



isa

CTEEP

ANNUAL AND
SUSTAINABILITY REPORT

2017



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MANAGEMENT REPORT

GRI 102-14

For ISA CTEEP, 2017 was the pinnacle of the entire successful transformation the company has undertaken in the past five years and that has resulted in a more robust, efficient and competitive organization.

In this context, one of the most significant events was that the company began to receive the unamortized assets existing in May 2000 (RBSE - Basic Network of Existing Service), resulting from the extension of the concession, which generated an income of R\$ 7 billion in 2016, with the restated amount recorded in our statement of financial position of R\$ 9 billion, whose effects are noted in 2017 and that will be incorporated into the company's operations in the coming years. Receiving these funds, which are fundamental to maintain the quality of the service we provide to society and the organization's growth, is a milestone in our successful trajectory in restructuring the company. We are still engaged in legal discussions about this matter, to ensure full receipt of these amounts within the eight-year period approved by Aneel (the Brazilian Electricity Regulatory Agency).

We have also consolidated a new growth cycle, based on acquisitions and successful participation in the transmission bids held by Aneel in 2016 and 2017. In 2017 alone, we won five lots, which help us strengthen our presence in 17 Brazilian states and create synergies with our current operations. Added to the lots acquired in 2016, these projects represent an investment of R\$ 2.5 billion in the Brazilian electricity system. In line with its growth strategy, ISA CTEEP acquired 75% of the capital stock of IENNE (North and Northeast Interconnection) for approximately R\$ 101 million, and now holds 100% interest in this subsidiary, which has assets in the states of Maranhão, Piauí and Tocantins.

Another proof that we had a special year was the acknowledgments received, of which we are very proud: we were elected the Best Energy Company in Brazil by Exame magazine and for the second consecutive year we were ranked among the top companies by Great Place to Work. These achievements are complemented by the result of the organizational climate survey, which



Presence in
17 Brazilian
states



Net operating revenue of
R\$ 2.7 billion
Net income at year-end of
R\$ 1.4 billion

has reached the best rate since we started measuring it, keeping the company in a group that is the market benchmark in terms of employee climate management. All that is very important for ISA CTEEP, because it is directly related to what is most valuable for the company: our people. Our dedicated, skilled and responsible team made our achievements possible.

As to our financial performance under the IFRS, the net operating revenue was R\$ 2.7 billion and the net income at year end was R\$ 1.4 billion. Our commitment to continued value generation and economic sustainability was recognized by the market: in 2017, Fitch Ratings reaffirmed ISA CTEEP's credit rating as Investment Grade at 'AAA (bra)' with a Stable Outlook.

In 2017, the company raised R\$ 900 million through debentures, BNDES (the Brazilian Development Bank) financing and other lines of credit. We point out that the organization achieved the most competitive capital costs in the market, a differential that allowed ISA CTEEP to conduct one of the most successful debenture issues of the electric utilities sector.

The efficiency levels that have made ISA CTEEP a benchmark in the electric utilities sector for many years have been maintained, and we continue to modernize our infrastructure – in this context, we highlight the completion of the automation of Milton Fornasaro substation, a strategic facility that serves the west area of São Paulo city. In addition, we continue to increasingly internalize the Asset Management methodology, prioritizing the intelligent and optimized management of our assets.

Our focus on efficiency is inseparable from a constant concern for the safety of our teams. As a result of the company's efforts aimed at the behavioral change of employees and the adoption of new processes and technologies related to operational and occupational safety, we recorded a decrease by 36% in the number of accidents in 2017 compared to the prior year.

We saw a significant progress in the management of our investment portfolio, by contributing a total of R\$ 295 million in projects of ISA CTEEP and its subsidiaries. In addition, we exceeded the

Annual Revenue Allowed (RAP) for electricity projects, and the selectivity in choosing our projects resulted in greater profitability.

In regulatory matters, a significant decision was made for the proposed compulsory transfer of DITs (Other Transmission Facilities) – facilities with a voltage lower than 230 kV. After a negotiation process conducted with Aneel, the parties decided not to transfer ISA CTEEP's assets, according to the initially designed model, which preserves the company's RAP.

In contingencies, we obtained favorable legal decisions that suspended for four months the supplementary payments to those benefited by Law 4819/58, and ensured retention of approximately R\$ 51 million by the company. Following preliminary injunctions that have lifted the suspension of these payments, the company diligently seeks a favorable outcome, in order to preserve ISA CTEEP's investment capacity.

Also in 2017, ISA, the business group of which we are part, celebrated its 50th anniversary – a moment of celebration that marked the launch of its new brand and of ISA CTEEP. Besides this initiative to renew our



Reynaldo Passanezi
CEO of ISA CTEEP

visual identity, it is time to take on a new purpose for the organization: to build a legacy for future generations. This is now the main pillar of ISA CTEEP's sustainability strategy.

Accordingly, we remain fully committed to supporting initiatives that promote the transformation of our society. The company is a signatory to the United Nations Global Compact, which advocates principles relating to human rights, labor, environmental protection and anti-corruption in all its forms. Over the past year, approximately R\$ 7.4 million were invested in social, environmental and cultural projects.

The 2017 outcome is a positive one and we have great perspectives and challenges for 2018. We are working on the implementation of new projects and are committed to the deadlines and investments made.

Another relevant issue in 2018 is the tariff review, a process in which ISA CTEEP is participating in an active, transparent and constructive manner. We see the definition of an adequate amount for the RAP of Operations and Maintenance, as well as the maintenance of the current amounts of WACC (Weighted Average Cost of Capital) of projects and of BRR (Regulatory Remuneration Base) as essential matters, so that companies have the necessary conditions to continue investing and maintaining the quality of their operations.

Likewise, we are fully engaged in the process of defining the new regulatory framework for the electric utilities sector, which is being conducted by MME (the Ministry of Mines and Energy). This is a fundamental development to modernize the legal operations of this industry, making it more efficient, and MME

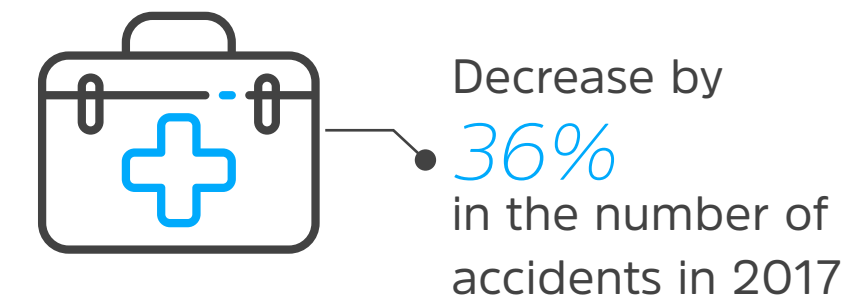
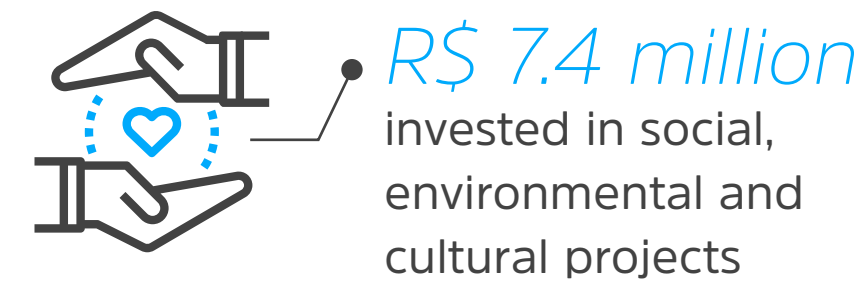
deserves recognition for the very productive way in which it is treating this process, seeking an open dialogue with all the agents of this industry.

We will continue to evolve the solution for the technical issues identified in the Electrical Interconnection of Madeira, so that the project transmits electricity in its total capacity and the RAP of the project is received in full.

In the environment of rapid transformations that characterize the electric utilities sector, innovation is a decisive factor of success, so we will continue to capture improvements in processes and to assimilate new technology resources, in addition to identifying opportunities, such as electricity storage by means of batteries. This study, which is being developed in partnership with USP (University of São Paulo), has the potential to open up supplementary ways of operating our network and other horizons for service offers.

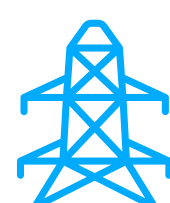
A dynamic, lively company with a strong sense of purpose and constantly evolving. This is the ISA CTEEP we have today. We have overcome many challenges and reinvented ourselves, always committed to deliver a reliable and quality service to society. We will continue our path towards the next level of growth, in order to leave a legacy of development for the Brazilian population.

Reynaldo Passanezi Filho
CEO



2017 HIGHLIGHTS

Preservation of DIT



Administrative Ruling No. 781/2017 **excluded the facilities** under the company's concession **from the proposal of transfer** of Other Transmission Facilities (DIT) from electric power transmission companies to distributors.

Bidding 05/2016 ANEEL



Winner of five lots, one in partnership with Taesa. **Total estimated investment of R\$ 3.2 billion** (ISA CTEEP's portion being R\$ 2.2 billion) and total RAP of R\$ 396.3 million.

Acquisition of IENNE



Acquisition of all shares of IENNE's capital stock for R\$ 101.2 million.

Recognition



Elected the best company in the electric utilities sector in Brazil at Exame magazine's "Melhores e Maiores" award, and also one of the "Best Companies to Work for" by Great Place to Work (GPTW).

RBSE

RBSE payment in the amount of (cycle 2017/2018)

R\$ 1.5 billion

revenues

R\$ 823.4 million

cash effect

R\$ 661.3 million/year

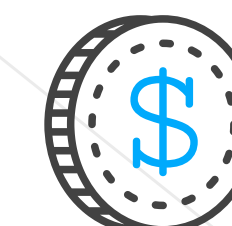
July 2017

Dividends of subsidiaries



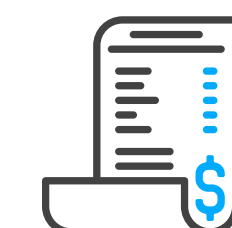
Receipt of dividends in the amount of **R\$ 63.8 million from subsidiaries** Evrecy, Pinheiros, Serra do Japi and IEMG.

Debentures



Issue of debentures with **most competitive capital costs in the market**, a differential that allowed ISA CTEEP to conduct one of the most successful debenture issues of the electric utilities sector.

Distribution of profit



R\$ 585.1 million

Cost of debt



Reduction of the **average cost of debt to 8.3% p.a.**, with maintenance of the local Investment Grade by Fitch Ratings.



PRESENTATION OF THE REPORT

GENERAL CHARACTERISTICS OF THE REPORT

[GRI 102-45](#), [GRI 102-48](#), [GRI 102-49](#), [GRI 102-50](#), [GRI 102-51](#), [GRI 102-52](#), [GRI 102-56](#)

Over the past ten years, ISA CTEEP has communicated to the society its main contributions to building a development legacy for its business, for the electric utilities sector and for Brazil, which demonstrates the company's commitment to sustainability, strengthens its reputation and creates connections with strategic stakeholders.

This year, for the first time, the company chose to follow the Principles for Integrated Reporting in the preparation of its annual and sustainability report, with the purpose of improving the quality of information available to financial capital providers and of promoting a more cohesive approach on performance. In addition, this change also seeks to foster integrated thinking about organizational capitals (financial, manufacturing, intellectual, human, social, relationship and natural) and value creation in the short, medium and long terms. The model adopted was developed by IIRC (the International Integrated Reporting Council), a global coalition that brings together

regulators, investors, companies, accounting professionals, NGOs, and other agents.

The organization also transitioned from the GRI (Global Reporting Initiative) G4 guidelines to adhere to the core option of GRI Standards, a set of international standards of GSSB (the Global Sustainability Standards Board), which guide management and disclosure of economic, environmental and social information.

By adopting such benchmarks, ISA CTEEP complies with the requirements of the Manual for the Preparation of the Annual Report on Social and Environmental Responsibility of Electric Power Companies, which is part of

the Accounting Manual for the Electric Utilities Sector of Aneel (the Brazilian Electricity Regulatory Agency).

The content of the Integrated Report refers to the company's economic, social and environmental performance during the period from January 1 to December 31, 2017. The financial statements present the consolidated results of ISA CTEEP (parent company, wholly-owned subsidiaries and associates). The information on social and environmental performance refers solely to ISA CTEEP as the parent company. Data on its wholly-owned subsidiaries are published in separate reports of each subsidiary.

The reporting cycle is annual, and the previous publication covered the period from January 1 to December 31, 2016. There was no reformulation of information or significant changes in relation to the material topics addressed in previous editions of the report.

The publication was evaluated and validated by the company's top management (Executive Board and CEO) and by the Communication and Sustainability Management. It has not been subjected to external assurance.

STAKEHOLDERS' CONTRIBUTION TO THE PREPARATION OF THE REPORT

[GRI 102-40](#), [GRI 102-42](#), [GRI 102-43](#),
[GRI 102-44](#), [GRI 102-46](#), [GRI 102-47](#)

ISA CTEEP considers its employees, customers, shareholders and investors, suppliers, the society and the State as strategic stakeholders.

The definition of these stakeholders was based on the impact that the company's activities have on different stakeholders, as well as the influence of such stakeholders on its business.

Considering that these strategic stakeholders are priority for engagement, the company decided to consult them to define the content of this report. In 2015, interviews were conducted with company executives and 125 representatives of groups of interest, in order to identify issues of greater relevance and impact for the business management. More

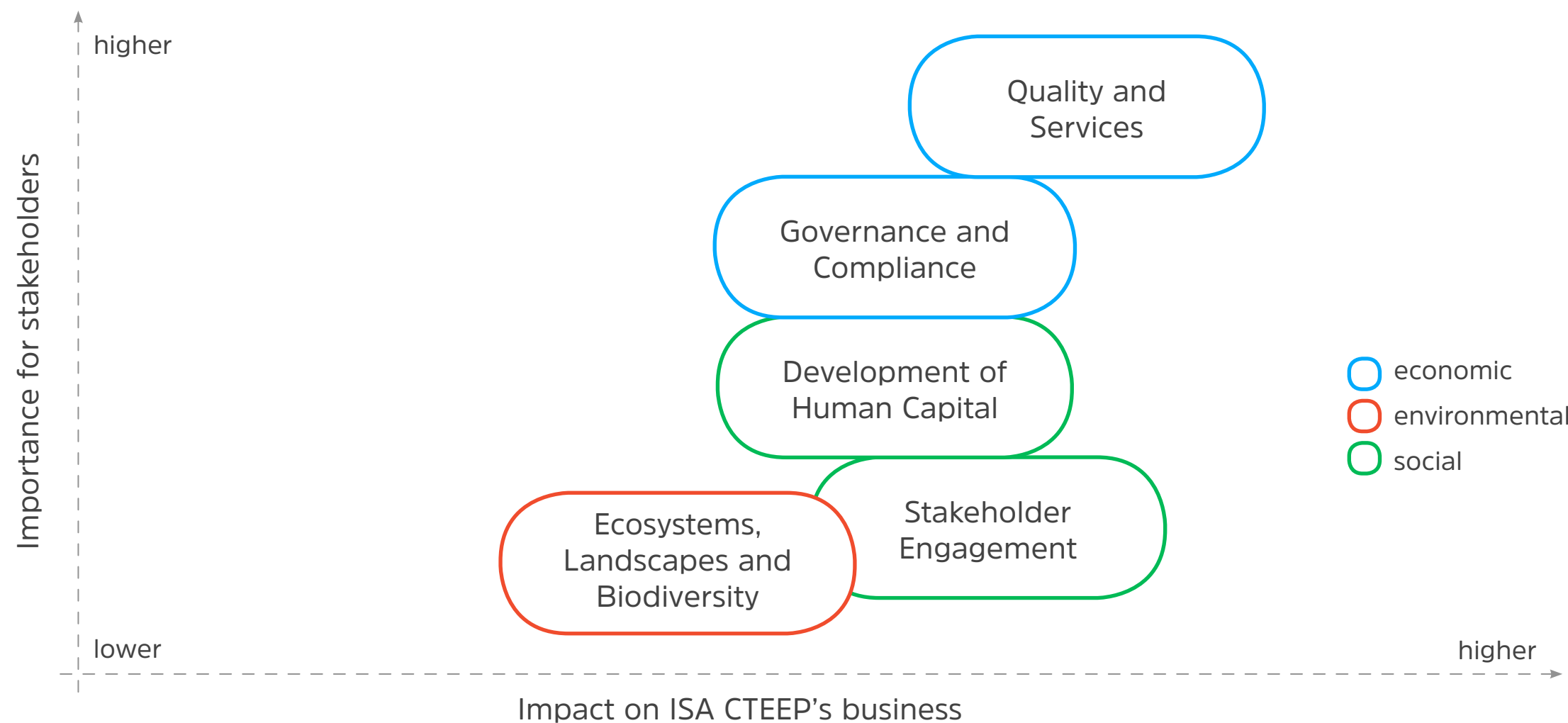
recently, in 2018, leaders of the organization (management, Executive Board and CEO) were consulted about how the company creates value from its organizational capitals.

The first survey resulted in five priority topics (also called "material topics"), which reflect risks and opportunities in the economic, environmental and social areas that can significantly influence stakeholder evaluations and decisions. These results are represented in the chart called Materiality Matrix.

academics and researchers; community (plants, schools, among others); customers; suppliers; government agencies; and ISA (controlling group). In the "Impact on ISA CTEEP's business" axis, the opinions of the CEO and of the company's officers were considered.

All material aspects presented in the Materiality Matrix are relevant to ISA CTEEP and its stakeholders. Below are also the sub-topics considered material by the stakeholders and the indicators corresponding to each question in this report.

MATERIALITY MATRIX ISA CTEEP

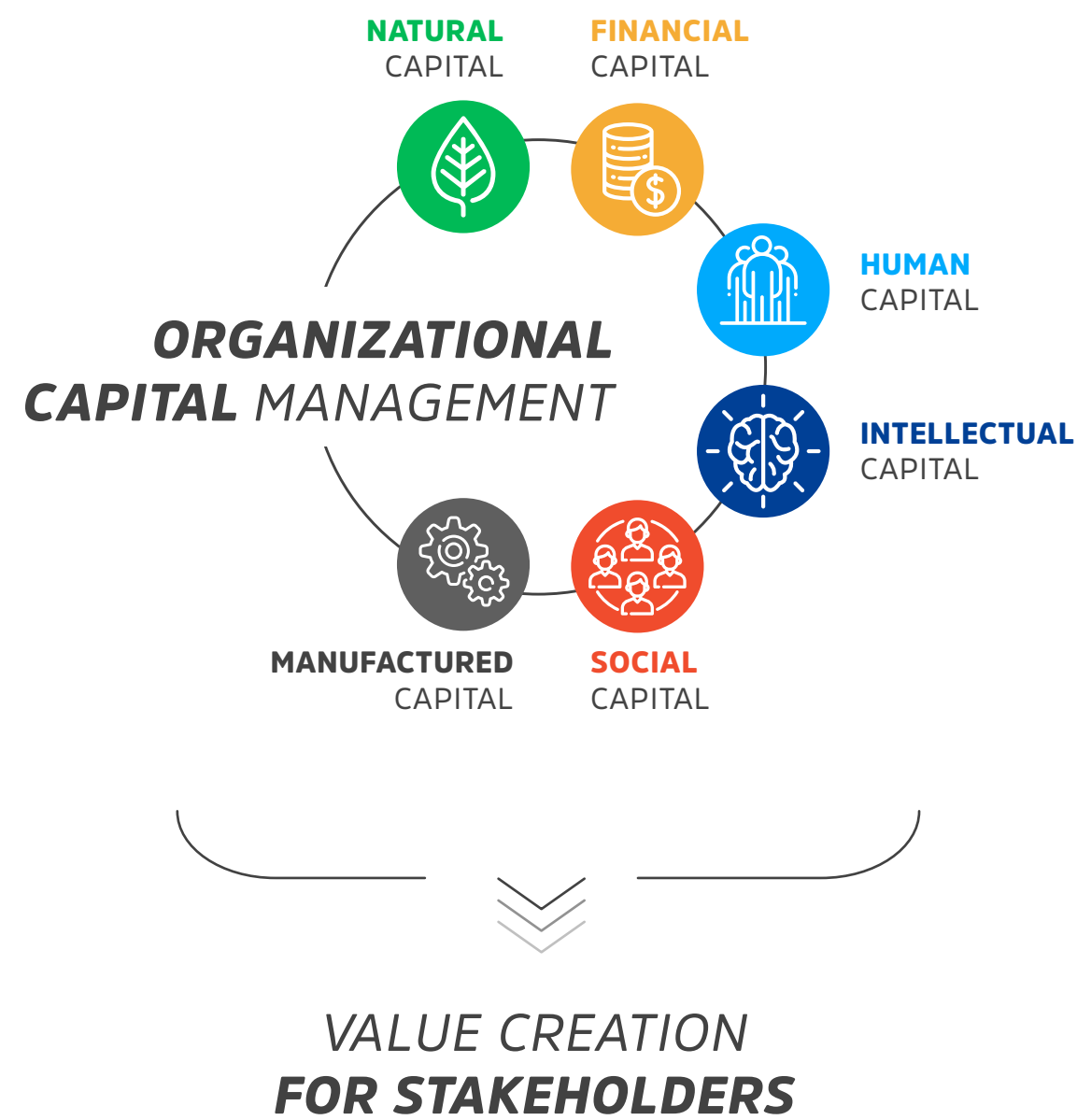


TOPICS AND SUB-TOPICS CONSIDERED MATERIAL BY STAKEHOLDERS		INDICATORS THAT ADDRESS THE MATERIAL TOPIC IN THIS REPORT (locate from the GRI Standards Content Summary)
Governance and compliance	Ethics and business integrity	102-12, 102-16, 102-7, 102-18, 205-1, 205-2, 205-3, 406-1, 408-1, 409-1, 411-1, 412-1, 412-2, 412-3, 414-1, 414-2
	Economic continuity of the business in the long-term	102-10, 102-14, 201-1, EU8, EU19
	Company's compliance with laws, regulations and internal regulations, fines and sanctions	102-12, 102-2, 102-4, 307-1, 407-1, EU22, EU25
Quality and services	Reliability / system availability	EU3, EU6, EU12, EU21, EU23, EU28, EU29
	Operational efficiency technologies	EU6, EU8, EU21
	Asset management	Cross-function topic addressed by several indicators, especially Management Approach (ind. 103)
Stakeholder engagement	Relationship with the State and the regulatory body	102-13, EU23
	Relationship with customers (monitoring of satisfaction and needs)	416-1, 419-1, EU3, EU6, EU23, EU28, EU29
	Relationship with shareholders and investors	102-43, 102-44, 102-46, 102-54
	Consideration of the demands and opinions of stakeholders in the company's planning process	102-40, 102-42, 102-43, 102-44, 102-46, EU23

In the "Importance for Stakeholders" axis, the topics considered as priorities for the following stakeholders were considered: managers and coordinators of ISA CTEEP; shareholders and investors;

TOPICS AND SUB-TOPICS CONSIDERED MATERIAL BY STAKEHOLDERS INDICATORS THAT ADDRESS THE MATERIAL TOPIC IN THIS REPORT (locate from the GRI Standards Content Summary)

	Knowledge management and succession	205-2, 404-1, 404-2, EU14, EU15
Development of human capital	Performance analysis, competency management and leadership development	404-2, 404-3, 405-2, EU14,
	Career planning and continuous learning	404-1, 404-2, 404-3
	Health, safety and quality of life of employees	403-1, 403-2, 403-3, 403-4, EU16, EU17, EU18
Ecosystems, landscapes and biodiversity	Compliance with environmental laws and requirements, including licenses/conditions	304-1, 304-2, 304-4, 305-1, 305-2, 305-3, 305-4, 305-5, 307-1, 308-1, 308-2, EU13



The consultation conducted with the company's top management in 2018, focusing on compliance with the Integrated Reporting principles, led to an important reflection on how ISA CTEEP strategically manages its organizational capitals (financial, manufactured, intellectual, human, social, relationship and natural) and, from that, creates value for its stakeholders. This analysis was translated into a chart that is shared with our readers in the chapter "ISA CTEEP's Assets".

CONTACT POINT FOR QUESTIONS REGARDING THIS REPORT

GRI 102-53



Additional information and clarifications on this report can be obtained through the following communication channels:

www.isacteep.com.br

isacteep@isacteep.com.br

Corporate Communication and Sustainability Management:
(11) 3138-7356

sustentabilidade@isacteep.com.br

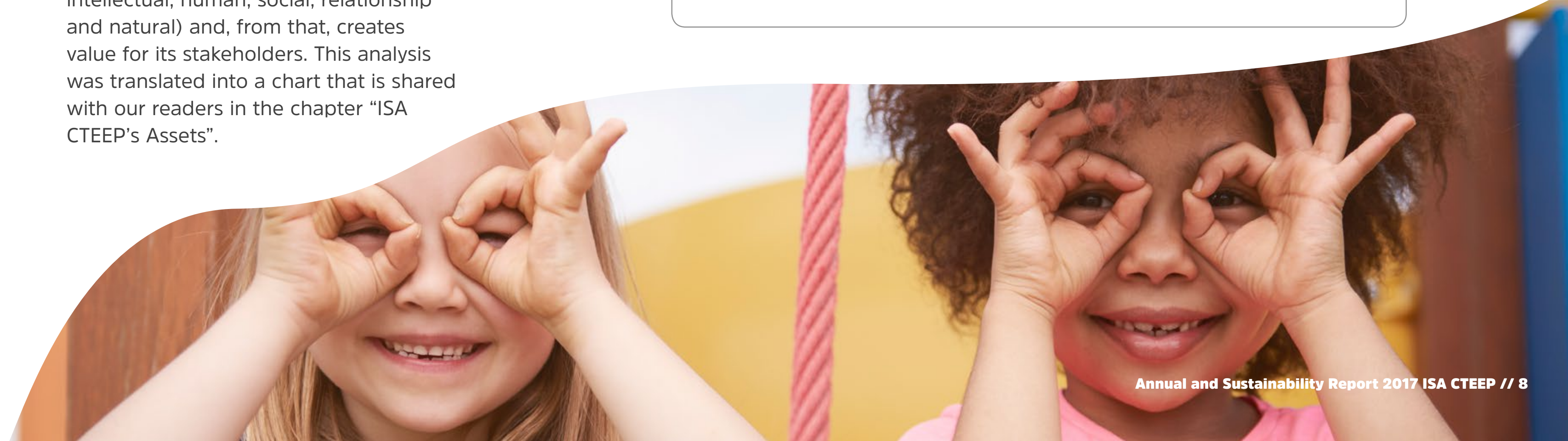


For more information on GRI guidelines, please visit:

www.globalreporting.org/languages/Portuguesebrazil

For more information on the Integrated Reporting <IR> principles, please visit:

www.relatointegradobrasil.com.br





THE ASSETS OF ISA CTEEP

Connections inspire us. We seek to create value for all stakeholders and develop a structure that corresponds to the operations and strategic functions of the company.

