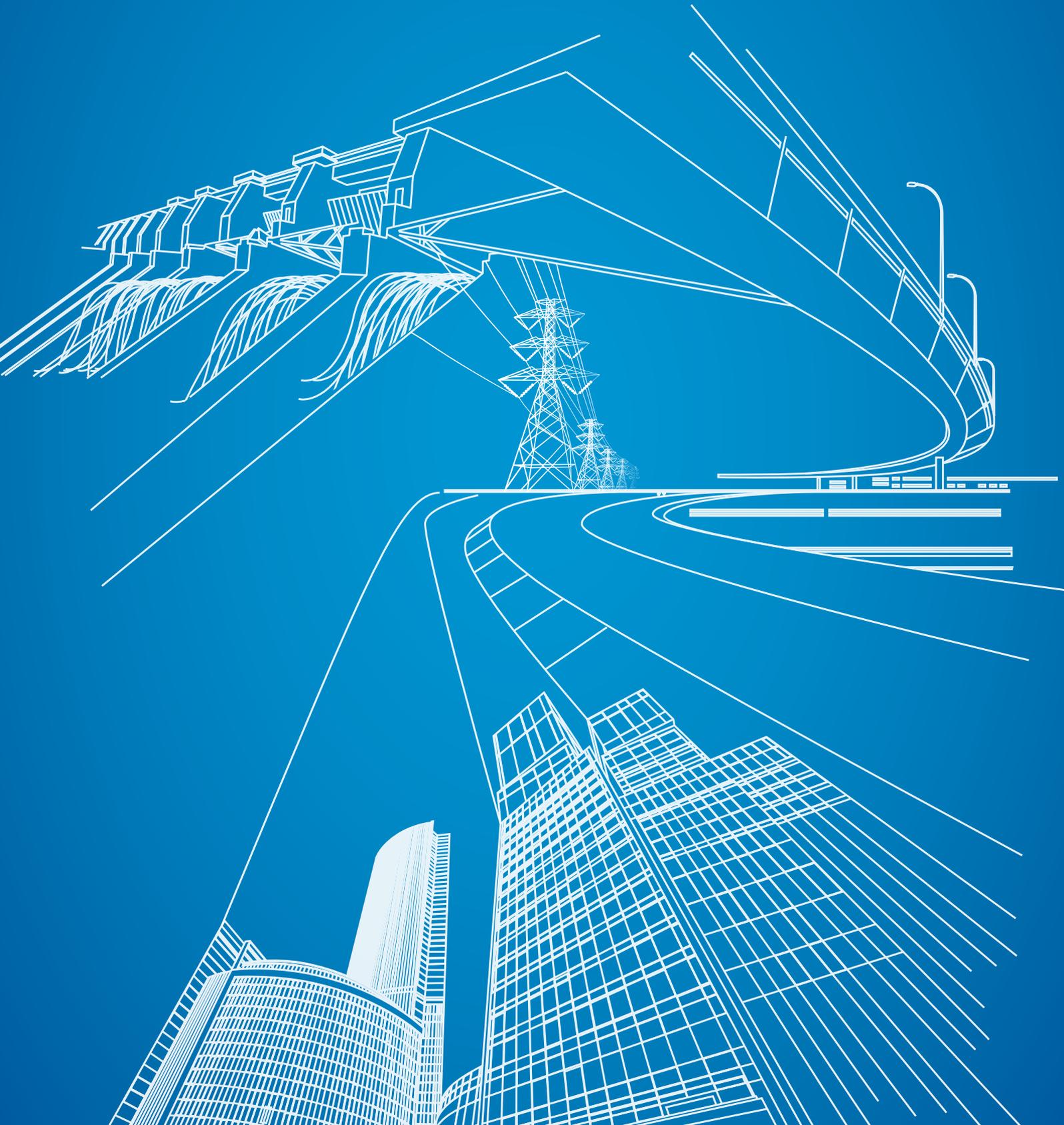




Annual Report 2013





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# HIGHLIGHTS AND PRINCIPAL RESULTS

## Competitive Advantages of CPFL Energia <sup>G4-8</sup>

- » Solid distribution base
- » Operations in the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais, important economic and industrial hubs in Brazil
- » Ample experience in planning, managing and implementing generation projects
- » Strength and influence of the shareholders
- » Successful commercialization business

## CPFL Energia in Numbers <sup>G4-9 | G4-10</sup>

- » 8,165 employees work for the Group
- » R\$ 14.634 billion was the net operating revenue in 2013
- » R\$ 3.546 billion was the EBITDA\*
- » R\$ 949 million net income\*
- » R\$ 1.735 billion invested in maintenance and expansion of the businesses
- » Shareholders' equity: R\$ 8.799 billion

\*In accordance with IFRS – International Financial Reporting Standards

### Energy sold (in GWh)

	2013	2012	2011
Residential	15,426	14,567	13,626
Industrial	14,691	14,536	14,718
Commercial	8,837	8,714	8,140
Rural	2,081	2,093	1,991
Government	1,234	1,220	1,154
Public lighting	1,586	1,525	1,495
Public utilities	1,820	1,864	1,823
Proprietary consumption	34	33	33
Total energy sold to Final Consumers	45,709	44,552	42,979
Wholesale supply of electric energy (in GWh)	14,975	14,429	12,271
Total consumers (in thousands)	7,386	7,176	6,952
Installed capacity (in MW)	2,988	2,961	2,644
Assured Energy (in GWh)	12,758	12,742	11,678
Generated energy (in GWh)	11,427	10,570	9,638

CPFL is accountable to its stakeholders and underscores the transparency of its business performance based on best practice.



<sup>GRI EU1   EU2   EU11   EU30</sup>	Total	CPFL Geração
Installed capacity, by primary energy sources and by regulatory system. (MW)	5,366.52	2,233.57
<b>NET ENERGY PRODUCTION BY PRIMARY ENERGY SOURCE (MWH)</b>		
Hydraulic Source	22,913,696.63	9,163,172.34
Hydraulic + Thermal Source	23,607,776.65	9,529,299.25
<b>AVERAGE UPTIME FACTOR AT THE GENERATION PLANTS (%)</b>		
Hydraulic	-	96.40
Hydraulic + Thermal Source	-	93.94

Data does not include CPFL Renováveis' operations.

## Length of the distribution network – 2012/2013 (km) <sup>GRI EU4</sup>

Company	2012			2013			Total	
	Primary	Secondary	Total	Primary	Secondary	Total		
CPFL Paulista	74,856	-	39,449	114,305	75,761	-	40,509	116,270
CPFL Piratininga	3,740	6,879	11,513	22,132	3,830	6,993	11,682	22,505
RGE	16,044	33,360	30,108	79,512	16,410	34,224	29,786	80,420
CPFL Santa Cruz	7,150	-	2,263	9,413	7,200	-	2,277	9,477
CPFL Leste Paulista	3,001	-	610	3,611	3,163	-	623	3,786
CPFL Jaguari	575	-	436	1,011	592	-	438	1,030
CPFL Sul Paulista	3,498	-	850	4,348	3,706	-	887	4,593
CPFL Mococa	2,141	-	496	2,637	2,315	-	507	2,821
<b>TOTAL</b>	<b>111,005</b>	<b>40,239</b>	<b>85,725</b>	<b>236,969</b>	<b>112,977</b>	<b>41,217</b>	<b>86,708</b>	<b>240,902</b>

## Performance Summary - Economic, Financial, Environmental and Social <sup>G4-ECT</sup>

<b>Economic Indicators</b>	<b>2013</b>	<b>2012<sup>(1)</sup></b>
Gross Operating Revenue (R\$ million)	19,339	21,249
Net Operating Revenue (R\$ million)	14,634	14,891
Gross Operating Revenue (R\$ million)	3,960	3,904
EBITDA (R\$ million)	3,546	3,435
Operating Income - EBIT (R\$ million)	2,370	2,335
Financial Result (R\$ million)	-971	-578
Net Income (R\$ million)	949	1,207
Dividend Payout (R\$ million)	931	1,096
<b>Financial Indicators</b>	<b>2013</b>	<b>2012</b>
Total Assets (R\$ million)	31,043	28,924
Shareholders' Equity (R\$ million)	8,799	7,891
Investments (R\$ million)	1,735	2,468
Net Adjusted Debt (R\$ million)	12,499	12,551
Net Financial Debt / (Shareholders' Equity + Minority Interests) (%)	142	159
<b>Shares</b>	<b>2013</b>	<b>2012</b>
Number of Shares (thousand)	962,274	962,274
Net Earnings (Loss) per Share (R\$)	0.99	1.25
Average Common Share Price (R\$)	20.45	24.64
Dividend per Share (R\$)	0.97	1.14
<b>Market</b>	<b>2013</b>	<b>2012</b>
Electricity Sales (GWh)*2	59,652	57,128
Number of Customers (thousands)	7,387	7,176
Number of Free Customers (units)	284	231
Installed Capacity (MW)**	2,988	3,348
Assured Energy (average MW)**	1,469	1,437
<b>Payroll</b>	<b>2013</b>	<b>2012</b>
Numbers of Employees	8,165	8,490
Numbers Hired during the Period	1,849	2,223
<b>Environmental Indicators - Ibase</b>	<b>2013</b>	<b>2012</b>
Investments in the Environment (R\$ million)	96	93
<b>Social Indicators - Ibase</b>	<b>2013</b>	<b>2012</b>
Internal Social Investments (R\$ million)	363	359
Total Contributions to Society (R\$ million)	22.04	23.41
<b>DISTRIBUTED VALUE ADDED</b>	<b>7,831</b>	<b>9,384</b>
Payroll and Payroll Charges (R\$ million)	748	700
Taxes, Duties and Contributions (R\$ million)	4,422	6,149
Interest and Rentals (R\$ million)	1,712	1,328
Interest on Shareholders' Equity and Dividends (R\$ million)	836	1,094
Retained Earnings (R\$ million)	113	113

<sup>1</sup> Readjusted in accordance with IFRS (International Financial Reporting Standards) rules.

<sup>2</sup> To adjust the information in line with the company's financial covenants, we now consider only financial debt (including hedge) and cash and cash equivalents, excluding from the calculation debt in the name of the private pension fund and a court escrow deposit with respect to an income tax lawsuit in the name of CPFL Paulista. EBITDA excludes Regulatory Assets and Liabilities.

\* Includes captive and free markets. Excludes TUDS.

\*\* Includes each generation project and respective stake. Includes 65% of Ceran and 58.84% of CPFL Renováveis.



	<b>2013</b>	<b>2012</b>
<b>1) Direct economic value added (R\$ thousand)</b>	<b>21,037,835</b>	<b>23,023,879</b>
a) Revenues	21,037,835	23,023,879
<b>2) Distributed economic value (R\$ thousand)</b>	<b>20,925,249</b>	<b>22,910,687</b>
b) Operating Costs	13,206,596	13,635,507
c) Employee payroll and benefits	748,154	700,364
d) Remuneration of third party capital	2,548,634	2,425,927
e) Payments to government (by country)	4,421,865	6,148,889
<b>(1-2) Accumulated Economic Value (R\$ thousand)</b>	<b>112,584</b>	<b>113,190</b>

There are community outreach initiatives for 100% of businesses (distribution, generation and services) for which "Community outreach and development" is deemed material.

#### Vision of the Future

- 5 years -> Strategic planning
- 2030 -> Themes broached: consumption, renewable energy, thermal energy, electric mobility, distributed generation, energy storage and intelligent networks

#### Value added

- 8,165 employees
- R\$ 14,634 million of net operating revenue
- R\$ 3,546 million of EBITDA
- R\$ 949 million of net income
- R\$ 1,735 million invested for maintenance and expansion of the businesses
- Value added to be distributed of R\$ 7,831,239 thousand (56.6% government, 9.5% employees, 10.7% shareholders, 21.9% third parties, 1.4% retained)
- Social investments in excess of R\$ 56 million
- Recognition and awards to the Group and subsidiaries: Dow Jones Sustainability Index Emerging Markets, BM&FBovespa's Corporate Sustainability Index (ISE), ABRADEE Award, SEENEL Award and IASC 2013 – ANEEL Consumer Satisfaction Index

#### How to add value

- Strategic planning
- CPFL policies and standards
- Sustainability Platform
- Practices -> Transformation Program, Productivity Program, Corporate University, People First (Safety), Tauron (Intelligent Networks), Innovation, Energy Efficiency, Environmental programs, Private Social Investment programs

#### Business segments

- Generation
- Distribution
- Commercialization
- Services (CPFL Atende, CPFL Serviços, CPFL Total and CPFL Telecom)

#### Mission

- Sustainable energy solutions
- Excellence and competitiveness
- Integration with the community



**Murilo Passos**

Chairman of the Board of Directors

# 1. CPFL

## 1.1 Messages

### 1.1.1 Message from the Board of Directors

#### Maturity and Innovation

To grow in the context of a volatile world economy, the increasing complexity of the Brazilian energy sector and an unfavorable hydrological situation requires, in addition to solid financial management and focused strategic planning, the ability to exceed expectations and to be adaptable. Once again, the CPFL Energia Group has been able to deliver on this.

As a result of these attributes, we were able to meet the challenges of changes to both the Brazilian energy matrix and also pricing levels, plus the effects of tariff reductions – all stemming from Law 12.783/13 which covered the anticipated rollover of electricity generation, transmission and distribution concession agreements due to expire during the 2015-2017 period.

## 1. CPFL

Moreover, these characteristics will be ever more necessary in the light of anticipated medium term structural changes to the energy sector, which will undoubtedly impact the business dynamics of relations among market agents.

An increase in distributed generation and micro-generation in the Brazilian energy matrix; considerable growth in the use of renewable energy sources with a view to reducing carbon emissions; an increase in efficiency and improvements to the quality of services with no corresponding price hike; and the adoption of new technologies: these are just some of the experts' forecasts for the coming years.

CPFL Energia is fully immersed in its mission to participate in the construction of the modern Brazilian energy model and takes part in discussion forums such as the United Nations (UN) Global Compact, as well as possessing a portfolio of innovative projects. These aim to increase its process productivity and efficiency in order to more effectively meet the demands of society as well as its shareholders and 7.4 million customers.

Reducing costs while maintaining – and improving – the quality of its services was, and continues to be, an objective for the CPFL Energia Group. As a result, at year-end 2013, it reported EBITDA of R\$ 3.546 billion and net income of R\$ 949 million. These results were instrumental in the Board proposing the distribution of R\$ 931 million in dividends to shareholders, reaffirming our practice of exceeding the minimum payout enshrined in company policy.

CPFL Energia's shares were included for the ninth consecutive year in the BM&FBovespa Corporate Sustainability Index (ISE) and, for the second time, in the Dow Jones Sustainability Index Emerging Markets. In addition, the CPFL Renováveis IPO in 2013 produced a trading turnover of R\$ 900 million on BM&FBovespa's Novo Mercado.

Our inclusion as components in indicators ranking companies with the highest levels of governance and economic, environmental and social management is testament to the Company's risk reduction policies and demonstrates the solidity of our sustainable management as well as the rigorous way we deal with governance issues.

The Board of Directors, advised by the Management Processes, Related Parties and Personnel Management committees, proactively supervises the execution of our management strategy.

The value placed on ethics, a transparent decision-making process and dialog with diverse stakeholders are pillars which support the assertive conduct of the largest private-sector group in Brazil's energy sector. The current Annual Report, compiled in line with the GRI's international guidelines, brings transparency of accountability to the fore by incorporating for the first time the Integrated Report process which details financial and non-financial reporting. This consolidates our systemic thinking in management, governance, socio-environmental aspects and profit-sharing policies.

There is no doubt that CPFL Energia's management capabilities are a competitive advantage which is even more valuable in the light of the no less challenging scenario now presenting itself in 2014. The Company is not only prepared to continue with its strategic planning but, boosted by its trust in employee commitment, is ready to deliver results with long lasting and sustainable shareholder value and contribute to the development of the communities in which it is present.



**Wilson Ferreira Jr.**  
Chief Executive Officer of CPFL Energia

### 1.1.2 Message from the Chief Executive Officer

The corporate business climate was a particularly challenging one in 2013, set against a background of weak performance in some leading international markets, growth in Brazilian GDP of 2.5% and an average reduction of 20% in electric energy tariffs to final consumers. The situation was further compounded by adverse hydrological conditions and the uninterrupted deployment of the country's thermoelectric power plants.

However, despite this unfavorable scenario, CPFL Energia was able to report significant

results aided by the incorporation of the outcome of the 3rd Tariff Revision Cycle for two of the company's large distributor subsidiaries – CPFL Paulista and RGE. On the basis of IFRS accounting standards, the Group posted a net income of R\$ 949 million, EBITDA of R\$ 3.546 billion and a Gross Operating Revenue of R\$ 19.339 billion.

Maintaining the existing dividends policy and thanks to the solid financial nature of the Group, CPFL Energia has proposed a payout of R\$ 931 million in dividends, while

in parallel, conserving corporate liquidity. At the end of 2013, Group cash position stood at R\$ 4.206 billion, equivalent to 2.7 times our short term debt, thus giving management the peace of mind to administer company leverage.

Despite an IGPM of 12.2% between 2011 and 2013, the Group reduced operating costs relating to payroll, material, services and other expenses by R\$ 53 million (3.8%). This success was a reflection of the consolidation of the "Zero Based Budget"-

under which each year all items of costs and investments are individually evaluated - as well as the increase in efficiency and the expansion of services on offer from Nect (shared services center).

While Brazil's benchmark interest rate saw successive increases, CPFL Energia has held debt levels steady as a result of its commitment to financial discipline and the permanent management of leverage parameters. Fitch Ratings also assigned the holding company and its subsidiaries an AA+(bra) rating - a seal of approval for the quality of the Group's financial management. Over the next few years, the outlook is for a gradual reduction in debt in the light of the startup of new generation projects at CPFL Renováveis.

First and foremost, our results are a reflection of the potential of the markets in which Group companies have a footprint, the strategy adopted for growing the portfolio of generation from renewable sources and the focus of management on increasing operational efficiency.

For the third consecutive year, energy sales in the distributors' concession area exceeded national GDP growth, recording an increase of 3.1%, spearheaded by the residential and commercial classes, with rises of 6.7% and 5.0%, respectively. This growth in large part is due to higher household incomes and consumption, in turn a reflection of the expansion in credit supply, and record levels of employment.

In 2013, CPFL Energia's investments in capex amounted to R\$ 1.735 billion of which R\$ 828 million was expended in construction work on renewable

generation projects, R\$ 845 million in the expansion and upgrading of the electricity system for meeting the requirements of market expansion at the Group's eight distributors and R\$ 62 million dedicated to the segments of conventional generation, energy commercialization and services.

Investments were also made in intelligent network technologies for increasing efficiency and improving the quality of services rendered to the Group's more than 7.4 million customers. Highlights in this area are the Tauron Program with the implementation of 10 thousand intelligent meters with a telemetering system and MWM-Mobile Workforce Management, the technological solution for field crew service order communication, deployment and control.

CPFL Renováveis in the electric energy generation segment continues to report a growth trajectory. Despite unfavorable market conditions, the company concluded a successful Public Offering of Shares in June with a BM&FBOVESPA Novo Mercado listing and turning over R\$ 915 million.

CPFL Renováveis leadership in renewable energy generation in Brazil and Latin America was underscored with the completion of important projects such as the Salto Góes SHP, the Campo dos Ventos II wind farms and the sugarcane bagasse-fired Coopcana and Alvorada thermolectric plants. At year-end, the company achieved success in the A-5 Auction, selling 51 MW from the Pedra Cheirosa Wind Farm. On December 31st 2013, CPFL Renováveis registered a total installed capacity of 1,283.1 MW, of which 326.6 MW from SHPs, 585.5 MW from wind farms, 370 MW from biomass plants and 1.1 MW in solar

energy, amounting to 60 individual operating generation projects in all.

During the year, CPFL Energia consolidated its in-house Cultural Transformation Program based on the pillars of professional and personal enhancement of people, the incessant striving for excellence, adoption of best management and governance practice and the creation of sustainable value.

The company is acutely aware of its responsibility with respect to the economic, social and environmental commitments inherent to its activities. As such it plays an active role in forums and initiatives related to sustainability such as the UNO Global Compact and, and important forums dedicated specifically to the Electric Energy Sector.

