regulatory rules from the electrical energy sector. One of the objectives of this matrix is to implement controls which mitigate the risk of frauds with impact on financial results of the Company and to ensure the adequate report of the Financial Statements. For the year of 2018, with the migration of Eletropaulo to Novo Mercado, the Company is going to reassess the current control matrix, aiming to improve it to current needs.



Risk categories monitored by Eletropaulo



■ **MARKET RISK**
 Related to the possibility of losses in financial and/or physical positions, due to the behavior of market factors like prices, interest rates, exchange rates, inflation index, etc.



■ **CREDIT AND COUNTERPARTY RISK**
 Related to losses due to third-party defaults.



■ **LIQUIDITY RISK**
 May be related to two factors. First one relates to either funding or cash flow, whenever there is a difficulty to honor commitments established in advance on due dates. The second one relates to the lack of liquidity of the asset on the market, due to lack or scarcity of counterpart.



■ **REGULATORY AND LEGAL RISK**
 Related to losses arising from new proclaimed rules, penalties or compensations resulting from the actions of supervisory and control bodies, as well as losses resulting from unfavorable decisions in judicial or administrative proceedings



■ **OPERATIONAL RISK**
 Due to lack of consistency and adequacy of information systems, processes and/or operation controls



■ **ENVIRONMENTAL RISK**
 Related to the possibility of environmental damage due to human intervention in the environment



■ **REPUTATION AND IMAGE RISK**
 Related to the possibility of losses due to tarnished image or reputation before society and/or the authorities, from negative publicity, true or otherwise.



■ **OTHER FINANCIAL RISKS**
 Financial risks that may originate from accounting, actuarial, fiscal areas, etc.

Innovation

At Eletropaulo, innovation is part of the Company's strategy and contributes to create value for the business and promote more intelligent interactions with customers and more effective ways to operate. To this end, our Innovation Program was restructured to promote creativity, discipline on execution and connectivity between various initiatives of the Company. Among the purposes of this program we may highlight the development of solutions for the digital transformation through process automation, solutions using analytics (systems which analyze big sets of data to back up and expedite strategic decision making), mobility and

productivity management, besides robotization, artificial intelligence and others.

In 2017, one of the highlights of our innovation strategy was the participation of the Company in the Cubo Coworking, entrepreneurship and technology center, which supports the development of Brazilian startups with the purpose of having an inspiring and adequate space for getting together and fostering innovation talks. Throughout the year, several challenges from the administrative and operational areas of Eletropaulo were presented to different entrepreneurs in search of new ideas and/or ways of approach.

Our efforts to promote and accelerate innovation, the investments in training and capacity building of our internal teams and the generation of new business have been

ACELERA PROGRAM

The search for partnerships and projects which can make innovative solutions feasible is an important front in our innovation strategy. In this sense, we highlight the Acelera Program, an initiative to speed up projects in conjunction with startups and develop new services and technologies. Carried out with the support of the accelerator Liga Ventures and of Senai, the Acelera Program enrolls startups to present projects which are aligned to the Company's strategy. Last year, Eletropaulo has evaluated 233 projects enrolled in the Program. The selected startups went through the acceleration process and the implementation of the presented solutions. One of the main differentials of this initiative is to be funded by the annual R&D (Research and Development) resources, according to sector regulation. Eletropaulo does not have any participation on the corporate capital of the startups, in accordance with local legislation. The purpose is to generate value for the Company through the adoption of the developed innovations.

increasingly recognized by the market and by specialists. In 2017, we were elected the most innovative Company in the electric energy sector on the award Valor Inovação Brasil, from Valor Econômico journal. We were also one of the three finalists of the National Award of Innovation, in the category of Organizational Innovation. This award is an initiative of the National Confederation of Industry (CNI) and of the Brazilian Support Service to Micro and

Small Businesses (Sebrae). Eletropaulo also was ranked 7th among the 20 most innovative companies in Brazil according to the award Best Innovator, which is granted by the international consulting A.T.Kearney since 2003 worldwide and since 2010 in Brazil. Among the initiatives that stand out, there is project Smart Network, the acceleration of projects related to startups and our participation on Cubo Coworking in 2017.



ACTIONS ALIGNED TO SDG

9

INDUSTRY, INNOVATION AND INFRASTRUCTURE

11

SUSTAINABLE CITIES AND COMMUNITIES

Our investments in research and development strengthen the technological and research capacities in the Brazilian energy distribution sector. The innovation brought by these efforts, like Smart Networks, also contributes to the sustainable organization of cities, optimizing the consumption of natural resources.

ELETROPAULO GOES FORWARD IN SMART NETWORK PROJECT

The smart networks, also known as smart grids, represent a significant technological advance for electrical energy distribution systems. Through the use of modern and innovative technologies, more robust and reliable management and operation systems for our networks, and data analysis tools already in use at Eletropaulo's Operations Center, we are moving forward in the construction of a new relationship model between the distributor and all customers.

In 2017, there was also an enlargement of the automation of the distribution net through the installation of smart equipment. There were installed energy outage detectors, automatic circuit reclosers and self-healing equipments, which enable remote maneuvers for the restoring of the distribution net in case of energy outage (read more on page 34).

So far, we have invested up to R\$ 57.2 million in the project of smart network. After completion, this initiative will provide reductions in operational costs and in losses by frauds. The customers will get a higher quality distribution service, additional information and new functionalities on our Customer Portal, which is currently being built. Thereby we generate value for Eletropaulo at the same time as we increase satisfaction and service quality in the area where we operate.

3,754
new meters
installed

Autonomous self-healing
equipment operating in
the region of Vargem
Grande and in
4 circuits in the region
of Barueri

65
routers
installed in field to make
the communication
between the meters
and the measuring
center feasible

240
balance sets
installed to assist
energy outage signaling
operations and
commercial losses



SMART CITY

Our project of smart grid is being developed at Barueri city, in São Paulo state, funded by resources from Eletropaulo's R&D (Research and Development) program. Launched in 2013, the project is currently at the point of having the new smart meters installed in residential and commercial properties. The meters are equipped with redundant communication with Eletropaulo's Operations Center, ensuring the operation of

the system. About 62 thousand customers will be benefited direct- or indirectly with the new technologies, from 2019 on.

Among other benefits, the new meters will allow to accompany the energy consumption in real time and to make account of energy surplus generated by own systems, in case the customer has such a facility at his site.

Value creation



Our strategy

The strategy of Eletropaulo is oriented by a mission, which aims to promote the well-being and the socioeconomical development through the safe, sustainable and reliable supply of energy solutions. The vision is to be recognized by our customers and shareholders as their main partner in the search for innovative energy solutions in a safe, sustainable, reliable and affordable way.

OUR STRATEGIC DRIVERS

- Promote innovation
- Ensure operational efficiency
- Reduce risks
- Enlarge options

OUR LONG-TERM OBJECTIVES

- Remain a member of ISE – Corporate Sustainability Index
- Keep being among the best companies to work for
- Ensure customers' satisfaction
- Generate a higher total return to shareholders, in comparison to the electrical energy sector's index (average for the sector)

Through innovation, operational efficiency and focused management engaged in reducing risks and searching to enlarge business options, we strive to reach the strategic objectives set for a five-year term (2018-2022). We want to go on being part of the ISE segment (Corporate Sustainable Index) of B3; remain among the best companies to work for; ensure customers' satisfaction and provide our shareholders a higher total return, in comparison to the energy sector's index (average for the sector).

Our leadership is committed to the dissemination of the Strategic Sustainability Plan to all employees as well as to the engagement of our teams on the projects aiming to achieve the defined goals. To this end, one of our main tools are the visits of the CEO and other leaders at our sites for open dialogs with all professionals regarding our growth strategy.

With this way of acting, we promote the growth of our business, potentializing the positive impacts and the value creation of our activities and services.

STRATEGIC PLAN FOR VALUE CREATION

PRODUCTIVITY PROGRAM

- Recovery of the quality indicators
- Revenue management
- Efficiency due to increased productivity

CAPITAL STRUCTURE AND RISK MANAGEMENT

CORPORATE GOVERNANCE

Value creation

Our Strategic Plan for Value Creation is based on three important initiatives, which together will ensure the attainment of Company's objectives and add positive results to our main stakeholders.

Along 2017 our Productivity Program has enabled a reduction of R\$ 203 million vs previous year in operational costs*, 1.5 % above target for this period. We've invested R\$ 1 billion in the modernization of networks and improvement of our services, which has contributed to the achievement of 74.9% on the Satisfaction Index of Perceived Quality – ISQP (0.2 percentage point higher than previous year). From 2018 to 2022, R\$ 4.9 billion will be invested in our operations, including own resources and third parties' ones. This is the highest investment value ever done by the Company in efficiency and quality improvement of our services.

On the risk management front, the Company has undertaken successful efforts which implied a decreased in the overcontracting of energy. In addition, it also approved, in March 2018, an agreement with Eletrobras to close a judicial dispute.

Regarding corporate governance, in 2017 we've completed the migration of Eletropaulo into Novo Mercado, a segment of B3 (read more on page 10). Through this change, our corporate governance has been taken to a new, higher level, improving our relationship with shareholders and our capacity of value creation.

** The figures are in real terms, weighed by the effective monthly rate (IPCA with regards to expenses with personnel and IGP-M for all other expenses, in comparison to the figures of 2016, not including the expenses with the Company's pension fund neither the impact due to the recognition, in December, of the figures related to the agreement with Eletrobras (R\$ 9.2 million).*

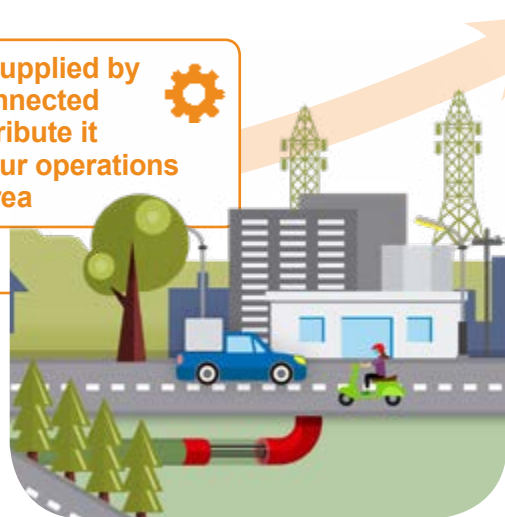
Model of value creation

To keep our stakeholders informed about our management and performance, we search for continuous improvement in our accountability model, keeping transparency as one of our guidelines. Among our main advances in this process there is the adoption of the principles of the Integrated Report and the joint development of our model of value creation, involving employees of different areas of the company. Our objective is to demonstrate to all stakeholders how we transform inputs and create value in the different types of capital (financial, human, intellectual, social and of relationship, manufactured and natural)

1

We receive energy supplied by the National Interconnected System (SIN) to distribute it efficiently through our operations in the concession area

- 156 substations
- 39.2 thousand km of aerial distribution network
- 2.3 thousand km of underground network



2

We perform with excellence on expansion, operating and network maintenance practices, ensuring safety for all and mitigation of negative environmental impacts

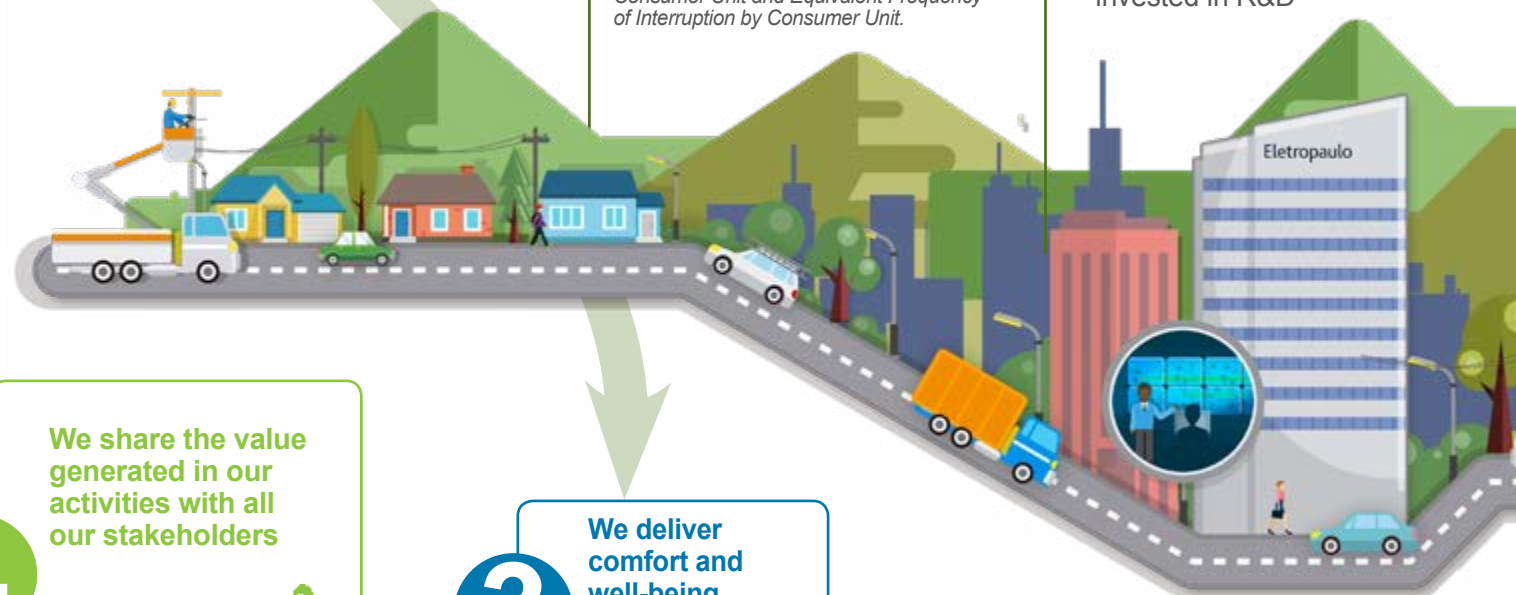


EFFICIENCY AND QUALITY

- 25% reduction of DEC* and 10% reduction of FEC*
- R\$ 57.2 million invested in smart networks
- 5.3 thousand automatic reclosers installed
- 2.4 thousand self-healing systems implemented

*DEC and FEC are the acronyms for Equivalent Duration of Interruption by Consumer Unit and Equivalent Frequency of Interruption by Consumer Unit.