The core of the organization is its business model, which uses various capitals as inputs and, through its business activities, converts them into products (products, services, by-products and waste).

The purpose of this business model is to show in a simple way how resources, activities, groups of interest and business risks are linked. We consider all the elements involved

as assets that enable us to achieve the desired result. We control and measure our impact by evaluating the life cycle phases, from acquisition to disposal, we monitor each connection against the demands of the entire value chain. This is how our business becomes more and more sustainable.

We are certain that we are offering a reliable, available and safe power transmission service. Asset management proposes an integrated and systemic view, meeting the criteria for expanding operations and analyzing social,

economic and environmental risks in light of the ISA CTEEP brand manifest.

We strongly encourage relationships and adopt a standard of open dialogue with customers, shareholders and investors, employees, suppliers, public bodies and society with the purpose of innovating and providing the best service. We work together with the community and suppliers to reduce the impact of our activity. In this manner, we believe we add social and economic value to the entire society. We establish the goal of integrated thinking that considers the effective contact between

the various parties involved, either institutional, commercial or functional.

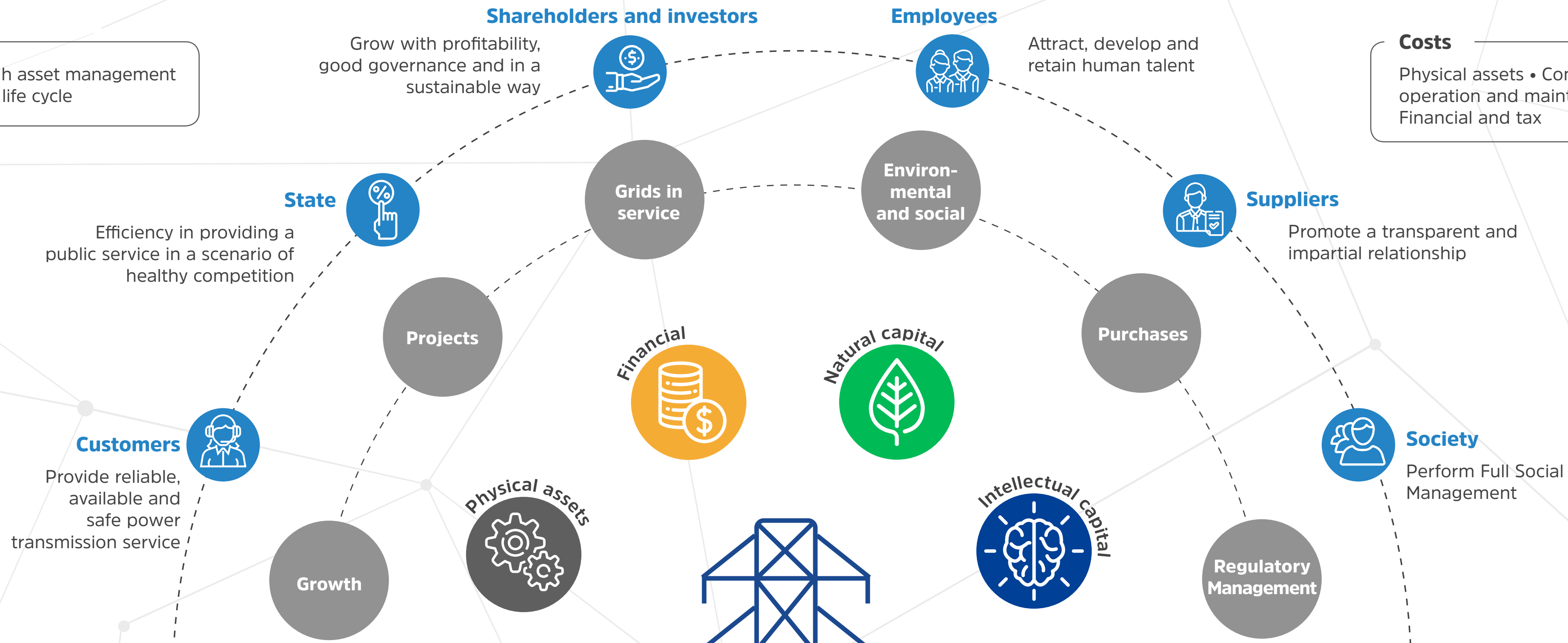
Integrated thinking induces connectivity and interdependences among a range of factors that affect the company's ability to create value over time.

The company's business model meets the basic requirements of the International Integrated Reporting Council (IIRC) to report its system of transformation of inputs into products and impacts and aims to show how the company conducts the strategic purpose of the organization.

BUSINESS MODEL

Revenue
Income through asset management throughout its life cycle

Costs
Physical assets • Construction, operation and maintenance work • Financial and tax



STAKEHOLDERS AND VALUE PROPOSITION

KEY ACTIVITIES

KEY RESOURCES

RISKS

- R**
Legal and regulatory
- R**
Environmental, social and property
- R**
Market, liquidity and credit
- R**
Suppliers
- R**
Errors or omissions

VALUE CREATION

OUR PLANET IS FRAGILE AND WE HAVE TO TAKE CARE OF IT.



17% reduction of greenhouse gases
19.6% reduction in consumption of fossil fuels
R\$781 thousand invested in mitigation of environmental impacts

MADE FOR GREAT CHALLENGES.



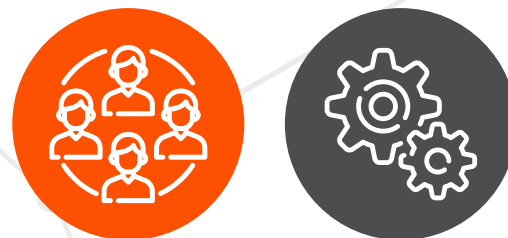
R\$ 2,059 million Ebitda
R\$ 636 million net income
R\$ 295 million de investimentos em 2017
Acquisition of IENNE for R\$ 101 million
3.1% valuation of shares

CONSTRUCTIVE AND RESPONSIBLE PARTICIPATION.



79,136 hours of training and education for high-performing teams
36% reduction in accident rates
88% favorable views in the organizational climate

EXCELLENCE COMES FROM DEMANDING RESULTS.



Best Energy Company by Exame magazine
Best practices of transparency of information to shareholders by APIMEC
Among the 150 best companies to work for - GPTW
0.0057 Reliability rate and ENES
State-of-the-art technology for system operation

WITHOUT BORDERS. WITHOUT BARRIERS.



111 Research & Development projects, 10 patents that have effectively contributed to the electric utilities sector in Brazil
3,395 suppliers, 91% of them local
Scientific technical contribution to the industry through active participation in associations and the regulatory agency

OUR WELL-BEING IS CONNECTED TO EVERYONE'S WELL-BEING.



R\$ 233 million in personnel and R\$ 3,338 million in taxes
R\$ 6.05 million invested in projects under incentive programs, in the health, culture, sports and education areas
R\$ 370 thousand invested in a community relationship program, involving 8.4 thousand people from 218 municipalities

CONNECTIONS THAT INSPIRE



NATURAL CAPITAL



FINANCIAL CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL CAPITAL



MANUFACTURED CAPITAL



ISA CTEEP



NEW BRAND: CONNECTIONS THAT INSPIRE

GRI 102-10

In 2017, the year in which it celebrated a history of 50 years, ISA – the controlling shareholder of ISA CTEEP – began a movement to strengthen its vocation to connect people, communities and countries, consolidating a legacy for the planet. In this movement, it launched a new brand and declared its manifesto, which expresses the beliefs, principles and values that will guide

ISA and its companies for the next 50 years. In line with the Group, ISA CTEEP also renewed its brand positioning in Brazil, initiating a new phase of business prosperity and of connecting the company and society.

The new identity is accompanied by a public statement that presents a more open, closer and sustainable company, whose core purpose is to build a legacy for future generations. This report will address the actions taken for that end.

*For more information, visit the new brand website:
<http://conexionesqueinspiran.isa.co/pagina-principal> – content available in Portuguese.*

ISA connects countries and improves the quality of life of millions of people. That is its great responsibility. The company takes on and demands of itself, its partners and its allies the level of excellence that has won the trust of all stakeholders. In order to honor this journey, the company remains committed to everything it has yet to do.

ISA is aware that it is part of a whole, and that humanity and the world impose increasingly greater challenges. Based on this, it must make efforts to transform the acquired experience into new responses to those challenges and to understand that when it connects one point to another, it is connecting people and making each connection an inspiring act.

ISA'S MANIFESTO

If we are aware that all of us are one, then there is a connection.

If we recognize that our planet is fragile and we should take care of it, then there is connection.

If we understand that our actions, no matter how small they are, have an impact, then there is a connection.

If we discover that the change we desire for the world lies in each of us, then there is a connection.

If we are sure that our welfare is linked to everyone's welfare, then there is a connection.

If we know that excellence is the result of the demand through which we focus each action in life, then there is a connection.

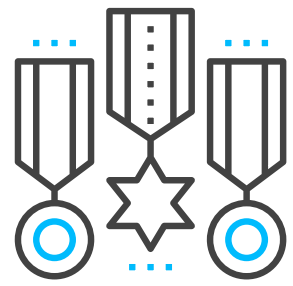
If we are engaged to be involved in a constructive and responsible participation in decision-making, then there is a connection.

If we are very moved to know that we are made for big challenges, then there is a connection.

Half a century later, we renew ourselves by creating connections one after another.

Without borders. Without barriers. This is our legacy for future generations.

We are convinced that, if there is a connection, then there is life. Celebrate.

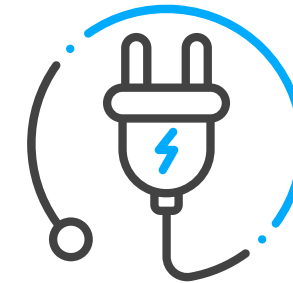


Awards and recognition

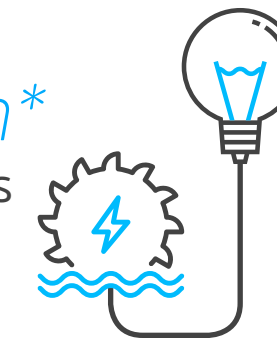
2017 was a year with many achievements for ISA CTEEP and some of them were reflected in two important awards. The organization was elected the **Best Energy Company in Brazil** in the “Melhores e Maiores” award of Exame, Melhores e Maiores magazine. And, for the second consecutive year, it was considered one of the **Best Companies to Work for**, according to Great Place to Work (GPTW). Find out more about this recognition in the social and environmental performance chapter, in Employees.

Its main customers are other public electric utilities concessionaires (electric power generation, transmission and distribution companies), as well as free consumers.

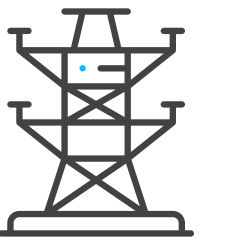
Our numbers



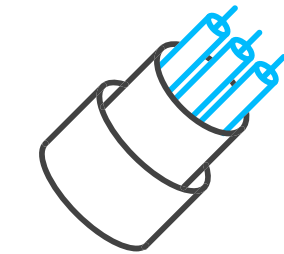
65,060 MVA*
of installed transformation capacity



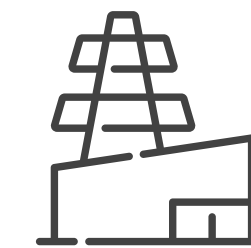
18,642 km*
of transmission lines



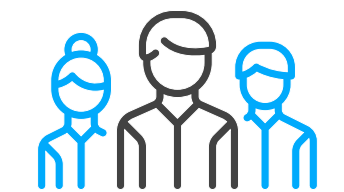
25,795 km*
of circuits



2,358 km
of own fiber optic cables



126 substations*
with voltage of up to
550 kV



1,399
employees

*Includes subsidiaries and associates



ORGANIZATIONAL PROFILE

GRI 102-1, GRI 102-2, GRI 102-3,
GRI 102-4, GRI 102-6, GRI 102-7, GRI EU4

ISA CTEEP - Companhia de Transmissão de Energia Elétrica Paulista is one of the most important companies in the Brazilian electric utilities sector, playing a leading role in the development of this sector. A company in constant evolution that keeps going even with all the challenges inherent in participating in the infrastructure segment, which drives the social and economic development of Brazil.

ISA CTEEP is responsible for the transmission of about 24% of all electricity produced in the country and its operations are based on delivering sustainable value and providing quality and reliable service for the entire society.

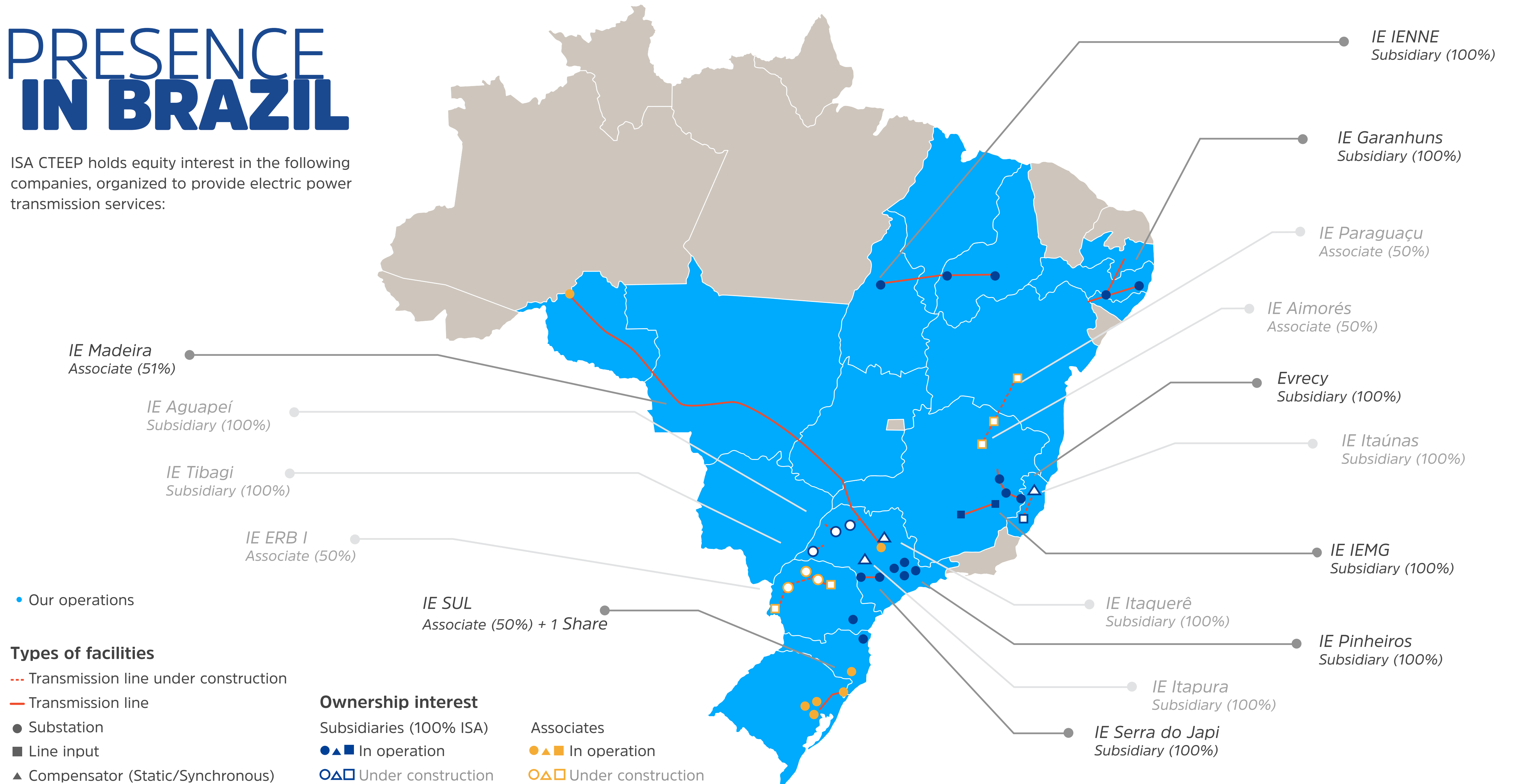
The company is headquartered in São Paulo and is present, both through its own assets and through subsidiaries and interests held, in 17 Brazilian states: Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Minas Gerais, Espírito Santo, Rondônia, Mato Grosso, Mato Grosso do Sul, Goiás, Tocantins, Maranhão, Piauí, Paraíba, Pernambuco, Alagoas and Bahia.

Its operations rely on the most advanced technology resources available in the market and are supported by four regional units (Cabreúva, Taubaté, Bauru and São Paulo), as well as by a Transmission Operation Center (COT) in Jundiaí, and a Support Operation Center (COR) in Cabreúva, all of them in the state of São Paulo.



PRESENCE IN BRAZIL

ISA CTEEP holds equity interest in the following companies, organized to provide electric power transmission services:



● Our operations

Types of facilities

- Transmission line under construction
- Transmission line
- Substation
- Line input
- ▲ Compensator (Static/Synchronous)

Ownership interest

- | | |
|-------------------------|------------------------|
| Subsidiaries (100% ISA) | Associates |
| ●▲■ In operation | ●▲■ In operation |
| ○△□ Under construction | ○△□ Under construction |

EXTENSION OF LINES AND CIRCUITS OF ISA CTEEP (PARENT COMPANY AND SUBSIDIARIES 100%)

Electrical voltage (kV)	Extension of lines (km)	Extension of circuits (km)
500	172.99	172.99
440	5,341.50	6,363.25
345	625.31	837.67
230	1,454.82	1,573.40
230 (underground)	23.01	54.51
138	6,124.06	9,264.26
88	1,165.73	1,375.66
69	2.09	2.09
Total	14,909.51	19,643.83

EXTENSION OF LINES AND CIRCUITS OF ISA CTEEP (PARENT COMPANY)

Electrical voltage (kV)	Extension of lines (km)	Extension of circuits (km)
440	5,341.50	6,363.25
345	452.32	664.68
230	1,163.02	1,281.60
230 (underground)	23.01	54.51
138	6,124.06	9,264.26
88	1,165.73	1,375.66
69	2.09	2.09
Total	14,271.73	19,006.06

MISSION, VISION AND VALUES

GRI 102-16

Mission

The mission of ISA CTEEP is focused on operating, maintaining, and expanding electrical energy transmission systems, with excellence in service rendering based on developing human capital and innovative capacity, in order to create value for our shareholders and other stakeholders, and contributing to a sustainable business development.

Vision

By 2020, ISA will have increased its profitability three fold through the leveraging of more profitable growth opportunities in its current businesses in Latin America, the increase in operational efficiency and the optimization of its business portfolio.

Values

Ethics Consistency between speech and practice, developing transparent attitudes and actions, essential to building long-lasting relationships with all stakeholders.

Social Responsibility constantly seeking sustainable development by fulfilling the commitments established by our stakeholders.

Excellence assuring quality standards across the Organization, aiming at being recognized in the market, and adding value to the business.

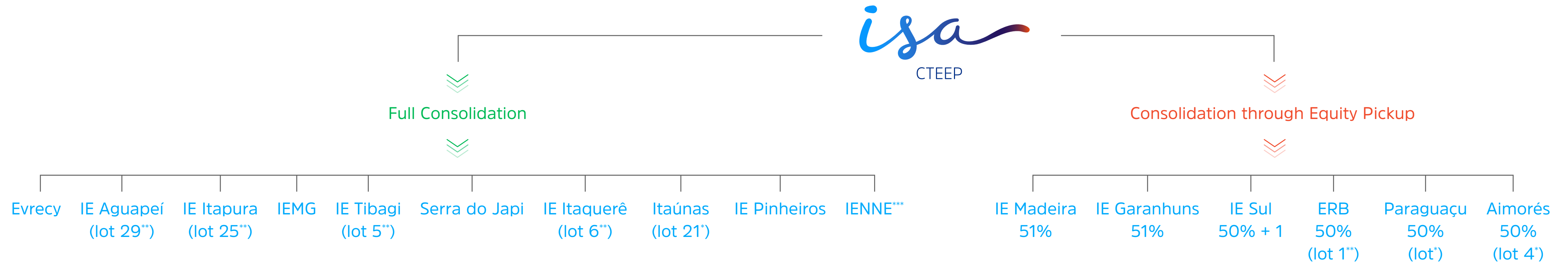
Innovation creating and incorporating new practices or improvements that contribute to reaching the Organization's goals.

CORPORATE AND CAPITAL STRUCTURE

GRI 102-5, GRI 102-7

*ANEEL Bidding 13/2015 - Part II of 10/28/2016
 **ANEEL Bidding 05/2016
 ***From September 2017

The corporate structure of ISA CTEEP comprises its fully or partially controlled companies, as shown below:



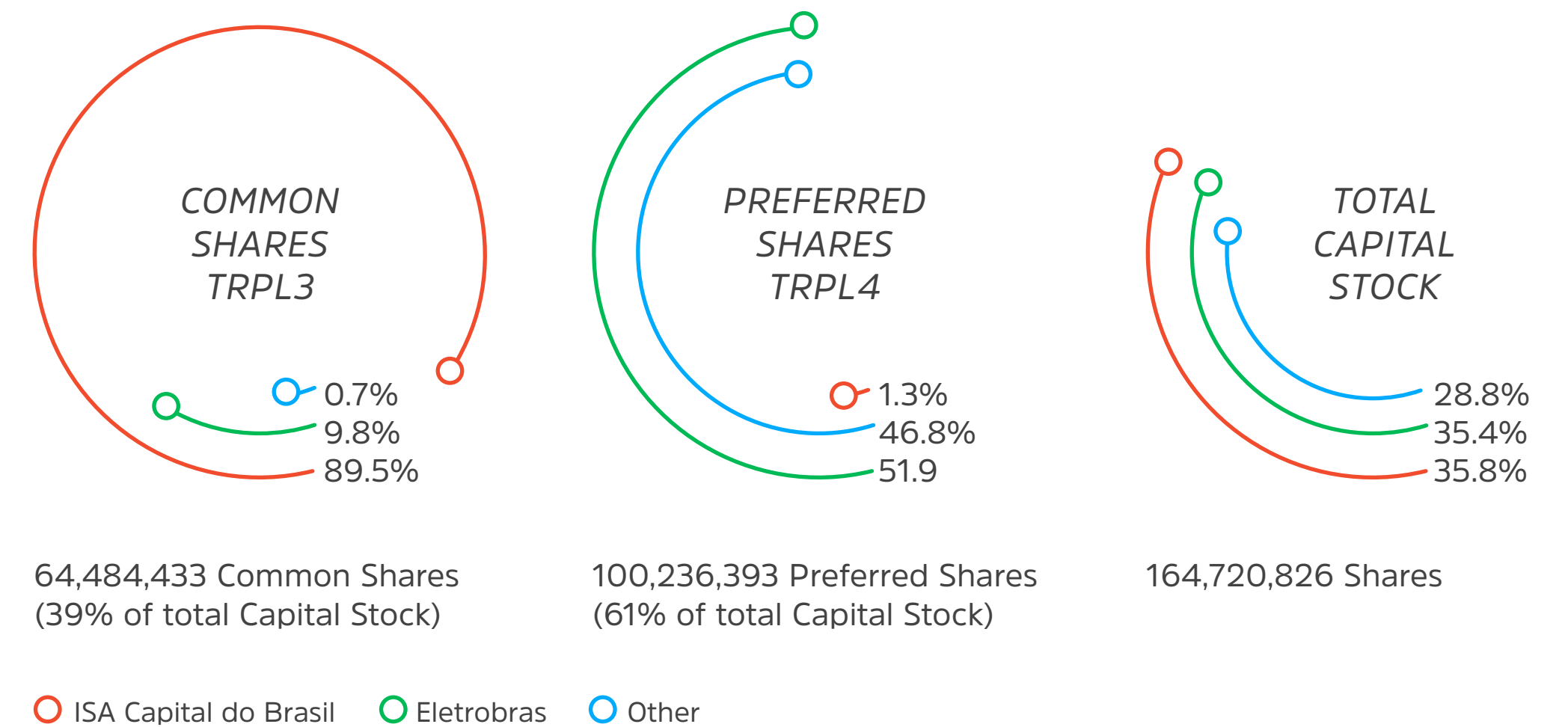
ISA CTEEP is a publicly traded company controlled by ISA, a Multi-Latin company in linear infrastructure systems, which holds 89.5% of common shares and 35.9% of its total capital.

The second largest shareholder is Eletrobras, the largest Brazilian electric power group,

which owns 35.4% of its total capital. There are also more than 60,000 shareholders represented by individuals and companies from different countries.

Of the preferred shares, 76% are held by domestic investors and 24% by foreign investors.

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF TOTAL
ISA Capital do Brasil	59,000,340	35.8%
Centrais Elétricas Brasileiras (Eletrobras)	58,295,419	35.4%
Other	47,425,067	28.8%



STRATEGIC MANAGEMENT

EVOLUTION IN ALL MANAGEMENT FOCUS AREAS

ISA CTEEP considers seven focus areas for the management of its business: Operation and Maintenance, Projects, Subsidiaries, Regulation, Legal, Growth and People. The management focus areas are guidelines for the business strategy, which aim at the sustainability of the company's activities. In 2017, the company has made significant progress in each of these areas in order to maintain the competitiveness and sustainability of its activities. Below are main results of each area.