Company endeavor has been recognized both by civil society organizations and also by the capital markets. Among the awards are those made by the industry regulator - ANEEL to the best rated distributors in the country and by the Brazilian Association of Electricity Distributors-ABRADEE, in the categories of Social Responsibility, Management Quality and Best National Distributor. In addition, for the ninth consecutive year, CPFL Energia shares were components of the portfolio comprising BM&FBOVESPA's Corporate Sustainability Index.

We would like to extend a vote of thanks to our shareholders for their support and to the Group's more than eight thousand employees for their dedication. Together we stand ready to achieve the objectives for growing and strengthening CPFL, thus contributing to the development of Brazil.

## 1.2 Who We Are

The CPFL Energia holding company operates through its subsidiaries in the Brazilian electricity generation, distribution, commercialization and added-value services segments in the free and regulated environment markets. In 2013, CPFL also received authorization from the National Telecommunications Agency (ANATEL) to begin activities with CPFL Telecom, which will make available a wide fiber optic cable network to telecoms companies for data transmission. The Group's companies have a total headcount of 8,165. [64-3 | 64-8](#)

Headquartered in the municipality of Campinas (São Paulo state) and with over 100 years of history, the Group is a publicly held corporation with shares traded since 2004 on the São Paulo and New York stock exchanges. As part of the development of its businesses, CPFL has electricity concession agreements with the Federal Government and rigorously adheres to all Brazilian legislation as well as the electric sector guidelines set by the regulatory body, the National Electric Energy Agency (ANEEL). [64-5 | 64-7](#)

CPFL Energia is leader in the electricity distribution segment with a 13% Brazilian market share. In 2013, through its eight distribution companies, the Group distributed 41,418 GWh of electricity to around 7.4 million residential and corporate customers in 569 municipalities in the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais. CPFL Energia's objective is to continue increasing its share of the electricity market through organic growth and the acquisition of other companies, when attractive opportunities present themselves.

The Group also operates in electricity generation with a focus on clean and renewable sources. CPFL Energia has a 58.8% equity stake in CPFL Renováveis, Brazil's largest generator from alternative sources - wind, hydraulic (SHPs), solar and biomass. CPFL Energia's continuous growth in the generation segment has been strongly supported by CPFL Renováveis, which has begun operations at the Macacos wind farm and also acquiring the Rosa dos Ventos wind farm in February 2014. Commercial operations are also scheduled to come on stream at the Atlântica wind farm.

The CPFL Geração subsidiary operates in conventional generation and has a stake in 23 assets, including hydroelectric plants at Monte Claro, Barra Grande, Campos Novos, Castro Alves, 14 de Julho and Foz do Chapecó. The portfolio also includes 19 small hydro plants (SHPs), two active thermolectric plants and the subsidiary retains rights to 51.54% of the assured hydroelectric output of the Serra da Mesa plant, located on the Tocantins River in the state of Goiás.

At year-end 2014, total installed capacity, including CPFL Energia's share in CPFL Renováveis and CPFL Geração's assets, is expected to reach 3,113 MW. By 2018, the Group expects to reach a capacity of 3,292 MW.

101 years of great energy and continuous expansion. A history aligned with social values, consumer benefits, environmental preservation and organizational sustainability.



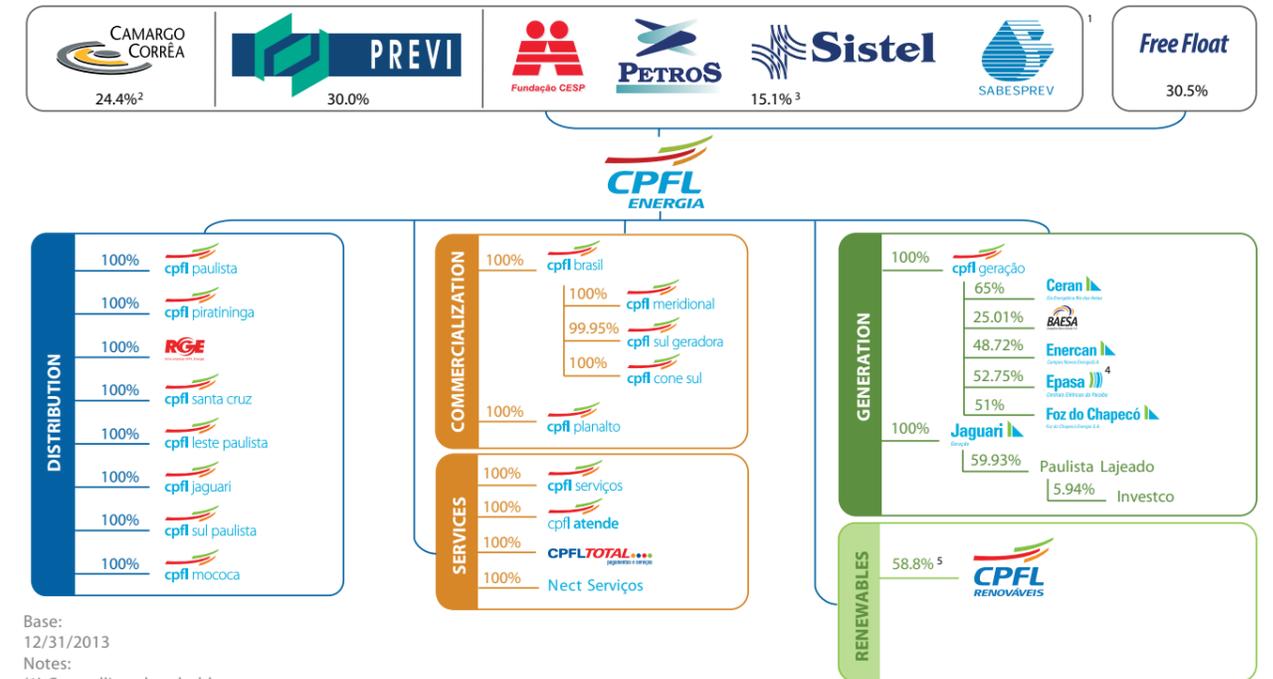
The Group commercializes electricity in the free market environment through CPFL Brasil, as well as offering premium products and services to clients across Brazil. In 2013, for the third time, CPFL Brasil was recognized as best energy company in *Exame* magazine's *Biggest and Best Guide*.

In the sphere of services, CPFL Energia's subsidiaries specialize in the design and

construction of electricity self-generation, distribution and transmission systems. The subsidiaries also offer customers a contact center, customer service hotline, back office, service desk, on-site service, sales, and credit recovery for the Group's companies as well as third parties. There is also an accredited network of 2,500 commercial outlets for the payment of electricity, water and telephone bills and bank collection vouchers.

In the commercialization and services segments, the company's main objective is to maintain its leadership in terms of market share. In addition, CPFL Energia intends to expand its services portfolio to reach new markets, maintaining customer loyalty.

Shareholder structure and CPFL Energia's stakes in other companies 64-4 | 64-17



Base: 12/31/2013  
 Notes:  
 (1) Controlling shareholders  
 (2) Includes 0.1% of the shares of Camargo Correa S.A.  
 (3) Includes 0.2% of the shares of the Petros and Sistel pension funds  
 (4) Termoparaíba and Termonordeste TPPs  
 (5) CPFL Energia holds a 58.8% indirect stake in CPFL Renováveis through CPFL Geração.

CPFL Energia has a 6.93% stake in Paulista Lajeado and therefore only operational data are published.

CPFL Centrais Geradoras' SHPs and CGHs do not offer guaranteed energy for commercialization and do not contribute to the Brazilian Interlinked System (SIN). Therefore CPFL Centrais Geradoras is not included in the organization chart and only operational data are published.

CPFL Energia does not have a shareholding stake in the Serra da Mesa plant although it has rights to 51.54% of the venture's electric output. Therefore only operational data are published.

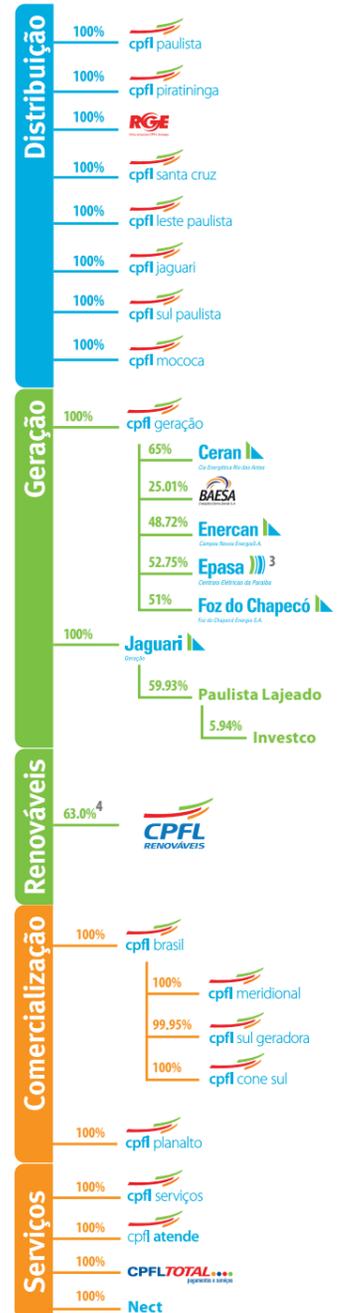
We serve the community, respecting the environment, constantly investing in the safety of citizens, in the health of our employees and in the commitment to create a better world for future generations.

1. CPFL

1.2.1 Map of Operations

CPFL Energia is a 100% Brazilian-owned company operating in 12 of the country's states through its subsidiaries in the electricity generation, distribution and commercialization and value-added service segments. 64-6

Controlling shareholders



- Operations across Brazil
- HPP Serra da Mesa
- 9 SHPs: 7 (SP) and 2 (MG)
- Ceran Complex: HPPs Monte Claro, Castro Alves e 14 de Julho
- HPP Barra Grande
- HPP Campos Novos
- TPPs Termoparaíba e Termonordeste
- HPP Foz do Chapecó
- HPP Luis Eduardo Magalhães
- 35 SHPs: 17 (SP), 8 (MG), 5 (SC), 4 (RS), 1 (MS)
- 37 Wind Farms: 12 (CE), 21 (RN), 4 (RS)
- 8 Biomass TPPs: 5 (SP), 1 (RN), 1 (MG) e 1 (PR)

**7.4** million customer units

**8** distributors across 4 Brazilian states

PROJECTS IN OPERATION

**8** hydroelectric power plants + **44** SHPs (35 CPFL Renováveis + 9 CPFL Centrais Geradoras)

**+ 22** wind farms

**+ 8** biomass-fired plants

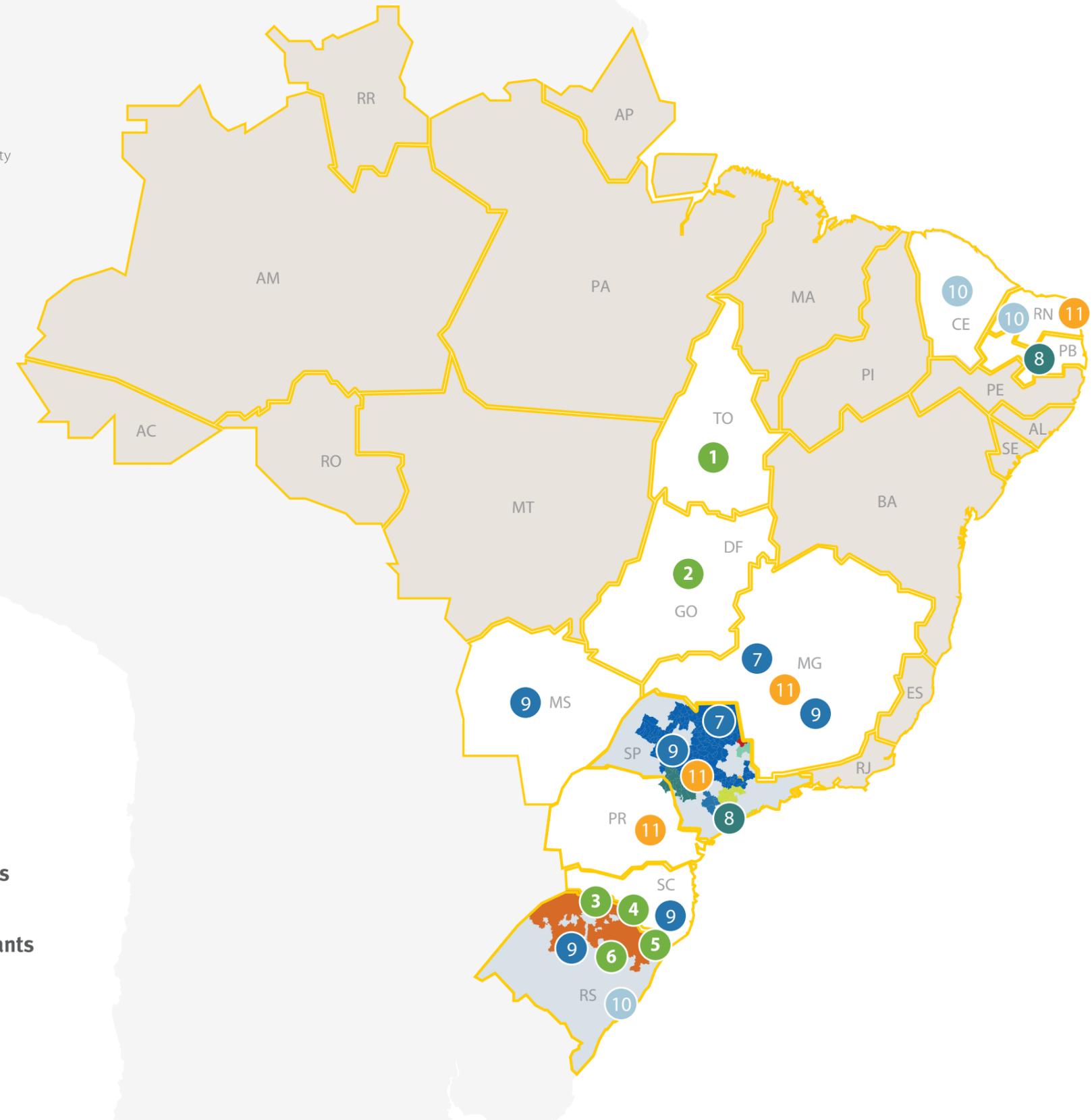
**+ 1** solar energy plant

**+ 2** oil-fired thermal plants

PROJECTS UNDER CONSTRUCTION:

**15** wind farms

**284** free customers with a 9% share in the domestic market



1) Controlling shareholders;  
 2) Includes 0.1% of the shares of Camargo Corrêa S.A.;  
 3) Termoparaíba e Termonordeste TPPs;  
 4) CPFL Energia holds a 58.8% indirect stake in CPFL Renováveis



### 1.2.2 Vision, Mission and Principles

The activities and businesses of both CPFL Energia and its subsidiaries are guided by its Vision, Mission and Principles. These corporate guidelines have been published in CPFL Energia's Code of Ethics and Corporate Conduct, which is distributed to all employees and made available to other interested parties on the holding company's website (read more about CPFL Energia's ethics management by accessing [www.cpf.com.br/etica](http://www.cpf.com.br/etica)). 64-56

#### Vision

Energy is essential for the wellbeing of people and for the development of society. We believe that the sustainable production and use of energy is vital for the future of humanity.

#### Mission

To provide sustainable energy solutions with excellence and competitively, operating in a manner that is integrated with the community.

#### Principles

- » Creation of Value
- » Exceeding Goals
- » Trust and Respect
- » Commitment
- » Sustainability
- » Security and Quality of Life
- » Entrepreneurial Spirit
- » Austerity

In addition to this, the Group has policies to guide management and decision-making. These policies are:

- » Quality Policy
- » Environmental Policy
- » Human Resources Policy
- » Health, Safety and Quality of Life Policy
- » Diversity Enhancement Policy
- » Sustainability and Corporate Responsibility Policy

To find out about CPFL Energia's responsibilities and commitments, go to <http://www.cpf.com.br/QuemSomos/PoliacuteticaseCompromissos/tabid/578/Default.aspx>



## 2. ABOUT THIS REPORT

The information shown is aligned to the principles of GRI – G4 guidelines and the premises for Integrated Reporting. The management information was prepared and validated by the internal areas of CPFL including the data monitoring, control and storage system. Publication is verified by KPMG Auditores Independentes..

CPFL Energia publishes its Annual Report with the aim of maintaining a transparent relationship with all its stakeholders and being accountable for the activities, projects and results achieved by the holding company in the economic, social and environmental spheres. The information presented in the following chapters refers to the period from January 1st to December 31st 2013 and covers all the Group's subsidiary companies, except where indicated. The report content

complies with the guidelines of the Global Reporting Initiative (GRI) which is the international benchmark for sustainability reports. In addition to this report, the company will published the content in differentiated for certain specific audiences.

[G4-30](#) | [G4-28](#) | [G4-17](#)

For the first time, this year, CPFL Energia completed its replies to the indicators in the new G4 version of the GRI, launched internationally in 2013. The report,

distributed to stakeholders last year, with information relating to 2012, was prepared in accordance with version G3.1. The replies to specific indicators can be found on page 78, in the GRI Profile section, which also shows the indicators that are externally verified by the independent auditors, KPMG. Based on the GRI guidelines, CPFL Energia self-declares the document to be prepared in accordance the guidelines at the comprehensive level. [G4-29](#) | [G4-32](#) | [G4-33](#) | [G4-22](#)

One of the company's major advances in the last year has been the conclusion of a wide ranging stakeholder engagement process and the mapping of sustainability-related initiatives undertaken internally and externally, under the umbrella of the "Sustainability as a Value Lever" project (read more on page 40). Following the conclusion of the program, CPFL Energia structured its sustainability platform, which defines the most significant areas and issues where the company should act to improve its performance and its ability to generate shared value with all its stakeholders. [G4-26](#)

The material issues prioritized in line with the sustainability platform and used for developing this report are: [G4-19](#) | [G4-23](#)

- » Client relationships
- » Supply chain management
- » Eco-efficiency
- » Management of socio-environmental impacts
- » Community development
- » Health and safety

These areas are significant for directing the efforts and investments made in the electricity generation, distribution, commercialization and services segments, in line with the Company's strategic planning. In addition, these issues are of interest to the company's internal and external stakeholders. [G4-20](#) | [G4-21](#)

In 2013, CPFL Energia also complied with the Integrated Reporting Pilot Program, which is coordinated by the International Integrated Reporting Council (IIRC) and brings together over 100 corporations in 25 countries to promote a more concise and integrated method for communicating strategies, governance, performance and long-term outlook. Consequently, this report's content also observes the IIRC guidelines and the company's performance from the viewpoint of six different types of capital: financial, human, social, intellectual, natural and manufactured.

We thank all employees involved directly and indirectly in the collation and analysis of the information published in this report. All interested parties should send comments and suggestions concerning CPFL Energia's Annual Report to email: [sustentabilidade@cpfl.com.br](mailto:sustentabilidade@cpfl.com.br). [G4-31](#)

The described management process and the practices shown in this report are aligned with the "Sustainability as a Value Lever", from which CPFL's Sustainability Platform originated

## 2.1 Sustainability Platform

CPFL Energia built its Sustainability Platform in 2013 in order to define the issues material to its growth strategy and the development of goals and indicators related to each of these issues at each business unit. The Platform consolidation process covered the company as a whole, meaning that sustainability is not just an element of our principles and values but included in strategic planning as a value lever.

As a result, CPFL Energia will have an enhanced ability to manage those aspects of sustainability related to safeguarding the value generated through its activities and identifying the opportunities which will leverage growth in the energy sector. In this way, the company demonstrates both its engagement with this topic and also corporate maturity in making its investments inclusive of the demands of society, customers, suppliers and other stakeholders.

The Platform building process began in 2012 with consultation of a wide range of CPFL Energia stakeholders who were invited to take part in a panel in Campinas. Participants in the event included representatives from civil society, customers, academia, government, employees, investors, shareholders and suppliers. In addition, employees were consulted via an online questionnaire.