- Reduction of 12 thousand tons of CO₂e in our activities
- 71% of our waste was recycled, recovered or re-used in 2017
- Zero fatal accidents among own and third-party employees
- R\$ 19.3 million invested in R&D



4

We share the value generated in our activities with all our stakeholders



ADDED VALUE DISTRIBUTED IN 2017

- R\$ 7.3 million in taxes and sectoral commissions paid to the government
- R\$ 1.2 million to employees

- 478.6 thousand people benefited from developed actions in the communities
- One of the best companies to work for (86% satisfaction at workplace)
- 74.9% was the Satisfaction Index of Perceived Quality (ISQP)



3

We deliver comfort and well-being through our energy to consumers, driving business and life stories



- 7.2 million consumer units
- 65.5 thousand families got access to regularized energy
- R\$ 57.7 million invested in the Energy Efficiency Program
- 442.7 thousand families benefited from Social Electric Energy Tariff
- R\$ 785 thousand as discount on energy bills favored 22.7 thousand customers within the initiative Recycle More, Pay Less



Stakeholders

Eletropaulo promotes permanent engagement of its stakeholders through everyday relationship of its diverse areas. Supported by a relationship matrix, our teams ensure transparent dialogue and continuous performance improvement on attending the demands and expectations of employees, shareholders, suppliers, customers, authorities, regulatory bodies, press, agents from the energy sector, organized civil society and communities.

In order to systematize the contact with stakeholders, an online platform for internal use was developed during the second semester of 2017, that serves for the management of our relationship with stakeholders. Besides allowing the knowledge management and the formal recording of contacts' history, on individual basis, this platform will make available a simple and user-friendly interface, which will reflect the level of interest, influence and favorability of any stakeholder about the identified key themes. Hence, the process of decision making about defining action plans and aligning Company's positioning will be more agile and integrated.

Eletropaulo's stakeholders



Agility on attending external demands and transparency in communication, our basic assumptions for our relationship with society, were recognized again. For the 4th consecutive year, Eletropaulo was granted the Companies that Best Communicate with Journalists Award, within the energy sector, based on the votes of more than 25,000 journalists from the whole country. The award is organized by the Communication Studies Center (Cecom).

LOCAL DIALOGUE

Throughout the year, we've improved the engaging mechanisms with the town hall and the city council of the municipalities within our concession area. As these bodies are simultaneously customers of the public sector and mediators for legal issues on our performance, we've improved the clarity in separating both demand profiles.

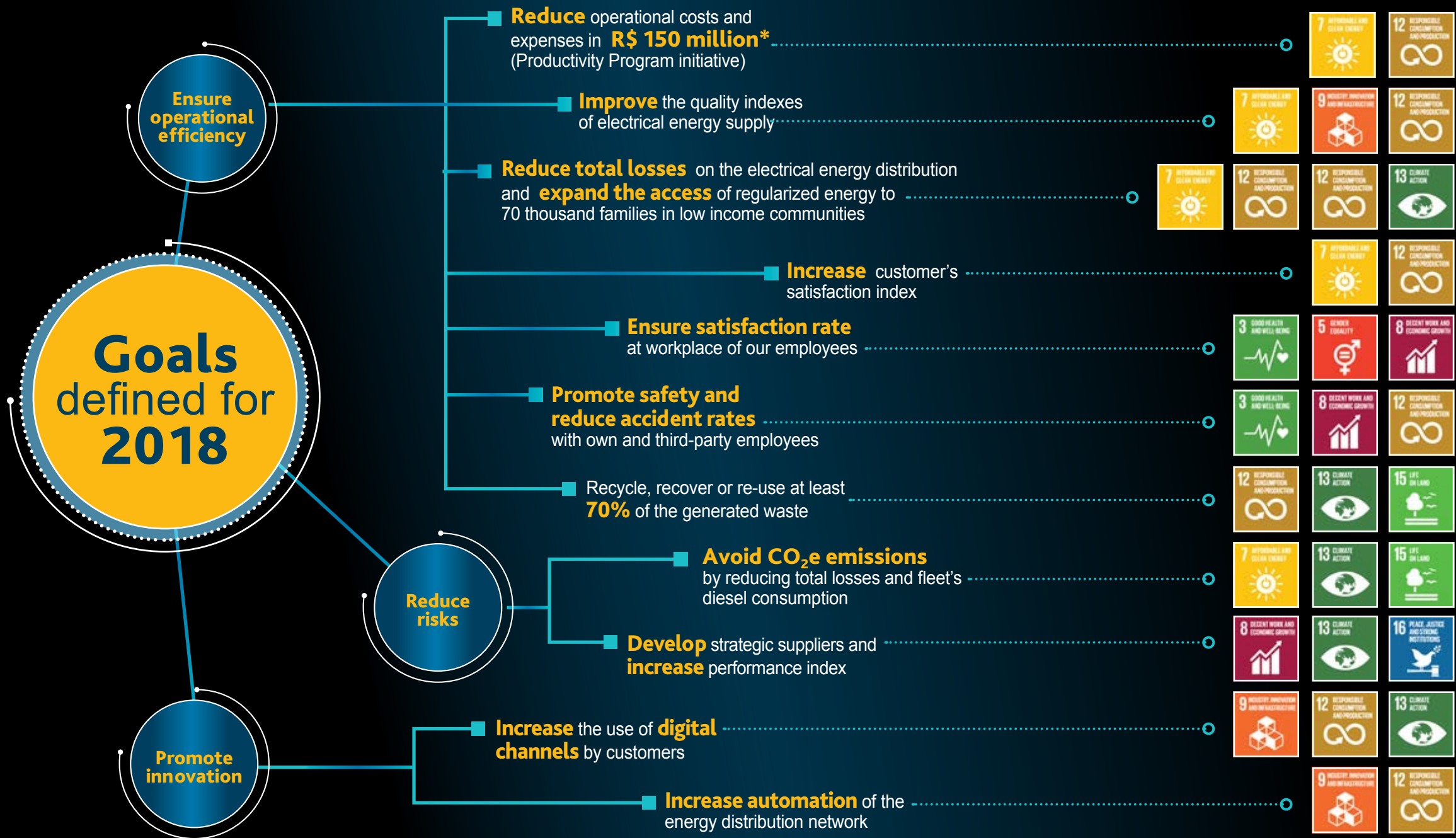
Once again we've promoted a Road Show, holding meetings in all attended municipalities to present the investments done by the Company and to identify improvement opportunities. We also promoted monthly meetings with São Paulo's town hall, to align expectations and strategies for the city's development, besides strengthening the relationship with all town halls within our concession area.

INTERESTED PART	COMMUNICATION CHANNELS	NEEDS	EXPECTATIONS	REQUIREMENTS
Shareholders and investors	<ul style="list-style-type: none"> Xstrategy, Strategic Book, Financial Economic Model Relations with Investors Event Communication channels with investors, as the Investors Relations website 	<ul style="list-style-type: none"> Credibility and trust from the stakeholders Risks mitigation Adequate profitability and return 	<ul style="list-style-type: none"> Provide total return above the average electrical energy sector index Remain member of the Corporate Sustainability Index (ISE) 	<ul style="list-style-type: none"> Keep image favorability at adequate levels Comply with all legislations and assumed commitments Perform well on ISE assessment
Employees	<ul style="list-style-type: none"> Organizational Climate Survey Union Relations Committee 	<ul style="list-style-type: none"> Adequate training and qualification for the position Compliance with the agreements entered into 	<ul style="list-style-type: none"> Being among the Best Companies to Work For 	<ul style="list-style-type: none"> Adequate training Recognition and career progress Accordance to collective agreement Fair working conditions
Customers	<ul style="list-style-type: none"> Meeting with Customers Ombudsman Consumers Council Procon 	<ul style="list-style-type: none"> Quality on energy supply Fair price Ease of contact Adequate information about product and bills 	<ul style="list-style-type: none"> Agility in energy restoration Uninterrupted supply Quality attendance 	<ul style="list-style-type: none"> Adequate and well-balanced attendance Accordance to the tariff guideline Compliance with regulatory limits Troubleshooting Access to product information
Regulatory agencies, government and energy sector agents	<ul style="list-style-type: none"> Court audience Meetings with ANEEL and ARSESP Meetings with government representatives 	<ul style="list-style-type: none"> Compliance with technical, commercial, tax and environmental regulations 	<ul style="list-style-type: none"> Continuous improvement on energy supply Partnerships on public projects 	<ul style="list-style-type: none"> High level adhesion to sectorial regulations Development of the communities
Suppliers	<ul style="list-style-type: none"> Meetings with suppliers Surveys and events 	<ul style="list-style-type: none"> Compliance with contractual commitments 	<ul style="list-style-type: none"> Support suppliers' development Isonomy in the relationship with suppliers 	<ul style="list-style-type: none"> Adoption of recognized standards Fulfillment of contractual requirements Offer long-term opportunities and contracts
Society, communities and press	<ul style="list-style-type: none"> Opinion surveys Community leaders NGOs and PROCON Attendance and relationship line with journalists 	<ul style="list-style-type: none"> Sustainable solutions and good socioenvironmental practices Access to information of public interest 	<ul style="list-style-type: none"> Agile and clear communication Accident rates with population Performance Index in the Area (IDAR) of Social Responsibility in the Abradee survey of customer satisfaction Investments in services' quality and in socioenvironmental actions 	<ul style="list-style-type: none"> Transparency in communication Responsible corporate performance Ethical conduct Socioenvironmental responsibility

Sustainable Development Goals (SDG)

Throughout the year of 2017, we progressed on the alignment of Company's strategy with the global sustainability challenges proposed by UN, through the Sustainable Development Goals that make up Agenda 2030. With support from a specialized consulting, we engaged managers and employees from all areas of the Company to assess how our activities and indicators impact each of the 17 SDG, highlighted along this report. Next, we prioritize our objectives according to the matrix which comprises the relevant SDG for the energy sector, which has been developed in partnership with the Brazilian office of the Global Compact and other distributing companies of the country, taking into consideration how the electrical energy distribution activity contributes positively or negatively to the achievement of the SDG, aligned with the business plan of the Company.





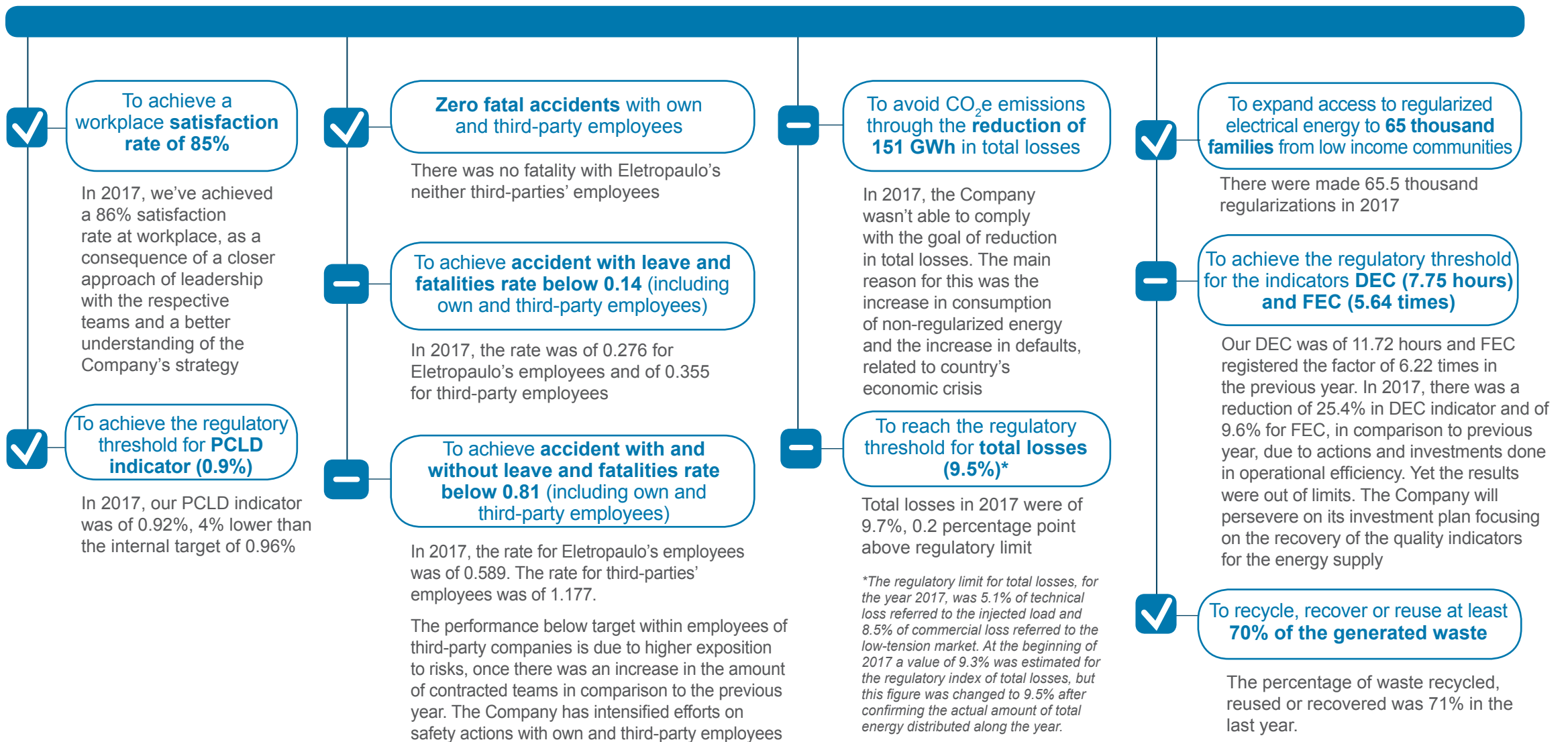
* The figures are in real terms, weighed by the effective monthly rate (IPCA with regards to expenses with personnel and IGP-M for all other expenses, in comparison to the figures of 2016, not including the expenses with the Company's pension fund.



**Our
performance**

2017 goals and achievements

Our business model includes commitment with transparency and accountability for performance. Further below we share to our stakeholders the achieved results regarding the business goals committed to in 2017.



Shareholders and investors

Our goal is to provide total return to our shareholders, by means of a business model that ensures customer satisfaction and the adaptation to externalities which may impact Company's capacity of value creation. The relationship with these publics is managed by the Relations with Investors area, which handles specific communication channels and with agility provides information about our performance, the market and the Brazilian electrical sector.

Market information

The total market of Eletropaulo totaled 42,982.0 GWh in 2017, an increase of 0.36% in comparison to previous year. The captive market totaled 32,776.4 GWh in 2017, a 4.9 % retraction in comparison to 2016. The consumption within the residential class grew 1.0% and the commercial class 0.6%, whereas the industrial and other classes presented a reduction of, respectively, 0.6% and 0.8%.