Operation and Maintenance –

The purpose of the company is to develop its activities with efficiency, quality and safety. In order to measure quality and efficiency, one of the most important indicators is IENS (Non-Supplied Power Index), obtained from the percentage relation between total power not supplied during all occurrences in the year and the total power demand supplied by the company. In 2017, ISA CTEEP's IENS was 0.00000707% of the load served, registering a record availability in August in relation to the last ten years for this month. In addition, asset availability was higher than the last five years for transmission lines (99.9999%) and reactors (99.9948%). In terms of safety, there was a 48% reduction in the frequency of occupational accidents and no accident due to exposure to electricity was

recorded. See more information in “Life Cycle - Operation and Maintenance” and in “Social and Environmental Performance - Employees”.



Projects – The company has been a protagonist in the development of projects that contribute to the electric power infrastructure throughout the country. For the sustainable growth of its business, the organization has made efforts to continuously achieve high rates of profitability. In 2017, there was a significant progress in the management of its investment portfolio, with a capital contribution totaling R\$ 295 million in

projects of ISA CTEEP and its subsidiaries. Last year, 194 projects were implemented, with total investments of R\$ 167 million and RAP (Annual Revenue Allowed) of R\$ 49 million. The company operations have been based on the management of construction works focused on improving the profitability of projects. The investment plan for 2018 is of up to R\$ 679.5 million, considering support and improvements, and capital contribution to subsidiaries.



Subsidiaries – ISA CTEEP has eight subsidiaries in operation with 14 concession arrangements. There are more than 4,500 kilometers of transmission lines and 17 substations, totaling 16,000 MVA (megavolt amperes) of power. In 2017, the company continued the process of strengthening the corporate governance model, which seeks to align policies, processes, systems and practices, as well as to promote greater control and financial discipline. In that same year, the dividends of subsidiaries Evrecy, IE Pinheiros, Serra do Japi and IEMG totaled R\$ 63.8 million.



Regulation – The most significant events of 2017 were the approval of the final amount of the *RBSE* (Basic Network of Existing Service) payment, recorded at R\$ 4.1 billion (base Dec. 2012), and the beginning of receipt of RAP (Annual Revenue Allowed) in the amount of

R\$ 1.5 billion in July 2017 (cycle 17/18), in accordance with the conditions established in the MME Ordinance No. 120/2017. From that amount, the remuneration portion of the financial component at cost of equity (Ke) is excluded, in accordance with the preliminary injunction. Another important achievement in the year was the publication of Administrative Ruling No. 781/2017, which regulates the compulsory transfer of DIT (Other Transmission Facilities – facilities with a voltage lower than 230 kV) to distributors. In this ruling, all assets of ISA CTEEP were excluded from the list of assets eligible to compulsory transfer, which preserves the company’s RAP. Based on the active participation in decisions that impact the business and balancing incentive to a competitive business environment and benefits to society, the company is actively engaged in the tariff review process to be consolidated in 2018, seeking fair values for the Operation and Maintenance RAP, for the weighted average cost of capital for Aneel’s benchmark price list, and for the regulatory remuneration base. It has also been engaged in contributions and discussions to improve the regulatory framework of the electric utilities sector, which is being conducted by the Ministry of Mines and Energy.



Legal – The company obtained favorable court decisions, such as the suspension for four months of supplementary payments to those benefited by Law 4819/58, which ensured the retention of approximately R\$ 51 million in the company’s cash. Following an injunction that removed the

suspension of these payments, ISA CTEEP is diligently seeking a favorable outcome, in order to preserve its investment capacity.



Growth – 2017 is the beginning of a new growth cycle based on acquisitions and successful participations in the transmission bids conducted by Aneel (Brazilian Electricity Regulatory Agency). Over the last year alone, the company has won five lots, maintaining its discipline of selecting projects with higher profitability. With the lots obtained in 2016, the projects represent eight concessions, of which five are individual projects and three are consortia with concessionaire Taesa. Ten transmission lines (1,352 kilometers long), nine substations (6,585 MVA) and five compensators are planned. In total, the projects represent investments of R\$ 2.5 billion in the Brazilian electricity system, growth of 30% to 40% in the company’s asset base and expansion of 80% in the current RAP of operating subsidiaries. On another front of its growth strategy, ISA CTEEP acquired 75% of the capital stock of IENNE (North and Northeast Interconnection) for approximately R\$ 101 million, and now holds 100% interest in this subsidiary, which has assets in the states of Maranhão, Piauí and Tocantins.



People – Human capital is the basis of other ISA CTEEP’s management focus areas. The company seeks to attract, develop and engage professionals aligned with its organizational culture. Among the



highlights for 2017 are the continuity of leadership development, a new performance assessment methodology, the strengthening of the occupational safety culture, and the new recognition program. These and other best practices have resulted in the company being recognized as one of the “Best Companies to Work for” by Great Place to Work (GPTW).

REVIEW OF CORPORATE STRATEGY 2018 - 2030

In 2017, the vision established in 2012 was reached. ISA CTEEP made a significant contribution to the ISA Group's early achievement of the profit threshold it intended for 2020 – instead of obtaining a three-fold profit in eight years, it recorded a profit 4.2 times higher in just five years, reaffirming the strength of its competitiveness and commitment to creating value over time. This result does not consider any extraordinary impacts such as the receipt of *RBSE*.

In view of this achievement, ISA has been systematically reviewing its corporate strategy, with a horizon of up to 2030, using as a starting point the declaration of its purpose, as expressed in its brand manifesto, and an in-depth study of macro trends in the electric utilities sector.

To determine the new components of its strategy, ISA and its companies conducted a business analysis at three levels: 1) global political, economic, social, environmental, legal and technological trends; 2) variables and driving forces that impact the sectors of interest; and 3) specific analysis of the impact of these trends on the company's current business models. This analysis showed the level of complexity, dynamism and uncertainty of the business environment and allowed to identify major transformations to be incorporated into this new strategy review.

Articulating the vision of sustainability with the proposal of business value and in line with the directives of ISA Group, the strategy for 2030 was designed to:

Leverage the growth potential of today's businesses.

Incorporate opportunities derived from technology evolution and convergence among industries in which ISA operates.

Increase asset productivity and operations through IT.

Promote the entrepreneurship ecosystem in sectors of interest.

Strengthen the innovation system.

Address global challenges, minimizing the impacts of its operations and directing resources to social and environmental initiatives.

Develop leaders to face adaptation and technical challenges.

Support value creation for all stakeholders.

2030



More details in “Business Reports – ISA 2017 Integrated Management Report”:

<http://www.isa.co/es/nuestra-compania/Paginas/asamblea-general/informes-empresariales.aspx>

REGULATORY AND SECTOR MANAGEMENT

GRI 102-13, GRI 102-43

One certainty is that the electric utilities sector will change. Today's linear and segmented activities in generation, transmission and distribution will become integrated with multiple roles for one single agent. With the reduction of renewable energy costs, distributed generation will become more and more common, and the consumer will become a “prosumer” – producer and consumer at the same time. These and other aspects will lead to structural changes in the electric utilities sector. And it is for this scenario that ISA CTEEP is preparing itself.

The company currently coordinates studies and projects for the development of innovative business models, evaluating the impact of its proposals for this industry. Instead of adapting to technological and regulatory changes, ISA CTEEP decided to be a protagonist.

In this regard, one of the work fronts has been the preparation of robust studies and analyses, with a high level technical argumentation that support the company's opinions before industry and governmental bodies. The company's recent achievements relating to recognition of *RBSE* payment and maintenance of DITs were based on the assumptions of balance in the electric utilities sector and respect for the interests of society.

The company has also contributed to the improvement of the Legal Framework of the Electric Utilities Sector proposed by MME (Ministry of Mines and Energy) through a public consultation. For transmission, the proposals made by MME are related to the adaptation to a new energy matrix that considers the increasing participation of renewable and intermittent sources and of distributed generation. The new legal framework would also impact the sector's withdrawal from judicial means regarding the transmission companies' right to *RBSE* payment.

In order to strengthen its frequent dialogue with the sector, ISA CTEEP has maintained productive interactions with Aneel (Brazilian Electricity Regulatory Agency), ONS (Brazilian Electric Power System Operator) and EPE (Energy Research Institute). The company also actively participates in associations that help it articulate with stakeholders, such as Abrasca (Brazilian Association of Publicly Held Companies), Abrate (Brazilian Association of Electric Power Transmission Companies), Abdib (Brazilian Association of Infrastructure and Base Industries), ABCE (Brazilian Association of Electric Power Companies), Abraconee (Brazilian Association of Electric Power Industry Accountants) and Acende Brasil Institute.

INNOVATION MANAGEMENT

GRI EU8

For ISA CTEEP, innovation is one of the main factors for maintaining its competitiveness

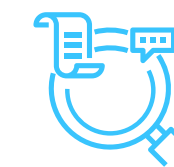
and growth capacity, with sustainable results over time. For the company, therefore, it is fundamental that its innovation strategy is aligned with vectors that are already transforming its market, such as the development of renewable energy, increased distributed generation and storage alternatives, new technologies based on artificial intelligence and automation and changes in the consumers' behavior.

The company has been reviewing its innovation strategy. After this review, innovation processes and activities shall:

- Foster continuous internal transformation through the actions of proactive employees.
- Capture opportunities in the value chain from activities underlying ISA CTEEP's core business.
- Develop new performance methods, based on the organization's competencies.

The tools and drivers used by the company to achieve its objectives include the strategic use of investments made possible by the Aneel Research and Development Program; the exchange of knowledge among employees of various ISA group companies; professional and academic qualifications; strategic partnerships with the public, private and academic sectors; the engagement of startups to solve sector challenges and the development of innovative solutions; and other activities that promote the strengthening of the innovation ecosystem of the electric utilities sector.

Within the scope of Aneel's R&D Program, ISA CTEEP has played a relevant role since 2001, accumulating an investment of R\$ 72.8 million in 106 projects and 11 patent applications, involving hundreds of employees and over 25 partnerships with educational institutions, companies and renowned research centers. Only in 2017, the amount invested in R&D projects totaled R\$ 1.79 million. Outstanding projects for the year include:



Asset management – This project will result in an asset management methodology applicable to companies in the electric utilities sector and in a tool that supports decision making, through evaluation and diagnosis of the asset life cycle. The project contributes to the systemic vision of the power transmission activity, greater assertiveness in investments and to the increase in the level of quality and efficiency of services rendered to society.

Power storage – This project will develop an energy storage system to supplement the power grid, considering the intermittence of generation from alternative sources such as solar and wind power. It will propose technical and regulatory requirements for the integration of these sources into the electric power system, in addition to a feasibility study of the battery business in Brazil, Colombia and Mexico.



Social and environmental management of safety corridors

– The project will produce a methodology to identify the main vectors of irregular occupation of safety corridors for transmission lines and an automated system to predict occurrences. This system will allow the proposition of preventive measures, considering each area and the surrounding community. Some measures have been tested and will be evaluated during the project.

Since the R&D investment amount made possible by the Aneel Program is based on a percentage of the concessionaire's net operating income, the effect of accounting for the *RBSE* payment implies the responsibility and opportunity to invest a higher amount in projects that contribute to the development of the Brazilian electric utilities sector.

RISK AND OPPORTUNITY MANAGEMENT

GRI 102-11

In recent years, ISA CTEEP has been implementing an internal culture of effective attention to risks and opportunities. For that end, more than defining and implementing policies and procedures, the company is dedicated to engaging employees and preparing them to perform all the activities that make up the risk management cycle, such as analysis of the strategy context, identification of risks, assessment of occurrence probability and impact of identified events,



Partnership with MIT

ISA has an alliance with the Massachusetts Institute of Technology (MIT) to identify research lines to be developed in partnership with the Group companies. In addition, ISA has 15 thematic committees focused on technologies considered strategic for the organization, with the "Electronics and Power" and "Lines and Cables" groups being coordinated by ISA CTEEP.

definition and implementation of prevention and protection measures, and evaluation of effectiveness of control actions.

These work steps follow ISA's New Risk Management Manual published in 2017 and are based on ABNT NBR ISO 31000 Standard (Risk Management - Principles and Guidelines). In addition, in that same year, the company tested methodologies and tools supplementing these guidelines and, as a result, established a process that integrates benchmark market practices with the recommendations of the Group's manual.

The company's risk governance is a responsibility shared among all of the organization's management, the Risk Management and Internal Audit functions, and senior management (Executive Board and Board of Directors), as recommended by IIA (Institute of Internal Auditors).

The risk management process has 14 categories: Legal and Regulatory; Social; Environmental and Property; Market; Liquidity and Credit; Suppliers; Errors and Omissions; Political; Human Capital and Labor Relations; Governance; Electric Power System or Market Deficiency; Fraud; Equipment Failures; and Information Technology and Communications.

Currently, risk assessments are performed for projects, assets and processes.

In projects, the highlight of 2017 was the study of opportunities integrated to the risk management methodology to evaluate the company's lots of interest in transmission bids, providing a more assertive view on the attractiveness and threat to profitability factors. From 2018, this evaluation will gradually extend to other projects.

In asset risk management, the company conducted a reassessment of its asset management maturity level with the support of TWPL - The Woodhouse Partnership. On that occasion, an improvement in the score of items related to asset risk management was identified, reaching 2.3 in 2017 (scale ranging from 0 to 4). This is due, among other reasons, to the dissemination of asset risk management in the company, providing systemic thinking of the asset life cycle and more complete risk analysis through the application of techniques and tools that allow more accurate diagnoses, giving support to decision-making.

In relation to processes, an improvement was the incorporation of the corruption risk analysis. This step covered the identification of risks involving the relationship with public agents, mapping of critical activities and interview with managers. The activities were conducted by the Internal Audit function, followed by other measures to prevent corruption, such as the implementation of the System for Prevention of Money Laundering and Terrorism Financing in May 2015. The next steps will be the systematic management of corruption risks from 2018 and the creation of the compliance function.

CORPORATE GOVERNANCE



GOVERNANCE MODEL

GRI 103-1, GRI 103-2, GRI 103-3

ISA CTEEP's corporate governance is guided by transparency, accountability, compliance with the law, respect for shareholders, employees and other stakeholders, and for equity and social and environmental responsibility.

Over the years, the company has built a solid path between transparency and corporate governance as a way of adding value to the business, establishing ethical and socially responsible relationships.

Good corporate governance practices have the purpose of increasing the value of the company, facilitating its access to capital and contributing to its sustainability. Listed in B3's Level 1 of

Corporate Governance since 2002, ISA CTEEP complies with standards that go beyond those established by the Brazilian Corporation Law.

The company is also part of IGCT (Corporate Governance Trade Index), which lists companies that complies with differentiated B3's standards of corporate governance and relationships with shareholders and stakeholders. In

addition, it has been participating in the American Depositary Receipts (ADRs) program – Rule 144A in the United States since 1999.

Moreover, the company was the first in the electric utilities sector to obtain the International Quality Assessment certification granted by IIA (Institute of Internal Auditors), which recognizes the quality of the company's internal audit function.



BODIES CHARGED WITH GOVERNANCE

GRI 102-18, GRI 102-19, GRI 102-22, GRI 102-23

To ensure agility and assertiveness, ISA CTEEP adopts a corporate governance model that aligns decision-making with the best international practices.

In this model, the Board of Directors – supported by the Remuneration and Internal Audit Committees – and the Executive Board have defined and essential roles and responsibilities in conducting the business, as well as the Supervisory Board, which oversees accounts and committees that advise the Board of Directors.

Board of Directors

Focusing on value creation for shareholders, the Board of Directors is the core body for decision-making and definition of the general business direction of ISA CTEEP. Its main duties are: to elect the members of the Executive Board; supervise the business management; evaluate Management Report, Financial Statements and the Executive Board's accounts; approve the economic-financial plans and budgets and construction work execution plans prepared by the Board of Directors, as well as choose and dismiss Independent Auditors. In line with the best Corporate Governance practices, the Chairman of the Board of Directors is not a member of the Executive Board. Meetings are held monthly or whenever convened by the chairman or by any director.

Chairman

Bernardo Vargas Gibsone

Vice-chairman

Fernando Augusto Rojas Pinto

Directors

César Augusto Ramírez Rojas

Fernando Augusto Rojas Pinto

Wilson Pinto Ferreira Junior
(representative of minority shareholders)

Samuel Elias de Souza
(representative of employees)

Carlos Alberto Rodriguez Lopes

Henri Medina Gonzáles

Gustavo Carlos Marin Garat
(independent member)

Supervisory Board

ISA CTEEP's Supervisory Board is permanent and consists of four effective members and five deputies, with the participation of representatives of minority shareholders. The body is responsible for supervising management acts and verifying compliance with their legal and statutory duties; issuing an opinion on the Management Report; analyzing the trial balance sheet and other financial statements prepared periodically by the company; examining and giving an opinion on the financial statements for the year.

Chairman

Manuel Domingues de Jesus e Pinho

Members

Flavio Cesar Maia Luz

Felipe Baptista da Silva

Paula Prado Rodrigues Couto

Ricardo Lopes Cardoso

Deputies

Eduardo da Costa Ramos

Luiz Flávio Cordeiro da Silva

Luiz Alberto Meirelles Beleiro Barreiro Júnior

João Henrique de Souza Brum

João Antonio Pinheiro Sampaio Meirelles

Executive Board

The company is managed by a Board of Directors composed of five members who perform their duties in accordance with the attributions established by Law and the Articles of Incorporation.

Chief Executive Officer

Reynaldo Passanezi Filho

Chief Financial Officer and Investor Relations Officer

Rinaldo Pecchio Junior

Chief Technology Officer

Celso Sebastião Cerchiari

(until May 31, 2017)

Carlos Ribeiro

(from June 13, 2017)

Chief Project Officer

Weberson Eduardo Guioto Abreu

Chief Institutional Relations Officer

Rafael Falcão Noda

(from August 23, 2017)

Committees

In the governance model adopted by ISA CTEEP, which prioritizes the administrative efficiency and skills of its managers, the committees play a key role in interacting with the Board of Directors, preparing in advance the topics to be debated and approved by the Board.

Compensation Committee

It is responsible for monitoring, analyzing and proposing to the Board of Directors such matters as compensation of officers and employees; fixed and variable compensation policy; profit sharing (PLR) and collective bargaining agreements.

Members

Bernardo Vargas Gibsone, César Augusto Ramirez Rojas e Henry Medina Gonzáles

Internal Audit Committee

Its main duties are to strengthen internal control and risk management systems and corporate governance practices; increase the effectiveness of internal audit; monitor the work of the independent auditors; approve the annual internal audit work plan and oversee compliance with such plan.

Members

César Augusto Ramirez Rojas, Henry Medina Gonzáles, Marcos Simas Parentoni e Carlos Ignacio Mesa Medina.

[Learn more about the members \(and their attributions\) of ISA CTEEP's Board of Directors, Executive Board and Committees at:](http://www.isacteep.com.br/ri/governanca-corporativa/conselhos-e-comites)

<http://www.isacteep.com.br/ri/governanca-corporativa/conselhos-e-comites>

Internal policies

The Corporate Governance Code, Articles of Incorporation, the Internal Regulations of the Supervisory Board and the Code of Ethics are the main set of drivers of governance practices adopted by the company.

Code of Ethics

[GRI 102-16](#), [GRI 103-1](#), [GRI 103-2](#), [GRI 103-3](#)

Since its creation, ISA CTEEP has maintained its identity with the support of ethical principles based on the adoption of honest, constructive, reputable and socially responsible conducts that promote business continuity and contribute to the sustainable development of the regions where it operates.

In an effort to improve relations with its stakeholders, ISA CTEEP has made advances in the process of transparency and corporate governance by launching its Code of Ethics in 2010. This document is applicable to the entire company; a benchmark, since it seeks to materialize the philosophy and corporate values of the organization, through criteria for the work of all employees and members of the Board.

In its Code of Ethics, the organization presents guidelines to prevent fraud, corruption and other issues that help its employees understand the desired conduct while interacting with other stakeholders.

In addition to the Code of Ethics, the company has a set of corporate policies that guide its

performance and that of its employees in specific and permanent situations in its relationship with various stakeholders (Policy for Disclosure of Material News Release, Securities Trading Policy, Environmental Policy, Communication Policy, Service Acquisition Policy, Control Policy, Asset Management Policy, Human Management Policy, Full Risk Management Policy, Information and Knowledge Policy, Occupational Health and Safety Policy, Service Policy, Social Policy and Supply Policy).

[All documents are periodically reviewed and can be found on the company's website:](#)

www.isacteep.com.br/ri/governanca-corporativa/estatutos-e-politicas

Human rights

[GRI 412-1](#), [GRI 412-3](#)

ISA CTEEP has made advances in human rights matters. Since 2011, the company is a signatory to the United Nations Global Compact (learn more on page 27); in 2015, it incorporated the Declaration of Human Rights of its parent company, declaring its commitment to this matter; and in 2016 performed a self-diagnosis to identify areas and/or processes that may present risks relating to human rights violations in the power transmission activity of the company and its subsidiaries. The evaluation took into account the Universal Declaration of Human Rights, the Global Reporting Initiative (GRI), and the B3 Corporate Sustainability Index (ISE).

The company does not control the number of operations submitted to assessment of impacts on human rights. However, its Code of Ethics emphasizes respect for human rights in the section dedicated to relationship with society, mentioning that its operations must be bound to human rights recognized by national legislations and global initiatives, such as

those already mentioned. The document also states that the company does not tolerate any of its stakeholders directly or indirectly engaging in practices that violate human rights or promote child labor or any form of slave labor.

All significant investment contracts contain clauses that protect human rights, labor rights (including the prohibition of child labor and slave labor) and the environment, considering the contract purpose at all times, as well as condemn corrupt practices and address anti-terrorism conduct.

Fight against corruption

GRI 205-1, GRI 205-2

ISA CTEEP determines guidelines to prevent fraud and corruption that help its employees understand the desired conduct while interacting with other stakeholders.

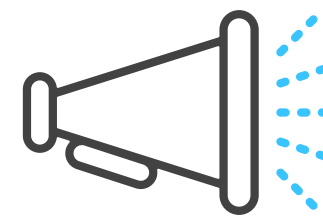
In 2017, a company was engaged to map risks related to the Anti-Corruption law. Seventeen processes were analyzed and two others are currently being analyzed. The risks identified in the processes are under review by the Internal Audit Management.

During that year, training on anti-corruption policies and procedures was given to officers, managers and coordinators of all functions, both at the head office and its subsidiaries. In total, 200 employees, in addition to 15 members of the Board of Directors and the Executive Board, received training. Due to

its interaction with suppliers, the Supply function had all its staff trained on the subject, covering about 40 employees.

Ethics Line

GRI 102-17, GRI 205-3, GRI 406-1



The company has an Ethics Line both internally and externally, which is a channel that receives and refers complaints on noncompliance with its Code of Ethics. The company ensures the anonymity and investigation of the issues

submitted. All open cases are accompanied by the CEO through the Ethics Committee.

The issues most frequently reported to this channel refer to HR issues and doubts about internal policies and procedures. In 2017, 17 calls were made. In previous years, 2015 and 2016, the channel had 18 and 22 calls, respectively.

In 2017, the Ethics Line did not receive any denunciations relating to human rights violations (discrimination, harassment, child labor, among others), nor to corruption. The company's legal function was not aware of any cases of this nature as well.

PERFORMANCE BENCHMARKS

GRI 102-12

As part of the guidelines that guide its business strategy, ISA CTEEP adopts market benchmarks to guide its sustainability actions.

One of them is the Dow Jones Sustainability Index (DJSI), since 2015. Every year, ISA CTEEP applies a self-diagnosis based on DJSI, with the purpose of determining the company's development stage in relation to sustainability

issues, identifying gaps and implementing management improvements.

Since 2011, the company has also been a signatory to the United Nations Global Compact, a formal commitment made by organizations around the world to align actions around ten principles relating to Human Rights, Labor Rights, Environmental Protection and Anti-Corruption. Additionally, following B3's recommendations, from 2017,

ISA CTEEP began to consider the Sustainable Development Goals (SDGs) in its management and describes in this report its actions towards some of these goals correlated with the indicators listed in the GRI Summary.



THE GLOBAL GOALS
For Sustainable Development



In 2017, ISA was part of DJSI for the third consecutive year. In addition, it was included for the second year in The Sustainability Yearbook compiled by RobecoSam, and in the FTSE4Good indices – one of the most important international sustainability indices, which measures the performance of companies that demonstrate ethical and sustainable practices in the social, environmental, and governance areas – and the DJSI MILA Pacific Alliance Index, the first sustainability index for the Pacific Alliance region.



LIFE CYCLE

INTRODUCTION

GRI 103-1, GRI 103-2, GRI 103-3

In 2016, ISA CTEEP began its asset management project through Aneel's Research and Development Program. The objective is to develop management methodologies and tools that allow companies in the electric utilities sector to plan their business with a vision of the future, adding quality and reliability to the services provided to the population.

Asset management proposes an integrated and systemic view of the entire business life cycle, considering, for example, since

the transmission infrastructure planning to the point at which a piece of equipment is deactivated and discarded. The idea is to analyze and manage costs, risks and performance with the understanding that every decision has an impact on different activities and dimensions of the organization.

Considering that the success of the initiative depends on a new mentality about work, the company dedicated the first year of the project to the generation and dissemination of knowledge. For that end, the company performed diagnosis, mapped its equipment and technology portfolio, determined the critical assets for the business, and expanded

the base of qualified information, such as equipment failure rate and technological requirements for new projects, in addition to implementing a decision-making process that takes into account key business requirements and involves various functions of the company. This initial work supported the review of the maintenance strategy and the creation of new performance metrics.

After a one-year work, a diagnosis was applied by TWPL, a company renowned worldwide, to evaluate the Asset Management Maturity. ISA CTEEP was scored 2.37 on the Asset Management Maturity Scale, surpassing the target of 2.30. This assessment has also shown that 86% of employees are aware of the project.