This stage was conducted in accordance with the guidelines of international standard AA1000. [G4-18](#) | [G4-24](#) | [G4-25](#) | [G4-26](#)

By encouraging dialog and stakeholder engagement, CPFL Energia was able to identify different expectations regarding its operations. For example, of the topics covered in the panel discussions, risk management, innovation capacity and the dissemination of information on prospecting for renewable sources of energy generation were all issues brought up by stakeholders. [G4-27](#)

In 2013, the company undertook a reassessment of its practices and the demands of the electric sector. With the support of a specialist consultancy, it analyzed 168 projects for possible inclusion under the sustainability banner and assessed the documents and policies underlying CPFL Energia's management. Finally, it took into consideration the guidelines of internationally renowned organizations for sustainability management, such as the Dow Jones Sustainability Index. [G4-25](#)

As a result, the CPFL Energia Sustainability Platform was able to identify six material themes for consolidating its investment and growth strategies, based on a long term vision and the objectives established for each business. They include the specific risks and opportunities for each of the company's operating segments

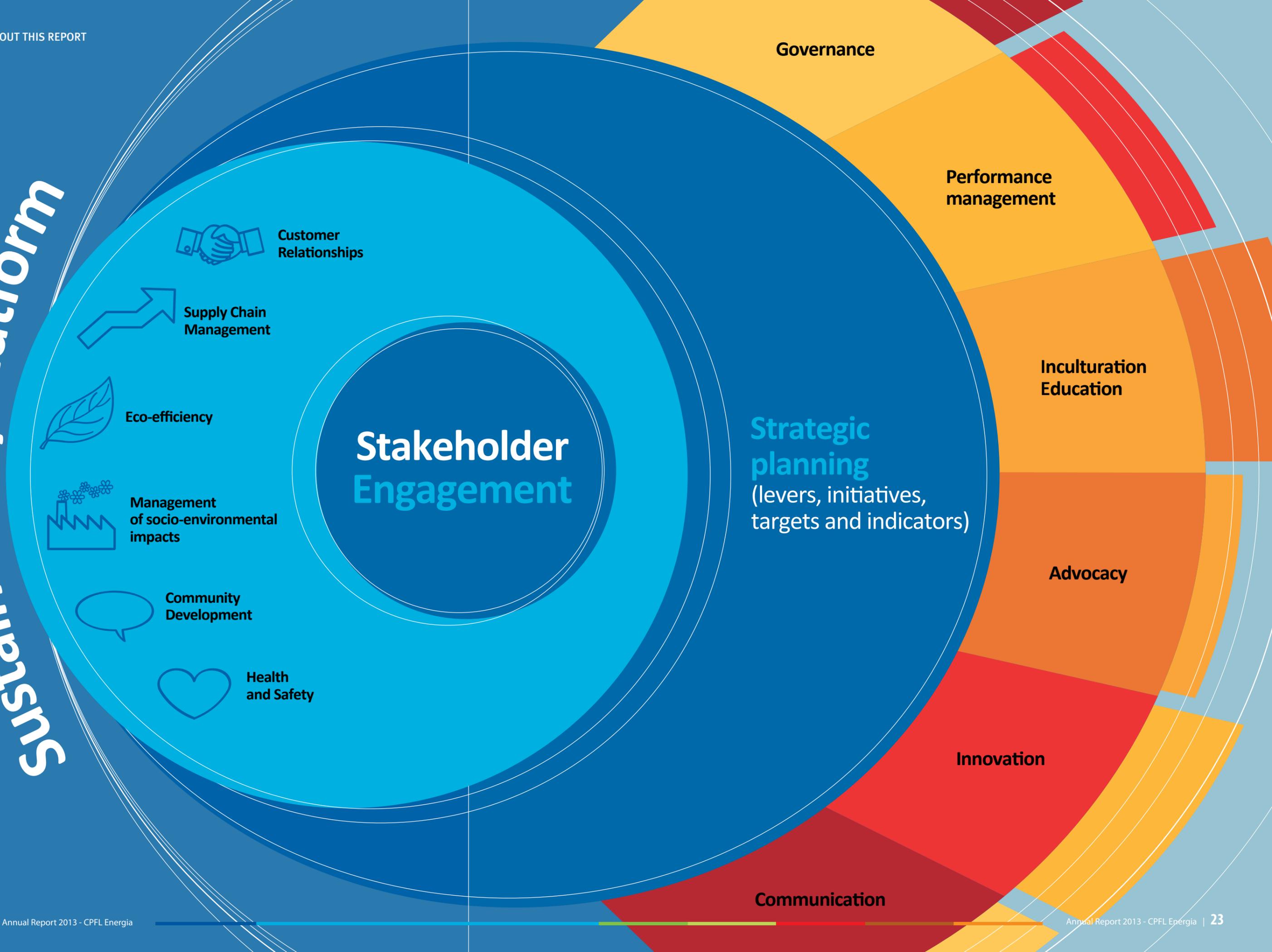
(generation, distribution, commercialization and services) and enable the requirements of external stakeholders to be incorporated into decision-making processes.

Indicators were listed for monitoring the progress of the initiatives developed from the material themes. In addition, goals have been set for each of the businesses and for several of the executives at the businesses themselves.

The prioritized themes in turn, will be addressed transversally, across all business areas, thereby promoting stakeholder engagement via the Company's programs and initiatives, with a focus on community development, environmental protection, value generation for the company and the entire value chain, and the strengthening of the company's image and reputation. [G4-23](#) | [G4-27](#)

The Sustainability Platform will be rolled out in-house during 2014 while the company will foster stakeholder engagement through a roadmap containing six pillars (see chart below). Each pillar has specific action plans attached to it to ensure that the culture of sustainability is strengthened and that it leverages value creation..

# Sustainability Platform





## 3. GOVERNANCE

Electric energy is a necessity of life. CPFL endeavors to assure and provide access to energy for all and in this context, the constituted governance structure is essential for the efficacy of this proposal and the basis for creating shareholder value.

CPFL Energia has adopted clear corporate governance guidelines to consolidate its range of mechanisms for facilitating interaction between shareholders and management bodies. These guidelines, grounded in the principles of transparency, fairness, accountability and corporate responsibility, apply to the holding company and all its subsidiary and affiliate companies. The Code of Ethics and Corporate Conduct, the Securities Trading Policy, the Material Act or Fact Disclosure Policy as well as the shareholders' agreement and the Corporate Bylaws, ensure that these guidelines are disseminated and followed.

As a company with its shares traded on BM&FBovespa's Novo Mercado and on the New York Stock Exchange through the intermediary of a Level III American Depositary Receipts (ADRs) program, CPFL Energia adopts differentiated corporate governance practices. One differential for instance, is the holding of workshops with specialists on the issues of greatest significance to the electric sector or more specifically, impacting the Group, so that board members are always up to date with market trends and outlook.

In 2013, meetings dealt with issues such as the impacts and challenges arising from the

International Financial Reporting Standards (IFRS) guidelines on the accountability process and the changes in energy sector regulations. CPFL also encourages members of the Board of Directors to enroll in Brazilian Institute of Corporate Governance (IBGC) programs as a means of remaining current with the market's best practices. [64-43](#)

Our good governance and management practices centered on sustainability have received systematic market recognition. In 2013, CPFL Energia was selected for the ninth consecutive year for inclusion in the BM&FBovespa Corporate Sustainability

Index (ISE), which is formed of companies that lead the way in corporate sustainability in terms of finance, environment, social responsibility and corporate governance. The company's shares were also included for the second consecutive year in the Dow Jones Sustainability Index Emerging Markets on the New York Stock Exchange, an index that selects emerging market companies

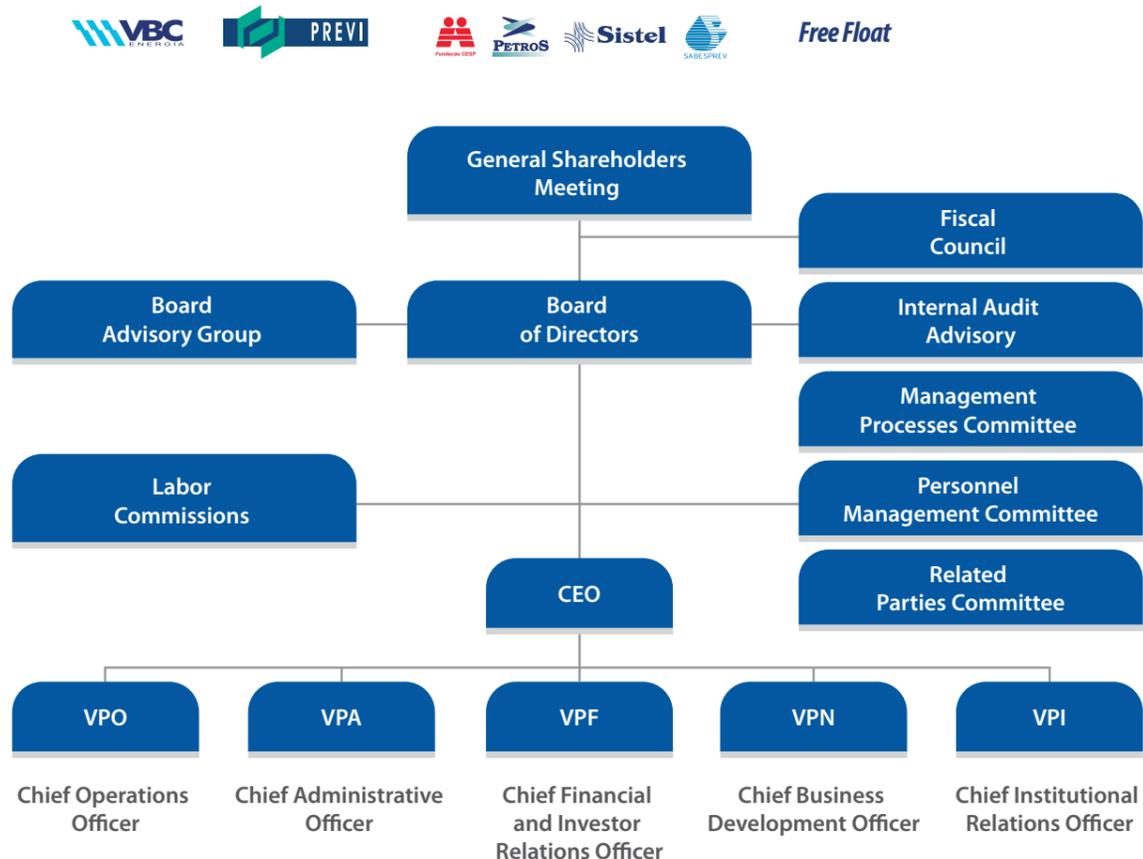
based on a protracted and meticulous analysis of their economic, environmental and social activities.

CPFL Energia is also a member of the Companies Circle, a group formed of 15 Latin American companies which are recognized as benchmarks for adopting premium corporate

governance practices. This is an initiative of the Organization for Economic Cooperation and Development (OECD) and the International Finance Corporation (IFC) which aims to promote and encourage the advancement of best corporate governance practices in Latin America.

### 3.1 Governance Structure

CPFL Energia's governance structure consists of a Board of Directors and a Board of Executive Officers which operate in conformity with the Corporate Bylaws and the requirements of the Shareholders' Agreement as well as the guidelines laid down in the Code of Ethics and Conduct and management policies. According to the Corporate Bylaws, the same executive cannot occupy both the position of Chairman of the Board of Directors and Chief Executive Officer. [G4-34 | G4-39](#)



#### 3.1.1 Board of Directors

The CPFL Energia Board of Directors is the management forum responsible for determining the company's strategic guidelines in line with its Mission, Vision and Corporate Principles. The functioning of the Board of Directors is disciplined by an Internal Charter and available in the investor relations website ([www.cpf.com.br/ri](http://www.cpf.com.br/ri)).

In 2013, the Board of Directors was made up of seven members – six elected by the controlling shareholders and one independent Director, with proven experience and knowledge of the sector. According to the Corporate Bylaws, the Board can comprise up to nine members with a term of office of one year, reelection being permitted. [G4-40 | G4-EC6](#)

#### Members of the Board of Directors [G4-38](#)

Murilo Cesar Lemos dos Santos Passos (Chairman)
Marcelo Pires Oliveira Dias
Claudio Borin Guedes Palaia
Renê Sanda (Deputy Chairman)
Deli Soares Pereira
Martin Roberto Glogowsky
Maria Helena S. F. Santana (Independent Director)

Elected at the Annual General Shareholders' Meeting of April 19th 2013, with a mandate until the 2014 General Shareholders' Meeting.

The Board of Directors meets monthly to discuss and assess economic, social and environmental issues that impact CPFL Energia's management and businesses. To aid the decision-making process and help determine the Company's strategic direction, the Board of Directors is advised by three committees, whose functions are also established in the Internal Charter. The members of these committees are nominated by Board members for a one-year term of office. The coordinators of these committees take part in periodic meetings of the Board of Directors in order to account for their committees' activities and workstreams. [G4-35 | G4-47 | G4-49](#).

Whenever necessary, the Board of Directors sets up ad hoc commissions to advise on specific issues such as corporate governance, strategy, budget, energy purchase, new businesses and financial policy. In 2013, commissions were set up to advise on strategy, budget, corporate finance and risk management. The Sustainability Commission created in 2012 transferred its remit to the Management Processes Committee. [G4-35](#)



### 3.1.2 Board of Executive Officers

The CPFL Energia Board of Executive Officers is responsible for observing and adhering to the strategic direction and guidelines established by the Board of Directors. It manages the company's business in line with its Principles and Values.

It is formed of a CEO, appointed by the Board of Directors, and five Executive Officers nominated by the CEO. The Officers have a term of office of two years and reelection is permitted. They are responsible for managing economic, social and environmental issues. To ensure consistency in the practices of corporate governance between the holding company and its subsidiaries, CPFL Energia's statutory directors also hold executive positions in the latter companies. [G4-36](#)

#### Members of the Board of Executive Officers [G4-38](#)

Wilson Ferreira Junior	Chief Executive Officer
Gustavo Estrella	Chief Financial and Investor Relations Officer
Hélio Viana Pereira	Chief Operations Officer
Wilson Ferreira Junior	Chief Institutional Relations Officer*
José Marcos Chaves de Melo	Chief Administration Officer
Carlos da Costa Parcias Júnior	Chief Business Development Officer

\*A new officer will be nominated to the position in 2014.

### 3.1.3 Fiscal Council

CPFL Energia's Fiscal Council is permanently installed in line with best market governance practices. The supervisory body consists of five members, elected by shareholders at the Annual General Shareholders' Meeting to a one-year term of office. Minority shareholders, who jointly represent a minimum of 10% or more of shares with voting rights, have the right to elect one member.

The Fiscal Council operates independently from the Board of Directors and is responsible for examining and reviewing the fiscal year's financial statements and reporting its findings to the Company's shareholders. Its members meet on a monthly basis and have a minimum calendar of activities, which includes periodic meetings with the internal and external auditors, and with the Board of Executive Officers.

#### Members of the Fiscal Council [G4-38](#)

William Bezerra Cavalcanti Filho
Adalgiso Fragoso de Faria
Daniela Corci Cardoso
Helena Kerr do Amaral
Celene Carvalho de Jesus

Members of the Board of Directors and the Fiscal Council receive fixed monthly remuneration set in line with market standards. Remuneration for the Chairman of the Board of Directors has been elevated since 2012, given the additional responsibilities of this position. Members of the advisory committees to the Board of Directors do not receive additional remuneration for performing this role. The aggregate amount set aside for the remuneration of members of the Board of Directors and the Fiscal Council is agreed annually at the General Shareholders Meeting, and the annual adjustment is calculated based on market studies carried out by independent consultants. Statutory Directors, in addition to their fixed monthly remuneration, receive short and long term benefits and incentives. [G4-51](#) | [G4-52](#)

In 2012, the Board of Directors approved a long term incentive plan based on phantom stocks. Under the terms of this plan, should CPFL Energia's stock reach a given price after a set period of time, the established beneficiaries receive a cash bonus.

In the last month of each year, members of the Board of Directors receive a self-assessment questionnaire. The results of this assessment are compiled and communicated to all Board members with the aim of improving performance. The Fiscal Council is also evaluated in the same way.

The Board of Executive Officers is assessed based on individual and corporate goals established in line with the company's strategic planning, and previously defined and approved by the Board of Directors. The Personnel Management Committee has an advisory role in the process of assessing the Officers in relation to achieving their annual goals. [G4-44](#)

The remuneration of the Board of Directors and the Board of Executive Officers following market standards and are defined in the General Meeting of Shareholders



## 3.2 Risks and Opportunities

### 3.2.1 Risk Management and Internal Controls

CPFL Energia is structured to promote overall corporate risk management and monitoring in the corporate areas and business units so as to guarantee adherence of the company's processes to Brazilian and international norms, and add value to the businesses through alignment of policies and strategies to the company's strategic planning process. In order to monitor these risks, CPFL Energia uses a corporate risk management model.

The Board of Executive Officers is charged with developing mechanisms to measure the impact and likelihood of exposure, monitoring the implementation of risk-mitigation activities, and is ultimately accountable to the Board of Directors. Assisting them in this process are the Corporate Risk Management Committee, and the Risk Management, Internal Controls and Consolidated Processes Department.

The Management Processes Committee advises the Board of Directors on the supervision and monitoring of internal risk control, guides the actions of the internal audit area and develops proposals for improvement. G4-42 | G4-46

For its part, the Fiscal Council evaluates management's methods for preventatively identifying the principal risks to which the company is exposed, the likelihood of occurrences and the prevention and mitigation measures and plans in place. G4-2

One of the main ways in which CPFL Energia and its subsidiaries prevent operating risk in their activities is by managing environmental impact with the support of the Environmental Management System (EMS). CPFL Energia also conducts in-depth environmental impact studies when planning new projects as well as managing the environmental programs at the implementation and operational phases to ensure compliance with licensing requirements and the mitigation or offsetting of environmental impacts. G4-14

The company and its subsidiaries also have operating and financial policies and strategies in place to ensure the liquidity, safety and profitability of its assets. As such, it has procedures to control and monitor transactions and balances involving financial instruments to ensure that the risks and rates applied are in line with market practices.

One of the principal initiatives for prevention of operating risks in the activities of CPFL Energia and its subsidiaries is through the management of environmental impacts supported by the Environmental Management System (SGA).

The main risk factors that could impact the businesses are: G4-2

**Exchange rate risk:** This arises from the possibility of the subsidiaries being exposed to losses and cash flow restrictions due to fluctuations in currency rates. The relative exposure to currency denominated funding is largely offset by financial swap operations, which allow the company and its subsidiaries to switch the original risk of the operation for the relative cost of CDI - the interbank deposit interest rate. In addition, the subsidiaries' operating activities are exposed to currency rate fluctuations in the purchase of energy from the Itaipu plant - although the CVA compensation mechanism protects the companies from any losses. However, this compensation only kicks in post billing of energy actually consumed, when a periodic built-in adjustment process includes these losses in arriving at the new tariff.

**Interest rate risk:** The company and its subsidiaries may suffer losses through interest rate fluctuations which increase financial expenses linked to loans, financing and debentures.

**Credit risk:** The risk of loss through the inability to collect billed amounts from customers. This risk is assessed by the subsidiaries as low given the dispersed nature of the customer base as well as the company policy on collection and disconnection in the event of non-payment.

**Risk of energy shortages:** Energy sold is predominantly produced by hydroelectric plants. A prolonged

period of drought coupled with an above-average increase in demand may result in a reduction in the water volume in hydro plant reservoirs. Their ability to recover volume may be compromised, resulting in losses arising from an increase in energy acquisition costs or a loss in revenue due to the adoption of an energy rationing program.

**Risk of accelerated loan repayments:** The company and its subsidiaries have in place loan and financing agreements and debentures with restrictive financial covenants usual in this type of transaction, typically relating to fulfilling certain economic and financial ratios, cash generation, and others. These restrictive clauses are adequately monitored and do not restrict the Company's ability to conduct its normal business activities.

**Regulatory risk:** Electricity tariffs for captive consumers are fixed by ANEEL for the period established in the concession agreements. Once the methodology for the agreement has been ratified, ANEEL calculates the tariffs to be charged to final consumers. In line with the requirements of Law nº 8.987/1995, tariffs set in this way are designed to ensure economic and financial equilibrium of the concession contracts at the time of the tariff revision. This may result in tariff adjustments lower than expected by the distributors - although eventually compensated by subsequent tariff revisions.