This scenario is in line with the evolution in the number of residential units, about 2% in the year; also with the shutdown of industrial units due to the economic crisis; and with the migration of customers to the Free Acquisition environment (ACL – Ambiente de Contratação Livre), which registered 1,190 consuming units within Eletropaulo's concession area (increase

of 33% vs 2016) and a reduction of 2,044 GWh; with the return of customers to the Regulated Acquisition environment (ACR – Ambiente de Contratação Regulado) causing an increase of 14.7 GWh; and with the increased amount of days in the billing period among classes (0.7 days or 17.6 GWh). After adjustment of these factors, the captive market had a growth of 0.9%. On the other hand, the free market totaled 10,205.6 GWh in 2017, with an increase of 22% in comparison to the previous year.

RATE ADJUSTMENT

The electrical energy rate charged to the customers, determined according to the concession contract and the regulations defined by ANEEL, undergoes readjustment as follows: (i) annual rate readjustment for financial economic correction; (ii) periodic rate revision (every four years) to update the basis of calculation for compounding the rate and (iii) extraordinary rate revision which happens only when a significant economic financial imbalance is observed. Last year ANEEL has ratified the annual rate readjustment of +5.57%, implemented since July 4th, 2017, composed by +4.60% of economic readjustment and +0.97% of financial component. After withdrawal of the financial component of 1.09% applied to the Rate Process of 2016, the average impact perceived by customers was of +4.48%.

CONSUMPTION (GWH)*	2017	2016	VARIATION
Residential	16,090.1	15,930.0	1.0%
Commercial	10,698.9	11,757.8	-9.0%
Industrial	3,343.9	4,055.5	-17.5%
Others	2,643.5	2,720.3	-2.8%
Captive market	32,776.4	34,463.6	-4.9%
Free customers	10,205.6	8,362.1	22.0%
Total market	42,982.0	42,825.7	0.4%

**Does not include own consumption. Data from 2016 include consumption of condominium services in the commercial class.*

TOTAL CONSUMPTION – INCLUDING FREE CUSTOMERS (GWH)*	2017	2016	VARIATION
Residential	16,090.1	15,930.0	1.0%
Commercial	14,261.3	14,177.4	0.6%
Industrial	8,610.7	8,664.3	-0.6%
Others	4,019.8	4,054.0	-0.8%
Total	42,982.0	42,825.7	0.4%

**Does not include own consumption. Data from 2016 include consumption of condominium services in the commercial class.*

When adjusting the rates, ANEEL splits the costs of concessionaires in the following way: (i) non-manageable costs, or Portion A, and (ii) manageable costs, or Portion B. For the last economic readjustment of +4.60% the Portion A was of 4.39% and considered the power purchase, the sectorial charges and the use of the electrical energy transmission. Yet Portion B, which considered operating and maintenance costs of the distribution system, depreciation and return of the investments on assets related to the concession, was of 0.21%.

ENERGY BALANCE

At year end in 2017 Eletropaulo had a level of energy hiring equivalent to 103.5% of the captive load, well within the limits established by current legislation (100% to 105%), as a result of the initiatives carried out to reduce overcontracting, as the bilateral renegotiation with power generating businesses (98 agreements since 2016) and the participation in 17 auctions within Compensation Mechanisms for Surplus and Deficits.

ELETROBRAS AGREEMENT

In line with the Strategic Plan for Value Creation, in March 2018 Eletropaulo has signed an agreement with Eletrobras, aiming to close a lawsuit related to the payment of a balance from a loan granted in 1986 by Eletrobras to the company that was split giving rise to current Eletropaulo and to the Paulistan Company for Electric Energy transmission (CTEEP).

In scope of this agreement the Company has compromised to disburse R\$ 1,500.0 million to remove the debit arising from the judicial process, currently in settlement phase, in the following way: (i) R\$ 1,400.0 million in favor of Eletrobras; (ii) R\$ 100.0 million owed to lawyers.

The effectiveness of the agreement is subject to a judicial ratification from the 5th civil judicial rod from Rio de Janeiro county, which will give way to closure of the judicial process and will contribute to the value recovery strategy of the Company.

ADDITIVE TO THE CONCESSION CONTRACT

As disclosed to the market in May 2017, the company began negotiations with ANEEL to work out an additive to the concession contract. Such additive should address specific issues on concessions, as the company believes to be able to create value for customers, communities and shareholders.

Economic and financial performance

The gross operating revenue from Eletropaulo totaled R\$ 21,661.4 million in 2017, corresponding

to an increase of 5.6% in comparison to 2016. The net revenue, in its turn, registered growth of 12.9% along the period, reaching the value of R\$ 13,168.5 million.

On the annual consolidated report, EBITDA of the Company was R\$ 1.1 billion, corresponding to an increase of 44.7% in comparison to 2016

We've closed 2017 with a net loss of R\$ 844.4 million, in contrast to a net profit of R\$ 20.9 million obtained on previous year.

DISTRIBUTION OF ADDED VALUE

The added value distributed in 2017 totaled R\$ 9.9 billion, being 74% of this amount relative to government taxes, rates, and charges.

DISTRIBUTION OF ADDED VALUE BY STAKEHOLDERS (R\$ THOUSAND)*	2017	2016	2015
Employees	1,208,831	1,111,872	987,742
Government (taxes, rates and sectorial contributions and charges)	7,315,777	8,221,280	10,082,508
Funders / Third parties	2,178,637	691,044	807,440
Shareholders / Retained value	(844,424)	20,923	101,136
Total	9,858,821	10,045,119	11,978,826

**The Distribution of Added Value is an accounting statement, that provides evidence of the wealth generated by the Company within a period of time and how it was distributed among the involved parts.*



Customers

The customers are in the center of our strategy and of our business model. Our commitment is to ensure the satisfaction of 18 million people, who live in our concession area, through investments in innovation, improvements in the distribution network, and also improvements and digital enlargement of our service channels.

Along 2017 we've accomplished several projects and initiatives, on the front of relationship with customers, aimed to increase efficiency and agility of our services and provided information, by the use of modern technologies, qualification and engagement of all areas of Eletropaulo, associated with the continuous training of our workforce.

As a result of the actions done to increase the quality of our services to customers, we've reached a reduction of 11% on the total complaints, in comparison to previous year. In 2017 there were recorded 241,965 complaints, among which 191,857 through 1st level channels of the Company and 50,108 through other instances (ombudsman, ANEEL and Procon). Among the complaints received on 1st level channels 114,903 were valid, with a 9% reduction in comparison to previous year. Our Indicators for Equivalent Duration of Complaints (DER) was 5.37 days (average time to respond) and for Equivalent Frequency of Complaints (FER) was 16.23 times (per one thousand customers), in comparison to 5.89 days and 18.34 times respectively, in 2016. The average time to respond complaints was 6% shorter than in previous year.

SERVICE CHANNEL OF ELETROPAULO	2017	2016	2015
Total of interactions	37 million	41 million	41 million
Complaints on 1 st level channels	191,857	211,005	266,446
Emergency requests	4,055,816	4,197,423	5,203,694

COMPLAINTS VIA OMBUDSMAN'S OFFICE, ANEEL, ARSESP, PROCON*	2017	2016	2015
Ombudsman	38,454	46,132	43,431
ANEEL/ARSESP	4,812	5,734	8,286
Procon	6,842	7,724	7,794
Total	50,108	59,590	59,511
Complaints addressed within 15 days, in relation to total number of closed complaints (%)	80.1%	82.4%	90.1%
Complaints addressed after more than 15 days, in relation to total number of closed complaints (%)	19.9%	17.6%	9.8%
Valid complaints, in relation to total number of closed complaints (%)	47.23%	47.47%	53.95%

*The proportion of valid complaints is not calculated in relation to the total of received complaints, since at the closure of each month part of the complaints could still be under analysis, depending on when the call was opened.



Digital transformation

One of the initiatives of our relationship with customers' strategy is the digital transformation, which enlarges available online platform service channels. We've launched, for instance, the **Investment Portal**, a hotspot available to our customers, on which they can get to know, through interactive maps, the places where there are works being carried out and which improvement is being implemented. In addition, it is also possible to manage the planning for maintenance related energy supply interruptions. Until December 2017, the Portal was accessed over 44 thousand times. We also target to expand, more and more, the number of options at disposal of our customers for requesting services, making enquiries, and clearing doubts on self-service digital channels. In this sense our virtual store has been improved with base on interviews and surveys conducted throughout the year with some customers in order to identify their main demands and needs.

Some services that usually had to be requested in physical stores, as ownership transfer, are already available at Eletropaulo's website, besides a new option for the customers to request reconnection service. Additional improvements are planned for 2018. About 75% of all annual contacts already make use of electronic channels, as the digital Unit of Audible Response (URA), the smartphone app and the website itself.

Training of readers to become commercial agents

In 2017 we've extended the way in which our readers act. These professionals previously responsible only for the billing of the customers, were trained to perform as commercial agents, with autonomy to treat with the customer about other topics like: overdue accounts, guidance on possible doubts regarding the bill and power outages to defaulting customers.

More than a thousand professionals were trained last year to become commercial agents and be able to come closer to our customers. As a result of this initiative, six out of every ten talks performed by these multifunctional teams resulted in payments on the same day, besides operational costs reduction and also improved performance and higher appreciation of these professionals.

EMPLOYEES DEDICATED TO THE RECONNECTION OF CONSUMING UNITS

In order to ensure the quality and agility in restoring electrical energy to our customers who had the supply suspended by commercial agents of the Company due to defaults, we've hired and trained 97 employees exclusively dedicated to perform reconnections. The purpose is that the customer who has removed the debits gets back electrical energy within the shortest possible time.

PROACTIVE COMMUNICATION

In 2017 we've developed a pilot project for messages sent by SMS, to inform requesting customers about the forecasted return of energy delivery. Till the end of the year, about 2 million people were benefited by this initiative.





Negotiation portal

The increase of defaults within the energy distribution sector, which impacts all national companies, is related to the increase of tariffs occurred in 2015 and the implementation of tariff flags between 2016 and 2017. With the purpose of minimizing the impact of charging actions and increasing customers' satisfaction, we've expanded our efforts on the development of communication channels to clarify doubts and inform about implemented initiatives to flexibilization of the discharge of debts.

Among those initiatives there is the Negotiation Portal, where it is possible to simulate payment conditions, parcel late debts and issue invoices. Until December 2017 we've done 219.4 thousand negotiations through this platform, totaling R\$ 128 million.

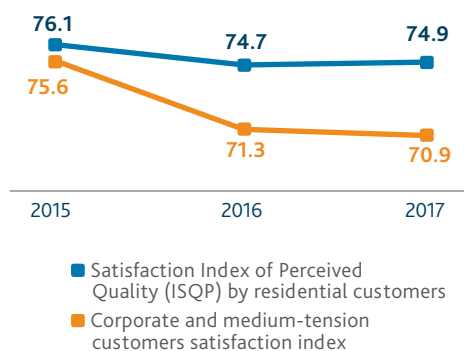
In addition to the Portal, we continued with the Negotiation Fairs, which resulted in 2,539 closed agreements till December and totaled R\$ 7.8 million, in comparison to R\$ 3.8 million in previous year. These actions, performed at Eletropaulo's stores, have contributed to the significant reduction of the level of Provision Loss with Doubtful Accounts (PCLD) in this year.

Focus on innovation and customer's satisfaction

Ensuring customer satisfaction is part of our long-term goals and of our value creation strategy. In order to monitor the satisfaction of our customers with our services, we conduct regular surveys asking, among others, about the time of attendance and the perceived quality of the provided information. The survey results are analyzed and compared to other internal reports. Based on all data, we find out which processes need to be improved, by means of the implementation of new systems, procedures and training of own and third-party employees.

The National Electrical Energy Agency (ANEEL) also performs an annual customers' satisfaction survey, with own methodology, in order to evaluate the services of the energy concessionaires. In 2017 ANEEL shared the results of the survey done in 2016, informing that Eletropaulo got 58.03 for the ANEEL Index of Customers' Satisfaction (IASC). This figure was 3.61 points higher than that obtained in the previous survey, which was 54.42 points, however our position on the national ranking dropped from 43 to 54. Aiming to the continuous improvement of our

Customer satisfaction indexes (%)



services, Eletropaulo has started, in 2017, the Productivity Program, including several initiatives and investments focused on the quality improvement of our services and information to the customers. Learn more about the Productivity Program on page 21.

ENERGY EFFICIENCY PROGRAM

Aiming to further the energy efficiency, the Company has invested R\$ 57.7 million in 2017, with means of the program of ANEEL. This total was split and R\$ 36.7 million were used to regularize informal connections, through the Program of Transformation of Consumers in Customers within low-income communities; the other R\$ 21.0 million were invested in projects to enhance efficiency of machinery and equipment of residential, commercial and industrial customers and in energy management improvements for public and corporate customers, besides educational projects focused on conscious energy consumption. Learn more about initiatives for the communities on page 38.

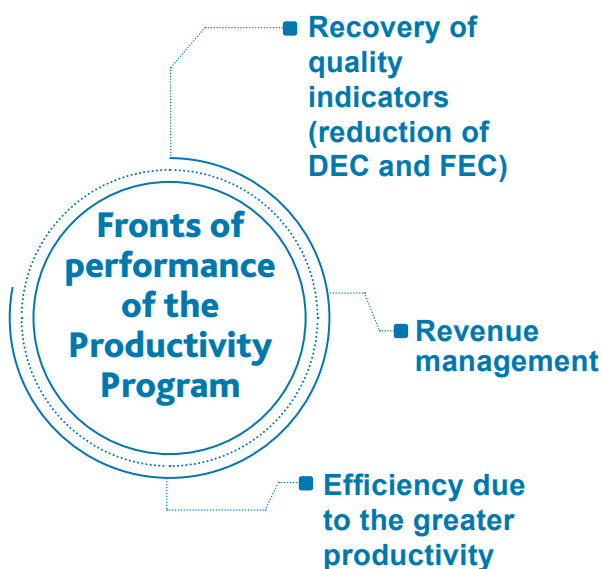
Efficiency in operations

Our Productivity Program, one of the initiatives of our Strategic Plan for Value Creation, integrates efforts on three fronts. This systemic approach about our practices and the intensive use of information technology have a direct effect on operating costs of Eletropaulo, mainly due to the reduction of penalties for supply interruptions and the Estimated Loss with Doubtful Accounts (PECLD). In 2017 alone, we captured R\$ 203 million in reductions of operating costs*, 1.5% performance above of the projected for the period. Additional reductions are expected for 2018 and 2019, of the order of R\$ 150 million and R\$ 100 million, respectively.