EXPANSION STRATEGY AND PLANNING

GRI 102-10, GRI EU19

ISA CTEEP experienced a very important moment in its history: resuming its expansion trajectory. The company has won eight lots in transmission bids between 2016 and 2017, which represent investments made individually and in partnership with Taesa of more than R\$ 4 billion. In addition, it acquired 75% of the shares of IENNE (North and Northeast Interconnection), becoming the sole shareholder and parent of this subsidiary, which owns 720 kilometers of 500 kV transmission lines in the North and Northeast regions.

This development process of Brazil's energy infrastructure is the result of short-, medium- and long-term studies made by EPE (Energy Research Institute) and ONS (Brazilian Electric

Power System Operator), which are responsible for energy planning in Brazil, with the support of other industry players.

ISA CTEEP has a multidisciplinary group that analyzes the opportunities of new ventures, as well as reinforcements and improvements, considering factors such as the complexity and importance of projects and the authorized investment. The company's proposals and solutions value the technical-operational solidity and the economic-financial balance of the concession and consider the system needs for the benefit of society.

DEVELOPMENT OF PROJECTS AND CONSTRUCTION

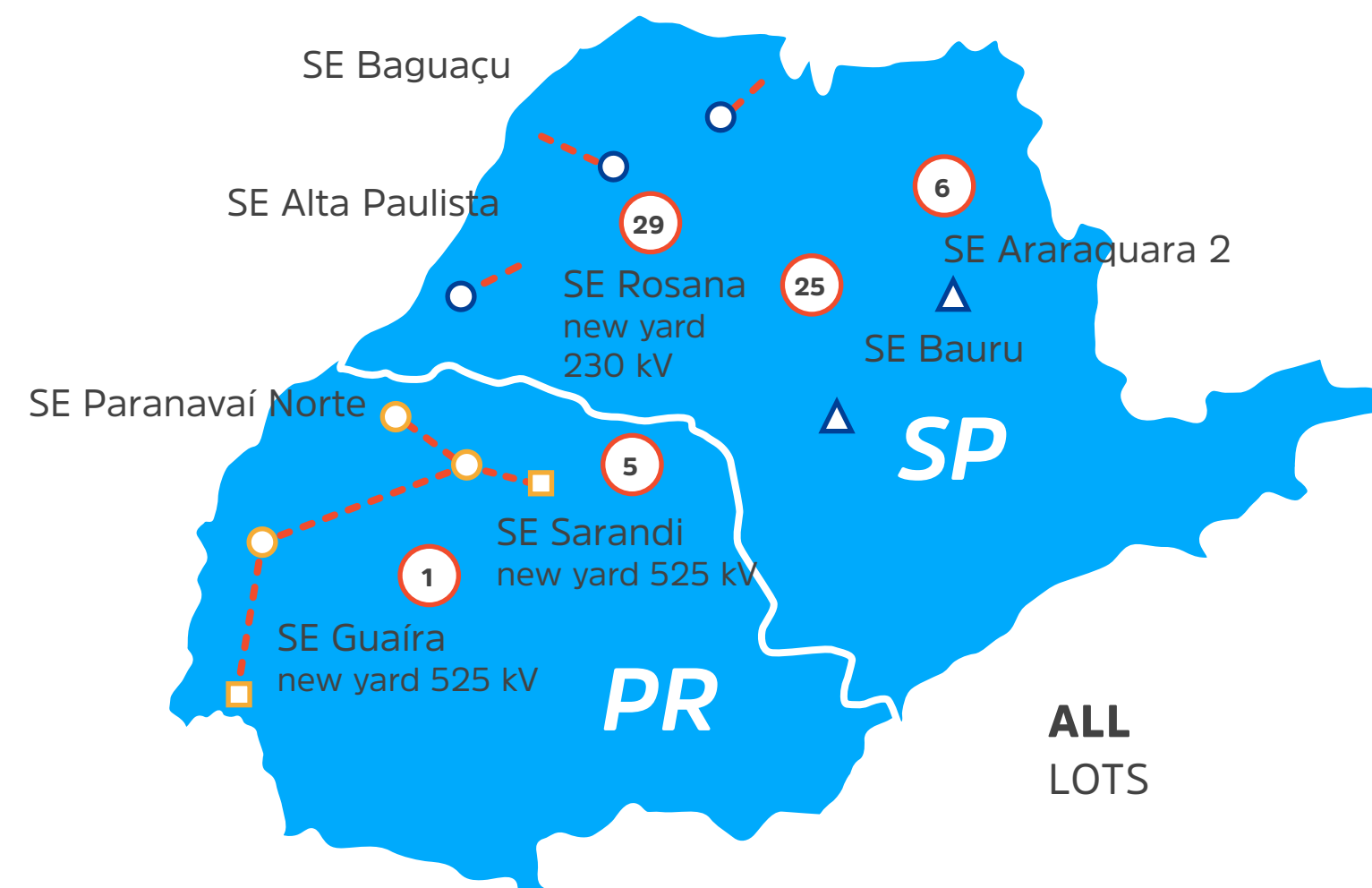
ISA CTEEP develops three types of projects: expansions achieved through transmission bids, reinforcements and improvements – authorized by the granting authority. In all of them, the company's purpose is to obtain the best cost, risk and performance levels, according to the asset management methodology.

In 2017, the organization consolidated a unified project planning and maintenance and centralized project execution, which allowed for greater integration and optimized allocation

of resources and, consequently, greater contribution to the business profitability. In addition, the company has sought to develop well-calibrated risk management and overcome new market players based on its innovative capacity and solid experience in the transmission business in Brazil.

In order to fully comply with the commitments made to the granting authority, within the established period, ISA CTEEP has invested in the governance of processes related to the development and execution of projects, as well as in the agility of meeting the requirements of environmental agencies.

FIND OUT MORE ABOUT THE LOTS ACQUIRED IN 2017



The purpose of lot 1, offered in partnership with Taesa, is to strengthen the service provided to the state of Mato Grosso do Sul and to the region of Guaíra municipality (Paraná state), in addition to increasing the reliability of the electric power distributed by the Itaipu Hydroelectric Power Plant. Lot 5 will serve the North and Northwest regions of Paraná state. Lot 6 has a project intended to provide reactive power compensation (which allows voltage control) to the 440 and 500 kV systems in São Paulo state. Lot 25, in the municipality of Bauru (São Paulo state), will provide an improvement due to the 2nd Bipolo CC Xingu - Terminal Rio. And the purpose of lot 29, in São Paulo state, is to service the regions of Araçatuba, Presidente Prudente and its surroundings areas, in order to eliminate load and voltage issued in the 138 kV grid (DIT).



PROCUREMENT AND INVENTORY

GRI 102-9

The power transmission infrastructure depends on an enormous amount of materials and equipment, which must be compatible with each other, meet technical and performance requirements and be found in the market in volume and availability suitable to meet a long life cycle of lines and substations. These are just a few issues that give an idea of the complexity of ISA CTEEP's procurement and inventory management.

In order to support the company's growth, strategic sourcing was implemented, which, in brief, promotes the alignment of corporate objectives with the company's purchases, generating benefits in costs, efficiency and quality, among other factors. With this methodology, procurement has gained an increasingly strategic and less mechanized profile. The organization's supply strategy, therefore, goes beyond the processing of demands for materials and services, and is guided by the search for the best contract in terms of cost, risk and performance throughout the asset life cycle.

The bases of this work consisted of diagnoses of the organization's supply portfolio, changes in the Supply team profile to a more senior nature, and review of the procurement planning for a model that, besides capturing opportunities to aggregate items and for long-term negotiations, allows for strong

management of demand and of short- and medium-term purchases.

One of the highlights of the year was the creation of the Supply Management Function, which has been working to broaden and deepen the scope of analysis of the company's suppliers and integrate different stages of evaluation into one single management platform. Currently, technical, financial, social and environmental, and compliance analyses are performed, which represents a step forward from past practices, which focused on technical requirements. All these dimensions are addressed by one single Supplier Management System, covering supplier registration and prequalification activities. The next stage will be to integrate the supply performance and quality assessment, which is currently performed in the SAP platform, to the same system.

As regards inventory management, significant improvements were identified. There was a 13% reduction in the company's inventory levels, which represents approximately R\$ 20 million. In order to achieve this reduction, the largest in the company's history, initially a detailed assessment of inventory items at distribution centers was required, as well as reclassifying these materials in the control systems, in order to make it easier to identify equipment with application compatibility. Then, minimum and maximum inventory parameters and criteria for standby inventory were

defined. Inventory intended to maintenance activities and those directed to new projects were also categorized and separated. Materials that were no longer applicable to the company's facilities and volumes exceeding the maximum inventory limit were sold in auctions or as scrap. Equipment separated for sale totals R\$ 8 million, of which R\$ 5 million was processed as early as 2017. The remaining items will be re-allocated in the coming years. And, in order to discipline the creation of new inventory for maintenance and new projects, only materials supported by an asset management study will be purchased.

OPERATION AND MAINTENANCE

GRI EU3, EU23

Overview

The Brazilian electric power system comprises SIN (Brazil's National Interconnected System), which serves approximately 99% of the total grid load, and certain isolated systems. The coordination and control of the operation of SIN's power generation and transmission facilities are the responsibility of ONS (Brazilian National Electric Power System Operator). Law 10848/2004 defines operating rules and Aneel (Brazilian Electricity Regulatory Agency) is responsible for monitoring compliance with these rules. ISA CTEEP is remunerated for the availability of its assets through RAP (Annual Revenue Allowed). This means that any asset unavailability may cause a drop in its RAP, through a discount on revenue earned.



In 2017, ISA CTEEP had 82 clients, 13 of which were distribution companies, 44 generation companies and autonomous producers, 15 transmission companies and 10 free consumers. Due to changes in the structure of Energisa Group companies, the number of distribution companies decreased from 16 to 13 compared to 2016.

Quality of transmission

GRI EU6, GRI EU12, GRI EU23, GRI EU28, GRI EU29

ISA CTEEP is one of the industry benchmarks in terms of performance, showing responsibility as a public service provider. In addition to monitoring its operational performance in a thorough way, the company continually seeks to improve its efficiency levels, as evidenced by indicators such as IENS (Non-Supplied Power Index), obtained

from the percentage relation between total power not supplied during all occurrences in the year and the total power demand supplied by the company.

The company also adopts world class benchmarks such as the ITOMS (International Transmission Operations & Maintenance Study) program indicators. ISA CEETP is the only Brazilian company to join this program, which measures the performance of transmission companies in different countries, evaluating their performance in relation to service level and cost. In ITOMS, the company is a reference in aspects such as cost of maintenance of substations and transmission lines.

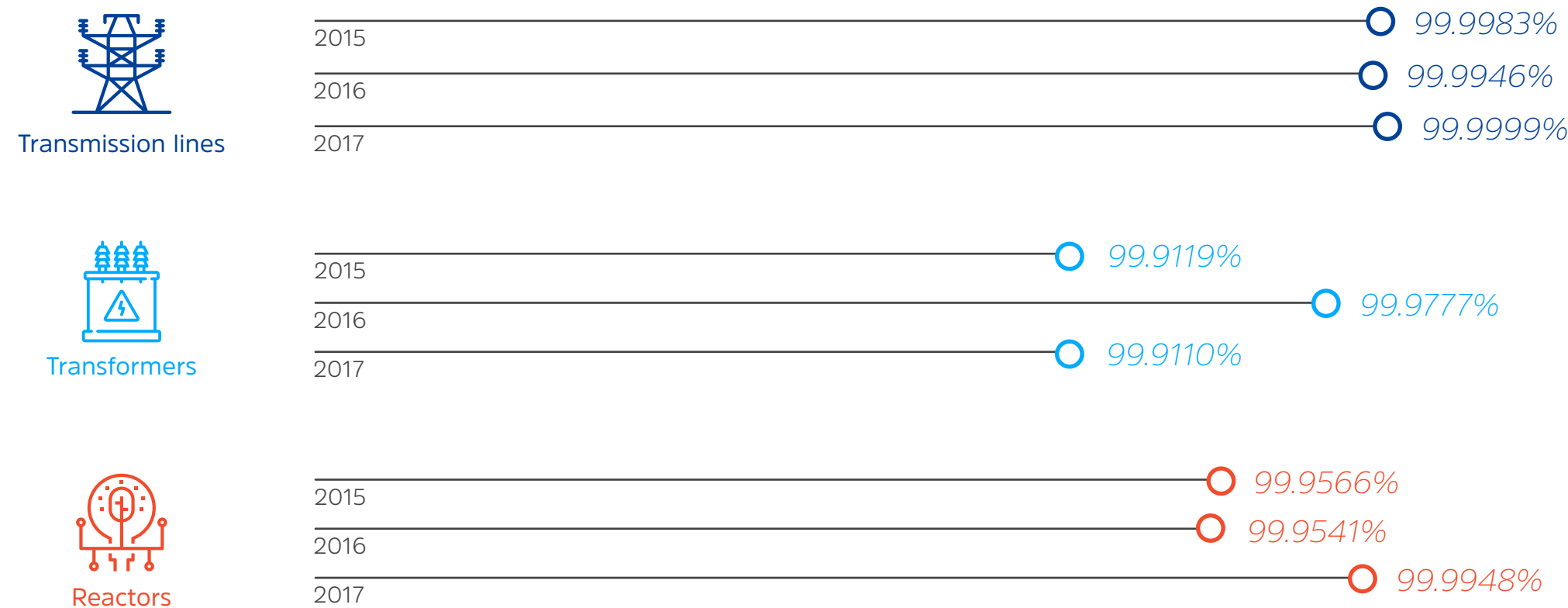
The following indicators summarize the operational performance of ISA CTEEP in the period from 2015 to 2017.

In 2017, IENS recorded the best result for August in the past ten years. And the consolidated result for the year was also more positive than in 2016.

	2015	2016	2017
IENS (non-supplied power index)	0.00000355%	0.00000654%	0.0005729 %

	2015	2016	2017
Equivalent Frequency of Interruption (FREQ)	0.079%	0.112%	0.093%
Equivalent Duration of Interruption (DREQ)	1.2049 min	2.2733 min	2.3 min

ASSET AVAILABILITY

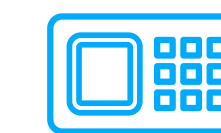


Electric power losses

For 2017, total losses resulting from the power passing through ISA CTEEP's Basic Transmission Grid – equipment with a voltage equal to or higher than 230,000 V – was estimated at 1,732,000 MWh, i.e. an estimated loss of 1.3% of the transmitted power.

Outstanding projects and initiatives

In 2017, the organization developed significant projects and actions to modernize its infrastructure and operations and make them more secure and reliable. The highlights are:



Milton Fornasaro's IT improvement


– One of the company's most important substations in the city of São Paulo, which serves around 600 thousand users on a daily basis, was modernized. The objective was to improve service to the west area of the São Paulo state capital city. Part of the complexity of the project is due to the fact that the intervention occurred after the completion of the substation, which required modern shutdown prevention procedures. The IT improvement focused on the control, protection, automation and supervision systems of the facility. Among the changes is the replacement of electromechanical panels with intelligent electronic devices, which

enable remote actions from the Transmission Operation Center (TOC). The main benefits were the automation of processes and gain of reliability, safety, agility and easier maintenance. The project conclusion, which was expected for September 2018, occurred nine months earlier, showing the company's commitment to the services it provides to society.

Reinforcement at Taubaté Substation

– The second 440/230 kV transformer bank was installed, including replacement of the reserve phase and replacement of the existing transformer bank, totaling 1,500 MVA installed. This service

is fundamental for power exchanges from the North to the Southeast region of Brazil, especially the power added by Belo Monte plant. In addition, it provides greater reliability in the load supply in Vale do Paraíba region, served by the Santa Cabeça, Aparecida, Taubaté, Mogi das Cruzes, São José dos Campos and Itapeti substations, and of free customers connected in the region.

 **Complete RTDS test** – ISA CTEEP is the first private transmission company to conduct, with its own resources, a complete test with RTDS (real-time digital simulator). The equipment acquired in 2010 simulates electrical phenomena (such as maneuvers and disturbances) and allows actual devices of the protection and control system to take part in the tests. The complete test was applied to Milton Fornasaro substation,

involving all the protection relays installed in the lines, transformers, busbars and other equipment. The test result was a success as it helped the company identify an occasional failure resulting from manufacture flaw in a piece of equipment (repaired by the supplier) and prevent a shutdown. The next step is to test other technologies, such as synchronous and static compensator controls systems, as well as renewable energy controls systems, in order to expand the possibility of servicing the company's new projects.

Integrated Visual Monitoring and Property Security System

– Monitoring cameras were installed inside and around ten substations as a test, in order to increase security and prevent improper access to the company's facilities. This measure was necessary due to the increasing number of invasions and theft of components of the organization's assets, which increased risk of accidents and property losses. The new system is connected to a modern monitoring center that records and transmits images, allows virtual rounds, detects movements in different locations simultaneously, and automatically triggers alarms if any unscheduled access is identified. The level of security at the facilities increased significantly: the number of occurrences in the selected substations, which exceeded 30 per year, reduced to zero. As a result, the company reduced its property losses and expenses with costly surveillance contracts. By 2018, other substations will be integrated into the monitoring system.

Incorporation of operational monitoring technologies

– In addition to the property surveillance system, the company has installed additional technical monitoring tools. In a substation located in the capital city of São Paulo state, cameras with thermal sensor, capable of detecting variations in the equipment temperature and thus signaling the possibility of failures in advance, are being installed. The company also implemented aerial scanning of transmission lines with laser, which allows identification of the vegetation position in relation to the structures, identifying places where preventive maintenance should be prioritized. Another innovation was the use of drones with visual command for line inspections, which allows the visualization of components at the top of facilities without climbing towers, in addition to taking images in regions with some type of obstruction for access by the maintenance teams.

Intensification of processes focused on safety

– Two projects were the highlight: “Total Attention” and “Human Factors in Operational Safety”. The first project consists of adopting additional procedures for the highest-risk maintenance and operation activities, so that all procedures are strictly followed, inspections are even more meticulous, and critical steps of field interventions receive redundant safety checks and gain greater traceability through photographic records and auditing.



The Human Factors project, on the other hand, focus on the training of power system operators with the purpose of mitigating the risk of human failures and promoting improvement in the operational safety level. This initiative involves five steps: analysis of the psychological profile of professionals (cognitive, behavioral and emotional aspects); observation of operators in situations requiring quick problem solving; interview with the Transmission Operation Center coordinator to identify positive and improvement points for each participating employee; feedback to the operator and support for the development of an individual development plan; and workshop on management of risks, errors, violations that can cause human failure and management of control center resources. This work is integrated to the ONS certification process.

Emergency prevention

GRI EU21

ISA CTEEP has intensified prevention of emergencies that may affect the availability of its assets and the environment. This work includes constant analysis of equipment performance indexes and facilities' conditions, early detection of failures that could adversely affect the availability of assets, preventive replacement of equipment with critical failure rates, use of more robust and reliable equipment, among other measures.

The company has an Emergency Response Plan in Transmission Lines that gives instructions for temporary and definitive recovery of transmission lines, when its structure falls; as well as an Environmental Emergency Preparedness and Response Plan applicable to substations and transmission lines, as determined by the guidelines of the Environmental Management System.

To reduce the occurrence response time, ISA CTEEP has a Crisis Committee responsible for developing emergency response processes and making decisions when a critical situation occurs. The company has also sought innovative solutions, as it has recently found in pre-assembled towers that allow a quick installation to restore the system definitively, without the need for replacement by new structures.

DEACTIVATION AND DISPOSAL

There are various causes for deactivating and disposing of assets, such as end of useful life (depletion), network accidents, early burning of equipment, system modernization, obsolescence, preventive replacement, among others. Depending on the case, the asset can be recovered and/or reconditioned (partially or fully) to return to the network or discarded. In most situations, assets with no possibility of recovery can be sold as scrap, allowing gains on the disposal of these assets.

Lifecycle analysis enables the company to assess the main reasons for asset write-offs and to make the best cost, risk and performance choices from the early stages of its activity, such as technical specification and equipment purchase. By analyzing the behavior of its assets statistically until their write-off, the company can contribute parameters to the remuneration of transmission assets and their depreciation rates.





ECONOMIC AND FINANCIAL PERFORMANCE



PAYMENT RBSE

In September 2012, the Provisional Executive Order (MP) 579 was enacted, extending in advance the prevailing electric power concession contracts. At the time, ISA CTEEP had a contract that would expire in 2015. The MP requested, within 90 days, the decision to extend the concession contract for 30 years, but this would reduce the company's revenue by 65%.

A few days before the deadline, a supplementary MP, No. 591, was issued, granting transmission companies the right to payment of the existing assets as of May 31, 2000 that were not fully depreciated by December 31, 2012 (known as *RBSE* – Basic Network of Existing Service), arising from the process of extending the concession covered by Law 12783/2013. However, this payment amount was not defined then. Still, ISA CTEEP chose to renew the contract.

In 2017, the *RBSE* payment final amount of R\$ 4.1 billion (base Dec/2012) was approved. The adjusted amount was recognized in accounting books in September 2016 and, as of July 2017, the amount began to be effectively received. For the 2017/2018 cycle, it will be R\$ 1.5 billion, with revenue of R\$ 823.4 million and a cash impact of R\$ 661.3 million in 2017, pursuant to the conditions set forth by MME Ordinance No. 120/2017, excluding the cost of equity (Ke) portion, in accordance with the preliminary injunction. Payment will be made during the estimated eight-year term.

This event brings a new perspective to ISA CTEEP, allowing the organization to plan the

future more consistently, in line with its current growth, having *RBSE* payment as the basis for this expansion, for the company to invest even more in the country.

P&L (IFRS)

Profit or loss of ISA CTEEP and its subsidiaries were standardized based on the International Financial Reporting Standards (IFRS) model.



Gross operating revenue

On September 30, 2016, the amount referring to the facilities of the existing system (*RBSE*) was remeasured and accounted for, in accordance with the conditions provided for in the Ministry of Mines and Energy Ordinance No. 120/2016 and Aneel Technical Note No. 336/2016. This generated an impact on gross revenue (remuneration of concession assets) of R\$ 7,328.5 million in 2016. For the purpose of explaining the changes between 2017 and 2016, the recording of extraordinary *RBSE* is not considered (data are presented as “former *RBSE*”), where stated.

The consolidated gross operating revenue of former *RBSE* was R\$ 1,554.7 million in 2017, an increase of 7.5% over the 2016 former *RBSE*, mainly due to the 43.8% increase in infrastructure revenue.

Infrastructure revenue

Revenue from implementation of infrastructure for provision of electric power transmission services under the service concession arrangement is recognized as expenditures are incurred.

The consolidated infrastructure revenue totaled R\$ 247.1 million in 2017, an increase of 43.8% when compared to the R\$ 171.9 million recorded in 2016, mainly due to the development of reinforcement projects to replace transformers banks, and revitalization and replacement of circuit breakers and switches at Taubaté, Bauru and Milton Fornasaro substations.

Operation and maintenance service revenue

In 2017, the consolidated operation and maintenance service revenue totaled R\$ 880.9 million, an increase of 5.4% compared with the R\$ 835.8 million recorded in 2016. This increase is mainly due to the positive difference of R\$ 51.2 million referring to the IGPM/IPCA (General Market Price Index/Extended Consumer Price Index) of the RAP cycle from 2016/2017 to 2017/2018; to the increase in the CDE (Energy Development Account) tariff for free consumers by R\$ 19.4 million; and to the start-up of new projects totaling R\$ 8.7 million, offset by the decrease in the apportionment of the system surplus of R\$ 28.5 million and the variable portion of R\$ 9.2 million.

Revenue from concession asset remuneration

Revenue from concession asset remuneration is recognized at the effective interest rate on the investment balance, the effective interest rate being equal to the estimated future cash receipts for the financial asset useful life in relation to the initial book value of that asset.

The consolidated concession asset remuneration, excluding the *RBSE* effect, totaled R\$ 400.6 million in 2017, down 5.7% in relation to the 2016 former *RBSE* of R\$ 424.7 million, reflecting mainly the 2017/2018 cycle RAP adjustment in the amount of R\$ 91.7 million in 2017, compared with the R\$ 163.2 million of 2016 and the restatement of the financial asset.

Other revenues

Other revenues refer to rentals from a telecommunications company and services rendered to third parties in connection with maintenance and technical analyses. In 2017, these revenues totaled R\$ 26.1 million, an increase of 11.4% in relation to 2016, when they reached R\$ 23.4 million, mainly due to a 44% increase in technical analysis services provided to telecommunications companies.

Deductions from operating revenue

Deductions from consolidated operating revenue reached R\$ 349.3 million in 2017, considering the provision for deferred PIS (Social Integration Program) and Cofins (Contribution for Social Security Financing) of R\$ 138.4 million for *RBSE* concession asset remuneration. In 2016, deductions reached R\$ 988.7 million, considering the effect of the provision for deferred PIS/Confins in the amount of R\$ 814.9 million, arising from the accounting for the right to Existing System facilities, according to the criteria disclosed in Aneel Technical Note No. 336/2016.

Net operating revenue

GRI 102-7

The consolidated net operating revenue for 2017 was R\$ 2,701.1 million, mainly impacted by the *RBSE* concession asset remuneration of R\$ 1,357.4 million for the period. Excluding this effect, the consolidated net revenue for 2017

was R\$ 1,343.7 million, an increase of 5.8% compared with the consolidated net revenue of former *RBSE* for 2016 of R\$ 1,282.5 million.

Administrative expenses and O&M (operation and maintenance) costs and infrastructure

Administrative expenses and O&M costs for 2017 reached R\$ 498.2 million, an increase of 4.7% in relation to the R\$ 475.8 million of 2016. The variation in costs and expenses mainly reflects the increase in personnel costs and expenses due to the structural change in the staff in order to increase the company's efficiency; to the collective bargaining agreement adjustment for the period; and to the change in the criteria for accounting for personnel expenses in investment projects, which were previously capitalized, with no impact on the Company's cash disbursement. This increase was partially offset by the reversal of R\$ 26.1 million in contingency expenses.