3.2.2 Opportunities [G4-EC2](#) | [G4-2](#) | [G4-42](#)

The issue of climate change has historically been given particular attention by companies in all areas of the economy, the electric sector included, given that such changes are a source of both business risk and opportunity. With this in mind, CPFL Energia's strategic outlook includes the construction of a low carbon economy - contributing to an energy generation mix which stresses the use of renewable sources and the generation of value with economic, social and environmental benefits.

The electric sector is expected to see cross the board transformation in the coming years, resulting from changes in technology and the business environment and already being witnessed around the world. Among the factors for consideration are the increase in distributed generation and micro-generation, a focus on renewable energy, and the optimization of service quality in the transmission and distribution networks. As a result, CPFL Energia's growth guidelines include investments in innovative research

and development projects, such as the Tanquinho solar generation plant and the Biogas Plant, which produces power from the bio-digestion of bagasse (waste from the sugarcane-based energy sector).

In the distribution segment, operating efficiency is of strategic importance to business success. When extreme climatic phenomena such as storms or gale force winds occur, there is a significant risk of power outages as a result of damage to power line

poles as well as substations and transmission lines. Consequently, the company has made significant investments in projects which capture the opportunities presented by climate change, an example being the Energy Efficiency Program, which aims to promote the rational use of electricity and avoid waste. A further example is the Tauron Program, the objective of which is to minimize network events and the time taken to restore service as well as improving field crew service logistics – thus conserving Group revenue.

Backed by a R\$ 215 million investment, the company's Tauron Program is to install 25 thousand intelligent meters at Group A (heavy duty consumers) units by year-end 2014, the objectives including service automation, remote administration, consumer interfacing, management of outages, revenue

protection and cost reduction. The Program will also implement solutions to automate the distribution network and optimize the productivity of field crews with the use of tablet computers to work with MWM (Mobile Workforce Management) and OMS (Outage Management System) systems to speed up deployment and work schedules.

In 2012, digital billing was introduced at six Group companies: CPFL Paulista, CPFL Piratininga, CPFL Leste Paulista, CPFL Sul Paulista, CPFL Jaguari and CPFL Mococa, giving customers the option to receive their bills electronically, reducing operating costs and the environmental impact.

At the planning stage in the Generation segment's expansion of its energy matrix, consideration is given to alternative

technologies, which offer a lower business risk and the greatest opportunity to contribute to a low carbon economy. In this context, CPFL Renováveis' investments were instrumental in the company ending 2013 with a total 1,283 MW distributed among four energy sources: SHPs (327 MW), wind (586 MW), biomass (370 MW) and solar (1 MW). A further 503 MW from wind sources is under construction. In this way, CPFL Energia reaffirms its commitment to sustainability, assuring the ranking of CPFL Renováveis as Brazil's largest player in this field of operations.

CPFL Renováveis lists on BM&FBovespa

CPFL Renováveis listed on the São Paulo Stock Exchange in 2013. CPFL Energia has a 58.84% stake in Renováveis. The controlled company's stock trades under the "CPR3" symbol on the Novo Mercado, BM&FBovespa's segment for companies with premium governance practices. The operation raised R\$ 1.035 billion and was successful in increasing CPFL Renováveis' capacity to grow and attract investment. It is the country's largest energy generator from alternative and renewable sources: wind, SHPs, biomass and solar.

At the beginning of 2014, CPFL Renováveis announced the incorporation of 100% of the assets of Dobrevé Energia (Desa), one of the largest independent renewable energy companies. As such, the total contracted capacity of CPFL Renováveis will increase by 18.5%, growing from 1,786.6 MW to 2,117.4 MW.



### 3.3 Ethics and Integrity G4-56 | G4-57 | G4-58

CPFL Energia understands that ethics is an essential value for its reputation and business longevity. Since 2001, the Company has had in place its Code of Ethics and Business Conduct, Ethics Management and Development System (EMDS), and Ethics and Business Conduct Committee for governing issues related to its employees' conduct and relations between the Group companies and their different stakeholders (shareholders, clients, employees, suppliers, service suppliers, governments, the community and society).

This management model has been continually improved so as to keep CPFL Energia aligned with best practices and to accompany the company's growth. In 2013, the Ethics Committee was restructured to provide a seat for a civil society representative in its structure with the aim of broadening its representation and decentralizing some of its functions. The Ethics Code is currently being reviewed and scheduled for conclusion before the end of 2014.

One of the key actions planned for this new mode of activity is the creation of local ethics commissions at the Group's companies, with their own objectives and responsibilities. In 2014, seven local commissions will be created.

These improvements are the result of a lengthy consultation process, which began in 2012 as part of the Transformation Project and included 38 focus groups that generated, among other themes, recommendations for refining the CPFL Ethics Management and Development System. Action plans to address these demands have been defined and will be implemented during the 2013-14 period.

CPFL Energia also has an Internal Audit Advisory Unit directly answerable to the CEO's office, which reports on the Ethics Committee's activities to the Board of Directors, informing on the monitoring of events notified through the whistle blowing and ethical conduct channel. G4-37

CPFL Energia's employees and other stakeholders may provide information on situations of non-conformity with the ethical principles and guidelines of the Code of Ethics via the following channels:

#### Ethical Conduct Channel

- » Telephone: 0800 77 02050
- » Email: [etica@cpfl.com.br](mailto:etica@cpfl.com.br)
- » Ombudsman address for correspondence: Caixa Postal nº 1408, CEP 13088-900, Brazil

#### Channel for informing on accounting and fiscal fraud

- » Telephone: 0800 77 38422
- » Email: [denuncia@cpfl.com.br](mailto:denuncia@cpfl.com.br)
- » Internal Audit address for correspondence: Caixa Postal nº7009, CEP 13076-970, Brazil

#### Ethics Consultancy

This virtual channel provides consultancy, clarification and, when necessary, advice on doubts and ethical conflicts ([www.cpfl.com.br/etica](http://www.cpfl.com.br/etica)).

The Ethics Management and Development System's communication channels received 111 cases of whistle blowing in 2013 – the Ethics Committee deemed 44 of these as warranting further investigation and were classified as internal (contracted employees) or external (third parties/suppliers). The company classified internal cases as related to labor practices (working behavior, favoritism, corruption, leadership style, HR issues) and human rights (moral and sexual harassment). Cases related to our external stakeholders were classified as impacting society. G4-HR12 | G4-S0 | G4-LA16 | G4-S011

#### Ethical Channels Whistle Blowing Cases

Total Cases	44
Human Rights Impacts <span style="color: #800000;">(G4-HR12)</span>	8
Labor Practices <span style="color: #800000;">(G4-LA16)</span>	34
Events with a Social Impact <span style="color: #800000;">(G4-S011)</span>	2



# 4. STRATEGY AND MANAGEMENT G4-23

CPFL's operations are conducted so that the company grows sustainably. Consequently, it is proactive in meeting the needs of its customers through appropriate and innovative solutions which are economically prosperous, generous with the environment and conciliatory to the communities in which the company is inserted.

## 4.1 Strategic Planning

CPFL Energia's strategic planning is aligned with its Mission and Vision and covers a five-year period, taking into account trends in the macroeconomic, regulatory, technological and market environments. The company's ambition, laid out in its strategic map, is "To consolidate leadership in the Brazilian electric energy sector with creation of sustainable value greater than the market, becoming an international benchmark."

To achieve this, three key themes are present in all the holding company's businesses:

- » Operating excellence with innovation and technology
- » Strategic growth
- » Transformation of culture and leadership style

The company's strategic mapping is updated annually to define the objectives and goals for the workstreams of the Group's executives and leaders. The strategic planning process also includes workshops held in each segment of the Company (distribution, generation, commercialization and services) to foster discussion on performance, review of strategic guidelines and the construction of action plans in pursuit of operating excellence, innovation and continual process improvement.



Reflections on this model are consolidated and presented to all the company's directors for validating action plans and proposed goals for each business. In parallel to this process, the company also reviews its growth guidelines and investment decisions. Finally, the conclusions reached by the directors are put to shareholders for approval.

CPFL Energia's long term strategic planning takes into account sector changes which are likely to affect consumption patterns and the technology employed. Among other examples of variables to be considered is the increase in distributed generation and micro-generation in the energy matrix, identification of renewable generation sources and a focus on a low carbon economy.

In this context in 2013, the company developed its "Energy in the City of the Future" project for fostering greater interaction between society and the electricity sector. The project also established guidelines and directives to be adopted by local municipalities as well as putting forward public policies and corporate strategies that both promote innovative and sustainable technologies as well as address consumer concerns. Ten meetings will take place in 2014 (five were held in 2013), bringing together specialists in a range of areas to discuss issues such as the electricity matrix with renewable and non-renewable sources, electric mobility, intelligent distribution, and regulatory trends, among others.



### Generation

» 2,988 MW of total installed capacity (an increase of 1%)

» 37 wind farms (15 under construction), 8 biomass-fired plants, 47 small hydroelectric power plants (12 under the management of CPFL Geração and CPFL Centrais Geradores); 1 solar energy plant; 8 large hydroelectric power plants and 2 fuel oil-fired thermolectric plants.

» EBITDA of R\$ 1.16 billion in conventional generation and R\$ 563 million for CPFL Renováveis\*  
\* Shareholding stake of 58.8% in CPFL Renováveis

More information:  
<http://www.cpfl.com.br/unidades-de-negocios/geracao/Paginas/default.aspx>



### Distribution

» Leader with a 13% share of the domestic market

» 8 distributors in 4 Brazilian states: São Paulo, Rio Grande do Sul, Paraná and Minas Gerais

» 7.4 million customers served in 569 municipalities

» Energy sales of 58,463 GWh in 2013

» EBITDA of R\$ 2.1 billion

More information:  
<http://www.cpfl.com.br/unidades-de-negocios/distribuicao/Paginas/default.aspx>

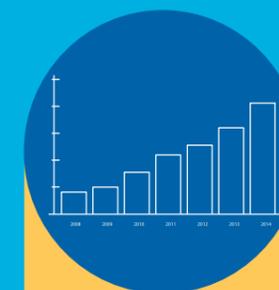


### Services

» Competitiveness in the sale of value-added services: CPFL Serviços, CPFL Atende, CPFL Total and CPFL Telecom

» EBITDA of R\$ 17.96 million

More information:  
<http://www.cpfl.com.br/unidades-de-negocios/solucoes-para-empresas/Paginas/default.aspx>



### Commercialization

» Operations throughout Brazil

» 284 free consumers acquire energy from CPFL Brasil with long term power purchasing agreements

» 2<sup>nd</sup> largest player in commercialization with a 9% share in the ranking for energy sales

More information:  
<http://www.cpfl.com.br/unidades-de-negocios/comercializacao/Paginas/default.aspx>

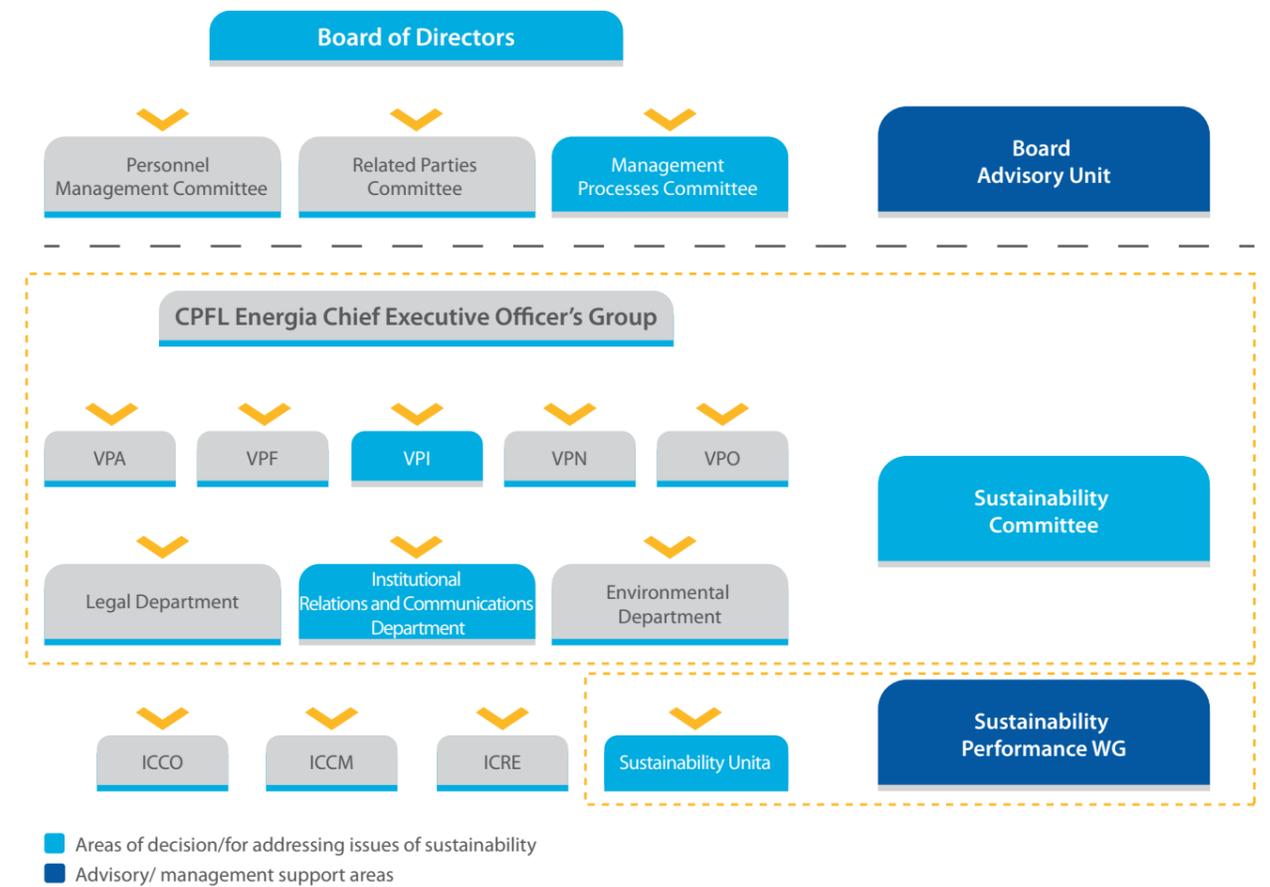
## 4.2 Sustainability Management 64-48

Sustainability concepts and practices make up one of the pillars of CPFL Energia's strategic planning and growth. To ensure that all Group companies are on board with this vision, the company has a sustainability governance structure that ensures the transversal dissemination of the principles across all areas.

The governance structure starts with senior management – the Management Processes Committee monitors the strategic planning and all initiatives related to sustainability, the environment and institutional communication. The Institutional Vice President's office ensures that all decisions are addressed – the Institutional Relations and Communications department, including the Sustainability unit, reporting to this office. The Sustainability Committee, also under the umbrella of this department, plus the Sustainability Working Group, are both bodies which advise management on the dissemination of concepts and practices.

In 2012, the Sustainability Unit was tasked with preparing an analysis of CPFL Energia's investments, projects and supported causes in order to better align them with the Company's Vision and Mission and to create sustainability and eco-efficiency indicators. As a result, 2013 saw the beginning of the "Sustainability as a Value Lever" project which led to the development of an Integrated Sustainability Management Platform aligned with strategic planning and geared toward value creation and protection (read more on the Sustainability Platform on pages 21, 40 and 62). 64-45

CPFL Energia Sustainability Governance Structure





## 5. SOCIETY AND PEOPLE

CPFL is implementing several initiatives for the development of its greatest energy: human capital. It invests in social projects and dedicates resources to the creation of new connections to establish a culture of sustainability.

CPFL Energia's relationship with its employees, suppliers, customers and society as a whole is guided by the commitments, values and principles it has adopted. More than merely providing people with access to the electricity grid, the Group's companies act to promote the rational use of this resource. This helps to reduce losses and the risks associated with electricity usage and to increase opportunities for communities to develop economically, socially and environmentally.

The company's contribution to social development is evidenced through its control systems for monitoring the impact of its activities and investments in social projects and assessing the results achieved. In this context, projects under the aegis of the Energy Efficiency Program and the Philanthropic Hospital Modernization Program are examples of how the holding company's activities go beyond providing a public utility service alone.

On the other hand, the company also invests in employee training and development, which prepares the workforce to handle different aspects of sustainability in their professional and personal lives. CPFL Energia is continually endeavoring to improve its operating efficiency and encouraging its professionals to replicate sustainable behaviors in their communities.

The Group also makes efforts to disseminate good practices along its value chain, managing its supplier base with efficiency and establishing transparent dialog channels such as the Value Chain (read more on page 46). CPFL Energia is also signatory to numerous initiatives and commitments aimed at social development and environmental protection.

The more important of CPFL Energia's commitments are: **G4-15**

Global Compact www.pactoglobal.org.br	A United Nations initiative aimed at mobilizing the business community to commit to principles related to human rights protection, labor relations, the environment and the fight against corruption. CPFL Energia has been a signatory since 2003, and is a member of the Board and the Brazilian Global Compact Committee.
Business Pact for Integrity and Against Corruption www.empresalimpa.org.br	This seeks to persuade companies to promote corporate engagement in combating corruption and in defining guidelines for the relationship with government. An initiative of the Ethos Institute, UniEthos, Patri Government Relations & Public Policies, United Nations Development Program (UNDP), United Nations Office on Drugs and Crime (UNODC) and the Brazilian Global Compact Committee. CPFL has been a signatory since 2006.
WCF - <i>Na Mão Certa</i> (On the Right Track) Program www.namaocerta.org.br	An initiative of the World Childhood Foundation, with actions to combat child and adolescent sexual exploitation on Brazilian highways.
Pro-Ethics Company www.cgu.gov.br/integridade/cadastro-pro-etica/index.asp	In 2011, CPFL Energia joined the Pro-Ethics Company register, a system developed by the Office of the Comptroller General (CGU) and the Ethos Institute.
Climate Forum www.forumempresarialpeloclima.org.br	Continuation of the work begun in 2009 with the Open Letter to Brazil on Climate Change, which was delivered to the federal authorities by 22 private-sector companies including CPFL. In the document, the companies commit to building a low carbon economy, monitoring their emissions of greenhouse gases and integrating the issue into their strategic planning processes.
Sustainable Cities www.cidadessustentaveis.org.br	An initiative of the Our São Paulo Network, the Brazilian Social Network for Just and Sustainable Cities and the Ethos Institute, this offers a platform with indicators for improving management of local government. CPFL supports the initiative in its area of activity believing in the potential of public-private partnerships for municipal development.
GHG Protocol www.ghgprotocol.org	In 2011, CPFL became a signatory of the GHG Protocol, a program run by GV-CE and WRI which aims to quantify and manage greenhouse gas (GHG) emissions. Currently, the methodology most used worldwide by the private sector and governments for carrying out GHG inventories.

CPFL Energia also takes part in forums and associations in which the development of the electric energy industry is discussed. Among these institutions, the most important are: **G4-16**

## 5.1 Supply Chain Management **G4-509|G4-HR10|G4-LA14**

CPFL Energia's supply chain management is focused on promoting the concept of sustainability and value creation through the Integrated Management System (IMS) which qualifies and monitors the performance of our 3,892 suppliers of goods and services.

In 2013, the company effected numerous improvements to its methods for supplier classification, supplier base management and to its relationship channels (Supplier Portal and Value Network). CPFL Energia also runs its CPFL More Value award scheme, which aims to encourage suppliers to seek excellence in areas such as quality, timeliness, safety, environment and social responsibility. Since 2012, the award has included a Sustainability category, which recognizes those supply chain companies with the best sustainability practices, assessment being based on Ethos Institute indicators.

Supplier accreditation must take place prior to receipt of a quote for goods or services and is carried out according to parameters established by internal technical guidelines, which were updated in 2013 to include social and environmental performance criteria with respect to human rights and labor legislation.

This stage involves the identification of the type of supplier based on the scope of the interest in ratification. Subsequently, routines are structured for monitoring supplier information. CPFL has both suppliers of materials and services. For each item supplied, a type of material or service is defined in addition to classifying the volume furnished to the company over the preceding six months using the letters "a", "b" and "c" according to the Pareto ABC curve analysis method. This procedure forms part of the supplier information maintenance routine.