Among process improvements achieved through the use of information technology and those that contributed to this result, we highlight the analytics and programming algorithms tools which have helped for sophisticated prioritization of occurrences in the network. We automate the dispatch of secondary service orders, which represent almost 80% of the total, directing actions most efficiently by region and time of service. In this way, the technical staff of our operations center can focus on team scheduling for the first service, with more quality and assertiveness.

We also maintained investments in network automation, with the installation in 2017 of 5.4 thousand fault detectors, 1.2 thousand automatic reclosers, 1.3 thousand systems of self-healing and another 284 km of network with spacer cable technology, which mitigates impact of accidental contact of tree branches with the spinning. These technologies reduce the need of displacement of the teams, minimize the customer area affected by more complex faults that would require the intervention of electrician technicians, and improve the coexistence of the electric network with urban vegetation.

* The values are in real terms, weighted by the effective monthly rate (IPCA in relation to the costs of personnel and IGP-M for other costs), in comparison with the result of 2016, excluding expenses with pension fund and the impact of recognition, in December, of the amounts arising from the agreement Eletrobras (R\$ 9.2 million).



Network automation until 2017

5.4 thousand detectors of lack

5.3 thousand automatic reclosers

2.4 thousand systems of self-healing

3.8 thousand km of network with spacer cable technology

EMERGENCY SERVICE

We have also started a process of qualification of employees to promote the internalization of emergency teams and commercial technical services (new connections, shutdown, and power failure) in an integrated manner. The goal is to develop multifunctional teams that will receive unified service orders, avoiding the displacement of different teams to the same location. This initiative should be completed in 2018.

SUMMER PLAN

We have a special plan of service for the rainy season in our concession area, during the summer, which aims at greater operational efficiency and less impact for our customers. Our strategy encompasses automation, technology and scalability of teams to meet the occurrences on the network – we had up to 2.7 thousand employees in the streets.

To avoid network failures, we have increased more than 30% the amount of trees pruned in the year. This activity jumped from 240 thousand prunings per year in 2014 to 320 thousand in the last year

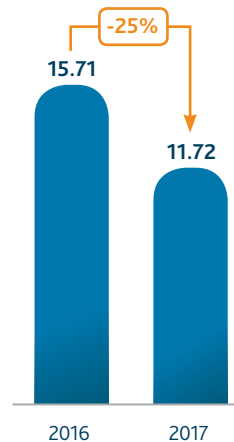
The realization of systemic works aims to increase our operational efficiency. In 2017, we inaugurated four new distribution transformer stations (ETDs): Jaçanã, Bom Jesus, Caucaia and Granja Viana. By 2021, eight ETDs will be completed

To carry out the monitoring of our subtransmission networks in areas of difficult access, we acquired in 2017 a drone equipped with thermal imaging cameras and filming functionality. This technology contributes to the process of inspection and diagnosis of towers of aerial transmission lines in forest regions and rural areas.

The reflection of these investments in network automation, increased scheduled maintenance and pruning preventive measures, as well as improvements in dispatch of maintenance teams, is perceived in the quality indicators of energy supply, such as DEC (Equivalent Duration of Interruption by Consumer Unit) and the FEC (Equivalent Frequency of Interruption by Consumer Unit). In relation to the previous year, we reached a 25.4% drop, (-3.99 hours) on the DEC indicator totaling 11.72 hours and a reduction of 9.6% in the FEC indicator calculated in 6.22 times.



DEC - hours
(last 12 months – Jan to Dec)



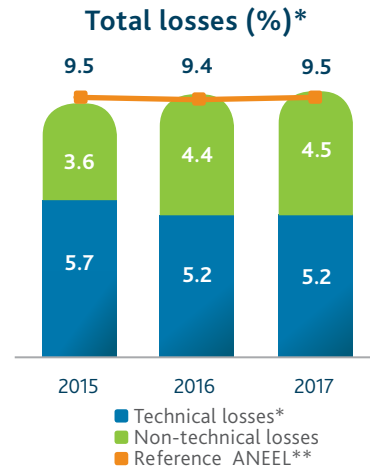
Reference ANEEL - 2016: 8.04 hours / 2017: 7.78 hours

FEC - times
(last 12 months – Jan to Dec)



Reference ANEEL - 2016: 5.92 Times / 2017: 5.66 times

Total losses in 2017 were 9.7%, composed by 5.2% of technical losses and 4.5% non-technical losses. In comparison to the previous year, the total losses presented a slight increase of 0.1 percentage point due to the tariff increases from 2015 onwards and the economic scenario the country has been facing. The initiatives to eliminate losses added 815.5 GWh to the billed market, compared to 673.6 GWh in 2016. That amount comprises (i) 250.6 GWh (R\$ 90.2 million) by the fraud inspections, (ii) 111.1 GWh (R\$ 45.0 million) with the regularization of informal connections, (iii) 90.0 GWh (R\$ 36.5 million) with the customer recovery, (iv) 307.3 GWh (R\$ 124.2 million) with the reduction of losses of administrative expenses and (v) 56.4 GWh (R\$ 22.9 million) retroactive billing of irregular energy consumption.



* Amounts calculated by the Company to make them comparable to the benchmark for non-technical losses on the low-tension market, determined by ANEEL.
 ** ANEEL loss reference for the regulatory year normalized for the calendar year.

ACTIONS ALIGNED TO SDG



The continuous improvement of our indicators, minimizing losses and interruptions in supply, contribute to universal, reliable and modern access to energy services and to the resilient urban infrastructure, boosting economic growth.

BURIAL OF THE DISTRIBUTION NETWORK OF ELECTRICAL ENERGY

To optimize efforts and investments that make viable burial projects for the aerial electrical energy distribution network and considering other companies that also use this underground infrastructure, we participate in an open and multisectoral dialogue which will lead to burial of cables (electrical infrastructure and telecommunications) and the abolition of more than 3,000 poles in 66 kilometers of roads in the city of São Paulo, by 2020. In 2017, 2.2 km of cables were buried, and 216 poles were removed of the air distribution network of energy.

New ETD Granja Viana

With an investment of approximately R\$ 70 million, the construction of the new Granja Viana substation was completed in 2017, benefiting more than 600 thousand customers of the Carapicuíba, Cotia, Barueri, Osasco and Jandira municipalities.

The complex was completed in a year and a half and has 4 km of underground network of sub-transmission connected to the aerial network of the Granja Viana, which will distribute the energy to the residences.

10 thousand cubic meters of land removed

60 people worked on the construction work

120 MVA capacity

The land has 5 thousand square meters

600 thousand customers benefited

Suppliers

Our suppliers are a strategic public for the development of our business and therefore we cherish transparency and integrity in the relationships we establish. Since 2013, we have developed the Sustainable Partnerships Program, which promotes the improvement of our partners, the integration of sustainability into management practices and the risks mitigation.

Through Sustainable Partnerships, most relevant suppliers for our operations have their performance evaluated by the Supplier Performance Index (IDF), a tool which allows managers to analyze deliveries and compliance with the contracts, establishing action plans for situations that are not in accordance with the established standards and quality levels. In 2017, at Eletropaulo, R\$ 1.8 billion were paid to 1,866 suppliers with whom we have established commercial relations. Of these, 278 suppliers were evaluated by the IDF in 10 different categories of products and services. Of this group, 65 companies (23%) obtained evaluation below acceptable minimum of 70 points, for which action plans were developed. Only one supplier was replaced because of non-conformities identified in the evaluations.

Each supply category has a form, to be completed monthly by the contract manager, to assess the social, environmental, safety and

operational criteria, besides aspects such as ethics, compliance, respect to labor rights, validity of environmental licenses, among others. Always when specific suppliers, products or services are incorporated into the program, new criteria become part of this assessment. It was the case, in 2017, of the inclusion of criteria related to guarding of materials in the specific questionnaire for management of stock of materials.

Another novelty of the period was the implementation of an app that makes it possible to fill the questionnaires via smartphones and tablets. With this tool, contract managers have gained more agility and flexibility. In addition, we are also in the implementation phase of the Supplier Portal, in which it is possible to monitor not only the information related to contracts, but also the evolution of the IDF.

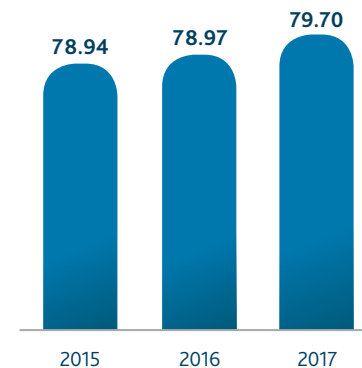
ACTIONS ALIGNED TO SDG



Through the Sustainable Partnerships Program we strengthen our ethics, compliance and transparency throughout our chain, promoting the continuous improvement in productivity and the rational use of natural resources.

Annually, suppliers who obtain performance above the 80-point target established by the IDF are nominated for the Best Suppliers Award. In 2017, we had the 7th edition of the award, with 68 companies as finalists, of which 12 received the award. At that event, 39 suppliers submitted 51 cases in innovation and sustainability, four of these companies were honored for their practices. Besides that, for the second consecutive year, we did honor contract managers, who are responsible for the direct relationship with our suppliers. We honored 13 finalists contract managers, and, among them, six managers received the nameplate highlighting this.

Supplier Performance Index (IDF) – Strategic suppliers of Eletropaulo (points)



RISK MANAGEMENT IN SUPPLY CHAIN

In order to establish the level of criticality of suppliers, we structure a matrix, which comprises possible risks (economic, social and environmental) for our business and the complexity of the activity in the marketplace related to each supplier. The evolution of this criticality matrix is performed continuously, allowing us to improve our way of identifying and managing risks in our chain.

In partnership with the Center of Sustainability Studies of the Getulio Vargas Foundation (GVCes), which proposed a protocol for elaboration of analysis of materiality in the chain of suppliers, we have applied new socio-environmental criteria for the categorization of our most critical suppliers. We have identified that, with this improvement, there is an opportunity to concentrate the more intense inspection actions on partners with higher associated risk and actions of lower intensity on suppliers with lower risk. In this way, we will achieve more effective results, as we will invest, proportionally, more and less time and management resources in companies with different risk factors and will therefore increase the efficiency and action power of our Company.

Local communities

In the relationship with the communities of the regions in which we operate, we aim to promote development through social innovation. In 2017, we invested R\$ 79.9 million in social projects. More than 478 thousand people benefited from actions that, in addition to promote the development and growth of communities, increase the recognition of Eletropaulo as a committed company with society and with the generation of sustainable value.

Access to regularized energy

The regularization of electrical connections is one of our main initiatives, which are carried out continuously to allow access to electric power, with safety and quality, to residents of socially vulnerable communities, and at the same time serve us to recover commercial losses, that are important for tariff modality definition, and to improve the efficiency of our company. In 2017 we did 65.5 thousand regularizations, surpassing the goal of 65 thousand established for the period.

One of the main initiatives we did in this sense was the Transformation of Consumers in Customers Program(TCC), recognized in 2017 with the Entrepreneur of the Year Award, in the Sustainability category, granted by EY consulting. Initiatives in this program begin with the mapping and involvement of the community in order to establish the plan to regularize the connections that fits best to the area and that contemplates educational and practical actions to prepare

the new clients. Low-income families benefit from access to regularized electricity, with the replacement of electric equipment and more efficient lamps to reduce energy consumption and receive guidance on invoices and tips for efficient and safe use of electricity.

Social Tariff

At the same time, we have intensified actions to mapping and re-registration of families that have an adequate income profile to be included in the Social Electrical Energy Tariff (TSEE). At the end of 2017, Eletropaulo recorded the total of 442.7 thousand registered consumer units in the Social Tariff initiative. TSEE was established in 2013 with the normative resolution establishing the criteria so that customers can receive the benefits, reducing the value of the energy bill and encouraging conscious consumption. Eletropaulo has worked, through messages in the invoices, with communication campaigns and door to door visits, to guide families to keep their registry updated to ensure the maintenance of the benefit. The Company also acts to identify potential beneficiaries through the intersection of information with the Cadastro Único, an initiative of the Federal Government that does the mapping of the low-income families in the country to guide the implementation of other public policies.



ACTIONS ALIGNED TO SDG



We contribute to the universalization of access to energy, with reliable and modern services, and affordable prices, through efforts on the regularization of energy connections and the family registration in the Social Tariff initiative.

Awareness and energy efficiency

Among the initiatives of the Transformation of Consumers in Clients Program (TCC), there is an engagement plan aiming to bring Eletropaulo closer to its customers and also to optimize the investments. In addition to regularization and recovery of customers, our commitment is to promote awareness of the families for more efficient energy consumption which guarantees the compliance and the continuity of the sustainable supply for the customer. In this way, we map the profiles of beneficiary customers by the Energy Efficiency Program and we optimize the direction of initiatives such as replacements for refrigerators and lamps by more efficient models. In the same sense, we have idealized Lab Social Initiative, aimed to strengthen the relationship of Eletropaulo with

low-income customers and encourage the conscious consumption of electrical energy. Meetings with the residents of the beneficiary regions have established a channel of dialogue to understand the demands, generate ideas and create innovative solutions in a collective way, so that families can adjust their consumption level to their ability to pay.

In 2017, TCC was able to reduce 34,710 MWh in the consumption of low-income customers and recover the supply of 55,684 MWh of energy.

Training of the Citizens

Among the initiatives developed during the year, it is worth to highlight the evolution of the Eletropaulo in Schools project, which educates students and teachers of public schools participating within the concession area of the Company for the rational use of natural resources, in particular electric power and water. Recognized in the category of Featured Social Responsibility of the Fiesp Award for Ambiental Merit, in 2017 the initiative engaged about 3.8 thousand students and 687 educators in the Action Plan for Energy Efficiency, which promotes initiatives to disseminate a culture of energy efficiency to the participating schools. Funded with resources from the Energy Efficiency Program, Eletropaulo in Schools impacted more than 200 schools, with more than 200 thousand young people registered only in 2017.

Conscious Entrepreneurship

We performed a diagnosis with 30 farmers of community gardens under transmission lines of

Eletropaulo to identify their demands for training. From this, we can develop specific actions for these productive groups, strengthening income generation and development of vocations.

Innovation for Social Development

Another highlight was the partnership with Artemisia, pioneer in the promotion and support of businesses with social impact in Brazil, which allowed the acceleration of two startups focused on the development of energy solutions with social impact. The supported businesses include the development of meters to enable end-users to identify opportunities for reducing energy consumption in their homes (Greenant) and solutions that democratize access to solar energy (Solstar). The partnership also will result in the Social Impact Thesis on Energy, an unprecedented survey that will bring together the main social and low-income challenges related to energy in Brazil.