The reversal in contingencies is a result of the higher

volume of write-offs in labor contingencies under more advantageous conditions than those considered for the provision, generating a positive impact on P&L of R\$ 13.3 million. Civil contingencies generated a positive impact of R\$ 12.7 million due to reversal of provisions for lawsuits as a result of favorable court decisions and to the reduction of amounts involved by virtue of a review in prognosis.

Consolidated infrastructure costs totaled R\$ 225.4 million in 2017, an increase of 44.2% compared to 2016, when such costs amounted to R\$ 156.4 million. This difference follows the increase in infrastructure revenue, due to the greater number of reinforcement projects, mainly in the parent company.

Other operating income and expenses

Other operating income and expenses recorded an expense of R\$ 55 million, an increase of 96.9% compared to 2016, when expenses

reached R\$ 27.9 million, mainly due to the setting up of a provision for reversal of existing system facilities – in accordance with article 5 of Aneel Administrative Ruling No. 762/2017 – in the amount of R\$ 57.2 million, partially offset by the bargain purchase of IENNE, in the amount of R\$ 5 million.

In 2016, the amount basically refers to the setting up of a liability to match the return of part of the amounts of the new facilities, totaling R\$ 24.4 million.

Equity pickup

Equity pickup for 2017 recorded an income of R\$ 124.8 million, down 53.4% in relation to the income of R\$ 267.7 million for 2016. The difference in the income of subsidiary IE Madeira stems mainly from the decrease in net revenue due to the adjustment of the 2017/2018 cycle RAP and the provision for variable portion, in the amount of R\$ 35 million, as a consequence of the delay in the beginning of operations in the substation, partially offset by the positive impact of the finance income (costs), due to the decrease in interest and debt charges and in deferred income tax expenses, by virtue of the effective rate review (benefit granted by Sudam – the oversight authority for the Amazon region development).

The decrease in income of the subsidiary IE Garanhuns is mainly due to the increase in

costs and expenses, which is explained by the first full year of operations, the decrease in net revenue due to the 2017/2018 cycle RAP adjustment and the negative impact of the tariff review (decrease of 9% in RAP), partially offset by the decrease in deferred income tax expenses due to the review of the effective income tax rate (benefit granted by Sudene – the oversight authority for the Northeast region development).

The amount presented by subsidiaries Interligação Elétrica Aimorés, Interligação Elétrica Paraguaçu and Elétricas Reunidas Brasil refers to administrative expenses in the current phase of the projects.

Finance income (costs)

The consolidated finance income (costs) reached an expense of R\$ 66.2 million for 2017, compared with an expense of R\$ 109.9 million recorded in 2016.

The difference mainly reflects the non-recurring decrease in interest and charges of R\$ 53.8 million, due to the application in the third quarter of 2017 to the Special Tax Regularization Program – PERT, recorded under the line item “Others”, combined with the decrease in interest and charges on debentures due to the partial settlement in December 2016 of the 1st issue (2nd series) and the 3rd issue, and by the lower level of average cost of debt, which decreased from 11.4% p.a. in December 2016 to 8.3% p.a. at December 31, 2017.



Income tax and social contribution tax

On a monthly basis, the Company sets up provisions for income tax and social contribution tax on net income, on an accrual basis. The parent company and subsidiary IENNE are subject to taxation under the taxable profit regime whereby taxes are computed based on the company's accounting records and the other operating subsidiaries (IEMG, IE Pinheiros, Serra do Japi and Evrecy) are subject to taxation under the regime whereby profit is computed as a percentage of the company's gross revenue.

P&L of the operation that implements the infrastructure for the provision of electric power transmission service and the concession asset remuneration (ICPC 01) are recognized on an accrual basis and subjected to taxation on a cash basis (effective receipt), in accordance with the tax legislation.

The consolidated income tax and social contribution tax generated an expense of R\$ 595.6 million in 2017, reflecting the deferred income tax and social contribution tax on net profit (IR/CSLL) in the amount of R\$ 461.5 million, due to restatement of the financial asset referring to the *RBSE* accounts receivable, which will be incorporated into the tax base as they are effectively received.

As of July 2017, the company started paying the (current) income tax and social contribution tax on *RBSE* billing. The effective 2017 rate was 30%. In 2016, the income tax and social contribution tax recorded an expense of

R\$ 2,333.9 million, mainly due to the setting up of a provision for deferred income tax and social contribution tax of R\$ 2,211.2 million, reflecting the impact of *RBSE* accounting.

Net income

Net income for 2017 totaled R\$ 1,385.5 million, due to the impact of R\$ 895.9 million of the *RBSE* concession asset remuneration. Excluding this effect, net income would have been R\$ 489.6 million, a decrease of 25.5% in relation to 2016, mainly due to the decrease in equity pickup and to the provision for reversal of discontinued facilities relating to *RBSE*, partially offset by the non-recurring effects of the application to PERT and the reversal of contingencies.

Ebitda and Ebitda margin

The consolidated Ebitda for 2017, according to ICVM 527/12, was R\$ 2,059.5 million, with a margin of 76.2%. Excluding the effect of the *RBSE* concession asset remuneration and the provision for discontinued facilities, Ebitda reached R\$ 759.2 million in 2017, with an Ebitda margin of 54.2%. The decrease of 15.8% in the former *RSBE* Ebitda in relation to 2016 reflects the lower P&L of subsidiaries IE Madeira and IE Garanhuns.

INDEBTEDNESS

The increase in indebtedness is a consequence of the optimization of the company's capital structure to support the growth cycle.

Accordingly, in 2017, fund raising occurred as follows: 5th issue of infrastructure debentures in the amount of R\$ 300 million, in March 2017; international credit agreement, pursuant to Law No. 4131/1962, in the amount of R\$ 160 million, in July 2017; raising of R\$ 152 million through BNDES (the Brazilian Development Bank) in August and November 2017, for acquisition of machinery and equipment for implementation of the Investment Plan for the periods 2016 and 2017; and 6th issue of infrastructure debentures in the amount of R\$ 350 million in December 2017.

ISA CTEEP's consolidated cash and cash equivalents totaled R\$ 616.6 million at December 31, 2017, an increase of 81% in relation to December 31, 2016, when cash equivalents reached R\$ 340.6 million. This increase was mainly due to the beginning of the *RBSE* cash inflow in July 2017 and to the higher volume of fund raising in the period.

As a result, the consolidated net debt totaled R\$ 1,326.3 million, an increase of 98% in relation to the net debt at the end of 2016.

LOANS AND FINANCING (R\$ MILLION)	2017	2016	Δ %
Gross Debt	1,943.0	1,010.4	92.3%
Short Term	451.4	264.0	71.0%
Long Term	1,491.5	746.4	99.8%
Cash and cash equivalents ISA CTEEP and Subsidiaries	401.7	161.9	148.1%
Net Debt ISA CTEEP and Subsidiaries	1,541.3	848.4	81.7%
Cash and Cash Equivalents Joint Ventures*	214.9	178.7	20.3%
Consolidated Net Debt	1,326.3	669.8	98.0%

(*) The Company's funds are concentrated in exclusive investment funds, which are also used for investment by subsidiaries and jointly-controlled entities, and refer to quotes of high liquidity investment funds, readily convertible into cash, regardless of the maturity of the assets allocated thereto.

The covenants and requirements established for all issues have been duly met by the company.

The average cost of consolidated debt decreased from 11.4% p.a. at December 31, 2016 to 8.3% at December 31, 2017. The IPCA (Extended Consumer Price Index) for 2017 was 2.95% and the CDI (Interbank Deposit Certificate) was 6.99%. The average maturity of the consolidated debt at December 31, 2017

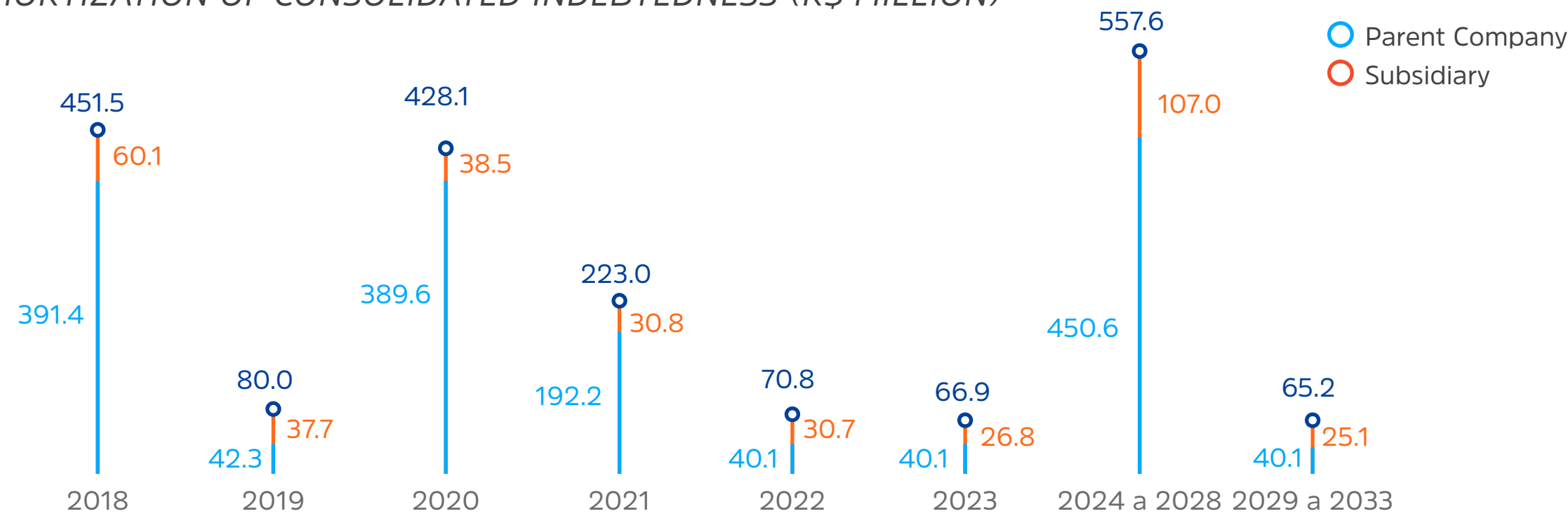
was 3.3 years, compared with 3.4 years at the end of 2016.

Below is the amortization schedule of the consolidated debt (parent company and subsidiaries), broken down by contract and its respective indices. For the years 2018, 2019 and 2020, the net debt to Ebitda ratio is ≤ 3.5 .

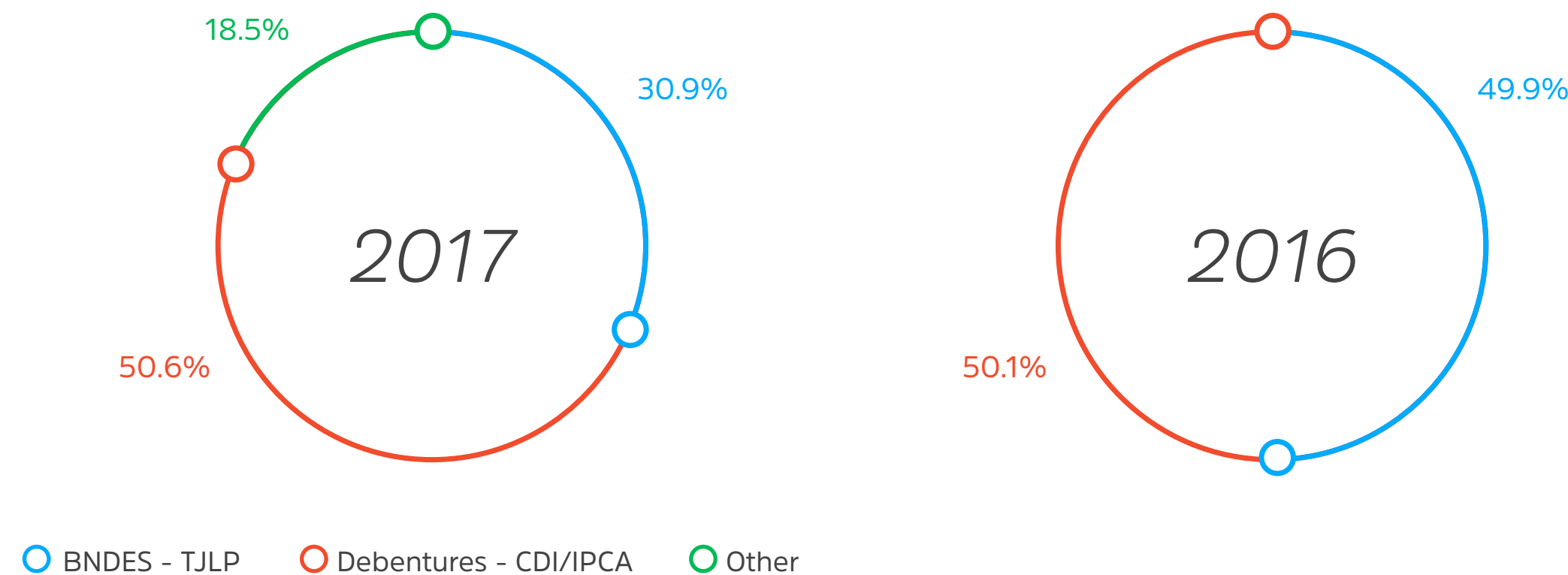


Fitch Ratings, one of the world's leading credit rating agencies, has maintained ISA CTEEP's credit rating at 'AAA(bra)', with Stable Outlook.

AMORTIZATION OF CONSOLIDATED INDEBTEDNESS (R\$ MILLION)



DEBT TAKEN OUT AND INDICES



INVESTMENTS

ISA CTEEP's investment strategy contributes to its sustainability and creates value for all stakeholders. In this context, 2017 has shown an improvement in the company's organic investments.

During that year, ISA CTEEP, its subsidiaries and associates invested a total of R\$ 294.9 million, of which:

- R\$ 197.9 million in reinforcements, new connections, modernizations and improvements, which generate additional revenue for the company
- R\$ 85.4 million in investments in subsidiaries to complete the original project works, as well as possible improvements and reinforcements, which will contribute to the generation of additional revenue for the company
- R\$ 11.6 million in corporate and telecommunications projects

In 2017, of the total project portfolio, 194 became operational, with an investment of R\$ 167 million and RAP of R\$ 49 million. The associated RAP increased by 17% mainly due to the review by the Price Bank in the 2017/2018 tariff cycle.

The investment plan for 2018 is of up to R\$ 679.5 million, of which:

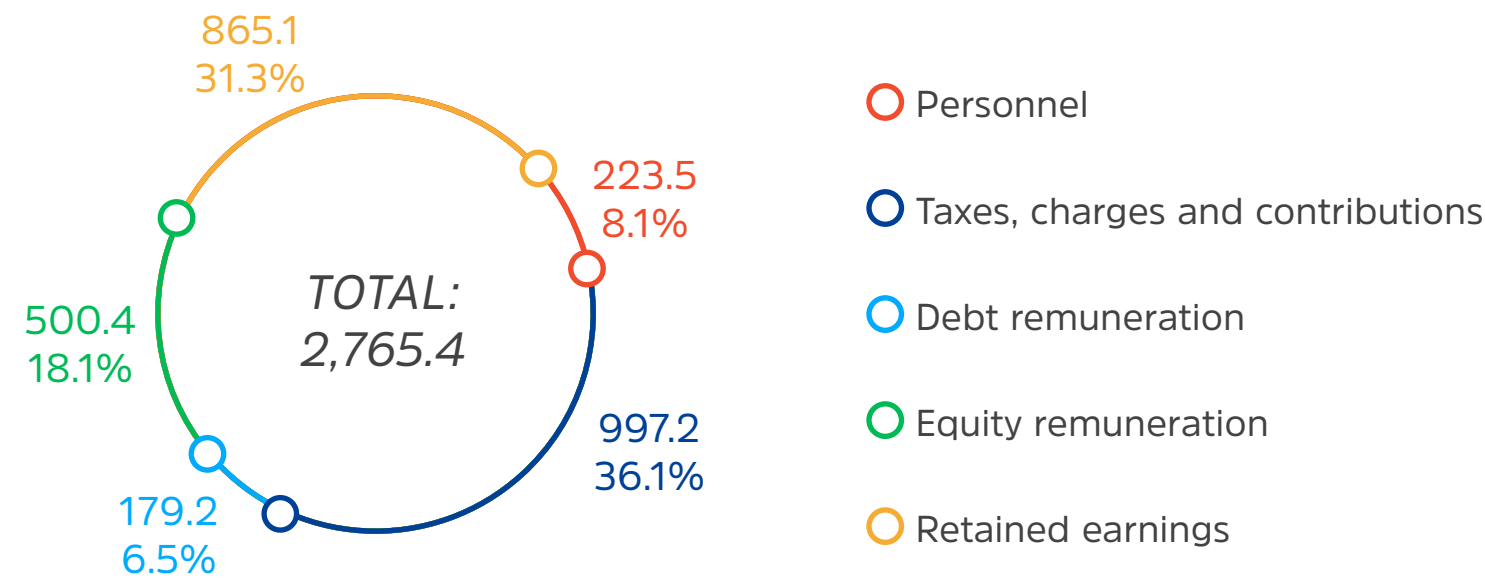
- R\$ 220 million in reinforcements, new connections, modernizations and improvements in the parent company
- R\$ 440.4 million in investments in the new subsidiaries and for completion of the original project works of IE Madeira and IE Garanhuns, in addition to reinforcements and improvements in other subsidiaries
- R\$ 19.1 million in personnel and corporate capitalization

STATEMENT OF VALUE ADDED (SVA)

GRI 201-1

In 2017, the net value added available to the company (the purpose of which is to evidence the wealth created by the company) totaled R\$ 2,765.4 million and was distributed as shown in the chart below.

STATEMENT OF VALUE ADDED (R\$ MILLION)



CAPITAL MARKETS

GRI 102-7

At December 31, 2017, the Company's capital stock was divided into 64,484,433 common shares (TRPL3) and 100,236,393 preferred shares (TRPL4), totaling 164,720,826 shares traded on the São Paulo Stock Exchange (B3). ISA CTEEP's common and preferred shares (B3: TRPL3 and TRPL4) were quoted at R\$ 58.77 and R\$ 66.90, respectively, at year-end.

The company market value as at December 31, 2017 was R\$ 10.5 billion, and free float was 64% of total shares. Its capitalization level is 17%.

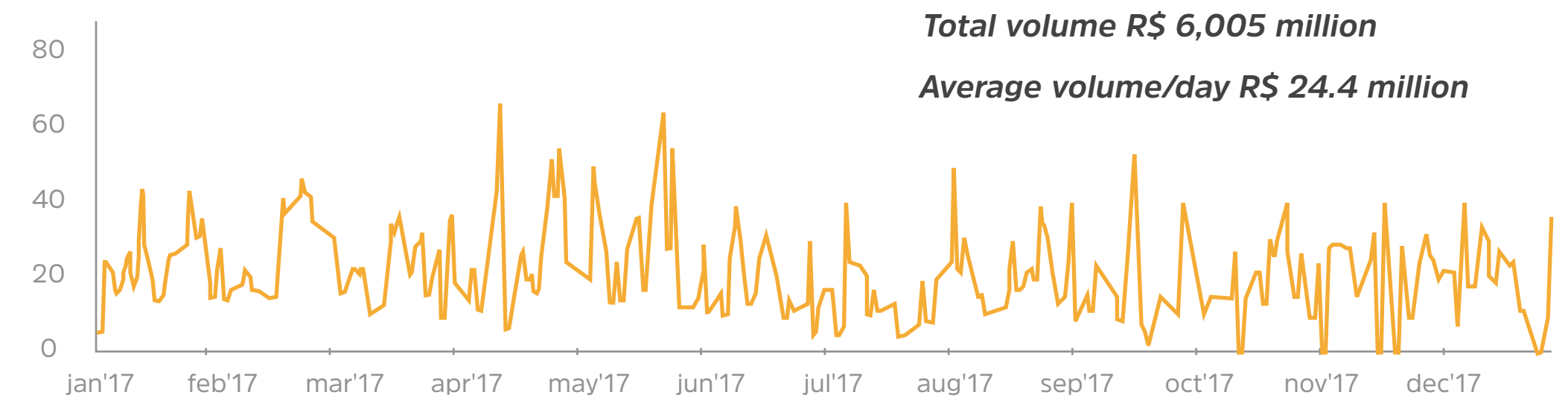
Throughout 2017, ISA CTEEP's preferred shares recorded an average daily trading volume at B3 of R\$ 24.4 million, down 10.9% in relation to 2016. The total TRPL4 volume traded in the year was R\$ 6,005 million. The average daily trading of preferred shares was 2,077,

representing a 20.5% decrease compared with the 2016 average daily trading. ISA CTEEP's preferred shares reached 510.9 thousand trades in 2017.

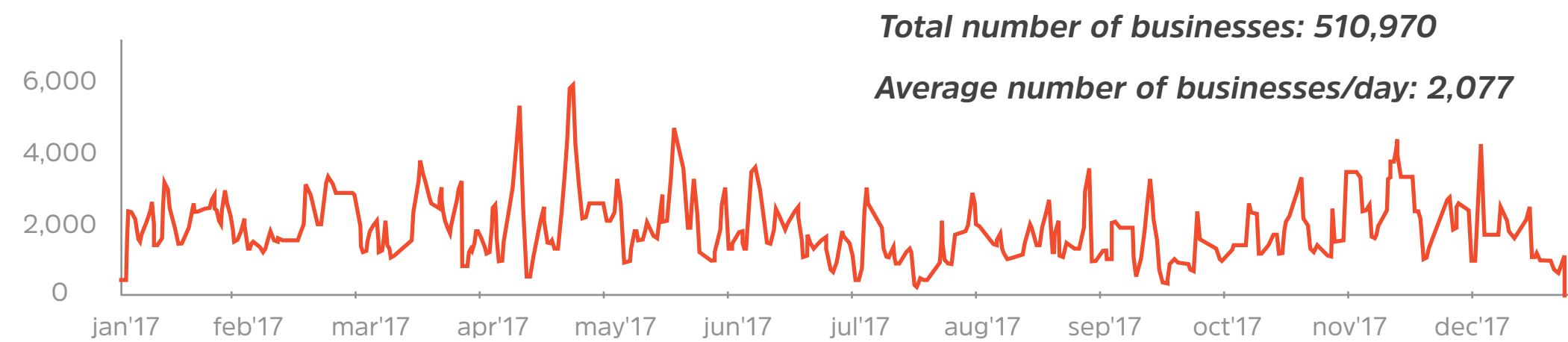
PERFORMANCE OF SHARES



FINANCIAL VOLUME TRADED UP TO 12/31/2017 (R\$ MILLION)



NUMBER OF BUSINESSES UP TO 12/31/2017 (UNITS)



RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

GRI 102-43

ISA CTEEP follows corporate governance principles for purposes of management transparency, of increasing its institutional value and of investor access to capital. The recommendations for the company's business conduct are stated in the Code of Corporate Governance and the Code of Ethics. Learn more about ISA CTEEP's corporate governance on page 24.

In 2017, the company paid approximately R\$ 600 million in dividends, the largest payment since 2012. That year also recorded a breakthrough in exposure, dialogue and transparency with the market. The challenge for 2018 will be to strengthen this relationship even more, and make it clearer, and to define a dividend policy.

For that end, ISA CTEEP will schedule domestic and international events, as well as improve the investor relations website and arrange for new communication technologies.

The communication channels for these stakeholders are:

- A dedicated IR website to meet the demand for information about the company: www.isacteep.com.br/ri.
- Daily contact through telephone and e-mail (ri@cteep.com.br), as well as through meetings at the company's headquarters.
- Teleconferences, webcasts and publication of releases at every quarterly result disclosure (materials available in Portuguese and English).



SOCIAL AND ENVIRONMENTAL PERFORMANCE



EMPLOYEES

GRI 103-1, GRI 103-2, GRI 103-3

Accompanying the achievements in the transmission bids, which mark the beginning of a new cycle of growth, ISA CTEEP has also evolved in the area of people management.

The company was elected one of the “Best Places to Work” by GPTW (Great Place to Work), up 20 positions in the ranking compared to 2016; advanced five percentage

points in the Climate Survey, and was among the 90 companies with the best organizational climate in Brazil, according to the Hay Group.