The company considers as strategic those suppliers that are in Class A of Pareto's ABC curve. For these suppliers, internal guidelines establish the basis for assessment which includes sustainability criteria. The percentage of strategic suppliers assessed on sustainability criteria has been increasing in recent years. **G4-12|G4-13**

	2013	2012	2011
% Critical suppliers assessed for sustainability	22.20%	17.70%	11.80%
Number of strategic suppliers visited	24	22	18
Number of strategic suppliers	139	124	153

In 2013, CPFL Energia made 24 visits to strategic suppliers as part of the process of assessing working conditions and respect for human rights. In the south of Brazil, certain areas for improvement were identified among some suppliers in relation to health and safety. However, there were no serious cases of non-conformity justifying cancellation of supplier agreements.



### 5.1.1 Value Network

The Value Network is a CPFL Energia-developed sustainability program for the supply chain. The project was restructured in 2013 to become a forum for strategic suppliers to the business, focused on increasing these companies' socio-environmental and financial performance through the sharing of knowledge and extensive practical experiences with the supply chain. The UN Global Compact's executive director was present at the launch of the company's revamped Value Network.

The program adopts the principles of human rights and the dissemination of good practices for developing socio-environmentally responsible actions along the supply chain based on the company's accumulated internal know-how, plus that of its partner organizations and companies forming the Value Network. During 2013, these new initiatives were presented to the 49 suppliers forming the Network, along with the Ethos Indicators for Sustainable and Responsible Businesses, which will be used to guide the definition of the group's work plan.

Suppliers that have a relationship with CPFL Energia must be aligned with the Group's environmental policy and must rigorously observe the social requirements of standard SA 8000:2008 concerning child labor, forced labor, health and safety, freedom of association as well as the right to collective bargaining, discrimination, disciplinary practices, working hours and remuneration. The company also has its Suppliers Portal (<http://www.cpf.com.br/PortalFornecedores>) and Suppliers Newsletter communication channels. **G4-HR5**

In 2013, CPFL identified no cases among its suppliers where employees' rights to freedom of association or collective bargaining were at risk. These findings are the result of periodic monitoring visits, during which social responsibility criteria are evaluated according to the guidelines. In the specific case of supplier companies that are part of the Value Network and provide janitorial services to CPFL-owned sites, security staff undergo a training course with regular 'refresher' courses, covering practical and human rights-related issues. **G4-HR4 | G4-HR5 | G4-HR7**

## 5.2 Customer Relationship

CPFL Energia distributes energy to about 7.4 million customers. In 2013, energy sales in the company's concession areas increased by an average 3.1%. Growth in the residential segment was the most robust (5.9%), followed by the commercial (3.6%) and industrial (2%) segments.

### Customer numbers for CPFL Energia distributors **GRI EU3**

	2013	2012	2011
Residential	6,523,553	6,312,737	6,087,719
Industrial	58,565	59,057	59,503
Commercial	491,057	494,556	500,117
Rural	245,687	243,283	242,589
Government	49,443	48,467	46,780
Public Lighting	9,596	9,166	8,623
Public Services	7,961	7,729	7,417
Proprietary Consumption	843	845	785
<b>TOTAL</b>	<b>7,386,705</b>	<b>7,175,840</b>	<b>6,953,533</b>

In their interaction with free and captive market customers, CPFL Energia's affiliated and subsidiary companies seek to offer services with maximum quality, efficiency and speed. This relationship is based on ethics and transparency, achieved through continual skills training of employees who have face-to-face contact with the general public, improvements to systems for guaranteeing electricity uptime and refinements to communication and billing channels to assure greater ease in bill payments.

In recent years, CPFL Energia has invested in digitalizing the majority of its services. As a result, customers can choose to receive their bills electronically, via e-mail or SMS message. This initiative contributes to a reduction in environmental impact related to paper consumption and bill printing. Additionally, the company obtains gains in synergy and efficiency with economic benefits – in 2013 alone about R\$ 800 thousand were saved in bills not sent out by mail. Other advantages of electronic billing for customers are digital storage and access to bills for the previous 13 months as from the date of registration with the service.

In 2013, we also updated our call center (0800) system. This now offers a more efficient electronic service for resolving customer issues. As a result, the company registered improvements in criteria such as less waiting time for answering customer phone calls, enhanced effectiveness in meeting demands and greater employee availability, as staff are only called on to resolve cases requiring more complex procedures. These improvements to our service systems are evaluated using specific indicators and measured periodically.

CPFL Energia also monitors the quality of its billing to customers, seeking to minimize errors in reading and charging. In order to meet this objective, the company trains field crews and has made improvements to meter-reading equipment. In this field, a highlight is the Tauron Program, an initiative in the smart grid area that will involve the installation of twenty thousand intelligent meter systems to allow remote metering of consumption by Group A customers – those with the greatest demand for electricity. (Read more about the Tauron Program on page 33).

In order to expand access to electricity information and services, CPFL Energia has diversified its relationship channels: **GRI EU24**

- » Social networks (Twitter and Facebook) since 2012.
- » Web mobile service (cellphone internet) for seven services: notification of power outages, debit consultation, second copy of billing, reconnection, direct debit registration, email account registration and public lighting repairs.
- » SMS service to inform customers of planned outages, disconnection cancellation, power cuts, bar codes for payment and bill collection procedures.
- » Access to information and services for customers highlighted on the website homepage.
- » Two call centers operating round the clock, seven days a week.
- » Some centers have been adapted for customers with special needs and offering identification by Braille.
- » Exclusive 0800 number for people with hearing deficiencies.



### Satisfaction surveys **G4-PRS**

CPFL Energia conducts annual surveys to assess the satisfaction of the customers served by its eight distributors. These surveys are carried out by the Brazilian Association of Electricity Distributors (ABRADEE) and ANEEL, which runs the ANEEL Customer Satisfaction Index (IASC). Using different methodologies, these two studies enable the company to identify areas of strength and opportunities for improvements for meeting the demands of customers.

The IASC survey assesses distributors based on 17 criteria grouped in three areas: customer information, company access and service reliability. The distributors CPFL Piratininga, RGE and CPFL Jaguarí registered improvements compared to the last survey. However, the customer satisfaction scores of CPFL Leste Paulista, Mococa, Paulista and Santa Cruz declined slightly.

CPFL Piratininga and RGE were recognized for their performance with awards for Best Southeast Region Distributor with over 400 thousand customers and Best Southern Region Distributor with over 400 thousand customers, respectively.

The ABRADEE survey looks at the distributors in 27 dimensions (14 of which are in the ANEEL study), divided into five distinct areas: energy supply, communication and information, electricity billing, service and image. In 2013, the study was held for the 15th consecutive year and covered six of the Group's companies. CPFL Paulista, Leste Paulista and RGE achieved better scores while CPFL Piratininga and CPFL Santa Cruz's scored lower.

The study is also the basis for ABRADEE's best customer award. RGE was the winner in the category for companies with over 500 thousand customers and Leste Paulista won in the up to 500 thousand customer category.

In all, the ANEEL survey interviewed 2,420 residential customers in 2013. ABRADEE survey was based on 2,913 interviews with consumers.

In line with the ANEEL resolution, CPFL Energia also engages and receives demands from customers through its Consumer Councils, which exist to guide, analyze and assess issues linked to electricity supply, tariffs and the suitability of services provided. Council members are made up of representatives of the residential, industrial, commercial, rural and governmental consumer classes.

## 5.3 Community Development

**G4-S01 | G4-S02 | G4-EC7 | G4-EC8 | GRI EU20**

CPFL Energia has mechanisms in place to assess the positive and negative impacts of its installations, also investing in actions for community engagement and local development. These initiatives are implemented using the Company's own resources and others resulting from the tax break legislation.

### Electricity generation

The main social impact caused by a new hydroelectric generation project is the displacement of communities due to the flooding of areas to form reservoirs, studies being undertaken to analyze the socio-environmental impacts on the region. In 2013, no resettlement occurred in the communities contiguous to CPFL Energia's operations. **GRI EU22**

A summary of the main community development projects undertaken by CPFL Energia's generation companies is described below: [64-S01](#)

**Foz do Chapecó (Santa Catarina):** Since 2008, the plant has made investments of over R\$ 5 million and implemented about 50 socially-oriented projects which have mobilized around one thousand people in activities such as bee keeping, cattle ranching, production of fruit, vegetables and sugarcane byproducts, among others.

**CERAN Complex:** In 2013, the company ran an environmental education program involving schools and the local community. An investment of R\$ 643 thousand was made in relocating community assets (church, community hall and soccer field) in the community of São João Nepomuceno, in the area of influence of the 14 de Julho hydro plant (state of Rio Grande do Sul).

**BAESA:** About R\$ 560 thousand were invested in social projects during 2013. Of this total, R\$ 268 thousand went to eight projects funded through tax break legislation. A further R\$ 290 thousand were earmarked for 44 social projects and activities presented by organizations operating in the states of Santa Catarina and Rio Grande do Sul, chiefly in the municipalities surrounding the Barra Grande HPP. These actions directly benefited about 400 people and created approximately 70 direct and indirect jobs. The cultural events as well as infrastructure and health projects reached an estimated audience of 190 thousand people.

**ENERCAN:** About R\$ 2 million were invested in our socio-environmental responsibility program in 2013. Of this total, R\$ 1.9 million went to 37 projects under the tax break legislation. Another R\$ 160 thousand were used for funding 48 socially-oriented projects and activities of institutions working in the municipalities around the Campos Novos HPP. In all, we supported 85 social projects and activities, which created 208 direct and indirect jobs. About 600 people benefited from year-long projects promoting musical education and sports education as an extra-curricular activity and income growth. The cultural events and infrastructure and health projects were responsible for reaching an estimated audience of 160 thousand.

**CPFL Renováveis:** Its socio-environmental development program is a pilot initiative providing financial support to activities which promote sustainable development of communities in the municipalities of Parazinho, João Câmara, Touros and São Miguel do Gostoso situated in the sphere of influence of the company's wind farms in the state of Rio Grande do Norte. In 2013, a public vote selected projects in four thematic areas: professional training, institutional empowerment, production chain support, and collective infrastructure and equipment. The investment for the last year totaled R\$ 643,202.75 and covered 30 projects and 20 civil society associations.

### Philanthropic Hospital Modernization Program

In operation since 2005, this program aims to upgrade the administrative performance of the philanthropic hospitals serving the communities in which the company is present. The current phase of the project began in 2012 and will conclude in 2014, with 15 hospitals participating in 12 municipalities in the regions of Campinas and São José do Rio Preto (state of São Paulo). In 2013 alone, the investment was approximately R\$ 630 thousand.

In addition to the benefits to society, CPFL's contribution helps to improve the hospitals' administration so that they remain in good financial shape, thereby reducing payment delinquency rates. Nonetheless, when these institutions are unable to settle their electricity bills on time, the company negotiates an agreement with extended dates for settlement.

### CPFL Institute | Culture

Through the CPFL Institute| Culture, CPFL Energia incentivizes cultural development and debate on contemporary society among the local population surrounding Group companies' regional offices in addition to the municipality of São Paulo. The CPFL Institute was founded in 2003 and since then has promoted the creation of knowledge in its cultural programs and the broadcasting of such through not only traditional means (such as television and radio) but also modern digital platforms.

In 2013, in partnership with the Greenpeace Brasil NGO and the Electric Sector Study Group (GESEL) of the Federal University of Rio de Janeiro, meetings and debates were held on a sustainable future and new energies in Brazil. These discussions were presented in the *"Café Filosófico"* and *"Invenção Contemporânea"* television programs.

In Campinas, where CPFL Energia's headquarters are located, the cultural program included two visual arts exhibitions, one of them in partnership with the Pinacoteca of the state of São Paulo. At the regional headquarters, activities included the exhibition '100 years of history and energy' (the history behind CPFL's centenary) and children's theater sessions.

In 2013, about 34 thousand people came in person to events held by the CPFL Institute | Culture and a further 14,500 took part online. The Institute's Facebook page has an audience of 22,800. The weekly televised series *"Café Filosófico"* and *"Invenção Contemporânea"*, shown on TV Cultura attract an audience of 1.5 million viewers monthly and approximately 18 million annually in the Greater São Paulo region, according to IBOPE audience figures.

### Volunteer Program

The CPFL Volunteer Program aims to mobilize, facilitate and recognize volunteer activity among employees, thus contributing to the social development of the communities within the CPFL Group's sphere of influence and meeting its institutional aims.

In 2013, the Program held its Winter Clothes Campaign and Doing Good Day, which attracted the participation of 1,800 volunteers, including employees, their family members and partner organizations, with activities held in 26 municipalities.

This result led the Company to begin a process of restructuring its Volunteer Program in 2013. The revamped model will be aligned with the Transformation Program, business policies and strategies and will create the appropriate scope for building values and expanding dialog with stakeholders. A new model of participatory management is being developed, based on the formation of Regional Volunteer Teams, which will decentralize decision-making and promote greater autonomy, innovation and entrepreneurial spirit among volunteers. Both internally and externally there is the increased potential for developing a shared sense of citizenship.

### Energy Efficiency GRI EU7 | EU9 | EU23

CPFL Energia's energy efficiency program is run according to electric sector regulations, which require the mandatory investment of 0.5% of net operating revenue in programs to help low income segments of the population gain access to the electricity grid. In 2013, R\$ 56.5 million were invested in initiatives that led to savings of 36.7 thousand MWh - sufficient to supply 185 thousand residential customers for a month. **G4-EN7**

Over R\$ 35.5 million were invested in low income consumer segments (registered for the Federal Government's social programs) that resulted in concrete actions such as the substitution of existing power-hungry refrigerators and showers for more efficient technologies, upgrading of internal electrical installations and the replacement of incandescent light bulbs for compact florescent lighting.

A further R\$ 16.6 million were spent on improving the energy efficiency of public buildings and public utility companies with light bulb donations and upgraded lighting. Educational initiatives, which increase consumer awareness on the importance of the rational use of electricity, received a budget of R\$ 3 million. A further R\$ 1.1 million in tax break money was allocated to the industrial sector for projects and equipment to increase efficiency.

Educational projects (*CPFL nas Escolas* and *Caravana RGE*) were also held in 3,017 municipal and public schools, reaching 230,685 students and 16,784 teachers in 148 municipalities. These activities are supported by trucks that travel through municipalities, giving the projects greater reach.

In all, the program involves nine projects for reducing electricity wastage, replacing equipment and educational campaigns, with hospitals and public buildings also benefiting. The program was also responsible for the installation of better public lighting for urban infrastructure (such as tunnels and traffic lights) and in water supply services.

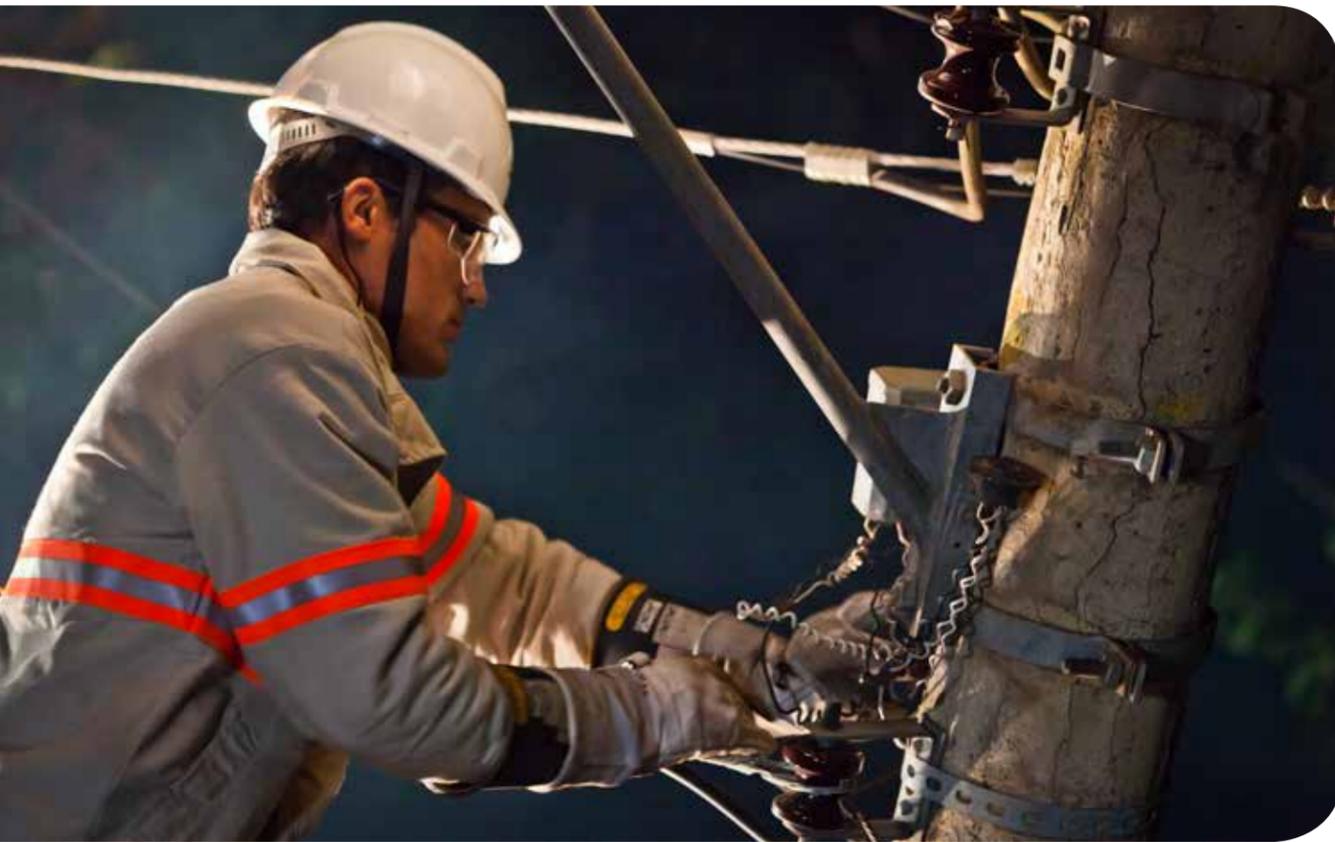
The project in numbers:

- » 3,963 customers regularized
- » Substitution of 10,186 refrigerators, 7,617 heat exchangers and 161,582 light bulbs for more efficient models
- » Upgrading of internal electrical installations in 4,249 homes and the substitution of equipment in 223 schools and 70 public buildings
- » Installation of 6,354 solar heaters
- » Training of 125 electricians in the Basic Electricity Course

To find out more about the energy efficiency program, go to [www.cpf.com.br/canaldaenergia](http://www.cpf.com.br/canaldaenergia).

### Tax Breaks

In 2013, CPFL Energia contributed about R\$ 3.6 million to support projects and actions of the Municipal Child and Adolescent Rights Councils, Municipal Councils for the Rights of Senior Citizens and the National Cancer Attention Support Plan (PRONON). These resources originated from an income tax rebate, in line with the legislation on tax breaks. The investments benefited a total of 26 projects in 12 municipalities in the CPFL concession areas (find out more at [www.cpf.com.br/cmdca](http://www.cpf.com.br/cmdca)).



## 5.4 Health and Safety

At CPFL Energia, the management of health and safety-related issues involves both the company's employees and outsourced personnel and also the communities surrounding our generation and distribution operations. All the Group's companies follow specific procedures to minimize the risk of exposure to the electrical network or accidents involving occupational activities. There are also impact mitigation plans in place in case of accidents. In addition, the Integrated Management System (IMS) enables the company to identify points for improvement and define goals and procedures to be executed by the operating areas. [G4-LA7](#)

CPFL Energia's safety management structure includes the Health and Safety Committee (HSC) representing 100% of the employees and made up of the chief executive officers of all the subsidiaries and the Chief Operations Officer of the holding company. In this forum, where managers participate from the safety, supplies and engineering operating areas, action plans are discussed for handling the most critical issues. Additionally, all the companies have CIPAs or Internal Accident Prevention Commissions and local committees for health, safety and the environment. [G4-LA5](#) | [G4-LA6](#)

For its own employees and outsourced personnel, CPFL Energia provides training in occupational health and safety (OHS)

specific to each area and a legal requirement. This training is obligatory before workers can begin their professional activities. [GRI EU16](#) | [GRI EU18](#)

Health, safety and quality of life initiatives help reduce costs since they mitigate operational risks related to occupational activities as measured by the Work Environment Risks (RAT) and the Accident Prevention Factor (FAP) indices. The lower the exposure to risk of an economic activity, the lower is the premium (FAP) payable by the company to the social security system. CPFL Energia has successfully reduced this cost since 2010, reporting savings in 2013 of R\$ 1,114,388.00 (costs avoided).