The Pulsar Project, created in partnership with Impact Hub and the Paula Souza Center, involved three Technical State Schools (ETECs) of the capital of São Paulo and 186 students, between 14 and 18 years old. Focused on stimulation of entrepreneurial culture, the project trained the participants in weekly workshops throughout three months, based on three pillars: impact on the community, entrepreneurship and energy. Organized in groups, the students developed innovation projects for the energy sector, which were presented at the end of 2017 in a Demoday, and the best ones were awarded.





■ In an initiative that brought together social innovation and volunteer activity, the Energy Day of Good involved 74 volunteers in the installation of 30 lamp posts made from PET bottles and powered by solar energy, benefiting more than 2 thousand people in the community Vila Moraes (Sao Bernardo do Campo).

Volunteering

Our employees are encouraged to contribute to the development of communities through the Energy of the Good, our volunteer program. In 2017, one of the main innovations within this context were the face-to-face and online mentoring for low-income youth. In these moments, our professionals shared learnings from their professional trajectory, supporting the students on career guidance. Throughout the year, there were also accomplished actions of the campaign to encourage reading and the day of mobilization in the community of Vila Moraes, in São Bernardo do Campo, in partnership with the organization Liter of Light. In total, 181 volunteers from Eletropaulo engaged in the various initiatives, totaling 1,005 hours of dedication from which more than 6 thousand people benefited.

ACTIONS ALIGNED TO SDG



Recycle More, Pay Less stimulates responsible consumption habits and also the recycling of waste, rewarding families with bonuses on the energy bill.

RECYCLE MORE, PAY LESS

Recycle More, Pay Less is a project developed by the Eletropaulo Energy Efficiency Program and offers a discount on the invoice of residential customers in return for the delivery of recyclable materials – there is no discount limit, and the invoice for the month can become zero or even generate credits for the following month.

The project has proven to be an important alternative for customers to reconcile their electricity bills with the family budget, contributing to avoid the increase in the default rate and to improve revenue recovery.

In 2017, the city of Carapicuíba received its first point of collection and we installed two equipments Return Machine in the stations República and Luz of the subway of São Paulo. During this period, 2,447 new customers registered in the project. Since the start of the initiative in 2013, around 22.7 thousand families have already benefited from the total of R\$ 785 thousand in bonus on energy bill.

The amount of bonus granted reached R\$ 202 thousand in the last year, with the collection of 1.4 thousand tons of waste. The recycling of this waste prevented 2,954 tons of CO₂ from being released into the atmosphere and saved 5.3 thousand MWh of electrical energy, since the manufacturing of products from recycled materials requires less energy than the processes with virgin raw material.



PROJECT / INITIATIVE	AREA OF INFLUENCE	ESTIMATED NUMBER OF BENEFICIARIES	RESOURCES INVESTED (R\$)	ORIGIN OF RESOURCES
TRAINING OF CITIZENS				
Eletropaulo in Schools Mobilization of educators and students in schools for the conscious consumption of energy and water in 200 public schools.	Carapicuíba, Osasco and São Paulo (SP)	207,643 students 687 educators	3,639,097	Energy Efficiency Program (ANEEL)
Luz e Lápis Educational Center for Children With the title of Organization of Civil Society of Public Interest (Oscip), attends children, from 1 to 6 years, of low-income families or in situations of social risk.	Two units, Santo Amaro and Guarapiranga, both in the South region of São Paulo city	212 children	2,552,893	Own resources
Child Friendly Company Program – Abring Foundation A non-profit organization whose mission is to promote the defense of rights and the exercise of citizenship of children and adolescents.	Brazil	Undetermined	14,553	Own resources
School of Electricians Recruits, selects, and trains people from communities in which we work for becoming part of the own staff of Eletropaulo or at one of our contracted partners.	Cities within the area of concession of Eletropaulo	700	3,780,000	Own resources
INVESTMENTS VIA INSTITUTO AES				
AES Institute Management of the Company's private social investment initiatives.	Cities within the area of concession of Eletropaulo	Undetermined	527,247	Own resources (R\$ 382 thousand as direct contribution and R\$ 145 thousand indirect costs)
INNOVATION FOR SOCIAL DEVELOPMENT				
Pulsar Project Training workshops and other activities focused on strengthening the entrepreneurial culture of social impact and energy in technical schools of São Paulo, in partnership with the Impact Hub and the Paula Souza Center.	São Paulo	186 participating students 1,120 sensitized students	-	AES Institute
Social Impact Businesses in Energy Identification of businesses with social impact on energy, acceleration of two entrepreneurs with models focused on low-income population, and formulation of a thesis of social impact in energy. Project in partnership with Artemísia.	Brazil	Undetermined	-	AES Institute
Festival Path Sponsorship of the 2017 edition. Innovation and creativity event for professionals, students and companies that want to innovate the way of thinking and acting.	São Paulo	Undetermined	-	AES Institute
CONSCIOUS ENTREPRENEURSHIP				
Network Horticulture: diagnosis Mapping of urban agriculture in Eletropaulo sub-transmission sites, for the evaluation of the potential of entrepreneurship and income generation of the activity.	Districts of Itaquera, São Mateus and São Miguel Paulista, located in the East zone of the municipality of São Paulo	Undetermined	-	AES Institute
VOLUNTEERING				
Good Energy Program Corporate volunteer initiatives with the objective of engaging employees in actions of social transformation.	Area of concession of Eletropaulo	181 volunteers 6,077 beneficiaries	-	AES Institute
ACCESS TO ENERGY AND ENERGY EFFICIENCY				
Transformation of Consumers in Customers Program Promotes regular, secure and reliable access to electricity, contributing to the well-being of the people of the low-income communities.	Area of concession of Eletropaulo	65,527 families and about 262 thousand people benefited	53,098,384	Own resources (R\$ 16.4 million) and encouraged (R\$ 36.7 million – ANEEL)
Energy Efficiency Projects that promote the reduction of energy consumption in public, commercial and industrial buildings, for the replacement of equipment by more efficient models and by supporting energy management	Area of concession of Eletropaulo	Undetermined	13,695,193	Energy Efficiency Program (ANEEL)

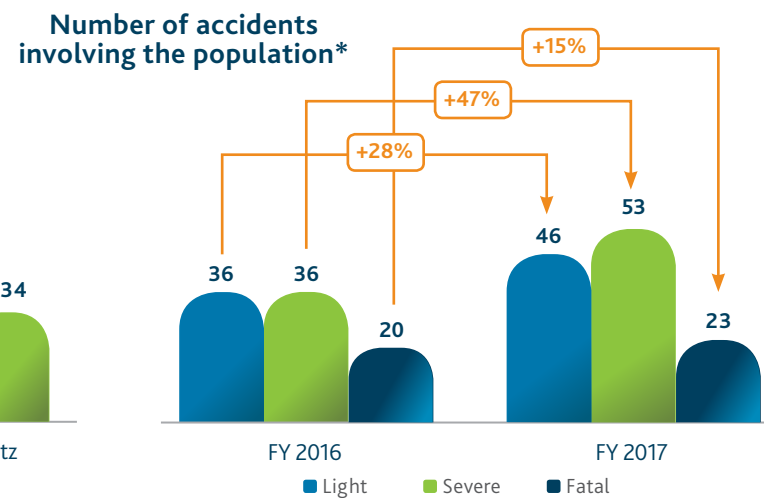
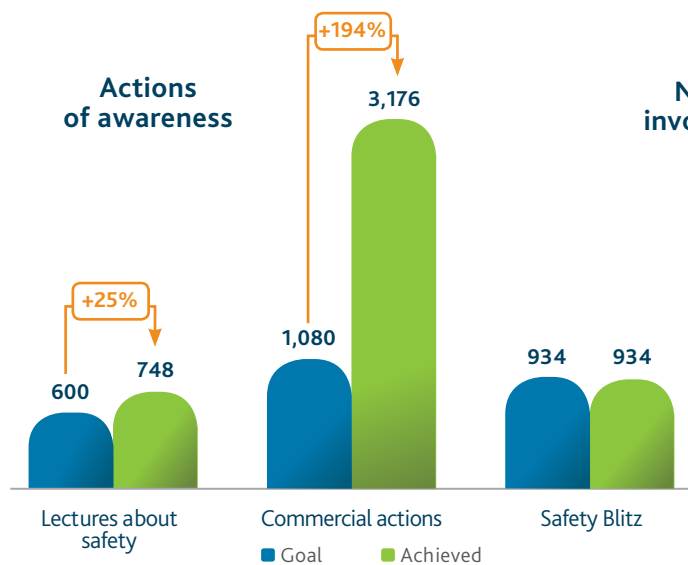
Population safety

In the year 2017, 122 accidents were reported with the population, which represents an increase of 33% compared to the year 2016. The largest portion of accidents occurred in activities of civil construction, in which the victims were self-employed and with low degree of specialty (absence of individual protection equipment, when performing the tasks, inappropriate clothing etc.). Accidents in the construction sector were the ones that contributed most for fatalities with the population involving the power grid. In 2017, there were 23 fatalities with the population. Of this total, three suicide attempts that resulted in two fatalities plus four accidents with theft of cables resulting in three fatalities and five accidents with theft of energy resulting in two deaths. Accidents like those do not depend on the management of the Company since the majority occurs in irregular constructions that come too close to the electrical network, already installed, disregarding the minimum safe distances.

The Company carries out much efforts for mitigation and prevention of accidents with the population aligned to its number 1 value, safety, being (i) safety plan with the use of mass media (TV, radio and blitz in the construction sector) and (ii) program safety awareness campaigns (lectures on safety in schools, NGOs and companies, delivery of booklets, etc.). Regardless of all, most accidents occur in irregular constructions that come too close to the electrical network, already installed, disregarding the minimum safe distances.

Over the last year, 5,059 proactive actions were carried out, including safety lectures, commercial actions and safety blitzes, in the cities of the metropolitan region of São Paulo, with the objective of promoting awareness of the dangers of the electricity grid, reaching a public of 239,797 people .

Actions with the population are directed by the Company's Sustainability Policy and seek to promote safe behavior in relation to the electricity distribution network. These actions are available in the Environment, Health and Safety Program (2017) of the Company, which complies to requirements of the Occupational Health and Safety Management System and is certified according to the norm OHSAS 18001.



*By the end of 2017, there were 37 lawsuits related to accidents involving the population and assets of Eletropaulo.

Employees

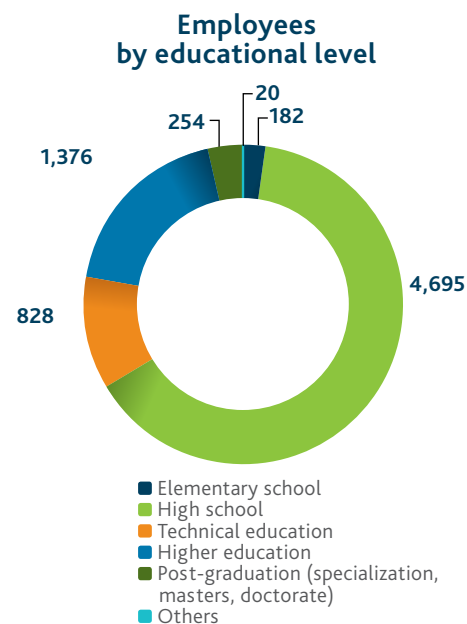
Our commitment to promote a fulfilling work environment and valuing our employees is expressed in our values and is one of the publicly set goals in our Sustainable Strategic Planning. More than that, our practices are aligned with this vision and differentiate Eletropaulo in the market, putting us once again between the 150 Best Companies to Work For, ranking promoted by Você S.A. magazine. The participation in this ranking, above all, contributes so that we can continuously improve our practices in people's management and in the development and valuation of talents.

Qualified teams

Among the training activities and qualification of our workforce, highlights in 2017 the change in the role of the 1,059 readers and 361 commercial technical electricians and emergency service electricians, who are in the process of qualification to act as commercial agents of our technical teams (learn more on page 32). We dedicated 19,916 hours of training to prepare these professionals to serve the customers, answer doubts and conduct negotiations with agility and readiness.

In addition, since 2016, the Company has started to monitor the number of hours of

training of employees by gender and by position, in order to identify improvement opportunities. In 2017, we noticed a reduction in the number of hours of women's training, in relation to the previous year. This drop was due to the intensification of training, in 2016, provided to crews from the communication channels of Eletropaulo, in which there is predominance of the female gender, aiming to clarify about updates in the systems and to reinforce the adequate quality of contacts with the customer. For 2018, we will have specific actions to encourage the development of women in all areas of the Company.



Leadership

Another highlight was the launch of the Leadership Development Program (PDL). This program, organized in five modules, strengthens the leader's competences on the management of their teams, from aspects of contracting, feedback and leadership style, to topics such as negotiation, high performance teams and crisis management and conflict resolution. With 80 hours of workload, the PDL Track also includes an immersion experience at the beginning of the program, in which participants are exclusively dedicated to learning for four days.