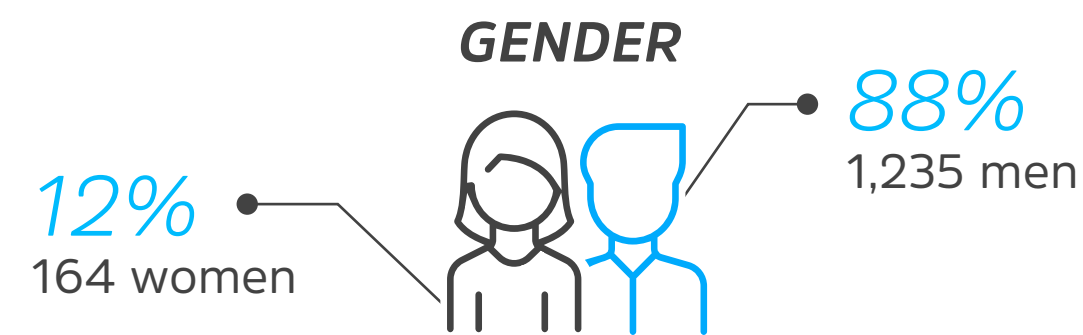
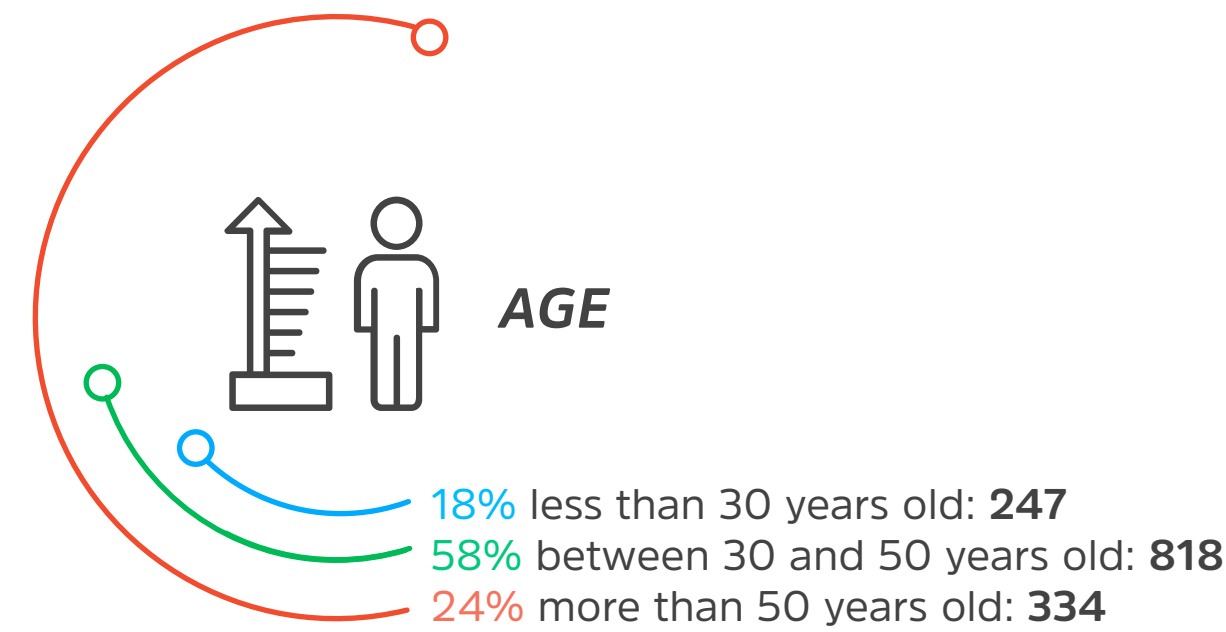
One of the highlights of the year was the implementation of the internal human resources advisory model (known as Business Partner in the market), in which

HR professionals act as strategic business partners, connecting processes and resources to the objectives of the organization and strengthening managers for decision-making. In addition, the company continued the development of leadership through the ELO Program; strengthened the culture of safety

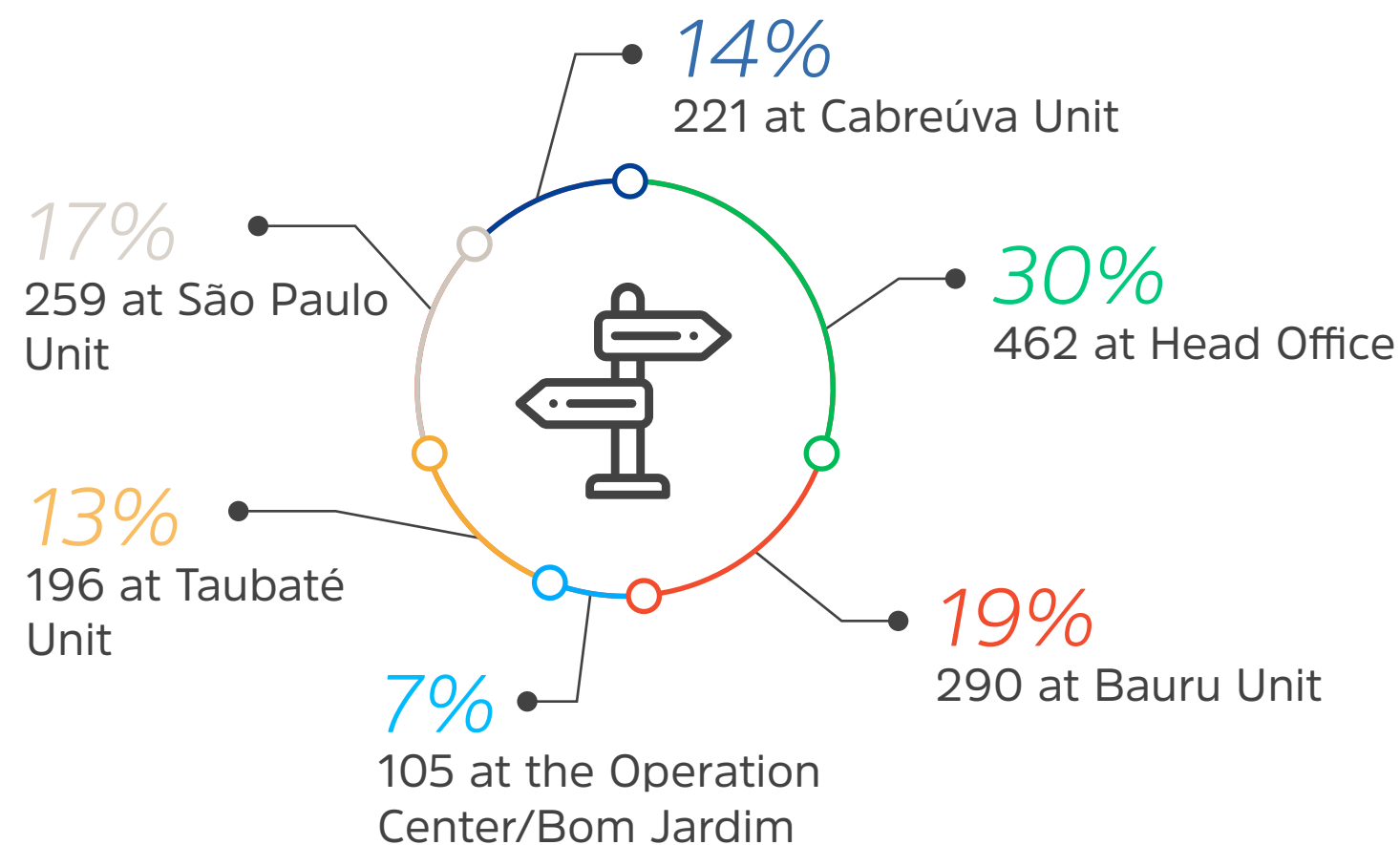
at work, reducing the number of accidents by 36%; implemented a new performance management methodology; and launched a recognition platform. Below is the profile of ISA CTEEP’s professionals as well as a summary of the main initiatives implemented in 2017.

Employee profile

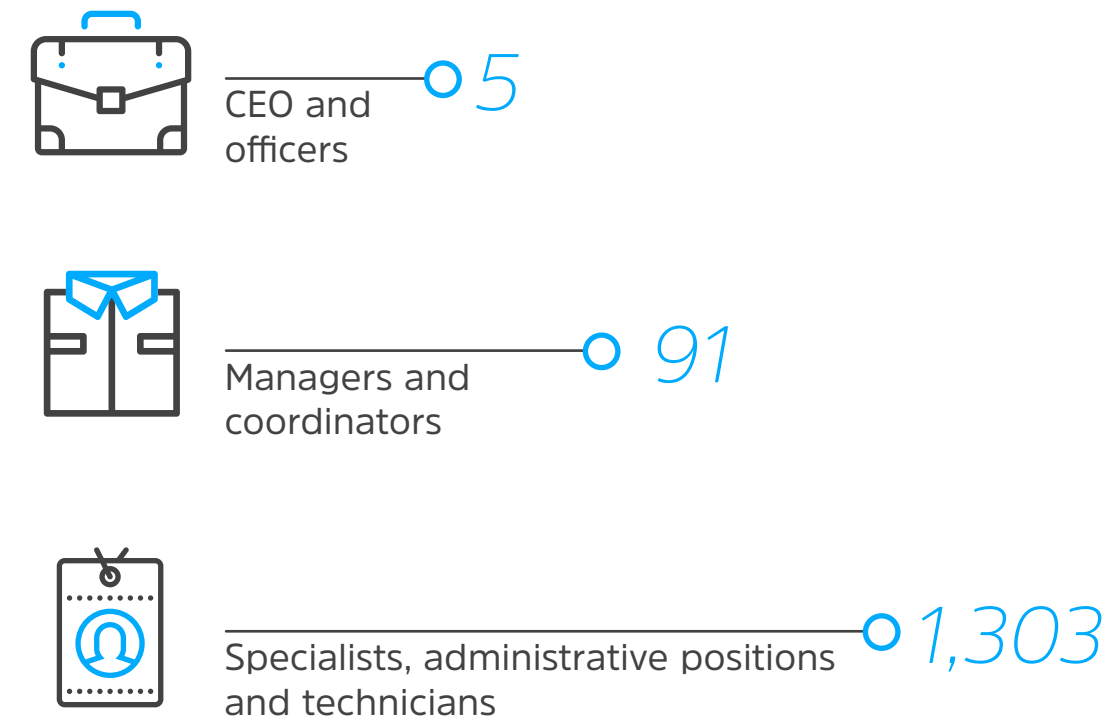
GRI 102-7, GRI 102-8, GRI 405-1



DISTRIBUTION BY BUSINESS UNITS



JOB CATEGORY



Refer to the GRI Appendix for more detailed information on employee profile - identified as GRI 405-1.

Organizational climate

GRI 102-43

The 2017 Organizational Climate Survey achieved the best result since its first application at ISA CTEEP. The favorable rate rose five percentage points over the prior year, reaching 83%. This result guaranteed the third position among ISA Group companies and the inclusion of ISA CTEEP in the select group of the 90 companies with the best organizational climate in Brazil (called P90) in the Hay Group ranking.

93% of employees answered the survey. This high percentage demonstrates the professionals' confidence in this consultation tool. After all, year after year, the results are taken into account for the organization's strategy planning, with the preservation of the identity of the participants.

This improvement in the result is only possible because the company uses this survey as a management tool and establishes action plans with the purpose of improving its performance in the items that received a negative evaluation.

The aspects in which ISA CTEEP showed substantial advances in 2017 were related to the simplicity of processes that reflect agility in decision-making, incentive for new ideas and opinions, autonomy to implement these ideas, collaboration between different teams, and recognition and feedback on performance.

Development of leadership

GRI 404-1, GRI 404-2, GRI EU14

In 2017, ISA CTEEP continued the ELO (Evolve, Lead and Get) Program, focused on training managers for organizational challenges. Two meetings were held with coordinators in April, launching "Module 1 - What is your work?", which proposed reflections and presented tools so that each professional could discover and design their life purpose and their individual development plan, with the support of the Program.

In this event held with the entire leadership, the company invited the philosopher, writer and professor Mario Sergio Cortella, who spoke about the importance of the courage to lead, a leader's responsibility for the lives of people, seeking excellence - always do the best and not only the possible - and the benefits of willing to learn continuously.

In May, it was the turn of managers and officers, who participated in "Module 2 - Leading."

Another important initiative was the "Strategy and Culture for High Performance" event, which gathered officers, managers and coordinators at the beginning of 2017 to address the outlook for the year, challenges for business growth, and the contribution of cultural traits to the implementation of the business strategy.

Throughout the year, the leaders took part in other development activities and received individualized strategy advisory (executive coaching).

Trainings

GRI 404-1, GRI 404-2, GRI EU14, GRI EU15

ISA CTEEP promotes the education and professional training of its employees on an ongoing basis, in order to prepare them for the challenges of the electric power transmission sector. In 2017, approximately R\$ 3 million were invested in formal training and development, including technical courses (regulatory/mandatory), business courses, leadership development focused on the adaptive capacity of leaders and coaching with external professionals. In 2017, training and development totaled 79,136 hours, representing an average of 56.6 hours per employee. These trainings are distributed in 667 internal classes, with 6,248 attendants, and 167 external trainings. Classroom courses, distance learning and classes at the workplace are the modalities used by the company.

The Education Incentive Program, which helps finance part of the education costs relating to the business areas and skills desired by the company, enabled 142 benefits, of which 60 were granted to maintain prior-year benefits, and 82 new grants. From these new applications, 41 were for technical and undergraduate courses, 27 for language learning, and 14 for post-graduate courses or MBA.

The organization is designing a career transition and knowledge management program to support the professionals who will retire. This matter is relevant, since currently 76 active employees have sufficient retirement age or pension contribution period, and to that number 212 employees will be added by 2022, and a further 153 between 2022 and 2027.

Refer to the GRI Appendix for more detailed information on training – identified as **GRI 404-1**.

Performance management

GRI 404-3

In 2017, ISA CTEEP implemented the Nine Box tool to evaluate the organization's talents, considering the performance necessary to achieve goals and the competencies required for the function. One of the differentials of the process is the calibration stage, which is conducted by a multidisciplinary committee and allows a full evaluation of employee's deliveries and behavior.

The steps are supported by an online performance management platform (SAP Success Factors) which includes: goal setting, progress monitoring, assessment of transversal competencies and performance, calibration, feedback and preparation of individual development plan. All the employees who work for the company for over six months (except trainees and interns) participated in the 2017 assessment cycle. The use of this platform will be expanded in 2018, connecting "performance" to "development" in the Learning Module.

The adoption of this assessment methodology gave more transparency to performance management and to the system of rewards for differentiated performance.



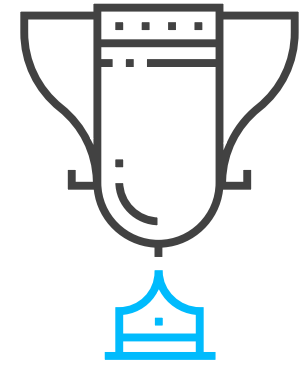
New recognition platform

ISA CTEEP's culture of celebration and recognition received reinforcements. In 2017, the company launched the platform "More connections with you", which gathers different recognition initiatives in order to contribute to the motivation and well-being of employees. This platform is supported by three pillars – motivation, attitude and results – and initially covers four recognition initiatives:

- More stories with you – honors professionals for time at the company (5, 10, 15, 20, 25, 30, 35 and 40 years) and recognizes, based on a contest, the legacy of employees in the excellence, leadership and sustainability categories.
- More examples with you – recognizes the good work based on results and on demonstration of company culture and values.
- More safety with you – recognizes units with outstanding performance in safety.
- More days with you – encourages the culture of celebration on predetermined festive dates of the corporate calendar.
- Initiatives such as this directly contribute to attracting and engaging talents, and the company also expects them to reflect on the turnover rate, which increased in 2017 from 7.04% to 8.54%.

Iniciativas como essa contribuem diretamente para a atração e o engajamento de talentos, o que a empresa espera refletir também sobre a taxa de rotatividade, que em 2017 apresentou aumento, passando de 7,04% para 8,54%.

Refer to the GRI Appendix for more detailed information on turnover – identified as **GRI 401-1**.



One of the best companies to work for

For the second consecutive year, ISA CTEEP was recognized as one of the best Brazilian companies to work for in the ranking prepared by GPTW (Great Place to Work), **an institution that has been making surveys on organizational climate and culture since 1997 in more than 50 countries. The company won 49th place, up 20 positions in relation to the last edition of this survey.**

This result is obtained from questionnaires applied to company employees and analysis of supplementary documents containing information on cultural practices, organizational profile and other matters.



Awards at the Journeys of Knowledge and SNPTEE

ISA CTEEP professionals were awarded at ISA's Journeys of Knowledge, **an event that brings together all the group companies to exchange knowledge and successful experiences**, and at the National Seminar on Electric Power Production and Transmission (SNPTEE), which is considered the most significant event of the Brazilian electric utilities sector. At the Journeys of Knowledge, the company won 2nd place in "Transmission Lines" and "Maintenance Management", 3rd place in "Electrical Substations" and "Business Environment", and honorable mention in the category "Technicians and Assistants with Best Scores". At SNPTEE, the work on "Depreciated assets in the electric power transmission sector" was awarded by the "Electric Systems Planning" group.

Occupational health and safety

**GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4,
GRI EU16, GRI EU18, GRI EU25**

ISA CTEEP has a solid set of policies, procedures and practices that promotes a healthy and safe environment for its professionals. And to intensify work on health and safety and strengthen a culture of prudence in the organization, the company revitalized existing initiatives and introduced new management tools in 2017.

MAIS (Mudança de Atitude Inspira Segurança - Attitude Change Inspires Safety) is one of the highlights of the year, since it was enhanced and standardized for the four regional units of the company, with the objective of gaining the engagement of employees of operational technical functions. Initially a program, MAIS became a process, focusing on the continuous improvement of performance in safety.

The methodology is still based on behavioral changes; therefore, trainings are still crucial for the success of this initiative. The most recent action was the training of "observers" through a five-module course, applied to 89 professionals, such as managers, coordinators and assistant engineers. They should make voluntary and planned observations and prepare their teams for that same work.

The safety observations are not random. The MAIS process proposes a routine to identify





behaviors and conditions that could pose a risk to the integrity of people, based on a predefined inspection route and a list of requirements. Eight categories are checked: 1) personal protective equipment, 2) worker's position, 3) compliance with procedures, 4) tools and equipment, 5) order, cleaning and storage, 6) worker's reaction, 7) work conditions, 8) environment. In this checklist, the systemic causes of deviations are classified as: poor information; insufficient training; reduction of skills; incorrect motivation; material resources; environmental and ergonomic conditions; and neglect. From these classifications, effective control measures should be proposed.

The company has maintained other successful practices, such as meetings of the Health and Safety Management Committee, which monitors indicators and discusses key employee protection issues, and its governance structures for the subject, such as Cipa (Internal Commission for Prevention of Accidents at Work), which represents all employees through 14 groups distributed in the company.

Safety integration was also maintained, which is mandatory for all employees – own employees and of contractors – who have authorized access to the company's facilities. During the year, 222 contractors and subcontractors received this training. In addition, safety requirements are a condition for the supply of products and services, as set

forth in contractual clauses. The company's general responsibilities towards the physical integrity of employees are also addressed in all ten currently effective Collective Bargaining Agreements.

The results of this set of practices are expressed in the indicators corresponding to this subject, which showed a significant improvement compared to 2016, especially the 48% decrease in the number of accidents.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS (*)	2015	2016	2017
Accident severity rate	29.65	10.95	3.72
Rate/frequency of injuries (CAF)	2.10%	0.41%	0.20%
Occupational disease rate	0	0	0
Lost day/severity rate (TDP)	18.626.86%	10.95%	3.72%
Absentee rate (TA)	0.70%	0.69%	0.52%
Number of fatalities	1	0	0

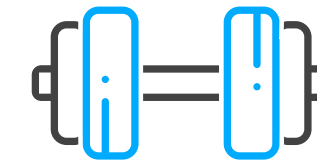
(*) Frequency and severity rates are referenced in NBR 14280, with the exception of the constant 1,000,000. In this case, the company uses the constant stipulated by the ISA Group (= 240,000), which considers 100 people x 50 weeks (annual) x 48 hours (weekly). These are considered typical accidents with leave and with issue of CAT (Occupational Accident Communication). Data segmentation by gender is not used. The high lost day rate in 2015 is due to a fatality in the period; according to NBR 14.280, 6,000 days should be deducted from this indicator.

In 2017 no employee suffered accidents due to exposure to electricity. In addition, no external accidents involving company assets (and involving people in the surrounding communities, for example) have been recorded.

The activities performed by ISA CTEEP employees do not present a high incidence or risk of diseases relating to their profession. Employees working in a “controlled zone” (perimeter classified as high risk exposure to potentially dangerous agents, in this case, electricity) need a

specific authorization to access these areas, which can only be obtained and maintained through periodic training and examinations determined by the company.

Refer to the GRI Appendix to access occupational health and safety indicators by regional branches – identified as **GRI 403-2**.



Welfare and preventive healthcare

In 2017, ISA CTEEP began to offer *Gympass* to its employees. This benefit gives access to a wide network of gyms throughout Brazil. With a choice of five plan options (with partial subsidy from the company), employees can attend different gyms every day, paying, on average, less than half the traditional gym fee. With this benefit, the company hopes to stimulate physical activities, the balance between personal and professional life, as well as prevent diseases related to a sedentary lifestyle.

The company continued other actions intended for the well-being and preventive healthcare of its employees, such as periodic health examinations, promotion of sports activities and nutrition monitoring. For 2018, ISA CTEEP intends to intensify its approach to preventive healthcare, with initiatives that contribute to the physical and emotional well-being of its employees.

SOCIETY

GRI 416-1

Based on the assumption of value creation for society, ISA CTEEP maintains communication channels with this stakeholder, implements programs that promote awareness for the communities adjacent to power transmission facilities, as well as promotes projects focused on health and training of young people at risk for the job market, and disseminates culture and sports. In 2017, investments on these actions totaled R\$ 6.5 million.





Contact Us

Requests for information, doubts and complaints are received through the Contact Us channel, which can be accessed through ISA CTEEP's website.

Controlled through a digital management tool, the requests are received by the Corporate Communication team, which directs the matter to the function in charge. The team is also responsible for responding to the request as soon as possible, answering the question or taking an action, as applicable.

In 2017, the channel received 205 complaints about impacts of the company's activities on society, a decrease of 10% in relation to 2016, when 228 messages were registered.

Of the complaints received in 2017, 166 were resolved in the same year, representing an 81% resolution rate.

In addition to the Contact Us channel, there is an environmental communication procedure in the company's substations, which defines the routine for recording, monitoring and reporting third-party complaints made directly to the substations. In 2017, there was no environmental complaint filed through this channel.

ISA CTEEP is also present in the main social media:



Management of the business social impact

GRI EU20, GRI EU22

In its relationship with communities, ISA CTEEP values responsibility for the impacts of its activities. Aware of the safety of the population and of the services offered, it adopts preventive and corrective measures applicable to 100% of its operations. Learn more about these measures on page 22.

The company maintains strict quality standards in its operations, seeking to prevent failures and minimize risks as much as possible, making improvements in projects and processes at all times. It also seeks to be closer to the communities surrounding the transmission lines, especially by giving instructions about safe living next to the electrical grid.

As a large part of ISA CTEEP's transmission lines is located in urban areas, where 89% of the Brazilian housing deficit is concentrated, even with the adoption of preventive and corrective measures, open areas such as the electric power transmission safety corridors are vulnerable to invasions – a situation that increases the exposure of surrounding communities to risks.

Therefore, ISA CTEEP monitors these areas and, whenever it identifies situations that expose people to some type of risk, the company takes the necessary measures. For instance, in a situation of trespassing, ISA CTEEP formally notifies trespassers about the risks of remaining in the area. The company provides means for voluntary eviction, such as transportation or

custody of belongings. If the removal is not voluntary, an application for repossession is filed, and when a warrant is issued, the repossession is conducted jointly with the local government and other public bodies so that adequate resources are provided for a safe and peaceful operation.

Throughout 2017, ISA CTEEP conducted 32 repossessions, which caused the displacement of approximately 610 people. Of the 32 repossessions, 31 had the purpose of removing an average of 15 to 20 families (each family has four persons on average).

Projects and Programs

In 2017 the Company invested approximately 6.5 million, through its own resources and incentives, in the projects detailed below.



PROGRAM	INVESTED AMOUNT
---------	-----------------

33 rd Biennial – Tax Incentive Law	R\$ 3 million
<i>Doutores da Alegria</i> (Doctors of Joy) – Tax Incentive Law	R\$ 400 thousand
<i>Trilhas da Energia III</i> (The Energy Trail III) – Tax Incentive Law	R\$ 400 thousand
Criar Institute – Tax Incentive Law	R\$ 450 thousand
Hospital de Câncer de Barretos (cancer hospital) – Tax Incentive Law	R\$ 500 thousand
GRAACC – Tax Incentive Law	R\$ 500 thousand
CEAP (Vocational and Educational Support Center) – Tax Incentive Law	R\$ 240 thousand
PROF Institute – Tax Incentive Law	R\$ 314 thousand
Instituto Esporte e Educação (Institute for Sports and Education) – Tax Incentive Law	R\$ 250 thousand
<i>Amigos da Energia</i> Program	R\$ 370 thousand
Exhibition Matiz-Gabo	R\$ 65 thousand
Association of Social, Cultural and Business Exchange Brazil-Colombia	R\$ 20 thousand
<i>Energia Solidária</i> – voluntary actions	38.7 thousand

Amigos da Energia

GRI 102-43, GRI 413-1

Among the society-related actions, the highlight is *Amigos da Energia* (Friends of Energy) - Risk Prevention and Community Relations Program.

The program purpose is to conduct educational, orientation and relationship activities aimed at the communities adjacent to the company's facilities, especially in regions considered to be highly socially vulnerable, which present risks to the company's business and/or the population.

To that end, lectures are given on topics such as: the role of electric power transmission to the country, the company's social and environmental responsibility, risks related to irregular field burning and accidental fires, guidelines for the operation of agricultural machinery near transmission lines, concept of safety corridor and the importance of keeping it clean and unoccupied, the correct waste disposal, the dangers of flying kites and dropping balloons near the electrical grid, among others.

In 2017, ISA CTEEP invested R\$ 370,000 in the program, which reached 8,382 people in 218 municipalities.

“Plantando na faixa”

GRI 102-43

Another example of the company's social and environmental initiative is “*Plantando*

na faixa” (Planting in the Corridor), a pilot project carried out under the right of way of a transmission line, in the Vila Nilo district, in Guarulhos (São Paulo State), a socially vulnerable area.

Historically, ISA CTEEP has invested significant amounts in the region for repossession, debris removal and surveillance processes. With this project, the company is saving R\$ 179 thousand per year, besides benefiting the surrounding community; curbing trespassing; minimizing the risks to energy facilities, the community and its employees; and supporting the social and environmental and socio-economic development of the area.

The success of this action led the company to begin studying other lines with similar characteristics to expand the project.

Energia Solidária

The program encourages volunteering, through the exchange of information and experiences among employees and joint corporate actions, which benefit communities in situations of high social vulnerability.

The actions taken in 2017 include gathering of toys in the Christmas Campaign, in which employees donated 580 new toys that were sent to 15 institutions. The Abring Foundation formally recognized ISA CTEEP as a partner of the Our Children Network in its 2017 Annual Report. In addition, the company provides assistance to Instituto C (São Paulo

Children Health Association), which offers medical, nutritional, psychological and legal assistance for families in situations of poverty and high social vulnerability.

In addition, as a voluntary action by ISA CTEEP's employees, the company donated R\$ 23,900 to the Colombian city of Mocoa, affected by natural disasters. Half of this amount was donated directly by the employees in solidarity with the affected population, showing that citizens' actions have no borders.

Promoção Cultural Brasil Colômbia

With the purpose of promoting the Colombian culture, ISA CTEEP was one of the sponsors of the exhibition that celebrated Gabriel Garcia Márquez's 100th birthday, in Brasília.