Employees are not exposed to any specific occupational disease, but the company runs regular awareness and prevention programs on sexually transmitted diseases, drugs and alcohol usage as well as anti-smoking campaigns, among others. Regular physical activity and preventive examinations are also encouraged. Group companies also comply with items agreed under collective labor contracts with the labor unions on issues concerning health and safety and quality of life benefits for employees. [G4-LA7](#) | [G4-LA8](#)

### Number and type of injuries, occupational sickness, days lost, absenteeism and fatalities [G4-LA6](#)

DISTRIBUTORS	2013			2012			2011		
	FR*	DS**	Fat	FR*	DS**	Fat	FR*	DS**	Fat
Frequency Rate (FR)*	1.77	1.8	2.72						
Degree of Severity (DS)**	1073	415	1401						
Direct fatalities	2	1	3						
Outsourced fatalities	2	2	6						

\*FR represents the number of accidents involving time off work in relation to one million man hours worked (10<sup>6</sup> x total number of accidents involving time off work divided by total Man Hours Worked).

\*\*DS: represents the seriousness of the injury, i.e. the "non-productive time" per one million man hours worked (106 x total number of days lost + total number) of days debited divided by the total man hours worked).

The data for Man Hours Worked is estimated on the basis of the numbers on the monthly payroll. Safety levels do not incorporate contracted companies. The data for CPFL Centrais Geradoras is not being reported.

The Group also has teams at the generation and distribution sites trained to act in emergency situations. The contingency plans are established according to technical norms that set out general procedures and responsibilities as well as establishing the resources necessary for restoring electricity network services. The hydroelectric plants and CPFL Renováveis power plants have their own specific emergency mechanisms established in the IMS. [G4-PR1](#) | [GRI EU21](#) | [GRI EU18](#)

The CPFL Energia distributors possess a distribution network extending over 240 thousand kilometers. Numerous actions

are implemented along its length to reduce risks to users and the community at large. The company has equipped all its service channels to facilitate notification from the public on risk situations that could be prejudicial to health and safety. [G4-PR1](#)

In 2013 CPFL Energia held its External Week for Prevention of Accidents with Electricity (EWPAE), with the aim of raising awareness to electricity-related risks. This action involved a range of initiatives with the general public, such as talks and distribution of educational materials, press coverage and information disseminated via electricity bills.

The events and talks held in schools, associations, labor unions and participating companies in the concession area reached an audience of over 700 thousand people. In all, over 15 million users received the company's publicity literature.

The company produced the "What's Up Boy" DVD and "An Adventure in the Sky" leaflet in didactic language with an educational content for children. Other printed materials were also distributed, with information on the electricity-related risks of activities involving construction, building maintenance and agricultural. [G4-PR1](#)



## 5.5 Personnel Management

With a workforce of over 8 thousand, CPFL Energia has a solid corporate culture enshrined in the company's Way of Being and Doing, all professionals of the holding company's businesses following the same principles and values in their daily activities, in line with the Group's Vision and Mission. This way of operating was significantly strengthened by the Transformation Program, which began in 2011 and introduced a range of initiatives for building the necessary base for CPFL to continue growing and to achieve its goals and objectives.

Using the Transformation Program as its starting point, CPFL Energia has articulated its maxim: "To be a worldwide benchmark in the sector. A sustainable and engaging company for all our stakeholders". Four pillars support this cause:

- » We value people
- » We behave with excellence
- » We adopt the best management and governance practices
- » We create sustainable value

All of CPFL Energia's actions and investments are aligned with the Transformation Program. Some of the most important programs in 2013 included People First (focused on increased safety), Intelligent Consumption and Face To Face (promoting trust between managers and their teams).

In order to nurture these and other actions as well as contribute to employee development in all areas of the Company, the Human Resources department also refined its operational model. In 2013, CPFL created business partners (BPs) - professionals selected to look after all personnel management demands within a specific business unit. The mission of the BPs is to identify the needs of the area for which they are responsible, anticipate risks and propose solutions for execution by other HR teams or by the actual unit managers.

The BP team is made up of 10 professionals with a generalist profile who attend the departments and companies comprising the holding company. The aim is for these employees to interact with the departments as internal clients, providing a people management service with the same efficiency and responsiveness with which CPFL Energia deals with its customers.

### Professional development

CPFL Energia encourages its employees to be proactive in their professional development so that individual commitment and effort in the pursuit of objectives aligned with the company's strategy are recognized and rewarded. As a result, the Personal Value program, under the slogan "It's you who drives CPFL's growth" has been an important tool for managing employee performance.

Launched in 2001, the Personal Value program includes a system for the employee to carry out a performance self-assessment, which is made available to his immediate superior. The manager is responsible for providing the professional with clear feedback, highlighting positive points and areas for improvement. This assessment should also include consultation with the individual's peers and in-house clients. In 2013, 93% of employees received a performance assessment. **G4-LA11**

Following the assessment, the employee and their superior compile the Individual Development Plan (IDP) which includes goals related to the company's and the department's strategic objectives for the coming year. Targets must be specific, measurable, achievable, focused on results and chronologically arranged.

In order to meet these goals and improve points highlighted in their evaluation, employees can take part in numerous training programs offered or subsidized by CPFL Energia. Training is centralized in the Corporate University, which was created in 2008 to train professionals and leverage their skills through a continual learning process.

The University is structured into three schools (Specializations, Market and Customer, and Leadership) and two overarching groups (Support Training and Corporate Development), responsible for organizing the programs, content and learning paths. In addition to its online courses platform, the University also offers on-site courses at its own facilities equipped with computer rooms, auditorium, educational games (at the University headquarters), as well as practical training yards, operating vehicles, equipment, tools and, at the University Campus, Individual Protection Items (IPs). The Corporate University operates training centers in the state of São Paulo in the cities of Americana, Araraquara, Ipaussu, Ribeirão Preto, Indaiatuba and Bauru – the latter two in partnership with the National Service for Industrial Training (SENAI) – and in the cities of Bento Gonçalves, Caxias do Sul and Erechim, in the state of Rio Grande do Sul. All these locations have equipment, tools, IPs and vehicles for training purposes. **G4-LA9**

### Average number of hours of training by functional category in 2013

Statutory Directors	2
Executives	21
Managers	88
Leadership	64
Operational	78
University Personnel	53
<b>GENERAL AVERAGE</b>	<b>73</b>

CPFL Energia also subsidizes employees for the cost of studies ranging from primary education to postgraduate and MBA courses, technical training, languages, computer sciences, participation in seminars and short courses included. The subsidies are available as part of the Professional Requalification Program, available to employees of nine companies in the Group (Paulista, Piratininga, Geração, Brasil, Jaguariúna, Mococa, Leste Paulista, Sul Paulista and Santa Cruz). [G4-LA9 | GRI-LA10](#)

The company also invests in programs which benefit society and local communities by training professionals for the electric sector. One of these initiatives is the Electricians' School and designed to establish a cadre of skilled electricians and mitigate the risks of skilled labor shortages. The project offers free training for the job market as well as qualifying future employees at the pre-contract stage. In 2013, the project was expanded and qualifying 88 new electricians of which 56 were given an employment contract by the Group's companies. [G4-S01 | GRI-EU14](#)

In 2012, the SENAI Apprentice Scheme was created with the aim of training and qualifying young people through the SENAI School. At the end of the course, the best-performing students are invited to join the CPFL workforce. In 2013, 31 people graduated from the project. [G4-S01](#)

### Remuneration and benefits

The remuneration and benefits package that CPFL Energia offers to its employees is aligned with electric sector best practices and is complementary to human resources management to the extent that it generates shared value jointly with the company's stakeholders.

Additionally, employee satisfaction with remuneration is assessed every two years in organizational climate surveys. [G4-S3](#)

The company's professionals have the right to a fixed monthly salary, benefits and variable remuneration (PLR) linked to the achievement of short and long term goals. Among these, for 2014, CPFL Energia has included items particularly relating to sustainability management on the agenda of its executives and managers, with a focus on improving the holding company's environmental and social performance. [G4-S5](#)

The company recognizes the labor unions as legal and legitimate representatives of its employees and as conduits for negotiations. The Group maintains annual Collective Bargaining Agreements with the unions on issues such as working hours and fixed and variable remuneration plans. The collective agreements cover all CPFL Energia professionals. [G4-I11](#)

The company also adheres rigorously to labor legislation and offers its employees all the benefits contained in the Brazilian Consolidated Labor Laws (CLT), such as maternity and paternity leave. In 2013, of CPFL Energia's workers, 120 women and 510 men took periods of maternity and paternity leave, respectively. Of these, 79 women and 472 men returned to work and remained at the company after the 12-month period. [G4-LA3](#)



# 6. ENVIRONMENT

In building its Sustainability Platform, CPFL Energia identified eco-efficiency as a key theme in the strategic management of its businesses. As a result, the company will be redoubling its efforts to encourage the adoption of good practices, initiatives and projects for reducing the consumption of energy and water and the generation of waste and emissions in its operations.

## 6.1 Management of Socio-environmental Impacts EU20 | EU22 | EU19

CPFL Energia adopts the Environmental Management System, certified in accordance with ISO 14001 standards, for the management of socio-environmental impacts. This system incorporates procedures for ensuring the identification and development of action plans to mitigate the effects arising from the Company's activities. Among the key objectives of the Group is to verify that projects in all areas comply with the environmental legislation. In addition,

through the generation of value and the support of initiatives involving civil society, the Company promotes community development, environmental education and the preservation of natural resources.

CPFL Energia's concern for the environment and respect for the community begins at the project planning stage, whether for power plants, substations or transmission lines. Prior to the construction of a new project, the Company interacts with the

surrounding community in the preparation of regional impact studies. These take into account not only the positive but also the negative effects and the way to minimize or offset the latter. **GRI EU19**

During the year, progress was made in the management of socio-environmental impacts, particularly the consolidation of the sustainability platform. This has been instrumental in the inclusion of themes and aspects of relevance to the Company's

business in its strategic planning (read more on the Sustainability Platform on page pages 21, 40 and 62). In practical terms, the platform permits the holding company to structurally reinforce existing systems and policies as well as adopt others for the continuing upgrade in the way in which it identifies and evaluates the positive and negative impacts of its businesses. This enables it to prepare the necessary action plans to mitigate socio-environmental risks.

In 2013, 17 substations and transmission lines pertaining to CPFL Energia's distributors received Operating Licenses from the environmental protection agencies of the states of Rio Grande do Sul and São Paulo. As a result, CPFL Paulista, CPFL Piratininga and RGE are now able to comply more effectively with consumer demands in their concession areas.

During the course of the year, CPFL Energia invested R\$ 96.4 million in environmental protection initiatives. Of this total, R\$ 37.4 million was dedicated to production and generation and a further R\$ 59 million invested in external programs and projects. **G4-EN31**

## 6.2 Eco-efficiency

In the construction of its sustainability platform, CPFL Energia identified eco-efficiency as of critical importance in the strategic management of its businesses. Consequently, the Company is to reinforce the fostering of good practices, initiatives and projects for reducing consumption of water, generation of waste and emissions in its operations. Additionally, the holding company pursues a policy for stimulating sustainability along the value chain by raising the awareness of both clients and suppliers on the importance of preserving natural resources.

In 2013, the CPFL Energia's distributors successfully reduced the use of such items as concrete poles, cables and meters by more than 25%.

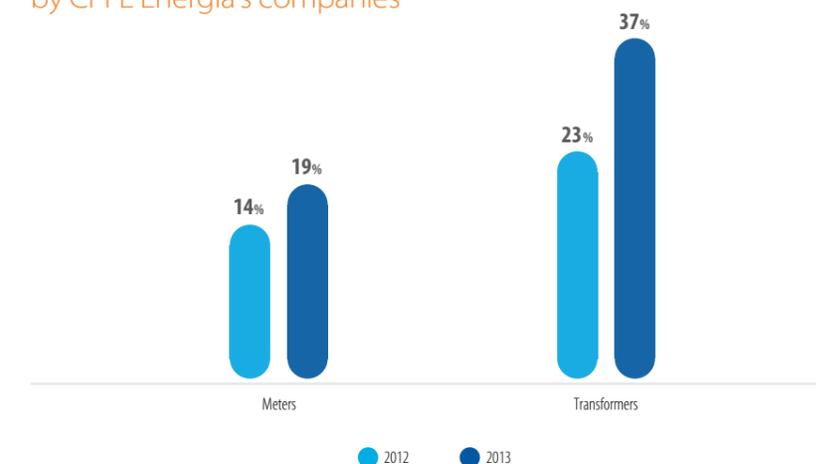
24% reduction  
in concrete poles

28% reduction  
on cables

38% reduction  
in meters

The distribution network's redundant meters and transformers can be recycled, diminishing the use of new materials and the generation of waste. CPFL Energia was successful in increasing recovery rates of this equipment during the year compared with 2012 as shown in the following graph. **G4-EN2**

Percentage of meters and transformers recuperated by CPFL Energia's companies



Other types of material which cannot be recycled are sent to a specialized company for dismantling and appropriate disposal of the resulting scrap in accordance with Law 12.305/10, which instituted the National Solid Waste Policy. **G4-EN23**

Reverse Chain - CPFL Energia Group (sold as scrap) **G4-EN1**

Natureza	2013	2012	2011	2010
Lighting	5,519	29,767	20,280	37,670
Wooden Cross Arms	144,458	179,220	93,575	58,184
Poles (concrete and wood)	111,788	124,821	45,583	25,280
Transformers	10,336	6,481	4,102	1,721
Other Materials	12,393	10,028	7,677	3,757

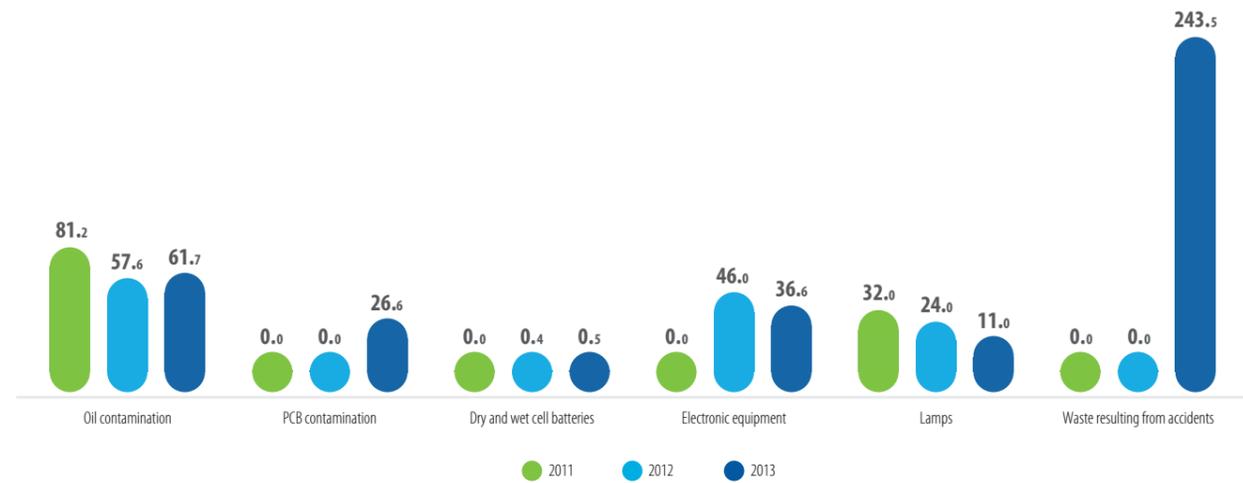
CPFL Energia employs specific systems for managing its waste. Under these systems, waste is classified according to the level of risk to the environment and the appropriate processes for transportation and storage of the material duly identified. In addition, the disposal of each type of waste is performed in accordance with the respective legislation. The Company has agreements with specialized companies with authorization to suitably dispose waste and, where necessary, permitting its eventual traceability. **G4-EN23**

Spent lamps for example are sent to a company in the state of Minas Gerais - licensed by the Brazilian Environment and Natural Resources Institute (IBAMA) - separating out the mercury from glass and aluminum, the latter two destined

for recycling. The appropriate measures adopted for separating and disposing the mercury ensures that there is no contamination of either soil or water. In 2013, 100,754 lamps were dispatched for decontamination, a reduction in

excess of 61% compared with 2010. This improvement reflects the replacement of light bulbs with those that consume less energy, are more efficient and have a longer useful life **G4-EN23**

Disposal of Hazardous Waste (tons)



CPFL Energia monitors the disposal of used equipment containing polychlorinated biphenyl (PCB) on an ongoing basis given the potential risk of water and soil contamination. The company operates a licensed hazardous

waste warehouse for storing this equipment. Since the disposal of this waste is managed on a centralized basis, the Company enjoys logistical gains and lower operating costs. In 2013, 26.6 tons of this type of waste was sent

for disposal and CPFL has now proposed a plan for the disposal of all equipment and oil containing PCB by 2020.

Green transformers are a CPFL Energia innovation

The Green Transformer project is a CPFL Energia innovation which has resulted in the development of more sustainable equipment in the energy distribution segment. The market has already recognized this initiative, the Company receiving the Finep for Innovation Award in the sustainable innovation category.

One of the key advantages of the equipment is the use of biodegradable vegetable oil. This material is not inflammable at the operating

temperature of a transformer and decomposes in 45 days, reducing the adverse impact on the environment. Additionally, the Green Transformer has an operational efficiency of about 30% greater than a common transformer as well as a longer useful life and requires shorter maintenance downtime. There are also savings on the use of iron, copper, aluminum and wood materials.

Green transformers have been in use at CPFL Energia since 2006, the Company also

selling this equipment to other companies in the electricity sector. The innovation was developed in partnership with B&M Pesquisa e Desenvolvimento which focuses on research and development projects for the electricity sector.

In 2013, CPFL Energia invested R\$ 29,441,684 in research and technological and scientific development projects as described in the following table **GRI EU8**

Resources invested in research and technological and scientific development\*

Item	Investment
FA – Alternative Sources of electric energy generation (A)	11,533,103
MA - Environment (D)	534,105
SE - Security (E)	85,691
EE – Energy Efficiency (F)	118,273
PL – Electric Energy Planning Systems (G)	2,966,952
OP – Electric Energy Systems Operation (H)	2,399,045
SC – Energy Systems’ Supervision, Control and Protection (I)	2,078,553
QC – Quality and Reliability of Electric Energy Services (J)	2,409,360
MF - Metering, billing and combating losses (K)	1,729,100
OU - Other (L)	5,587,503
<b>TOTAL</b>	<b>29,441,684</b>





## Water and energy

In 2013, CPFL Energia set up the Intelligent Consumption Program for reducing water and energy consumption and raising employee awareness at head office as well as the regional offices. The Company set a target for reducing energy consumption by 34% as well as monitoring water consumption. The result was a 26% and 14% decline in the consumption of water and energy, respectively. A new target for reducing energy consumption is currently being planned as a continuation of the program. **G4-EN6**

In 2013, CPFL Energia's total energy consumption was 4,410,244.06 GJ, considering fuel consumption by the company's own vehicle fleet and the generation of electricity at EPASA as well as the consumption of electricity from the grid or SIN (the National Interconnected System) by the head office complex, regional offices and EPASA. **G4-EN3**

### Annual fuel consumption\* - Liters

	Gasoline (L)	Diesel (L)	Ethanol (L)
2013	1,395,408	4,884,512	1,934,912
2012	1,729,543.451	4,503,004	1,175,022

### Total Consumption in GJ

Fuel <sup>(1)</sup>	259,748.939
EPASA (fuel for generation + bought energy from the SIN (grid) – Sold energy)	4,020,208 <sup>(1)</sup>
Electricity <sup>(2)</sup>	130,287.12
<b>TOTAL</b>	<b>4,410,244.06</b>

(1) Energy in GJ is the sum of vehicle fuels of the companies (CPFL Atende, CPFL Brasil, CPFL Energia, CPFL Geração, CPFL Jaguarí, CPFL Leste Paulista, CPFL Mococa, CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, CPFL Serviços, CPFL Sul Paulista, CPFL Telecom, CPFL Total, RGE, CPFL Renováveis).