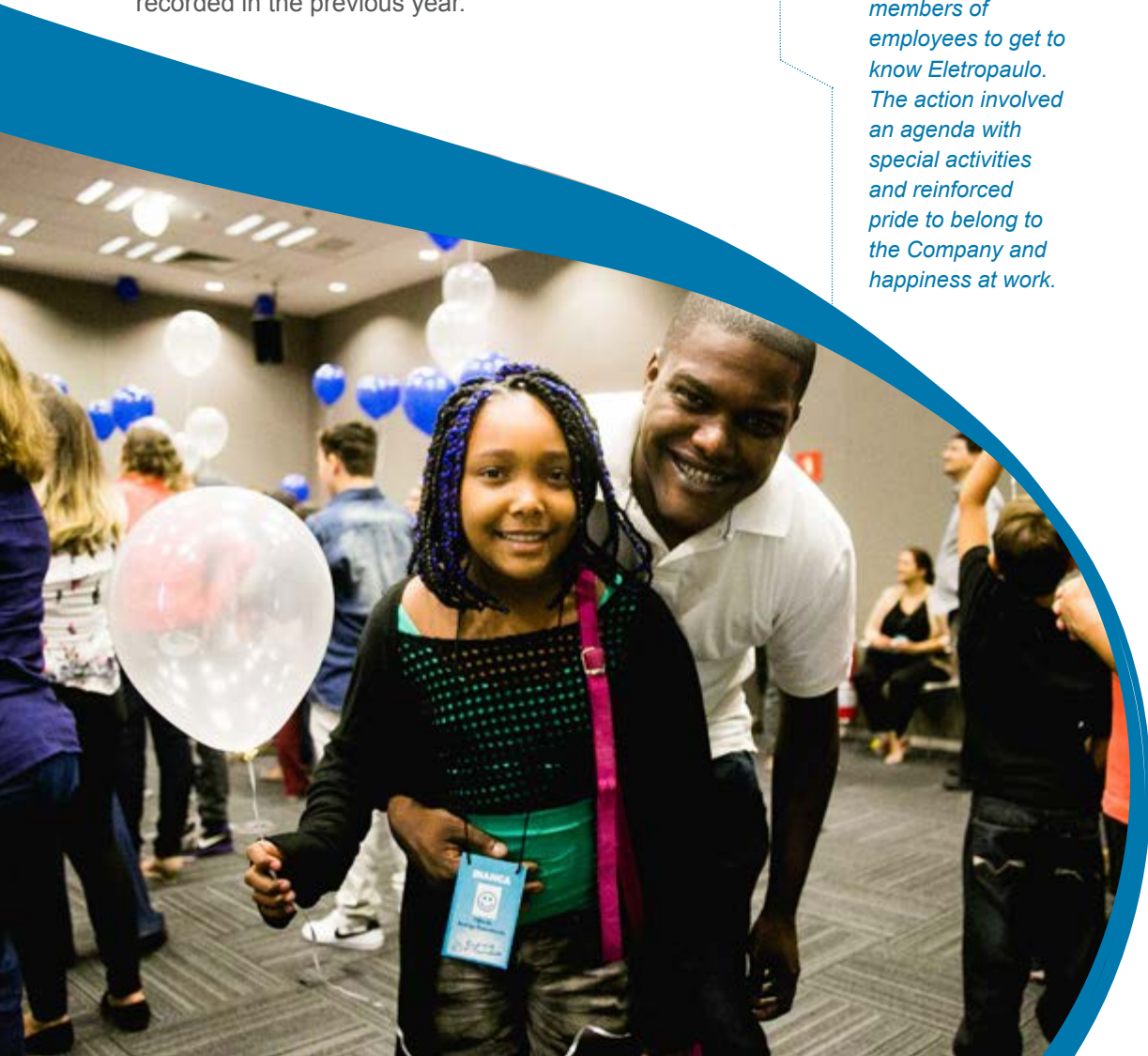
AVERAGE OF TRAINING HOURS BY EMPLOYEE	2017	2016	2015*
By gender			
Men	60.04	51.21	na
Women	17.41	38.85	na
By functional level			
Executive Board	4.36	6.80	na
Management	8.67	16.67	na
Coordination	28.63	28.57	na
Administrative	17.07	58.95	na
Operational	66.76	48.35	na
General	53.67	49.34	50.25

* Segmented training hours are not available for 2015, as this monitoring started to occur only in 2016.

Organizational climate

The approach of leadership with its teams, intensified throughout the year, was fundamental to ensure a clear understanding of the Company's strategy and strengthen trust relationships of the areas. The effectiveness of this strategy became evident in the index of job satisfaction, which reached 86%, exceeding the established target of 85% and 5 percentage points above the result recorded in the previous year.

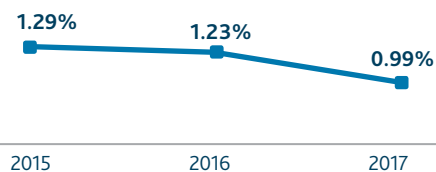
■ *The Family Energy, organized in December 2017, invited family members of employees to get to know Eletropaulo. The action involved an agenda with special activities and reinforced pride to belong to the Company and happiness at work.*



According to organizational climate research, the employees indicated as their main priorities the opportunities in career development and the appreciation of aspects related to quality of life. Attentive to this demand and connected with the gender equity, we have expanded the paternity leave period to 20 days (faced with the five days foreseen by law). The measure starts to apply in 2018 to all employees.

To celebrate our achievements and to value employees who deliver results of excellence and exemplify in everyday life our values and attitudes, we count on various initiatives to recognize employees. In 2017, we recognized 513 professionals for having lead important cases for the daily practice of our guidelines, strengthening the connection of all with our vision. These cases are shared in the Connected Moment, with the participation of the leadership, and disseminated for all teams.

Turnover rate



FLEXIBILITY TO WORK BETTER

The employees of the administrative headquarters of Eletropaulo, in Barueri (SP), have an alternative work schedule, from 7:00 am to 4:00 pm, to avoid periods with more intense traffic in the metropolitan region of São Paulo. This measure reduces travel time to and from work in about an hour and a half, on average, every day. As a result, professionals gain more time to devote to family, health, study or leisure, and also come to the office or back to their homes more willing. We also have a formal policy for remote work, which allows employees who are not subject to point marking to adopt the home office, with the availability of resources (notebook, internet and telephony) to carry out the activities.

Diversity

Our practices of people management are guided by our values and by our Diversity Policy, in order to guarantee an environment of mutual respect, without discrimination based on race, color, gender, age, language, nationality or any other reason such as religion, sexual preference, political opinion or social status. We guarantee treatment with respect and dignity to all the people with whom we relate, whether they are employees, residents of surrounding communities, suppliers, clients, service providers, among others.

In 2017, to improve our work on the themes of gender equity and promotion of diversity, we adhered to the Principles of Women Empowerment, established by UN Women and the Global Compact. Internally, we created the Commission on Diversity, composed by men and women, to discuss practices and ideas that promote equality of opportunity and awareness of the issue. Already in the last year, we have taken measures to increase the female presence in our framework, prioritizing the qualification from employees to positions of leadership and ensuring the presence of candidates in all the processes of selection for the administrative level. External recognition was also obtained in the year, with the best placement from within the energy sector in the

ranking of Exame Women at Leadership Guide, prepared by Exame magazine, in partnership with the association Women in Leadership in Latin America (WILL) and with support of the Getulio Vargas Foundation of São Paulo (FGV-SP).



PRINCIPLES OF WOMEN'S EMPOWERMENT



Source: UN Women's website.

ACTIONS ALIGNED TO SDG

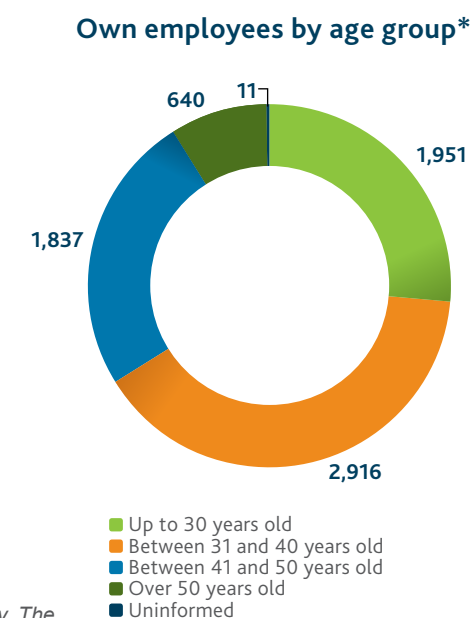
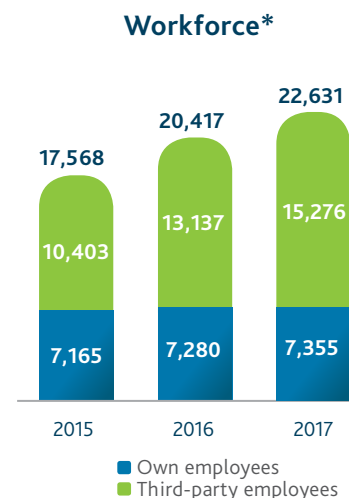


We ensure the decent work of our employees and contractors, in addition to encouraging the inclusion of young people in the labor market through programs of learning, internship and trainee. We repudiate any form of degrading work and we are committed to the elimination of any form of discrimination and violence. By adhering to the Principles of Women's Empowerment and creating the Commission on Diversity, we have made progress in guaranteeing equal opportunities for all without distinction.

All own employees have a work contract for indeterminate time and perform their activities within our area of concession (Southeast region of Brazil). Our workforce relies on a seasonal variation in the months of March and November, in which maintenance and service teams in the network are reinforced due to more intense rains. At the end of 2017, we had 7,355 own employees and 15,276 third-party employees, versus 7,280 and 13,137, respectively, at the close of 2016.

In 2017, Eletropaulo suspended injunction relating to Public Civil Action of the Labor Office Ministry, which plead abstention from use of outsourced services on primary activities of the Company, subject to fines and indemnities. Eletropaulo reinforces its commitment to ethical and transparent management of its suppliers and compliance with laws and regulations related to its activities. Know more about our practices of suppliers management on page 37.

DIVERSITY AND INCLUSION	2017	2016	2015
Women in management positions in relation to total management positions (%)	27.17	29.33	27.14
Black (black and brown) female employees in relation to total employees (%)	2.19	2.88	2.34
Black (black and brown) male employees in relation to total employees (%)	16.66	17.49	18.24
Black (black and brown) employees in managerial positions in relation to total management positions (%)	2.17	1.33	2.86



*The data refer to the base date of December 31st of the respective years and do not consider counselors, trainees and apprentices, since, according to Brazilian legislation, they have no employment relationship established with the Company. The information was compiled from the active employee base in the ADP people management system.

Safety of operations

One of the Company's main commitments is to ensure a safe and healthy environment through employee awareness, management of results and pursuit of continuous improvement in occupational health and safety performance monitored through the requirements established by OHSAS 18001, by which we have been certified since 2011.

The Occupational Health and Safety Management System (OSHS) is a process of continuous improvement, through the development of objectives, goals, management programs, procedures and work instructions that aim to prevent accidents and occupational diseases. SGSSO covers all Company activities, including qualification and management of suppliers, verifying compliance with policies and legislation on occupational health and safety at work.

Performance

In 2017, we used two criteria to records and control of accidents: OSHA – Occupational Safety and Health Administration (US) – and NBR 14280 – Register of Accident at the Job. For OSHA we had as goal, both for own and for third-party employees, to achieve LTI accident rates (includes accidents with remoteness and fatalities) and Recordable accident

rates (includes accidents with and without remoteness and fatal ones) of not more than 0.14 and 0.81, respectively. With regard to the records of indicators according to the Brazilian standard NBR 14280, we observed that there was a reduction in the frequency, for own employees, due to the reduction of

typical accidents. On the other hand, there was a grow in the rate of severity, due to the increase of days lost with remoteness. For third-party employees, the frequency did not present significant change and the rate of severity was lower than 2016.

ACTIONS ALIGNED TO SDG



Health and safety care of our employees contributes to healthy living and the promotion of welfare.

HEALTH AND SAFETY INDICATORS	OWN EMPLOYEES				THIRD-PARTY EMPLOYEES*				
	2016	2017	GOAL 2017	EVOLUTION AGAINST THE GOAL	2016	2017	GOAL 2017	EVOLUTION AGAINST THE GOAL	
OSHA	Fatalities	0	0	0	↑	0	0	0	↑
	Incidents with remoteness and fatality	25	22	-	-	10	22	-	-
	Rate of accidents with remoteness and fatal accidents	0.356	0.276	0.14	↓	0.169	0.355	0.14	↓
	Incidents with and without remoteness and fatal	23	25	-	-	38	51	-	-
	Rate of fatal and non-fatal accidents and fatality	0.684	0.589	0.81	↑	0.815	1.177	0.81	↓
NBR 14280	Typical fatal accidents	0	0	0	↑	1	0	0	↑
	Typical accidents with remoteness	29	29	-	-	24	31	-	-
	Typical accidents without remoteness	50	32	-	-	55	53	-	-
	Frequency rate	5.62	3.82	4.96	↑	6.75	6.77	5.79	↓
	Severity rate	104	109	78	↓	579	86	67	↓

*The performance below the goal of accident rates with contracted employees is due to the greater exposure to risk since the number of contracted teams was higher when compared to the previous year. The Company has intensified safety actions aimed at this public.

Among the initiatives that contributed to this result and commitment to continuous improvement, we can highlight, in the following framework, good practices adopted and some initiatives developed with our own employees:

INITIATIVES AND GOOD SAFETY PRACTICES FOR EMPLOYEES

- **Talks “What If It Were You?”** for the operating employees, working emotional themes and appealing to the relatives of these professionals;
- **Revision of Procedures** (Manuals of Work Procedures and Instructions), with the objective of ensuring that the activities are carried out in a safe manner and seeking the continuous improvement of processes;
- **Lectures** to operational employees and leaders, aiming at the practice of mindfulness that encourages participants to perceive more accurately the present moment, reducing the probability of accidents due to distraction, dispersion or neglect;
- **Leader in Action**, which focuses on the involvement of leadership during the operational activities, engaging the quality, productivity and especially safety;
- **Technical Training in Action** was carried out with technicians responsible for the Inspection and Labor Security with the objective of promoting more and more safety and quality during the activity;
- **Inclusion of the (multidisciplinary) dedicated team** of incidents investigation into the process of incidents management;
- **Event for Integration of Work Safety in Operation**, which aimed at reinforcing to the leadership the concept of Safety Walks, BBS and Environment, Health and Safety Program 2017;
- **Mega inspections and mega blitz on safety**, with the aim of reinforcing behavioral issues and techniques during field activities;
- **Development of the concept of hierarchy of controls** that presents good practices of measures to control risks, implanted in engineering and maintenance activities, capable of stimulating the emergence and development of innovations in the scope of the safety of our operations.





Actions in health and safety for all the workforce

- **Safety Walk**
Developed by the leaders, to the reinforcement of behavioral issues during daily activities.
- **Field Safety Inspection**
Developed by inspection technicians, field engineers and work safety technicians and engineers, it is focused on the technical and safety requirements during daily activities.
- **Connected Moment**
Meetings to raise employee awareness in relation to occupational safety and health. Each meeting takes place weekly for operational employees and monthly for the employees of the administrative area.
- **Occupational Health and Safety Committees**
With bimonthly meetings, they evaluate the performance of the Company in these aspects and establish action plans to improve processes.
- **BBS (Behavior Based Safety)**
Actions to increase the risk perception of teams and the identification of risk behaviors in homogeneous groups.

In addition to the initiatives involving own employees, Eletropaulo maintains its social commitment, stimulating and supporting contracted companies in the development of actions that promote occupational health and safety of their employees, such as:

SAFETY INITIATIVES AND GOOD PRACTICES FOR CONTRACTORS

- Guidance on procedures that **promote integration** between operational and safety activities;
- Regulatory audits in contractor companies hired to perform services on the **Electrical Power System – SEP**;
- **“Technician in Action”** lectures for sharing best practices with a focus on quality, productivity and especially safety activities, with leaders of the contracted companies;
- **Safety Workshop** with contractor companies that addressed the importance of compliance with legislation;
- **Safety Indicators Management Program** specific for contracted companies to work on SEP;
- **Mega inspections** and **mega blitz** of safety in contracted companies of SEP, with the objective of verifying the compliance with the contractual rules of safety in field activities.