In addition, it supported the creation of the Business and Cultural Association Brazil Colombia, which aims to strengthen the relationship between the two countries, promoting cultural and business exchange opportunities, with contributions of R\$ 65 thousand and R\$ 25 thousand, respectively.

Projects benefited by tax incentives

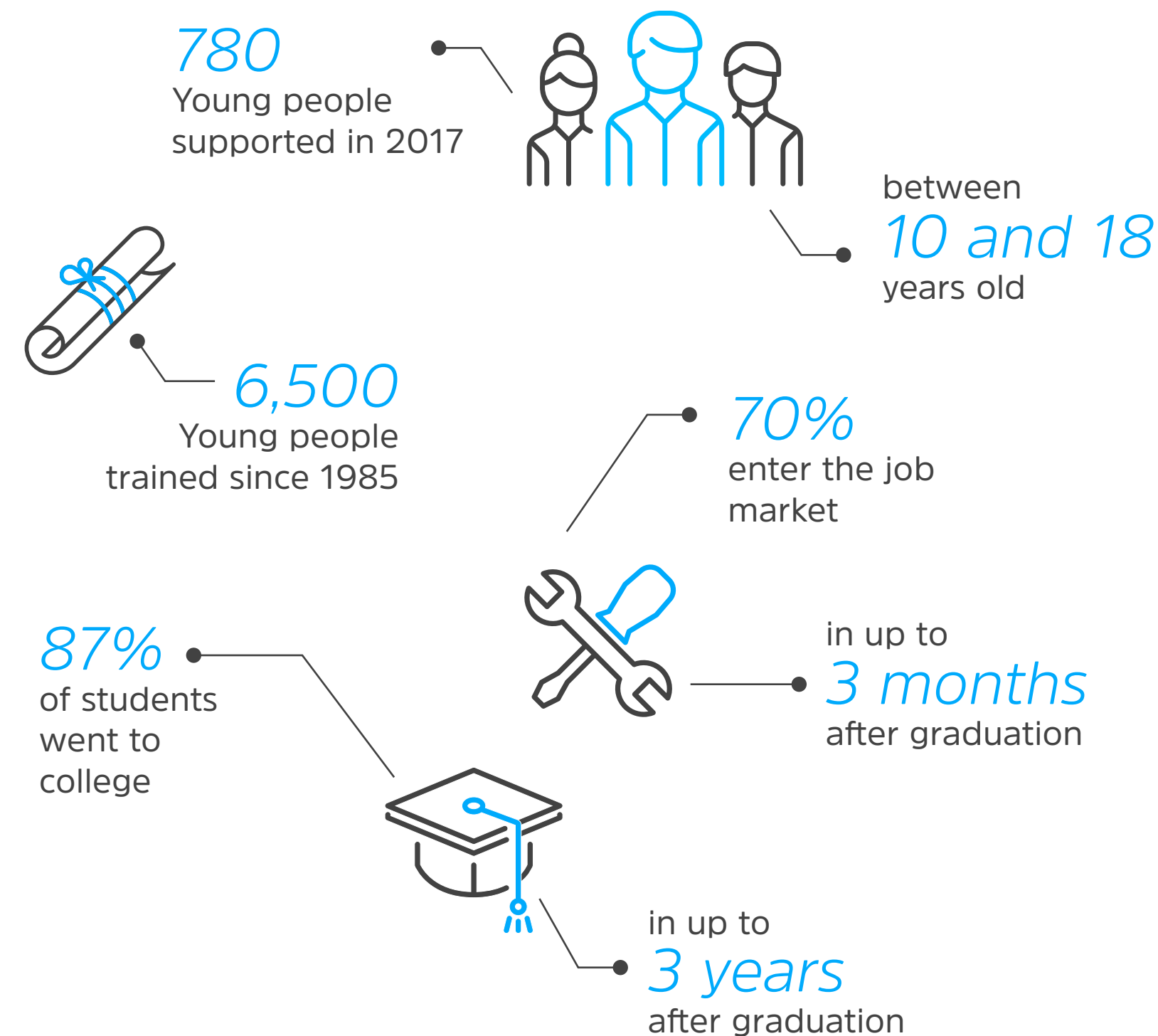
CEAP (Centro Educacional Assistencial Profissionalizante)

Type of incentive: State Council for the Rights of Children and Adolescents (CONDECA)

Located in Cidade Ademar district – which ranks 81st in HDI (Human Development Index) among the 96 districts of the city of São Paulo, according to IBGE (Brazilian Institute of Geography and Statistics) – CEAP offers technical and vocational training for young people between the ages of 10 and 18 who attend regular schools, and trained 6 thousand people over its 32 years.

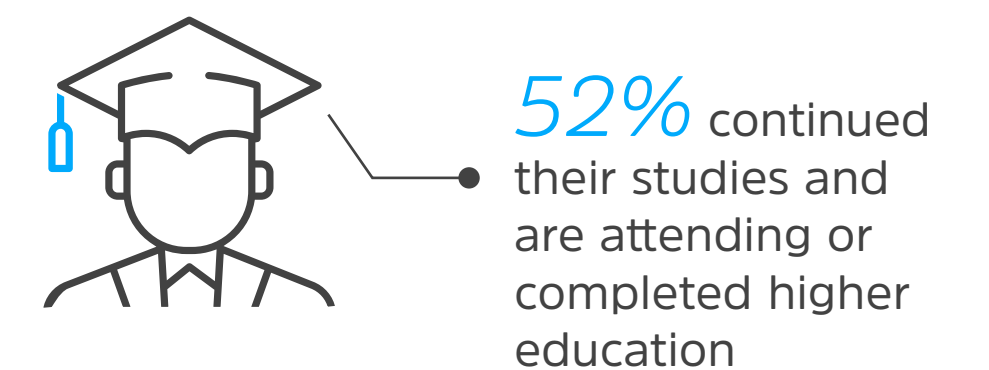
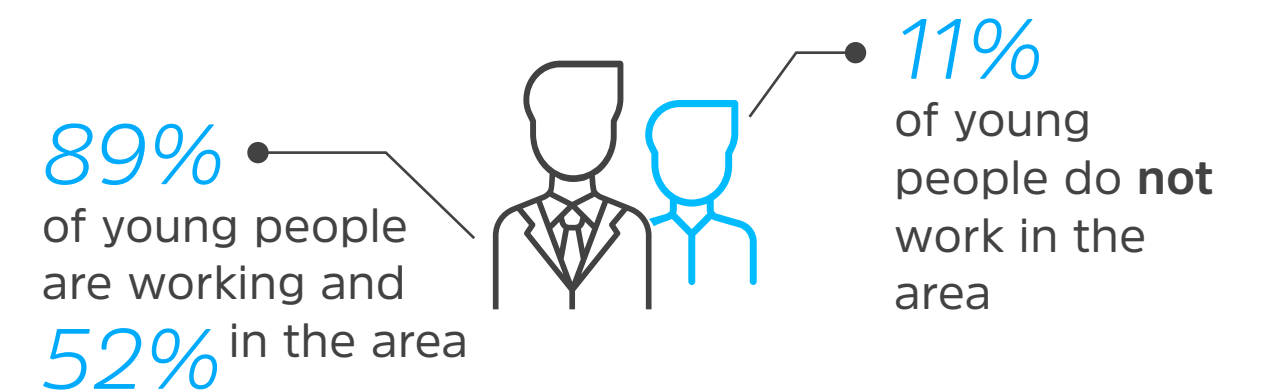
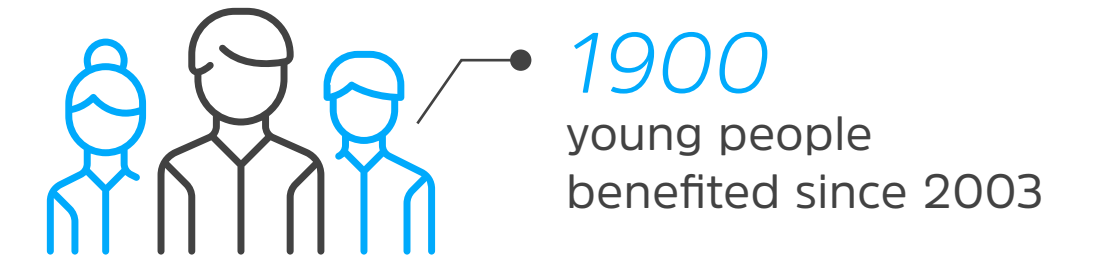
These courses are designed to help young people develop and enter the job market. In addition, the institution has a human training project for its students together with their families. For the organization, the student continues to be part of its initiatives, even after completing the course: through the Internship and Professional Placement Center, former students are benefited by a number of actions aimed at entering or re-entering the job market.

At CEAP, ISA CTEEP is sponsoring the project *Novos Rumos* (New Directions): Professional Qualification of Young People in Computer Network Technical Course.



Instituto Criar

Type of incentive: Rouanet Law/Audiovisual Law



Founded in 2003 by presenter Luciano Huck, Criar Institute promotes professional, social, cultural and personal development free of charge for young people in situation of social vulnerability, through professional training for the audiovisual industry.

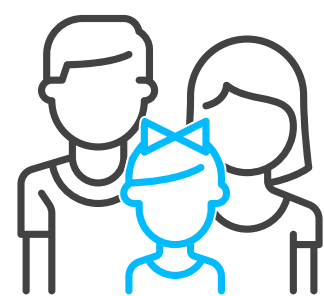
The purpose of Criar is to help its participants transform creative skills into economic assets and stimulate innovative models for audiovisual productions.

Instituto PROF

Type of incentive: State Council for the Rights of Children and Adolescents (CONDECA)

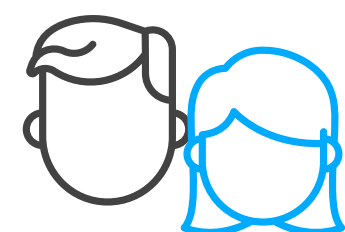
The entity's purpose is to help develop citizenship and autonomy of children and young people living in Paraisópolis district, in São Paulo city, through reading. The institute promotes educational actions whose pillars are: writing and reading, logical reasoning, art, culture, sports and digital communication.

For young people attending high school, there is a basic training program, which assists them in entering the job market. At the same time, PROF accompanies children and young people with psychological and psychopedagogical assistance.



200 families benefited

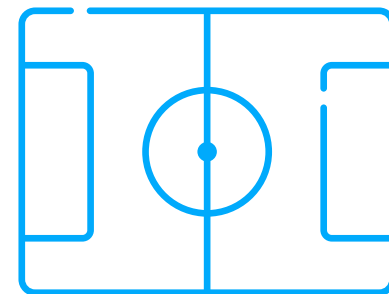
600 children and adolescents participate in the project



Instituto Esporte & Educação (IEE)

Type of incentive: Sports Law

3,1 million children and young people supported in the entire country



More than 40 thousand teachers trained

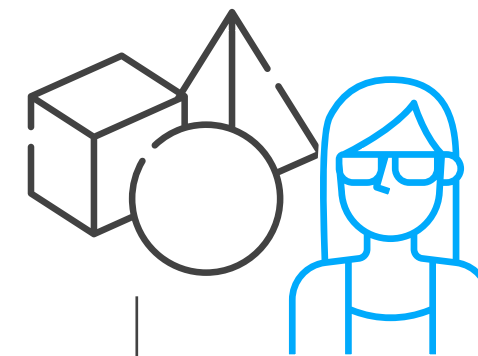
Esporte & Educação was founded by former Olympic athlete Ana Moser in 2001. This sports and education institute trains and develops low-income children and young people through physical education and sports.

IEE also trains and qualifies teachers and public managers to develop educational sports in the municipalities indicated by the institute. ISA CTEEP supports São Luiz Unit.

Bienal

Type of incentive: Rouanet Law

Sponsored by ISA CTEEP since 2015, the institution develops artistic, educational and social initiatives, and holds the most important contemporary art event in South America every two years. The São Paulo Biennial has been held since 1951 and gives visibility to artists from all over the world. The actions of the Biennial Foundation expand beyond its headquarters in Ibirapuera park to cities in Brazil and abroad. Last year, the Biennial went to 12 Brazilian cities and two abroad, among them Bogota, in Colombia.

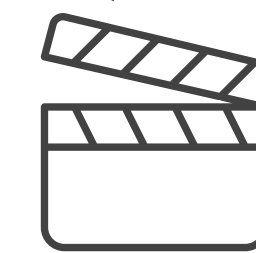


The last SP Biennial received 900 thousand visitors

Na Trilha da Energia III

Type of incentive: Rouanet Law/Audiovisual Law

60 screenings of the documentary on Futura channel



64 thousand views on Youtube

For the third consecutive year, ISA CTEEP sponsored the TV series "Na Trilha da Energia" (The Energy Trail), produced by Acende Brasil Institute and the production company Canal Azul. This series is in its third season, with five episodes about the Brazilian electric utilities sector and projects in various other countries, in a simple and accessible way for all audiences.

Doutores da Alegria

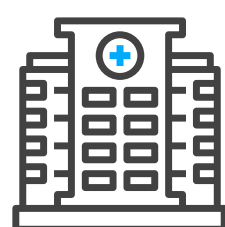
Type of incentive: Rouanet Law

For 27 years, the association Doutores da Alegria (Doctors of Joy) uses clown performances to interact with children, adolescents and other people in a situation of social vulnerability and risk at public hospitals and in adverse environments.

About 40 intensely trained professionals with artistic training rescue the power of imagination and improve the relationship in hospitals, often supporting medical treatments. Doutores da Alegria shares the knowledge produced through training, research, publications and artistic manifestations. The UN (United Nations) recognizes Doutores da Alegria as one of the 40 global best practices.

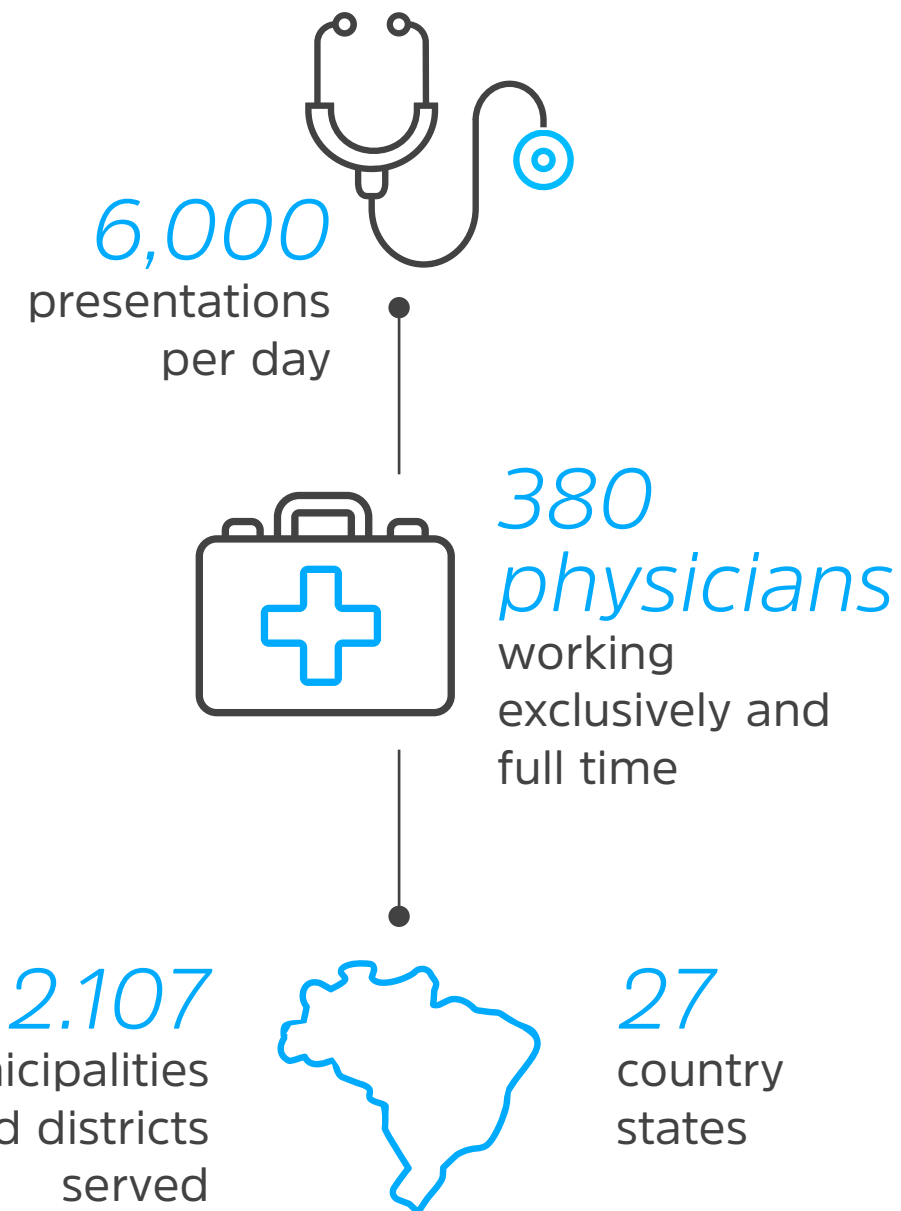


147.924 interventions of clowns at hospitals



Hospital de Amor Barretos

Type of incentive: National Law of the Elderly



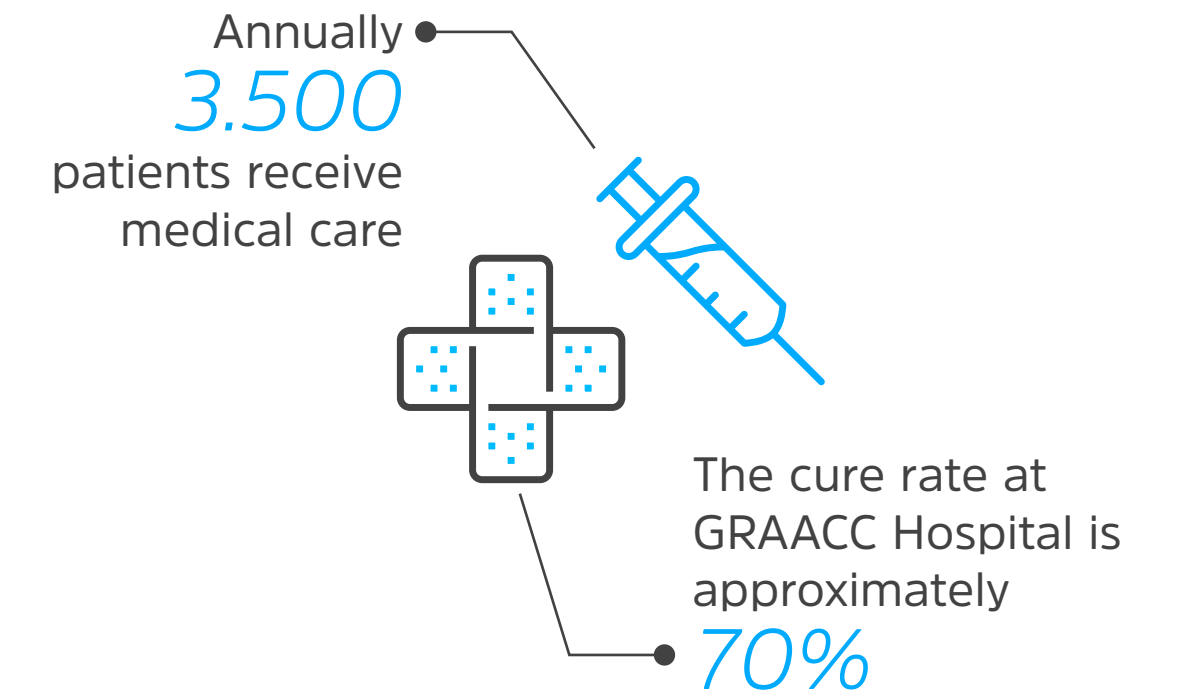
Since 2016, ISA CTEEP has sponsored the Hospital de Amor Barretos, the new name of Hospital de Câncer de Barretos, which provides free medical care for cancer patients.

ISA CTEEP supports the project "Support to the Elderly", whose purpose is to finance São Judas Tadeu hospital – palliative care and elderly care unit of the institution.

GRAACC

Type of incentive: Fumcad (Municipal Fund for Children and Adolescents)

Supported since 2015 by the company. In 2018, ISA CTEEP will support a project for the medical care of children and adolescents with cancer by professionals qualified in pediatric oncology at GRAACC Hospital.



ENVIRONMENT

ISA CTEEP is concerned about its environmental impacts and designs projects and actions that can contribute to the sustainability of the planet. Likewise, when the company identifies any action that is not in line with its guidelines, it suspends it and seeks solutions that are aligned with its ethical principles.

Some examples of projects are the right of way management (learn more on page 54), the Jaguar Connection Program, carbon credit generation from fleet fuel substitution and minimization of SF6 gas leakage, which are reported in the next pages of this publication.

Jaguar Connection Program

The first global project implemented by ISA began in 2017. It is the Jaguar Connection, a corporate sustainability program that contributes to the conservation of biodiversity and to the mitigation of climate change.

This program provides for the implementation of forestry projects to reduce greenhouse gas emissions in priority areas for the protection, recovery and connection of the jaguar habitat and corridors in Latin America, in territories where ISA operates. This initiative further encourages the self-sustaining development of local communities

by providing technical and financial support for the trading of carbon certificates under international standards.

This project was chosen due to the fact that many of ISA's facilities are in the jaguar habitat. This animal has an ecological role that is fundamental to the balance of the ecosystem.

Carbon credit

In a pioneering initiative in the electric utilities sector, ISA CTEEP joined the Carbon Credit project in June 2017, by replacing gasoline with ethanol in the 205 vehicles of its flex-fuel fleet in the four regional branches of the company.

The project virtually eliminates the consumption of gasoline, which is a source of GHG (greenhouse gas) emission.

In June 2018, one year after signing the agreement to join the project, ISA CTEEP's fleet will undergo an audit to prove the reduction of CO2 emissions, thus generating carbon credits. Each ton of CO2 – carbon dioxide, one of the greenhouse gases – that is reduced is equivalent to one carbon credit.

Reducing GHG emissions and investing in the preservation of forests and their biodiversity is one way of helping mitigate the climate change caused by global warming.

Emissions

[GRI 305-1](#), [GRI 305-2](#), [GRI 305-4](#), [GRI 305-5](#)

Following the methodological reference of the Brazilian Greenhouse Gas Protocol, ISA CTEEP calculates direct and indirect GHG emissions on an annual basis.

According to those parameters, the following GHG emissions were accounted for:

SOURCE	TOTAL IN TONS OF CO ₂ e		
	2015	2016	2017
Total direct emissions (Scope 1)	26,422.05	27,658.91	22,982.54
Total indirect emissions (Scope 2) from the acquisition of electric power	4,006.34	2,422.64	2,405.06
Total	30,428.39	30,081.55	25,387.60

The emission of greenhouse gases from replacement of SF₆, an insulating gas used in electrical equipment, corresponds to 90% of total emissions of scope 1. SF₆ is widely used by electricity concessionaires, and ISA CTEEP has a procedure that reduces this gas use impact on the environment.

In 2017, 909.49 kilograms of SF₆ were replaced in electrical equipment, and all the contaminated volume removed from the transmission network was sent to the partner company that recycles this gas and issues the “Certificate of Final Disposal of SF₆ Waste” to ISA CTEEP.

R22, the gas used in air conditioners, is reported separately from the GHG inventory by convention of the protocol that governs the Brazilian GHG Protocol Program. In 2017, the emissions resulting from leakage of this gas corresponded to 296.97 tCO₂e.

Biodiversity

[GRI 103-1](#), [GRI 103-2](#), [GRI 103-3](#), [GRI 304-1](#), [GRI 304-2](#), [GRI 304-3](#)

Biodiversity relates to the very nature of ISA CTEEP’s business. Therefore, the company’s strategic guideline is to have a responsible environmental management of the use of natural resources in its business activities, as well as to minimize the impacts and risks derived from these activities.