(2) The electric energy consumption (of the distributors CPFL Jaguarí, CPFL Leste Paulista, CPFL Mococa, CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, CPFL Sul Paulista, RGE, CPFL Atende, CPFL Brasil, CPFL Serviços and CPFL Renováveis).

The calculation considers measured volumes, i.e. the amount paid from EPASA invoicing and the measured accountable balance for the period from the first to the last accounting day of each month.

Water consumption of the CPFL Energia companies is largely required for meeting the needs of the administrative buildings, there being little or no impact on hydraulic sources. In 2013, total water withdrawal by CPFL Energia companies was 143,513m<sup>3</sup> – a reduction of 12.88% in relation to 2012. **G4-EN8 | G4-EN9 | G4-EN10**

## Atmospheric emissions

For CPFL Energia, climate change is critical since this has a direct influence on the way it operates its business. In this context under the umbrella of the holding company, Group

companies operate programs that adhere to the Clean Development Mechanism (CDM) criteria and the voluntary market standards for raising carbon credits which can be sold.

In 2013, CPFL sold 187,263 carbon credits and donated a further 50. Each issued carbon credit is equivalent to 1 ton of CO<sub>2</sub> equivalent. **GRI EUS**

### MDL

Company	Registered		Issued		Sold		Donated	
	Until 2012	In 2013	Until 2012	In 2013	Until 2012	In 2013	Until 2012	In 2013
RENOVÁVEIS	486,174**	0	0	24,767	117,263	24,767	0	0
CERAN	0	0	713,478	356,778	627,780	69,067	0	0
TOTAL				1,095,023		838,877		0

### VCS

Company	Registered		Issued		Sold		Donated	
	Until 2012	In 2013	Until 2012	In 2013	Until 2012	In 2013	Until 2012	In 2013
BAESA	2,140,548	0	2,140,548	0	760,550	90,642	0	0
FOZ DO CHAPECÓ	1,289,348.56	0	148,323,037	0.00	0	2,787.00	0	50
TOTAL				2,288,871,037		853,979		50

Another aspect to which CPFL is particularly alert is greenhouse gas emissions and the use of natural resources. Since 2007, the Group has been publishing an emissions inventory for all of its companies in accordance with Greenhouse Gas Protocol program methodology. In 2013, the Foz do Chapecó plant launched a program for reducing emissions. Such practices include the maintenance and periodic replacement of its vehicle fleet and the use of tablets to avoid printing dispatch orders for the operation. Other initiatives involve encouraging conference calls/video conferencing to avoid employee ground and air travel. <sup>(\*)</sup> **G4-EC2 | G4-EN15 | G4-EN16 | G4-EN17**

## Greenhouse gas emissions (GHG) in 2013

### Scope 1

Direct gross GHG emissions (tCO <sub>2</sub> e) <sup>(1)</sup>	194,241,74
Biomass <sup>(2)</sup>	1,839,026,85

### Scope 2

Indirect gross GHG emissions (tCO <sub>2</sub> e) <sup>(3)</sup>	271,904.54
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### Scope 3 <sup>(5)</sup>

Other gross indirect GHG emissions GEE (tCO <sub>2</sub> e) <sup>(4)</sup>	13,957,42
Biomass <sup>(2)</sup>	709,52

(1) Considers CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs and SF<sub>6</sub>.

(2) Burning biomass results in emissions deemed to be carbon neutral since in any case this is generated as a result of the natural biomass life cycle.

(3) Considers CO<sub>2</sub>.

(4) Considers CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O.

(5) Purchased Goods and Services; Transportation and Distributions (Upstream); Waste; Effluent; Business Travel; Employee Commuting.

(\*) Source: <http://www.fozdochapeco.com.br/noticia-ver.html?id=74>

Emissions generated from the use of Fuel <sup>G4-EN18</sup>

Year	Emissions (tCO <sub>2</sub> )
2013	19,011,815.25
2012	17,497,576.01
2011	16,159

In the context of CPFL's activities and based on GHG Protocol methodology, one of the factors affecting GHG emissions is losses of energy in transmission and distribution. The percentage losses recorded in 2013 by the Company in relation to total energy distributed were as follows: <sup>GRI EU12</sup>

## Effective Aggregate Losses (%)

Companies	Aggregate Losses	Technical Losses	Non-Technical Losses
CPFL Paulista	7.8%	5.7%	2.1%
CPFL Piratininga	6.2%	4.8%	1.4%
RGE	9.7%	8.5%	1.1%
CPFL Santa Cruz	9.3%	7.2%	2.1%
CPFL Leste Paulista	11.5	8.6%	2.9%
CPFL Sul Paulista	8.2%	7.5%	0.7%
CPFL Jaguari	3.8%	3.7%	0.1%
CPFL Mococa	9.2%	7.7%	1.5%

CPFL Energia failed to meet its voluntary targets for reducing GHG emissions in 2012. However, this was a reflection of organic growth and the incorporation of transmission and distribution lines, the principal effect of which was the intensified use of fuels in the operating of these additional assets.

The new targets set for 2013 apply to the more significant emissions in the GHG inventory for the CPFL Group. These include the EPASA Scope 1 stationary emissions and Scope 2 emissions, the result of technical losses. <sup>G4-EN19</sup>

The targets are:

**Scope 1** - by the end of 2016, to reduce greenhouse gas emissions per MWh (in tCO<sub>2</sub>e/MWh) by 1.4% using 2012 as the baseline year with intermediary annual targets for 2013, 2014 and 2015 of 0.35%, 0.70% and 1.05%, respectively;

**Scope 2** - to reduce the relation between technical losses and distributed energy by 0.47%, consequently reducing the indirect greenhouse gas emissions relative to technical losses per distributed MWh (in tCO<sub>2</sub>eq/MWh) by the end of 2013, taking 2012 as the baseline date.



## Biodiversity

The potential impacts of the Group's projects on ecosystems and biodiversity are identified in preliminary studies at the planning stage. As a result, the Company is able to identify the risks and prepare mitigating plans which are then approved and monitored by the environment protection agencies. In parallel,

CPFL Energia also runs programs with the local communities for promoting environmental education and increasing awareness on the need for preserving the environment. Initiatives for restoring plant cover to degraded areas are also part of this process.

In the areas of influence of the hydroelectric power plants in which CPFL Energia has a stake, the total area of permanent preservation represents 121,86 square kilometers (see the following) table. <sup>G4-EN11 | G4-EN13</sup>

	BARRA GRANDE HPP	CAMPOS NOVOS HPP	MONTE CLARO HPP	14 DE JULHO HPP	CASTRO ALVES HPP	FOZ DO CHAPECÓ HPP
Total area of land(km <sup>2</sup> )	125.8	50.5	4.491	7.968	10.209	95.73
Flooded area (km <sup>2</sup> )	83.2	25.6	0.686	2.766	3.051	46.01
Area with primary vegetation (km <sup>2</sup> )	N/A	-	-	-	-	-
Area with secondary vegetation in the medium and advanced stages of regeneration (km <sup>2</sup> )	N/V	9.9	3.757	5.166	7.104	14.6
Permanent preservation area (km <sup>2</sup> )	42.4	20.7	3.021	4.306	6.868	44.567

In the distribution segment, CPFL Energia has prepared an Urban Tree Planting Program. This is designed to contribute to a decision on which species are to be used in urban tree planting programs with the potential for providing several benefits to the biodiversity and the local population. Benefits also accrue to the electric energy distributors which live with the problems arising out of irregular planting beneath distribution network lines.



# 7. ECONOMIC AND FINANCIAL PERFORMANCE

Investments in 2013 for the maintenance and expansion of the business were R\$ 1.735 billion. Of this total, R\$ 845 million were directed to distribution, R\$ 838 million for generation and R\$ 52 million for commercialization and services.

The international scenario during the year restricted recovery, aspects carried over from the previous year continuing to cause a high degree of market uncertainty. Notable among these was the possibility of a renewed financial crisis in Europe and a sharp slowdown in the Chinese economy as well as fallout from fiscal stress in the United States. This combination had a particularly strong impact on trade with idle capacity provoking cut-throat competition among countries.

In Brazil, there was some growth in industry, albeit of only a timid nature (1.2% in 2013).

The context of global deceleration weighed heavily however, not to mention logistical problems and the uncertainty surrounding the country's economic policy. And the situation was not helped by weaker confidence levels and rising inflation. Strong local currency exchange rates early on in the year proved a drag on exports although the devaluation in the Real later in the period acted in the opposite direction. In an attempt to revert the situation, the federal government resorted to continued measures introduced in 2012 for stimulating production. Growth vectors with the greatest impact on the economy were the low levels

of unemployment and increasing household incomes. As a combined reflection of these factors, Brazil was able to record a growth in GDP of 2.3% for the year.

However, in the past few years, energy consumption in CPFL Energia's concession areas has been rising at rates in excess of those recorded by the Brazilian economy as a whole, strong demand for energy being very much the characteristic of developing nations. The objective of matching the standards of consumption in rich countries (a relatively low per capita GDP and high income inequality represses demand for

urable goods) and the strongly industrial nature of the Brazilian economy – particularly electrically-intensive sectors – have both contributed to this positive scenario. Based on an analysis by geographic region, it is worth mentioning the performance of the state of Rio Grande do Sul where the 2013 GDP was three times higher than national GDP driven particularly by the agro-industrial segment which reported record harvests.

Worldwide economic growth in 2014 is expected to be moderate at about 3.7%, driven by a reversal in the recessionary tendencies in Europe and economic acceleration in the United States. In Brazil, domestic prospects remain positive in the light of continuing low unemployment, although GDP growth in the next two years will be less than in 2013 at 1.7% and 2.0% in 2014 and 2015, respectively.

### 7.1. Highlights of the Regulatory Environment

The enactment of Law 12.783 in January 2013 established a new regulatory framework for electric energy generation, transmission and distribution concessions. The legislation expanded the use of the Energy Development Account by amending Law 10.438/2002 which also covers the issues of reduced regulatory charges and tariff moderateness.

In the distribution segment, ANEEL issued regulations governing energy purchase and sale, tariffs, procedures for distribution and the new accounting and settlement system, among others. In the generation segment, the focus of CPFL and the sector as a whole was on the details of PM 579/2012 (later to become Law 12.783/2013) for indemnifying assets not fully amortized and depreciated by the end of fiscal year 2012. National Energy Policy Council (CNPE) Resolution 03/2013 also concentrated minds in the sector, establishing a new charge to be passed through to final consumers. Various associations and agents have obtained court injunctions suspending the implementation of this resolution. All Specific Purpose Companies (SPCs) in which CPFL has a stake are protected from the effect of this regulation by a class injunction awarded to the Brazilian Association for Independent Electric Energy Producers (APINE).

### 7.2. Electric Energy Tariffs and Prices

In accordance with Law 12.783/2013, all concessionaires were required to charge revised energy tariffs as from January 24, 2013 in the light of the renewal of generation and transmission concessions and the reduction in sector charges built into energy prices. The annual tariff readjustment authorized by ANEEL for the CPFL Santa Cruz, CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa subsidiaries was published in the Official Gazette based on the restated values for January 2013 and effective February 2013. In the case of CPFL Piratininga, the annual tariff readjustment was announced in October 2013. The tariff readjustments for CPFL Paulista and RGE were published in ANEEL Ratifying Resolutions 1.504 and 1.535, respectively.

Power Purchase Agreements for the generation segment include specific restatement clauses largely at the IGP-M inflation index. Agreements within the scope of the Regulatory Contracting Environment (ACR) use the IPCA as an indexer while Enercan's bilateral agreements use a combination of dollar and IGP-M indexing.

### 7.3. Principal Results

#### Operational

Energy sales in the concession area amounted to 58.463 GWh in 2013, a growth of 3.1% in relation to the 55,682 GWh sold in 2012. Breaking down this figure by consumer segment, industry continued to account for the largest share of overall sales (24,429 Gwh), although growth in residential consumption of 5.9% during the year was greater with sales amounting to 15,426 GWh. Consumption by the commercial class was above average at 3.7%. In both cases, economic factors highlighted at the beginning of this chapter made a significant contribution.

The captive market accounted for 41,148 GWh of consumption, an increase of 1.2% in the period. Client migration to the free market drove energy sales strongly on the back of income from the Tariff for the Use of the Distribution System (TUDS) which reported an increase of 9.2% in the year to reach 17,314 GWh.

Commercialization and generation sales (excluding related parties) increased by 13.5%, amounting to 18,476 GWh and reflecting expansion of CPFL Renováveis and an increase in sales of the commercializing company to the free market. The number of free clients increased from 231 at the end of 2012 to 284 in December 2013.

The exchange of good practices among Group distributors was maintained throughout the year to ensure greater operating efficiency and a better quality of customer service.

## DEC and FEC 2013 indicators (annualized values) EU28 | EU29

Company	CPFL	CPFL	RGE	CPFL	CPFL	CPFL	CPFL	CPFL
Indicator	Paulista	Piratininga		Santa Cruz	Leste Paulista	Jaguari	Sul Paulista	Mococa
DEC	7.14	7.44	17.35	6.97	7.58	5.92	9.08	4.86
FEC	4.73	4.58	9.04	6.82	6.33	5.43	6.72	4.93

Installed capacity in the generation segment increased by 1% from 2,961 MW to 2,988 MW, incorporating the 58.8% stake in CPFL Renováveis for fiscal years 2012 and 2013. This increase reflects the startup of three projects:

- » CPFL Bio Coopcana in August with 50MW.
- » Campo dos Ventos II wind farm in September with 30MW.
- » CPFL Bio Alvorada with 50MW in November.

## Economic and financial results

**Operating revenue:** was R\$ 14.634 billion, a year-on-year reduction of 1.7%, principally due to the 3rd tariff revision cycle, which impacted the distribution segment (a decline in tariff of 6.7%). This reduction was partially offset by significant increases in the segments of conventional generation and renewable resources and from commercialization and services.

**EBITDA:** the Company reported an increase of 3.2% to R\$ 3.536 billion. Above all, the result reflects expansion in net revenue and the reduction in power purchasing overheads despite the increase in operating costs and expenses.

**Net Income:** amounted to R\$ 949 million, a 21.4% reduction on 2012. The performance reflects a combination of the increase in net financial expenses and depreciation and amortization, partially offset by the increase in EBITDA and a positive impact from Income Tax and Social Contribution payables.

**Dividends:** on the basis of this net result, management has proposed the payout of R\$ 931 million in dividends, corresponding to R\$ 0.967244326 per share. This amount exceeds the minimum required distribution of 50% of net income enshrined in the Company's dividend policy. Discounting interim dividends paid in October on first half results, a total of R\$ 568 million has still to be paid out, equivalent to R\$ 0.590062200 per share.

**Debt:** as at the close of 2013, CPFL Energia's net financial debt (including hedge instruments) registered R\$ 16.706 billion, a year-on-year increase of 11.5%. In turn, cash and cash equivalents amounted to R\$ 4.206 billion and 72.7% higher. As a result, the Company recorded a decline of 0.4% to R\$ 12.499 billion. Higher financial debt is designed to support the strategy of business expansion. However, it should be pointed out that CPFL Energia adopts a strategy of pre-funding, anticipating the funding of debt which is falling due within 18 to 24 months. Thanks to this approach it has been possible to reduce annual nominal debt costs to 8.4% (-0.5 of a percentage point) with a debt maturity profile of 4.14 years.

## Investments

Investments in 2013 totaled R\$ 1.735 billion directed to maintenance and the expansion of the business. Of this total, R\$ 845 million were dedicated to distribution, R\$ 838 million to generation and R\$ 52 million to commercialization and services. Investments in the distribution segment were focused on expanding, automating, modernizing and reinforcing the electricity system for meeting market growth. In the generation segment, resources were largely allocated to concluding the Alvorada and Coopcana TPPs and the Campo dos Ventos II wind farm in addition to capex for ongoing work on the Atlântica, Macacos I, Campo dos Ventos and São Benedito wind farm complexes.

## Capital markets

Currently, CPFL Energia has a free float of 30.50% trading on the BM&FBovespa and the New York Stock Exchange (NYSE). During the course of the year, these securities posted a devaluation of 7.0% and 20.3%, respectively, year-end closing prices being quoted at R\$ 19.09 and US\$ 16.01. The average daily trading volume recorded a decline of 15.1% in relation to 2012 to R\$ 36.3 million, R\$ 20.7 million being traded in Brazil and R\$ 15.6 million in the United States. The number of transactions negotiated on the BM&FBovespa increased by 36.6% from 3,081 in 2012 to 4,208 in 2013.

For more information, please access the Investor Relations website: [www.cpf.com.br/ri](http://www.cpf.com.br/ri)



# 8. ATTACHMENTS

1. NBCTT
2. IBASE
3. Letter of Assurance
4. Awards and Recognition

## 8.1. GRI Content Index, Global Compact and Electric Energy Sector

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact
<b>STRATEGY AND ANALYSIS</b>						
	G4-1	Message from the Chairman	9, 10	Reported	✓	
	G4-2	Main impacts, risks and opportunities.	9, 10, 30, 31, 32, 33	Partial The next reporting cycle will provide the status for goals pertinent to the prioritized material issues.	✓	
<b>ORGANIZATIONAL PROFILE</b>						
Commitment	G4-3	Name of the organization	11	Reported	✓	
to external initiatives	G4-4	Primary brands, products, and services	13	Reported	✓	
	G4-5	Location of the organization's headquarters	11	Reported	✓	
	G4-6	Number of countries where the organization operates	14	Reported	✓	
	G4-7	Nature of ownership and legal form	11	Reported	✓	
	G4-8	Markets served	2, 11	Reported	✓	
	G4-9	Scale of the organization	2	Reported	✓	
	G4-10	Employees	2, 7	Partial	✓	6

All the details requested under this indicator including the number of contracted employees were not reported. CPFL does not have the management mechanisms allowing it to verify the number of contracted employees.