Environmental management

In line with the guidelines of our Sustainability Policy, which aims to reduce the risks and impacts of our activities, we have achieved the solidity of almost two decades of work in environmental management. By adopting the best environmental management practices, we go beyond complying with legal requirements, minimizing risks to our business and contributing to the Company's reputation. In 2017, maintaining the ISO 14001 certification with an upgrade to the 2015 version of the standard allowed a great advance in the identification and treatment of environmental risks and opportunities, in the actions of leadership engagement and in meeting the expectations of our stakeholders, such as environmental agencies and clients. Our environmental management practices extend to our suppliers. We conduct inspections with the objective of evaluating performance and developing good practices that contribute to risk reduction and to environmental management. Other supplier management initiatives can be found on page 37.

Here there are some of our most relevant environmental initiatives.

Innovation for impact reduction

Among the initiatives of this front, the purchase of new transformers that work with vegetable oil stands out. From now on all purchased equipment by the Company will count on this feature, which brings a series of environmental benefits: lower risk of fires, material of renewable origin, non-toxic and highly biodegradable. All this translates into more safety and environmental protection in daily activities. The first station of sub transmission (ETD Jaçanã) with this type of equipment is already in operation, in the north of the capital São Paulo.

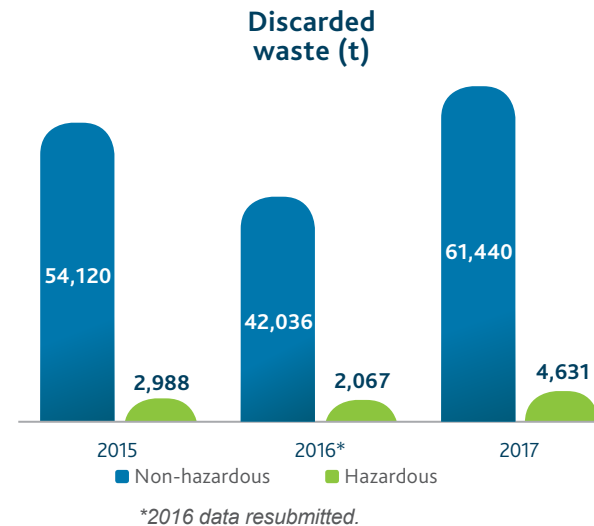
Emergency response

In order to remain prepared to prevent accidents and respond to possible emergency situations, Eletropaulo has plans to prepare and respond to emergencies, including a contract with a company specialized in environmental emergencies, and also has an environmental insurance. In 2017, it was recorded a leak in the ETD João Clímaco (4 thousand liter of insulating mineral oil), which hit the ground superficially. This leak was promptly

contained and the cleaning of the internal and external area of the ETD was accomplished. Posteriorly, the soil and water investigations of the affected area attested to the absence of contamination resulting from the event, proving the effectiveness of our emergency response plan.

Waste

We manage the waste generated in our operations, prioritizing reuse, and we encourage our suppliers to adopt the same practices. By 2017, the percentage of waste recycled, reused or recovered was 71%, exceeding the target of 70% established for the period (considering the waste generated



ACTIONS ALIGNED TO SDG



We continually minimize environmental impacts associated to our operations and we also count with a specific goal for recycle, re-use or recovery of waste.

directly by our routine operations, excluding waste from environmental remediations and those deposited by third parties in our real estate). The main measures that contribute to the index are the reuse and recycling of waste poles, concrete demolition, pruning of trees and ferrous and non-ferrous materials, which reduces the waste to landfills. In the last year, there were handled 66 thousand tons of waste, an increase of 50% over the previous period, mainly due to the removal of debris coming from cleaning the servitude strip and executing new expansion works of the electrical system.

Sustainable Operational Base

The rational use of resources and the minimization of waste are also a concern when building new bases. In 2017, we built our third base with the use of environmentally friendly technologies, with rainwater harvesting, reuse of water for cleaning the patio, use of natural light and energy efficiency.

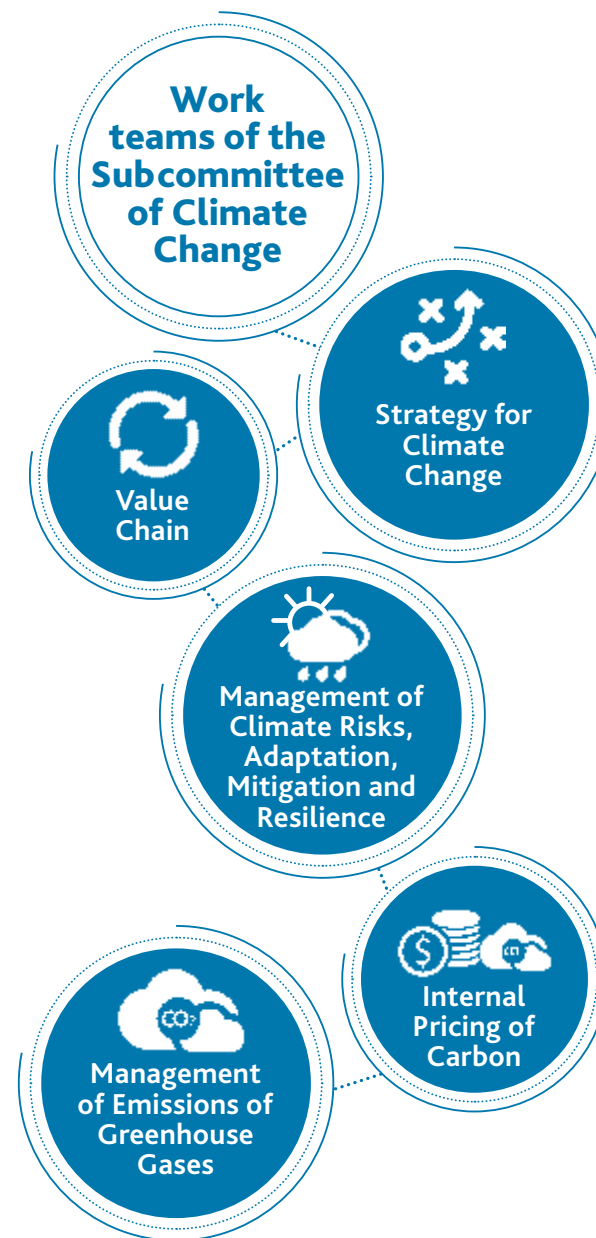
Urban vegetation

In our concession area, we operate in partnership with the local government authorities and qualify teams to improve the productivity of the pruning of trees that cause interference in our distribution network. In addition, to compensate for any deletions from the vegetation, we prioritize the planting of trees in areas covered by the Nascentes Program, of the state government of São Paulo. With this, our compliance activities with environmental constraints have a positive impact on the prevention of water scarcity scenarios, in line with the environmental challenges of the region in which we operate. We also launched the Linhas Verdes project, in partnership with the municipality's Green Office of São Paulo, and we provided 126 thousand square meters of safety band under our transmission lines for other companies to make compensatory plantations of their operations.

Climate change

Since 2015, we have publicly shared our commitment to the theme through the **Declaration of Commitment to Climate Change** available to all on our Sustainability website.

In September 2017, linked to the Sustainability Committee of Eletropaulo, we created the Subcommittee on Climate Change, which structures the management of the theme in the Company, in line with our strategy, with the support of Multidisciplinary Working Groups. In 2017, the working groups diagnosed



the Company's main actions and practices that contribute to mitigation, adaptation and resilience to climate change and also set targets for the 2018 cycle. Among the planned actions there are the development of a risks matrix for the theme, initiatives to engage the value chain and internal pricing of carbon.

Inventory of greenhouse gases

We annually carry out our inventory of greenhouse gases (GHG), according to the methodology of the Brazilian GHG Protocol Program, and we disclose it in the Public Registry of Emissions since 2012. The inventory of the emissions of 2016 was the first to get the gold seal audited by an independent party.

In 2017 we achieved the reduction of 11,927 tons of CO₂e in comparison to the previous year due to fewer suppressions of vegetation in our works.

ACTIONS ALIGNED TO SDG



We define annually a goal for the reduction of our greenhouse gas emissions, looking forward to continuously mitigate the climate change.

GHG EMISSION INVENTORY (tCO ₂ e)*	2017	2016	2015
Scope 1			
Emissions	10,763	22,690	6,156
Biogenic emissions	3,983	3,557	3,416
Scope 2			
Indirect emissions from energy consumption	377,102	376,724	569,420
Scope 3			
Other indirect emissions	2,668,106	3,196,358	4,988,864
Biogenic emissions	55	57	68

*Values calculated from the GHG Protocol tool, version 2017, using the emission factor of the National Interconnected System (SIN) for 2016. Values subject to updating, after publication of the new version of the GHG Protocol and the emission factor of SIN 2017.



About the report

About the report

The Eletropaulo Sustainability Report 2017 presents the management approach of material aspects of our business, our results and learnings in the last year and also the priorities and strategic perspectives in the short, medium and long term. The document, published annually for 12 years, is the first to meet the requirements of GRI Standards, a standard published in late 2016 by the Global Reporting Initiative (GRI). As in previous years, the Report considers the principles of Integrated Report, with emphasis on the model of value creation in the financial, manufactured, natural, intellectual, human and social and relationship capitals.

The information was collected with the cross-sectional involvement of Company areas, considering the period of January to December 2017, and, as in previous years, passed external verification by KPMG Financial Risk & Actuarial Services Ltda. The entities within the scope of the Report are the same as those in the Financial Statements, ensuring the alignment of information between these documents. The Board of Directors and the Fiscal Council of Eletropaulo accompany the process of preparation and assurance of the Report.

In addition to the complete PDF document, in Portuguese and English, we make available to our stakeholders an online version with the main highlights and key aspects of the year. For those interested in obtaining more information or send feedback about our Report, we put our staff at disposal by email sustentabilidade@eletropaulo.com.br.

Materiality Matrix

Since 2014, the content of our Report is defined with base on the themes of greater interest for our stakeholders and greater impact on our strategy. Annually, we review and update the list of material topics, in order to ensure continuous alignment of our accountability to the demands and wishes of our stakeholders.

In 2016, this process considered direct consultation to employees, the analysis of surveys conducted throughout the year with business' critical publics and the incorporation of issues of major interest

to civil society, outstanding sustainability issues in global reporting frameworks and initiatives in favor of sustainable development. The identification of the limits of each material theme considered the relevance of the different operations for the generation of related impacts. In this cycle, the materiality matrix has not been revised.



MATERIAL THEME*		CHAPTERS OF THE REPORT	GLOBAL COMPACT	SUSTAINABLE DEVELOPMENT GOALS
Ethics and governance	The conduct of our business in accordance with the highest standards of conduct and the best practices of corporate governance are fundamental for the trust of all stakeholders and for the continuity of our operations.	Eletropaulo	10	16
Channels of dialogue	The management of the relationship with our stakeholders occurs in a decentralized manner through the various areas with a direct interface with each type of public. In these activities, we cherish transparency and agility in order to guarantee the attendance to demands and interests of the stakeholders, strengthening their alignment with the Company's strategy and value offer.	Value creation • Stakeholders	1 3 6	5 8
Financial performance	The financial result of our operations ensures the availability of resources for new investments and expansions and is of interest to all our stakeholders, since it allows the business growth and continuous improvement of the Company's management.	Our performance • Shareholders and investors		7 8
Operational efficiency and integrity	Continuous evolution in efficiency gains contributes to the availability and integrity of our services, customer satisfaction and business capacity of value generation. This theme is of particular relevance to our customers, suppliers, employees, more directly linked to our value chain, and to regulatory bodies, which stipulate regulatory limits for network performance indicators.	Our performance • Customers	9	9 13
Innovation and risks management	The ability to anticipate changes in the scenario in which we operate and investments in innovation are fundamental for the success of our strategy and the adaptation of the Company to the new context of the electric sector. The ability to make these investments is of particular relevance to our investors and actors of the innovation ecosystem (research institutions, incubators and startups).	Eletropaulo • Corporate governance	7 8	7 8 9 13
Impacts of network operation	We minimize the environmental impacts resulting from the expansion, maintenance and operation of the network through the adoption of best market practices, partnerships with other infrastructure players in the concession area and targets for aspects such as waste and emissions. The adopted practices contribute to operational excellence, cost reduction and the Company's recognition by its stakeholders, being of special relevance to employees, customers, local public authorities and suppliers.	Our performance • Environmental management	7 8 9	12 13
Customer satisfaction	Customers are at the heart of our business model. The commitment to customer satisfaction is evident in the constant investments for improvement and technological innovation of the network and for the diversification of service channels. The advances we have made on these fronts are of interest to all our stakeholders.	Our performance • Customers	9	7 8
Safety of teams and population	Our commitment to the safety of employees, contractors and communities is non-negotiable. The policies and practices we adopt for this theme are of interest mainly to our employees and contractors, in addition to meeting the demands of investors, government and civil society entities.	Our performance • Local communities • Security of operations	1 2 6	3 7 12

* The limits of these material themes are restricted to Eletropaulo's operations. Although some actors in our chain, such as suppliers and customers, contribute to our capacity to generate value, we do not have specific information on the management of these actors on each material topic.

Attachments



Complements of GRI disclosures

102-13 Participation in sectoral and civil society organizations is relevant so that we can contribute to the evolution of discussions of strategic themes for our business. Among the associations of the energy sector, we work with the Brazilian Association of Energy Distributors (Abradee) and the Union of Industrial Energy in the State of São Paulo (SindiEnergia). These entities act in the defense of the interests of the sector and in sharing of information among the associates. In addition, we are present in specific forums, such as the Brazilian Association of Business Communication (Aberje) and the GT of Energy and Climate of Global Compact in Brazil, and we contribute to the National Foundation for Quality (FNQ), the Energy and Sanitation Foundation and the Abradee Institute.

102-41 100% of our employees are covered by collective bargaining agreements.

102-48 The 2016 data for indicator 306-2 were resubmitted.

102-54 This report was prepared in accordance with the GRI Standards: Essential option.

103-2 The management of material topics is presented throughout the Report, including the policies and other management mechanisms, where applicable.

205-3 In the year 2017, there were not registered cases of corruption, as defined by Law N° 12,846/13.

302-1 Own electricity consumption in the year was 41.1 GWh, same result as obtained in 2016. This figure includes only the consumption of electricity in units, including energy consumption in the condominium occupied by the headquarters of the company (4.1 GWh) and excluding energy losses from the distribution network and fossil fuels.