For all new projects, the company identifies impacts and defines their respective mitigation, control or offsetting measures, seeking the application of the best techniques

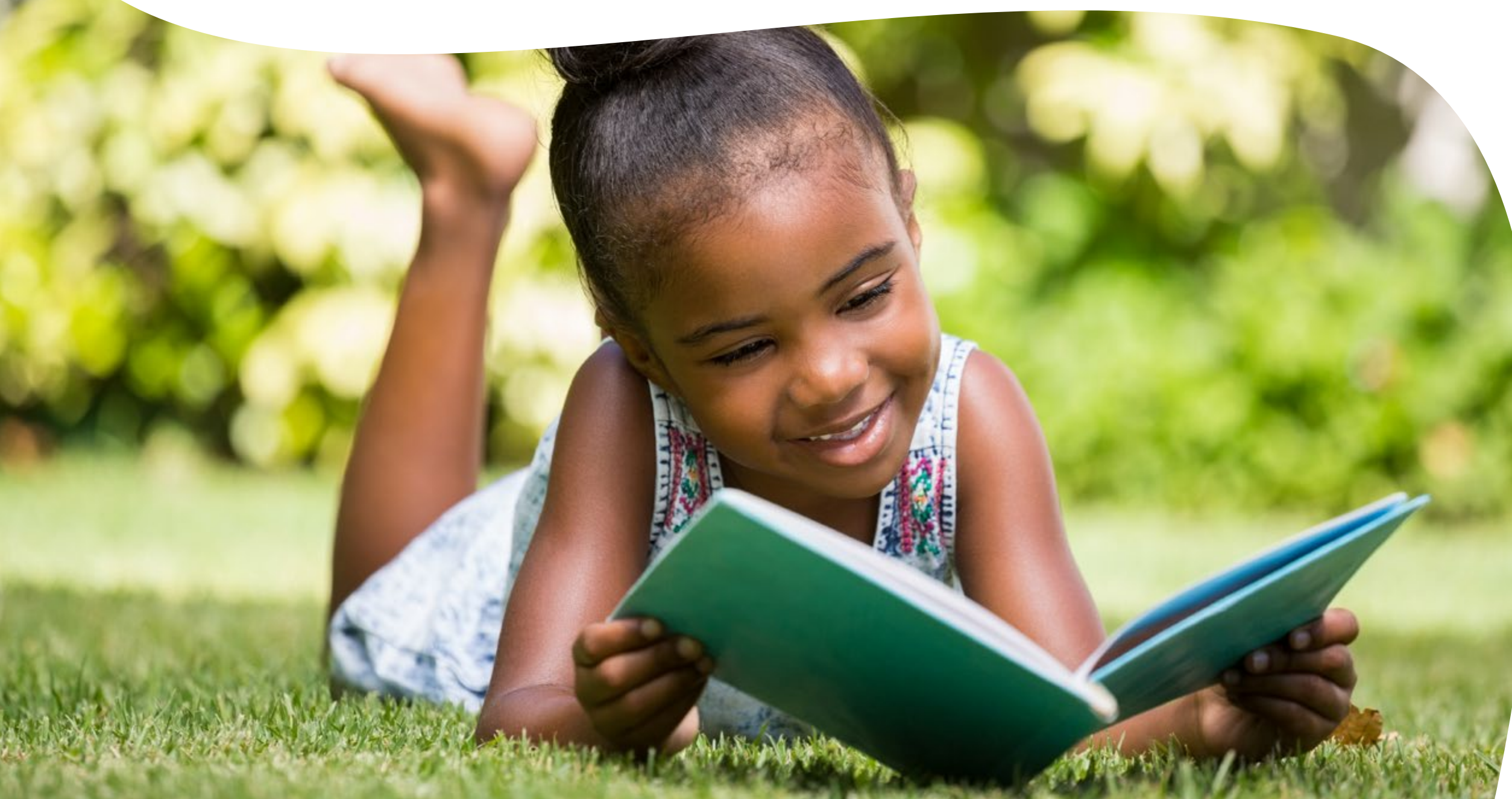
of environmental control and monitoring in accordance with the current environmental legislation and with the principles and guidelines contained in its Environmental Policy. The operating units have an Environmental Management System based on ISO 14001 and are audited by certification bodies on an annual basis.

From the maintenance activities in transmission lines located in protected areas, relating to the conservation and cleaning of rights of way, selective pruning of vegetation is prioritized, following the recommendations of NBR 5422/1985.

For new projects, employees involved in construction work management receive training on fundamental concepts of environmental management, involving technical and legal aspects, so that they may supervise and give guidance to contractors.

ISA CTEEP also includes in its projects the elevation of transmission towers in order to avoid suppression of vegetation and consequent displacement of the fauna, thus allowing the environmental preservation and maintenance of the local biodiversity.

Some transmission lines cross conservation areas, which are properly mapped and monitored: Casa Branca Ecological Station, Itirapina Ecological Station, São Simão Ecological Station, Assis Ecological Station, Horto Florestal Palmital, Pederneiras Ecological Station, Manduri State Forest, Carlos Botelho State Park, Juquery State Park, Serra do Mar



State Park – Picinguaba Unit, Curucutu Unit, Cubatão Unit, São Sebastião Unit, Caraguatatuba Unit and Cantareira State Park.

The Ecological Stations are areas dedicated to the preservation of nature and for scientific research, and can be visited only for educational purposes.

ISA CTEEP also has transmission lines and a telecommunications station located in legally protected areas, such as the Ipanema National Forest.

The sum of all these areas of interference corresponds to approximately 642 hectares, duly monitored and licensed by the relevant environmental agencies.

The company's operation and maintenance activities in protected areas do not have significant impacts on biodiversity, since tree pruning corresponds to specific impacts. The significant impact to the vegetation is concentrated in the stage of implementation, retraining and reconstruction of transmission lines, but there was no impact of this nature in 2017.

ISA CTEEP also conducts compensatory plantings of the vegetation suppressed to maintain its activities, with due authorization issued by environmental authorities. As there were no works that affected the vegetation in 2017, only maintenance of plantations that started in 2016 was conducted throughout the year.

Environmental Management System

Caring for the environment and society is part of ISA CTEEP's operations and is expressed in its Environmental Policy, which guides the sustainable and efficient use of natural resources, and shows the company's commitment to the quality and excellence of environmental management in the entire asset life cycle. The company also follows the requirements of ABNT NBR ISO 14001, maintaining an Environmental Management System since 2002 and incorporating constant improvements in this

management system. All of the company's substations have the Environmental Management System in place and eight of them are ISO 14001 certified.

In September 2017, the Environment and Heritage Management function was created, which led to a restructuring of the Environmental Management activities in ISA CTEEP's operating units. For 2018, the company is committed to implementing improvements in the monitoring, social communication, training/awareness and environmental incident management processes.

The company also has an Environmental Legislation Monitoring Group, which analyzes legal aspects at federal, state and municipal levels, technical standards, among other environmental matters defined by the relevant bodies. The company complies with all legal environmental requirements applicable to its activities, including, but not limited to, the Brazilian Environmental Policy Act (Law 6938/81), the Brazilian Forest Code (Law 12651/2012), the Solid Waste Act (Law 12505/2010), Law on Penal and Administrative Sanctions (Law 9605/1998), State Environmental Policy (Law 9509/1997), in addition to Ordinance 421/2011 of the Ministry of the Environment, Resolution No. 237/1997 of the Brazilian Council for the Environment (Conama), and Resolution No. 05 of the Secretariat for the Environment.

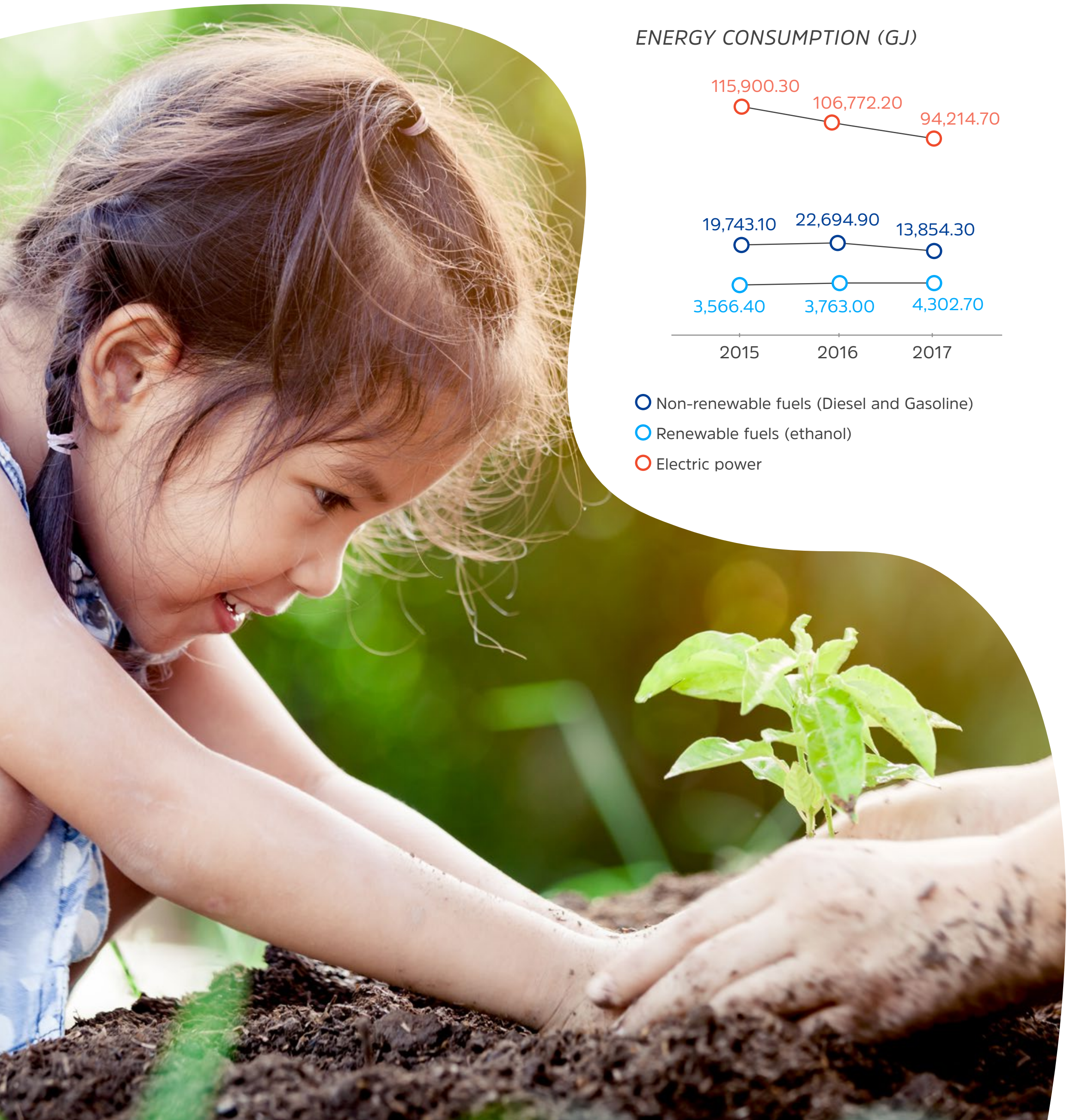
Energy

GRI 302-1, GRI 302-2

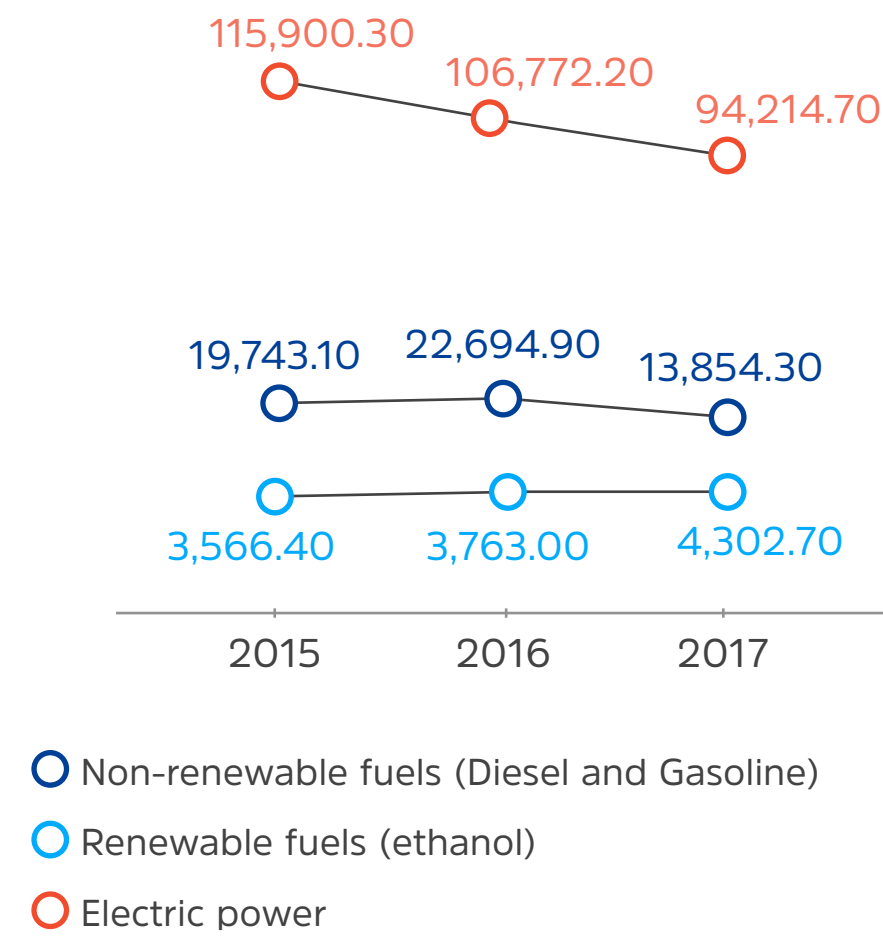
The energy consumption within the organization during 2017 is reported below.

ENERGY TYPE	CONSUMPTION IN 2017 (GJ)	CONSUMPTION IN 2016 (GJ)	CONSUMPTION IN 2015 (GJ)
Non-renewable fuels	13,854.3	22,694.9	19,743.1
Renewable fuels (ethanol)	4,302.7	3,763.0	3,566.4
Electric power	94,214.7	106,772.2	115,900.3
Total	112,371.75	133,230.10	139,209.8





ENERGY CONSUMPTION (GJ)



Water

GRI 303-1

Total water withdrawn by source in 2017 is reported below.

SOURCE	CONSUMPTION IN 2017 (LITERS)	CONSUMPTION IN 2016 (LITERS)	CONSUMPTION IN 2015 (LITERS)
Water utilities	21,021,350	20,708,000	Not reported
Ground water	45,420,040	67,920,000	Not reported
Total	66,441,390	88,628,000	Not reported

Waste

GRI 306-2

Waste monitored by ISA CTEEP in 2017 can be classified as follows:

WASTE TYPE	RECYCLING (TON)	CO-PROCESSING (TON)	TOTAL (TON)
Hazardous waste	42.1	8.7	50.8
Non-hazardous waste	1,122.2	0	1,122.2
Total	1,164.4	8.7	1,173.1

Most of the hazardous waste (25.9 tons) consists of scrap batteries, which are sent for recycling to a supplier who specializes in this procedure. Rubber, tires, scrap from lamp reactors, and fluorescent, mercury vapor, incandescent and mixed light bulbs are also recycled. In addition, ISA CTEEP sends packaging, scrap and silica gel contaminated with oil, batteries and dry batteries for co-processing.

Scrap porcelain, copper, transformers without oil, ferrous scrap, circuit breakers, aluminum, electronic equipment are among the non-hazardous waste sent for recycling. All such waste is shipped to specialized suppliers to undergo a recycling process and, if possible, return as inputs to the company's supply chain.

ISA CTEEP does not monitor non-hazardous waste (Class II A - not inert) such as organic waste, paper, plastic and the like.

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102-4	Number of countries where the organization operates	14		
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102-6	Markets served	14		
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102-11	Whether or how the organization applies the precautionary principle or approach	22		
102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	27		
102-13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	21		Goal 7 – Affordable and clean energy

GENERAL CONTENT		REFERENCE (PAGE) / DIRECT ANSWER	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES	CORRELATION WITH THE SUSTAINABLE DEVELOPMENT GOALS
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102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option		
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GRI 303: Water - 2016				
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304-2	Significant impacts of activities, products, and services on biodiversity in protected areas and in areas of high biodiversity value outside protected areas	54	8	Goal 15 – Life on land
304-3	Habitats protected or restored	54	8	Goal 15 – Life on land
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	67	8	Goal 15 – Life on land
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305-2	Energy indirect (Scope 2) GHG emissions	54	7 and 8	Goal 13 – Climate Action
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404-3	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	43	6	Goal 8 – Decent work and economic growth
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405-1	Diversity of governance bodies and employees by gender, age group, minority and other indicators of diversity	42, 66	6	Goal 5 – Gender Equality
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GENERAL CONTENT		REFERENCE (PAGE) / DIRECT ANSWER	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES	CORRELATION WITH THE SUSTAINABLE DEVELOPMENT GOALS
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GRI 408: Child Labor - 2016				
408-1	Operations at significant risk for incidents of child labor and measures taken by the organization intended to contribute to the effective abolition of child labor	70	5	Goal 8 – Decent work and economic growth
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409-1	Operations at significant risk for incidents of forced or compulsory labor and measures taken by the organization intended to contribute to the elimination of all forms of forced or compulsory labor	70	4	Goal 8 – Decent work and economic growth
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411-1	Total number of incidents of violations involving rights of indigenous peoples and measures taken in this regard	70	1	
GRI 412: Human Rights Assessment - 2016				
412-1	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments	26	1	
412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	70	1	
412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	26	2	
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414-2	Significant actual and potential negative social impacts in the supply chain and actions taken	70	2	
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EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	43		
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	44		
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities	70		
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	44		
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	28		Goal 7 – Affordable and clean energy
EU20	Approach to managing the impacts of displacement	48		
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GENERAL CONTENT		REFERENCE (PAGE) / DIRECT ANSWER	CORRELATION WITH THE GLOBAL COMPACT PRINCIPLES	CORRELATION WITH THE SUSTAINABLE DEVELOPMENT GOALS
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EU28	Power outage frequency	31		
EU29	Average power outage duration	31		

GRI APPENDIX

102-8 – Information on employees and other workers

405-1 – CDiversity of governance bodies and employees by gender, age group, minority and other indicators of diversity

ISA CTEEP has 1,399 employees hired under the CLT (Consolidation of Labor Laws) regime, which can be classified into the following categories:

JOB CATEGORY	SUBTOTALS	AGE GROUP					
		> 50	%	30 TO 50	%	< 30	%
CEO and officers	5	3	60%	2	20%	0	0%
Managers and coordinators	91	40	44%	51	56%	0	0%
Specialists, administrative positions and technicians	1,303	291	22%	765	59%	247	19%
Total	1,399	334	24%	818	58%	247	18%

JOB CATEGORY	SUBTOTALS	GENDER			
		FEM.	%	MALE	%
CEO and officers	5	0	0%	5	100%
Managers and coordinators	91	14	15%	77	85%
Specialists, administrative positions and technicians	1,303	150	12%	1,153	88%
Total	1,399	164	12%	1,235	88%

JOB CATEGORY	SUBTOTALS	PEOPLE WITH DISABILITY	
		NUMBER OF PEOPLE	%
CEO and officers	5	0	0%
Managers and coordinators	91	0	0%
Specialists, administrative positions and technicians	1,303	53	4%
Total	1,399	53	4%

Additional information:

- ISA CTEEP does not monitor other indicators of diversity, such as ethnicity.
- ISA CTEEP does not monitor the number and profile of contractors.
- The calculation does not include board members, trainees and apprentices.
- All employees have a permanent contract.
- All employees have full-time employment.

102-10 – Significant changes to the organization and its supply chain

Additional information to the indicator: At the Special General Meeting held on December 18, 2017, the Company increased its capital stock to R\$ 3,590,020,426.94.

102-41 – Percentage of total employees covered by collective bargaining agreements

All employees eligible to collective bargaining are covered by this agreement, which represents 1,402 out of 1,472 employees. The collective bargaining agreement applies to managers, coordinators and specialists, administrative employees, operational technicians and apprentices. The board members, CEO, officers and trainees are not covered, since they are not employed under the CLT employment regime.

204-1 – Proportion of spending on local suppliers in significant locations of operation

Out of the total purchases and contracts, 90.87% were conducted with local suppliers.

304-4 – Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk

In 2017, there were no ISA CTEEP projects under implementation or operational that affected IUCN red list species and those included in Brazilian conservation lists.

305-3 – Other indirect (Scope 3) GHG emissions

ISA CTEEP does not periodically monitor Scope 3 emissions.

307-1 – Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations

In 2017, ISA CTEEP received:

- A lawsuit in the amount of R\$ 937.00 seeking repair of damages relating to cleaning of land. This lawsuit is being discussed at an appellate court.
- 25 assessment notices/administrative proceedings, totaling R\$ 7,835,903.40. The company filed a defense and there are lawsuits in progress, two fines were

canceled (R\$ 23,118.47 and R\$ 5,694.21) and one fine was paid (R\$ 1,504.20). The matters discussed include cleaning of land/conservation of the safety corridors, vegetation intervention and emission of smoke from the diesel engine.

To reduce the number of such proceedings, the company provided on-site environmental management training to construction work supervisors/managers.

The company has not received non-monetary sanctions for non-compliance with environmental laws and/or regulations. Nonetheless, two investigations (civil inquiries into the adequacy of a legal reserve and *vaquejada* (calf-roping)) and 32 notices were identified demanding that the organization clean the land and take measures as regards substation noise. The company has taken the necessary measures to give statements on the investigations, and to clean the land owned

by it, where rubble is dumped irregularly by third parties, as well as the necessary measures to provide information on the noise level of its facilities.

308-1 – Percentage of new suppliers that were screened using environmental criteria

ISA CTEEP does not screen new suppliers using environmental criteria.

308-2 – Significant actual and potential negative environmental impacts in the supply chain and actions taken

ISA CTEEP does not assess its supply chain in this regard.

401-1 – Total number and rate of new employee hires and turnover by age group, gender and region

CATEGORIES	2015	2016	2017
Total new employee hires	104	107	124
Total employee hires by gender – men	82	80	78
Total employee hires by gender – women	22	27	46

CATEGORIES	2015	2016	2017
New employee hire by age group – under 30 years old	48	65	47
New employee hire by age group – from 30 to 50 years old	55	38	77
New employee hire by age group – over 50 years old	1	4	0
Employee hire rate – total	-	-	8.86%
Employee hire rate by gender – men	-	-	6.32%
Employee hire rate by gender – women	-	-	28.05%
Employee hire rate by age group – under 30 years old	-	-	19.03%
Employee hire rate by age group – from 30 to 50 years old	-	-	9.41%
Employee hire rate by age group – over 50 years old	-	-	0%
Total employee terminations	106	88	115
Employee termination by gender – men	97	72	81

CATEGORIES	2015	2016	2017
Employee termination by gender – women	9	16	34
Employee termination by age group – under 30 years old	6	9	11
Employee termination by age group – from 30 to 50 years old	60	45	48
Employee termination by age group – over 50 years old	40	34	56
Turnover rate – total	7.68%	7.04%	8.54%
Turnover rate by gender – men	7.29%	6.16%	6.44%
Turnover rate by gender – women	11.07%	14.24%	24.39%
Turnover rate by age group – under 30 years old	12.80%	15.29%	11.74%
Turnover rate by age group – from 30 to 50 years old	6.68%	5.12%	7.64%
Turnover rate by age group – over 50 years old	8.01%	5.71%	8.38%

Additional information:

- The calculation does not include board members, trainees and apprentices.
- In 2015 and 2016, the employee hire rate was not monitored. Therefore, the fields corresponding to this information are blank.

403-2 – Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and gender

OCCUPATIONAL HEALTH AND SAFETY INDICATORS (*)	HEADQUARTERS + OPERATION CENTER + BAURU AND CABREÚVA UNITS	SÃO PAULO UNIT	TAUBATÉ UNIT	TOTAL
Accident severity rate<0}	0	6.66	21.03	3.72
Rate/frequency of injuries (CAF)	0	0.44	1.05	0.20
Occupational disease rate	0	0	0	0
Lost day/severity rate (TDP)	0	6.66	21.03	3.72
Absentee rate (TA)	0	0	0	0.52%
Number of fatalities	0	0	0	0

(*) Frequency and severity rates are referenced in NBR 14280, with the exception of the constant 1,000,000. In this case, the company uses the constant stipulated by the ISA Group (= 240,000), which considers 100 people x 50 weeks (annual) x 48 hours (weekly). These are considered typical accidents with leave and with issue of CAT (Occupational Accident Communication). Data segmentation by gender is not used.

403-4 – Health and safety topics covered in formal agreements with trade unions

Additional information to the indicator: Topics explicitly addressed by the Collective Bargaining Agreement: occupational accident notification, employment stability for one year in the event of an accident, election of CIPA (Internal Commission for Prevention of Accidents at Work), regular meetings on occupational health and safety.

404-1 – Average hours of training per year per employee, by gender and employee category

GENDER	TOTAL HOURS OF TRAINING	AVERAGE TRAINING HOURS PER EMPLOYEE
Female	4,130	25.1
Male	75,006	60.7
Total	79,136	56.6

JOB CATEGORY	TOTAL HOURS OF TRAINING	AVERAGE TRAINING HOURS PER EMPLOYEE
CEO and officers	67	13.4
Managers and coordinators	8,118	89.2
Specialists, administrative positions and technicians	70,951	54.5
Total	79,136	56.6

ISA CTEEP recorded 373 contractors who participated in internal training. The company does not monitor this data by gender and job category.

405-2 – Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation

JOB CATEGORY	RATIO OF REMUNERATION OF WOMEN TO MEN
CEO and officers	0 (there are no women in this group)
Managers and coordinators	0.97
Specialists, administrative positions and technicians	1.07

There are no women in the “CEO and Officers” category. The company does not consider base salary for purposes of analyses and indicators, only remuneration. Nor does it divide remuneration per major operating units.

407-1 – Operations in which the right to freedom of association and collective bargaining may be at risk and measures taken by the organization intended to support such rights

The company ensures to all its employees freedom of association, so does its suppliers, who ensure that their employees freely decide on the exercise of freedom of association. Collective bargaining agreements are duly complied with in their entirety, and all trade unions representing the employees’ category are entitled to: a) send negotiation

agenda; b) have trade union negotiators participating in meetings; c) conduct the entire negotiation process; d) enter into the collective bargaining agreement.

408-1 – Operations at significant risk for incidents of child labor and measures taken by the organization intended to contribute to the effective abolition of child labor

409-1 – Operations at significant risk for incidents of forced or compulsory labor and measures taken by the organization intended to contribute to the elimination of all forms of forced or compulsory labor

ISA CTEEP does not monitor these indicators.

411-1 – Total number of incidents of violations involving rights of indigenous peoples and measures taken in this regard

No incidents of violations involving rights of indigenous peoples were identified in the company’s operations.

412-2 – Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

No trainings on human rights were conducted in 2017.

414-1 – Percentage of new suppliers that were screened using social criteria

ISA CTEEP does not screen new suppliers using social criteria.

414-2 – Significant actual and potential negative social impacts in the supply chain and actions taken

ISA CTEEP does not assess its supply chain in this regard.

419-1 – Non-compliance with laws and regulations in the social and economic area relating to products and services

The company did not receive significant fines or sanctions for non-compliance with laws and for negatively impacting society. This indicator excludes any administrative proceedings of labor, social security and land tenure nature, as well as preparatory procedures or civil investigations.

EU13 – Biodiversity of offset habitats compared to the biodiversity of the affected areas

In 2017, there were no areas affected by the company’s activities, since no work was performed in transmission lines.

EU17 – Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities

The company has several types of contracts that require hiring third parties, such as construction, environmental studies, cleaning, vegetation pruning, repairs, cargo transportation, surveillance, building maintenance, consulting, among others. However, there is no systematic management of information on these stakeholders.

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