306-2

DISPOSAL OF WASTE (t)	2017	2016*	2015
Non-hazardous			
Reuse	3,878	2,563	1,296
Recycling	20,226	18,333	20,693
Recovery	12	0	4
Incineration (or use as fuel)	5,504	5,657	3,770
Sanitary landfill	31,820	15,483	28,357
Others	0	0	0
Total	61,440	42,036	54,120
Hazardous			
Recycling	242	1,061	807
Recovery	3,870	581	785
Incineration (or use as fuel)	83	15	185
Landfill	145	315	755
Coprocessing	41	95	456
PCB Decontamination**	249	na	na
Total	4,630	2,067	2,988

*2016 data resubmitted.

**By 2016, PCB decontamination wastes were accounted for in the recycling and recovery lines.

308-2 Under the Sustainable Partnerships Program (learn more on page 37), Eletropaulo's suppliers are monitored and evaluated by the Supplier Performance Index (IDF). Prior to this, during the registration phase, potential suppliers must submit all required documents relating to the environmental compliance (licenses, permits, etc.). Prequalified companies undergo, then, inspections to be homologated and be able to be hired by Eletropaulo in any eventual competition. In 2017, this process started to include specific issues related to the value chain. In addition, Eletropaulo carried out, throughout the year, development inspections, technical meetings and training with suppliers of the Electric Power System (SEP) and Underground Civil Construction (CC) to disseminate concepts and environmental technologies applicable to the execution of services. Specifically in relation to environmental criteria there were evaluated in the year 56 suppliers considered critical in this theme, who acted throughout the year on operation and maintenance services and works on the network. Of this total, 16 scored below the target. From these assessments, we asked for action plans to 29% of suppliers.

404-3 Since 2007, we have evaluated annually deliveries and the potential of each employee through the Performance Management Program. Especially for leadership, this process is more focused on the Management Agreement, which monitors, every six months, the achievement of individual goals in accordance with the Company's objectives. In order to participate in the process, employees must have minimum three months of operation at Eletropaulo (if they are away from work they must have worked for at least three consecutive months in the period). Counselors, apprentices and trade unionists are not eligible. In 2017, the performance evaluation was done with 96.93% of the total employees. The difference of 3.07% corresponds to employees who are not eligible for the process.

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE APPRAISAL IN 2017*	EVALUATED EMPLOYEES	TOTAL OF EMPLOYEES	PERCENTAGE OVER TOTAL
By gender			
Men	6,089	6,257	97%
Women	1,040	1,098	95%
General	7,129	7,355	96.93%
By functional level			
Executive Board	17	17	100%
Management	61	61	100%
Coordination	192	192	100%
Administrative	1,456	1,488	98%
Operational	5,403	5,597	97%
General	7,129	7,355	96.93%

*In 2016 and 2015, 100% of eligible employees received performance appraisals

EU18 100% of the third-party employees are continuously trained on health and safety at work topics. In addition to the training required by legislation for the execution of the activities, Eletropaulo counts on several initiatives of awareness and qualification for the theme (learn more on page 47).

419-1 ANEEL sets targets for performance of each energy distributor in Brazil in the indicators Equivalent Frequency of Interruption by Consumer Unit (FEC) and Equivalent Duration of Interruption by Consumer Unit (DEC). Transgressions to these targets are correlated to DEC and FEC and reimbursed directly to customers. The parameters for calculating these fines are individual and consider both the characteristics of the customer's installation (high, medium or low voltage) and the geographic location of the installation. The total amount of reimbursements in customer invoices for DIC / FIC / DMIC / DICRI indicators totaled last year R\$ 85.3 million, 32% lower than the amount of 2016. In addition, ANEEL, through Normative Resolution No. 414/2010,

also regulates maximum deadlines for some activities, such as reconnections, new connections and response to complaints. We also monitor legal cases filed against the Company, through a specific system and with the support of specialized offices. The classification of cases is done in accordance with CPC 25 of the Accounting Pronouncements Committee (Provisions, Contingent Liabilities and Contingent Assets). Those most relevant are disclosed in our **Reference Form** (item 4.3), according to the guidelines of the Securities and Exchange Commission Office Supplies. For more information on cases recorded in the period, see this document or **Release 4T17** on the IR website.

DMA Research and Development In 2017, Eletropaulo invested R\$ 19.3 million in research and development, as part of its innovation strategy, focusing on improving technical and operational processes, assuring own and third-party employees' safety and promoting sustainable initiatives for communities. In 2016, Eletropaulo invested R\$ 8.3 million.

INVESTMENTS IN R&D (R\$ THOUSAND)	2017	2016	2015
Alternative sources of electric power generation	158.5	137.5	27.5
Operation of electric power systems	5.3	203.5	2,723.5
Supervision, control and protection of electric power systems	3,941.9	3,660.6	8,839.9
Quality and reliability of electricity services	164.1	696.4	971.4
Measuring, billing and combating commercial losses	14,153.9	2,658.9	4,581.2
Others	924.7	959.2	1,264.2
Total	19,348.4	8,316.1	18,407.9

GRI content index

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
General disclosures			
	102-1 Name of the organization	5	-
	102-2 Activities, brands, products, and services	5	-
	102-3 Location of headquarters	44	-
	102-4 Location of operations	5	-
	102-5 Ownership and legal form	10	-
	102-6 Markets served	5	-
	102-7 Scale of the organization	5, 6 and 30	-
	102-8 Information on employees and other workers	46	-
	102-9 Supply chain	37	-
	102-10 Significant changes to the organization and its supply chain	10	-
	102-11 Precautionary principle or approach	15	-
	102-12 External initiatives	8	-
	102-13 Membership of associations	56	-
GRI 102 General disclosures 2016	102-14 Statement from senior decision-maker	3	-
	102-15 Key impacts, risks, and opportunities	15	-
	102-16 Values, principles, standards, and norms of behavior	7 and 13	-
	102-17 Mechanisms for advice and concerns about ethics	13	-
	102-18 Governance structure	11 and 12	-
	102-40 List of stakeholder groups	24	-
	102-41 Collective bargaining agreements	56	-
	102-42 Identifying and selecting stakeholders	24	-
	102-43 Approach to stakeholder engagement	24 and 53	-
	102-44 Key topics and concerns raised	24	-
	102-45 Entities included in the consolidated financial statements	53	-
	102-46 Defining report content and topic Boundaries	53	-
	102-47 List of material topics	54	-
	102-48 Restatements of information	56	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
GRI 102 General disclosures 2016	102-49 Changes in reporting	53	-
	102-50 Reporting period	53	-
	102-51 Date of most recent report	53	-
	102-52 Reporting cycle	53	-
	102-53 Contact point for questions regarding the report	53	-
	102-54 Claims of reporting in accordance with the GRI Standards	56	-
	102-55 GRI content index	58, 59, 60 and 61	-
	102-56 External assurance	53 and 62	-
GRI G4 Sector disclosures – Electric Utilities	EU1 Installed capacity, broken down by primary energy source and by regulatory regime	6	-
	EU3 Number of residential, industrial, institutional and commercial customer accounts	5	-
	EU4 Length of above and underground transmission and distribution lines by regulatory regime	6	-
Material theme Ethics and governance			
GRI 205 Anti-corruption 2016	103-1 Explanation of the material topic and its Boundary	13, 21 and 54	-
	103-2 The management approach and its components	8, 13, 21 and 26	-
	103-3 Evaluation of the management approach	13, 21 and 54	-
	205-3 Confirmed incidents of corruption and actions taken	56	-
Material theme Channels of dialogue			
GRI 308 Supplier environmental assessment 2016	103-1 Explanation of the material topic and its Boundary	21, 37 and 54	-
	103-2 The management approach and its components	8, 21, 26 and 37	-
	103-3 Evaluation of the management approach	21, 37 and 54	-
	308-2 Negative environmental impacts in the supply chain and actions taken	56	-
GRI 414 Supplier social assessment 2016	103-1 Explanation of the material topic and its Boundary	21, 37 and 54	-
	103-2 The management approach and its components	8, 21, 26 and 37	-
	103-3 Evaluation of the management approach	21, 37 and 54	-
	414-2 Negative social impacts in the supply chain and actions taken	37	-
Material theme Financial performance			
GRI 201 Economic performance 2016	103-1 Explanation of the material topic and its Boundary	21, 29, 30 and 54	-
	103-2 The management approach and its components	8, 21, 26, 29 and 30	-
	103-3 Evaluation of the management approach	21, 29, 30 and 54	-
	201-1 Direct economic value generated and distributed	30	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
Material theme Operational Efficiency and integrity			
GRI G4 Sector disclosures – Electric Utilities	EU12 Transmission and distribution losses as a percentage of total energy	36	-
	EU28 Power outage frequency	35	-
	EU29 Average power outage duration	35	-
Material theme Innovation and risks management			
GRI 201 Economic performance 2016	103-1 Explanation of the material topic and its Boundary	21, 50, 51 and 54	-
	103-2 The management approach and its components	8, 21, 26, 50 and 51	-
	103-3 Evaluation of the management approach	21, 50, 51 and 54	-
	201-2 Financial implications and other risks and opportunities due to climate change	51	-
GRI G4 Sector disclosures – Electric Utilities	DMA Research and Development	57	-
Material theme Impacts of network operation			
GRI 302 Energy 2016	103-1 Explanation of the material topic and its Boundary	21, 50, 51 and 54	-
	103-2 The management approach and its components	8, 14, 21, 26, 50 and 51	-
	103-3 Evaluation of the management approach	21, 50, 51 and 54	-
	302-1 Energy consumption within the organization	56	-
GRI 305 Emissions 2016	103-1 Explanation of the material topic and its Boundary	21, 50, 51 and 54	-
	103-2 The management approach and its components	8, 14, 21, 26, 50 and 51	-
	103-3 Evaluation of the management approach	21, 50, 51 and 54	-
	305-1 Direct (Scope 1) GHG emissions	51	-
	305-2 Energy indirect (Scope 2) GHG emissions	51	-
GRI 306 Effluents and waste 2016	305-3 Other indirect (Scope 3) GHG emissions	51	-
	103-1 Explanation of the material topic and its Boundary	21, 50, 51 and 54	-
	103-2 The management approach and its components	8, 14, 21, 26, 50 and 51	-
	103-3 Evaluation of the management approach	21, 50, 51 and 54	-
	306-2 Waste by type and disposal method	50 and 56	-
	306-3 Significant spills	50	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
Material theme Customer Satisfaction			
GRI 404 Training and education 2016	103-1 Explanation of the material topic and its Boundary	21, 43 and 54	-
	103-2 The management approach and its components	8, 21, 26 and 43	-
	103-3 Evaluation of the management approach	21, 43 and 54	-
	404-1 Average hours of training per year per employee	43	-
	404-3 Percentage of employees receiving regular performance and career development reviews	57	-
GRI 419 Socioeconomic compliance 2016	103-1 Explanation of the material topic and its Boundary	21, 31, 32, 33, 34, 35, 36 and 54	-
	103-2 The management approach and its components	8, 21, 26, 31, 32, 33, 34, 35 and 36	-
	103-3 Evaluation of the management approach	21, 31, 32, 33, 34, 35, 36 and 54	-
	419-1 Non-compliance with laws and regulations in the social and economic area	31 and 57	-
Material theme Safety of teams and population			
GRI 413 Local communities 2016	103-1 Explanation of the material topic and its Boundary	21, 38, 39, 40, 41, 42 and 54	-
	103-2 The management approach and its components	8, 21, 26, 38, 39, 40, 41 and 42	-
	103-3 Evaluation of the management approach	21, 38, 39, 40, 41, 42 and 54	-
	413-1 Operations with local community engagement, impact assessments, and development programs	38 and 39	-
GRI 403 Occupational health and safety 2016	103-1 Explanation of the material topic and its Boundary	21, 47, 48, 49 and 54	-
	103-2 The management approach and its components	8, 21, 26, 47, 48 and 49	-
	103-3 Evaluation of the management approach	21, 47, 48, 49 and 54	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	47	The occupational disease rate is not available by systems of the Company's management.
GRI G4 Sector disclosures – Electric Utilities	EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	57	-
	EU25 Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	42	-

Headquarters Address

**Eletropaulo Metropolitana
Eletricidade de São Paulo S.A.**
Av. Dr. Marcos Penteado de Ulhôa Rodrigues, 939,
Torre II, Barueri (SP)

Credits

Vice-Presidency of External Relations

Sidney Simonaggio

Board of Institutional Relations, Communication and Sustainability

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Sustainability Management

Fabrizio Bopp Panichi

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Patrícia Vasconcelos e Maria Giselda dos Santos (Sustainability)

GRI Consulting, editorial coordination and design

usina82

Photography

Rogério Lorenzoni

Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders
 Eletropaulo Metropolitana Eletricidade de São Paulo S.A.
 Barueri - SP

Introduction

We have been engaged by Eletropaulo Metropolitana Eletricidade de São Paulo S.A. (Eletropaulo or “Company”) to apply limited assurance procedures on the sustainability information disclosed in Eletropaulo’s 2017 Sustainability Report, related to the year ended December 31st, 2017.

Responsibilities of Eletropaulo’s Management

The Management of Eletropaulo is responsible for adequately preparing and presenting the sustainability information in the 2017 Sustainability Report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, and the “Electric Utilities Sector Supplement”, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors’ responsibility

Our responsibility is to express a conclusion about the information in the 2017 Sustainability Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the Eletropaulo’s 2017 Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of Eletropaulo and other professionals of the Company involved in the preparation of the information disclosed in the 2017 Sustainability Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the 2017 Sustainability Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2017 Sustainability Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for Eletropaulo’s activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the Eletropaulo’s 2017 Sustainability Report. This analysis defined the indicators to be checked in details;
- (b) Understanding and analysis of disclosed information related to material aspects management;
- (c) Analysis of preparation processes of the 2017 Sustainability Report and its structure and content, based on the Principles for Defining Report Content and Quality of the GRI Sustainability Reporting Standards;
- (d) Evaluation of non financial indicators selected:
 - Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2017 Sustainability Report;
 - Analysis of evidence supporting the disclosed information;
 - Visits to Eletropaulo’s offices for application of these procedures, and items (b) and (c);
- (e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
- (f) Comparison of financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide assurance that

we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the 2017 Sustainability Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data’s materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, evaluated the adequacy of the company’s policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in Eletropaulo’s 2017 Sustainability Report is not fairly stated in all material aspects in accordance with the GRI Sustainability Reporting Standards, and the “Electric Utilities Sector Supplement”, as well as its source records and files.

São Paulo, March 7th, 2018

KPMG Assessores Ltda.
 CRC 2SP034262/O-4 F-SP

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