## CPFL Energy employee profile

Age Group		
18 – 35	4,160	50.95%
36 – 45	1,981	24.26%
Above 45	2,000	24.49%
Up to 18	24	0.29%
<b>TOTAL</b>	<b>8,165</b>	

Ethnicity		
Asian	91	1.11%
Caucasian	6,658	81.54%
Indigenous	7	0.09%
Not informed	11	0.13%
Afro-descendent	431	5.28%
Mixed race	967	11.84%
<b>TOTAL</b>	<b>8,165</b>	

Employment type					
	Executives		Brazilian Labor Law-linked		Total
	Male	Female	Male	Total	
<b>TOTAL</b>	55	0	1,882	6,228	8,110

Contract type			
	Fixed Duration	No Fixed Duration	Total
<b>TOTAL</b>	43	8,122	8,165

## 8. ATTACHMENTS

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact																																																																																													
<b>ORGANIZATIONAL PROFILE</b>																																																																																																			
Commitment to external initiatives	G4-10	Employees	2, 7	<p>Total headcount by type of employment and gender*</p> <table border="1"> <thead> <tr> <th></th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td>Statutory</td> <td>-</td> <td>55</td> </tr> <tr> <td>Executives</td> <td>2</td> <td>18</td> </tr> <tr> <td>Managers</td> <td>14</td> <td>146</td> </tr> <tr> <td>Leaders</td> <td>75</td> <td>276</td> </tr> <tr> <td>Operational</td> <td>1,309</td> <td>5,035</td> </tr> <tr> <td>College educated</td> <td>482</td> <td>753</td> </tr> <tr> <td><b>TOTAL</b></td> <td></td> <td><b>8,165</b></td> </tr> </tbody> </table> <p>* Excludes CPFL Renováveis, BAESA, CERAN, ENERCAN and Foz do Chapecó.            Statutory: CEO and Executive Vice Presidents            Executives: Officers            Managers: Departmental Managers and Division Managers            Leaders: specialist positions, co-coordinators and all operating posts with leaders (engineer-leader, technician-leader, physician-leader etc.)            College educated: posts where a college education is required (analysts, engineers, physicians, attorneys etc.)            Operational: positions not requiring a college education (electricians, assistants and helpers)</p> <p>Classification by region (state)</p> <table border="1"> <tbody> <tr><td>Atende</td><td>SP</td><td>847</td></tr> <tr><td>Brasil</td><td>SP</td><td>90</td></tr> <tr><td>Centrais Geradoras</td><td>SP</td><td>8</td></tr> <tr><td>Jaguari</td><td>SP</td><td>60</td></tr> <tr><td>Mococa</td><td>MG</td><td>9</td></tr> <tr><td>Mococa</td><td>SP</td><td>41</td></tr> <tr><td>Leste Paulista</td><td>SP</td><td>80</td></tr> <tr><td>CPFL Total</td><td>SP</td><td>90</td></tr> <tr><td>Sul Paulista</td><td>SP</td><td>101</td></tr> <tr><td>Energia</td><td>SP</td><td>7</td></tr> <tr><td>EPASA</td><td>PB</td><td>98</td></tr> <tr><td>EPASA</td><td>SP</td><td>5</td></tr> <tr><td>Geração</td><td>SP</td><td>100</td></tr> <tr><td>Nect</td><td>SP</td><td>216</td></tr> <tr><td>Paulista</td><td>SP</td><td>2,861</td></tr> <tr><td>Piratininga</td><td>SP</td><td>1,068</td></tr> <tr><td>RGE</td><td>RS</td><td>1,481</td></tr> <tr><td>RGE</td><td>SP</td><td>28</td></tr> <tr><td>Santa Cruz</td><td>PR</td><td>13</td></tr> <tr><td>Santa Cruz</td><td>SP</td><td>252</td></tr> <tr><td>Serviços</td><td>SP</td><td>686</td></tr> <tr><td>Telecom</td><td>SP</td><td>24</td></tr> <tr><td><b>TOTAL GERAL</b></td><td></td><td><b>8,165</b></td></tr> </tbody> </table>		Female	Male	Statutory	-	55	Executives	2	18	Managers	14	146	Leaders	75	276	Operational	1,309	5,035	College educated	482	753	<b>TOTAL</b>		<b>8,165</b>	Atende	SP	847	Brasil	SP	90	Centrais Geradoras	SP	8	Jaguari	SP	60	Mococa	MG	9	Mococa	SP	41	Leste Paulista	SP	80	CPFL Total	SP	90	Sul Paulista	SP	101	Energia	SP	7	EPASA	PB	98	EPASA	SP	5	Geração	SP	100	Nect	SP	216	Paulista	SP	2,861	Piratininga	SP	1,068	RGE	RS	1,481	RGE	SP	28	Santa Cruz	PR	13	Santa Cruz	SP	252	Serviços	SP	686	Telecom	SP	24	<b>TOTAL GERAL</b>		<b>8,165</b>	✓	6
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	G4-11	Percentage of total employees covered by collective bargaining agreements	59	Reported		3																																																																																													
	G4-12	The organization's supply chain	45	CPFL Energy does not have management systems which allow the level of detail required by the indicator.	✓																																																																																														
	G4-13	Significant changes during the reporting period	45	Reported	✓																																																																																														
	G4-14	How the precautionary approach or principle is addressed	30	Reported	✓																																																																																														

## 8. ATTACHMENTS

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact
Commitments to external initiatives	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	44	Reported	✓	
	G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization participates	44	CPFL Energy also takes part in forums and associations where relevant debate takes place on the development of the electric sector. Highlights among these institutions are:  ABRADEE ONS (Brazilian National System Operator) IBGC IIRC CIESP-SP CREA (Regional Engineering Council) IBRI ABRASCA APIMEC IHA (International Hydropower Association) COGE (Corporate Management Committee) CIGRÉ (Brazilian Committee for Electricity Generation and Transmission) Brazilian Dam Committee National Quality Foundation Competitive Brazil Movement Comunitas / Ruth Cardoso Foundation Ethos Institute CEBDS (Brazilian Corporate Committee for Sustainable Development) Akatu Institute Sustainable Planet	✓	

### IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

	G4-17	Operating structure	13, 19	Reported	✓	
	G4-18	Definition of the report content	21	Reported	✓	
	G4-19	Material Aspects identified	20	Reported	✓	
	G4-20	Boundary of the material aspect within the organization	20	Reported	✓	
				The Sustainability Platform, on the CPFL Energy portal, provides a brief description of the company's position on its eleven material themes: <a href="http://www.cpl.com.br/Energys-sustentaveis/sustentabilidade/temas-materiais/Paginas/default.aspx">http://www.cpl.com.br/Energys-sustentaveis/sustentabilidade/temas-materiais/Paginas/default.aspx</a> . Of these eleven issues, six are currently prioritized by the Company and were used in developing this report (Client relationships, Supply chain management, Eco-efficiency, Management of socio-environmental impacts, Community development, Health and safety). The process for defining the boundaries for each issue, inside and outside the organization, is underway.		
	G4-21	Boundary of the material aspect outside the organization	20	Reported	✓	
				The process for defining the boundaries for each issue, inside and outside the organization, is underway.		
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	19	Reported	✓	
	G4-23	Significant changes in the Scope and Aspect Boundaries	20, 21, 36, 37, 38, 39	Reported	✓	

## 8. ATTACHMENTS

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact
<b>STAKEHOLDER ENGAGEMENT</b>						
	G4-24	Stakeholder groups engaged by the organization.	21	Reported	✓	
	G4-25	Basis for identification and selection of stakeholders with whom to engage	21	Reported	✓	
	G4-26	Organization's approach to stakeholder engagement	20, 21	Reported	✓	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement	21	Reported	✓	
<b>REPORT PROFILE</b>						
	G4-28	Reporting period (such as fiscal or calendar year) for information provided	19	Reported	✓	
	G4-29	Date of most recent previous report	19	Reported	✓	
	G4-30	Reporting cycle	19	Reported	✓	
	G4-31	Contact point for questions regarding the report or its contents	20	Reported	✓	
	G4-32	GRI content index	19	The Sustainability Platform, on the CPFL Energy portal, provides a brief description of the company's position on its eleven material themes: <a href="http://www.cpf.com.br/Energys-sustentaveis/sustentabilidade/temas-materiais/Paginas/default.aspx">http://www.cpf.com.br/Energys-sustentaveis/sustentabilidade/temas-materiais/Paginas/default.aspx</a> . Of these eleven issues, six are currently prioritized by the Company and were used in developing this report (Client relationships, Supply chain management, Eco-efficiency, Management of socio-environmental impacts, Community development, Health and safety). The process for defining the boundaries for each issue, inside and outside the organization, is underway.	✓	
<b>VERIFICATION</b>						
	G4-33	Policy and current practice with regard to seeking external assurance	19	Reported	✓	

## 8. ATTACHMENTS

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact
<b>GOVERNANCE</b>						
Structure and its composition;	G4-34	Governance structure of the organization	26	Reported	✓	
Role of the highest governance body in setting the organization's purpose, values, and strategy;	G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	27, 59	Reported	✓	
	G4-36	Appointment of an executive-level position or positions with responsibility for economic, environmental and social topics	28	Reported	✓	
The competencies and performance evaluation of the highest governance body;	G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics.	34	Reported	✓	
The role of the highest governance body in risk management;	G4-38	Composition of the highest governance body and its committees	27, 28	<p><b>Management Processes Committee</b> This committee is responsible for the evaluation of CPFL Energy's business risks. It also provides guidance to the Internal Audit and prepares proposals for improving its processes.</p> <p>Members: Francisco Caprino Neto João Ernesto de Lima Mesquita Martin Roberto Glogowsky</p> <p><b>Personnel Management Committee</b> It offers advisory support to the Board of Directors in monitoring human resources policies and practices and develops proposals for improvement. It also advises on the selection process for the Board of Executive Officers, oversees performance assessment and determines compensation policies.</p> <p>Members: Carlos Alberto Cardoso Moreira Francisco Caprino Neto Renê Sanda</p> <p><b>Related Parties Committee</b> It advises the Board of Directors on issues such as assessment of the process for contracting energy purchases and sales, construction works and/or goods and services acquisitions involving parties related to the controlling shareholder bloc, in order to ensure that usual market practices are observed.</p> <p>Members: Fernando Santos do Nascimento Francisco Caprino Neto Paola Rocha Ferreira</p>	✓	
The role of the highest governance body in sustainability reporting;						
The role of the highest governance body in evaluating economic, environmental and social performance;						
Remuneration and incentives						
	G4-39	Whether the Chair of the highest governance body is also an executive officer	26	Reported	✓	
	G4-40	The nomination and selection processes for the highest governance body and its committees	27	Reported	✓	
	G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided	GRI Content Index	<p>It is the Board of Director's duty to anticipate and manage situations of conflicts of interest or diverging opinions with a view to ensuring that the interests of the company and its subsidiaries and affiliates always supersede any other interests. The member of the Board's Advisory Committees who has an effective or potential conflict of interest with respect to a given matter shall withdraw from the room and shall not participate in the meeting while the matter is under discussion, although he may be invited to provide pertinent information.</p> <p>Any Board Director who has an effective or potential conflict of interests or is linked to a Related Party, the preponderant activities of which imply an effective or potential conflict of interests with a given matter to be examined by the Board shall abstain from participating in the meeting while the matter is being analyzed.</p> <p>Further information is available from HYPERLINK "http://www.cpfl.com.br" www.cpfl.com.br</p>	✓	

## 8. ATTACHMENTS

General Standard Disclosures	Item	Description	Page	Status	External Verification	Global Compact
	G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	30, 32	Reported	✓	
				The Board of Executive Officers is responsible for approving and updating CPFL's strategic guidelines (Vision, Mission and Principles) as well as establishing strategies, policies and targets related to the organization's economic, environmental and social impacts. The Board of Directors' Management Processes Committee is responsible for monitoring the initiatives relating to the sustainability of the company and its subsidiaries.		
	G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	25	Reported	✓	
	G4-44	Processes for evaluation of the highest governance body's performance	29	In the last year, given budget restrictions, CPDL Energy exceptionally did not conduct a self-assessment process for the Board of Directors	✓	
	G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	40	Reported	✓	
	G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	30	Reported	✓	
<b>GOVERNANCE</b>						
	G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	27	Reported	✓	
	G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report	40	Reported	✓	
				The Chief Institutional Relations Officer is responsible for approving CPFL Energia's Annual Report.		
	G4-49	The process for communicating critical concerns to the highest governance body	27	Reported	✓	
	G4-50	The nature and total number of critical concerns that were communicated to the highest governance body	35	Reported	✓	
	G4-51	Remuneration policies for the highest governance body and senior executives and if the performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	29	Reported	✓	
	G4-52	The process for determining remuneration	29	Reported	✓	
	G4-53	Stakeholders' views regarding remuneration	59	Reported	✓	
	G4-54	The ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees	GRI Content Index	The ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual) is 45.59.	✓	
	G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees	GRI Content Index	This proportion is 0.94.	✓	
<b>ETHICS AND INTEGRITY</b>						
	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	16, 34	Reported	✓	
	G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior	34	Reported	✓	
	G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior	34	Reported	✓	

8. ATTACHMENTS

Economic Category

Category	Material Aspect G4-19	Material issue	DMA Indicators	Page	Status	External Verification	Global Compact
Economic	Economic Performance	Community development; Management of socio-environmental impacts	EC1 Economic value generated and distributed	4	Reported	✓	
			EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	32, 67	Reported		7
			EC3 Coverage of the organization's defined benefit plan obligations	-	Unrelated to a Prioritized Material Issue		
		Eco-efficiency	EC4 Financial assistance received from government	-	Unrelated to a Prioritized Material Issue		

Category	Material Aspect G4-19	Material issue	Indicators																																																											
Economic	Market Presence	Personnel management	EC5 Ratios of standard entry level wage by gender compared to local minimum wage, by gender	GRI Content Index	<p>A non-material issue, although important to show the diversity of salaries by gender at the operating units.</p> <p>Relation between the lowest remuneration of the CPFL Energy Group compared with the minimum required by law</p> <p style="text-align: center;"><b>Proportion: &lt; CPFL salary / Brazilian minimum of R\$ 678,00</b></p> <table border="1"> <thead> <tr> <th>Company</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr><td>Brasil</td><td>3.23</td><td>3.07</td></tr> <tr><td>Paulista</td><td>1.48</td><td>2.35</td></tr> <tr><td>Piratininga</td><td>2.19</td><td>2.19</td></tr> <tr><td>Santa Cruz</td><td>1.64</td><td>1.45</td></tr> <tr><td>CPEE</td><td>1.64</td><td>1.43</td></tr> <tr><td>CSPE</td><td>1.64</td><td>1.43</td></tr> <tr><td>CJE</td><td>1.64</td><td>1.43</td></tr> <tr><td>CLFM</td><td>1.64</td><td>1.55</td></tr> <tr><td>RGE</td><td>1</td><td>1</td></tr> <tr><td>Geração</td><td>2.35</td><td>2.5</td></tr> <tr><td>EPASA</td><td>1.69</td><td>2.11</td></tr> <tr><td>Centrais Geradoras</td><td>2.92</td><td>0</td></tr> <tr><td>Energia</td><td>4.89</td><td>12.28</td></tr> <tr><td>Serviços</td><td>1.57</td><td>1.57</td></tr> <tr><td>Atende</td><td>1.24</td><td>1.24</td></tr> <tr><td>Nect</td><td>1.64</td><td>1.46</td></tr> <tr><td>CPFL Total</td><td>1.49</td><td>1.49</td></tr> <tr><td>Telecom</td><td>6.93</td><td>3.76</td></tr> </tbody> </table> <p>* Excludes Renováveis, Baesa, Ceran, Enercan and Foz do Chapecó.</p>	Company	Male	Female	Brasil	3.23	3.07	Paulista	1.48	2.35	Piratininga	2.19	2.19	Santa Cruz	1.64	1.45	CPEE	1.64	1.43	CSPE	1.64	1.43	CJE	1.64	1.43	CLFM	1.64	1.55	RGE	1	1	Geração	2.35	2.5	EPASA	1.69	2.11	Centrais Geradoras	2.92	0	Energia	4.89	12.28	Serviços	1.57	1.57	Atende	1.24	1.24	Nect	1.64	1.46	CPFL Total	1.49	1.49	Telecom	6.93	3.76
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			EC6 Hiring from the local community	27	<p>Reported</p> <p>Senior management is formed of a Board of Directors and a Board of Executive Officers. The concept of 'local' is defined by as the national context.</p>																																																									

## 8. ATTACHMENTS

### Economic Category

Category	Material Aspect G4-19	Material issue	DMA Indicators			Verificação Externa	Global Compact
Economic	Indirect Economic Impacts	Community development	EC7 Development and impact of infrastructure investments and services supported	49	Reported	✓	
			EC8 Description of significant indirect economic impacts	49	Reported		
Economic	Procurement Practices	Supply chain management and Community development	EC9 Policies, practices and proportion of spending on local suppliers	GRI Content Index	Partial	✓	
					CPFL Energy does not possess a formal policy on proportion of spending on local suppliers. However, 100% of the amount paid to suppliers went to Brazilian suppliers in 2013. CPFL encourages national suppliers registered with FINAME/BNDES and conducts decentralized procurement, which favors local suppliers. The definition of 'local' in this case is Brazil.		

### Environmental Category

Category	Material Aspect G4-19	Prioritized Material issue	DMA Indicators			Status	External Verification	Global Compact
Environmental	Material	Management of socio-environmental impacts; Eco-efficiency	EN1 Materials used by weight or volume	63	Reported		7,8	
			EN2 Percentage of materials used that are recycled input materials	63	Reported			
Environmental	Energy	Management of socio-environmental impacts; Eco-efficiency	EN3 Energy consumption within the organization	66	Reported	✓	7,8	
			EN4 Energy consumption outside of the organization	GRI Content Index	Not Reported			
					CPFL Energia does not yet manage this indicator in its value chain. The Company is studying a way to include this aspect in its control mechanisms.			

8. ATTACHMENTS

Environmental Category

Category	Material Aspect G4-19	Prioritized Material Issue			Status	Verificação Externa	Pacto Global																																		
Environmental	Energy	Management of socio-environmental impacts; Eco-efficiency	EN5 Energy intensity	GRI Content Index	Reported	✓																																			
			<p>The calculation considers measured volumes, i.e. the amount paid from EPASA invoicing and the measured accountable balance for the period from the first to the last accounting day of each month.</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>BARRA GRANDE HPP</th> <th>CAMPOS NOVOS HPP</th> <th>MONTE CLARO HPP</th> <th>14 DE JULHO HPP</th> <th>CASTRO AL VES HPP</th> <th>FOZ DO CHAPECÓ HPP</th> <th>SERRA DA MESA HPP</th> </tr> </thead> <tbody> <tr> <td>Flooded area (km<sup>2</sup>)</td> <td>83.2</td> <td>25.6</td> <td>0.686</td> <td>2.7659</td> <td>3.051</td> <td>46.01</td> <td>1,754.80</td> </tr> <tr> <td>Installed capacity (MW)</td> <td>690</td> <td>880</td> <td>130</td> <td>100</td> <td>130</td> <td>855</td> <td>1,275.00</td> </tr> <tr> <td>Installed capacity / Flooded Area (MW / km<sup>2</sup>)</td> <td>8.29326923</td> <td>34.375</td> <td>189.504373</td> <td>36.1545971</td> <td>42.6089807</td> <td>18.5829168</td> <td>0.7146</td> </tr> </tbody> </table> <p>The energy intensity of the HPPs is calculated by dividing the Installed Capacity by the Flooded Area (MW / KM<sup>2</sup>).</p> <p>The energy efficiency of EPASA for 2013 was 37.81%. The energy calculates this figure as follows: total energy delivered equal to the sum of energy sold in the center of gravity, expressed in gigajoules; and total energy consumed, equal to the sum in gigajoules to the accountable volume of OCB1 consumed, the accountable volume of diesel consumed and the electricity consumed in the center of gravity.</p>					Plant	BARRA GRANDE HPP	CAMPOS NOVOS HPP	MONTE CLARO HPP	14 DE JULHO HPP	CASTRO AL VES HPP	FOZ DO CHAPECÓ HPP	SERRA DA MESA HPP	Flooded area (km <sup>2</sup> )	83.2	25.6	0.686	2.7659	3.051	46.01	1,754.80	Installed capacity (MW)	690	880	130	100	130	855	1,275.00	Installed capacity / Flooded Area (MW / km <sup>2</sup> )	8.29326923	34.375	189.504373	36.1545971	42.6089807	18.5829168	0.7146		
			Plant	BARRA GRANDE HPP	CAMPOS NOVOS HPP			MONTE CLARO HPP	14 DE JULHO HPP	CASTRO AL VES HPP	FOZ DO CHAPECÓ HPP	SERRA DA MESA HPP																													
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EN6 Reduction of energy consumption	66	Reported	✓	8,9																																					
EN7 Reductions in energy requirements of products and services	52	Reported	✓																																						
Environmental	Water	Management of socio-environmental impacts; Eco-efficiency	EN8 Total water withdrawal by source	66	Reported																																				
			EN9 Water sources significantly affected by withdrawal of water	66	Reported																																				
			EN10 Percentage and total volume of water recycled and reused	66	Partial		8																																		
					<p>In the designs for CPFL Renováveis' bio-mass co-generation plants there is a closed water circulation system which is used for cooling in the condensation process and for cooling of bearings. As it is a closed circuit, all water employed in this process is reused. There is no specific monitoring to measure the water volume. However, the plant designs state an average consumption in m<sup>3</sup>, making it possible to estimate that in 2013 a total 9,953,988 m<sup>3</sup> of water was reused. These figures do not include the Bioformosa, Baldin and Ester plants, as it was not possible to obtain data relating to them.</p>																																				

## 8. ATTACHMENTS

### Environmental Category

Category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Environmental	Biodiversity	Management of socio-environmental impacts	EN11 Location and size of sites owned	69	Reported		
			EN12 Significant impacts of activities, products, and services on biodiversity	GRI Content Index	Reported	✓	
			EN13 Habitats protected or restored	69	Reported	✓	
			EN14 Total number of IUCN red list species and national conservation list species	GRI Content Index	Not reported		CPFL Energia does not yet possess a management model relating to this indicator, but is currently restructuring the necessary control mechanisms.
Category	Material Aspect G4-19	Prioritized Material Issue					
Environmental	Emissions	Management of socio-environmental impacts	EN15 Direct greenhouse gas (GHG) emissions	67	Reported		7,8
			EN16 Energy indirect greenhouse gas (GHG) emissions from energy purchases	67	Reported		7,8
			EN17 Other indirect greenhouse gas (GHG) emissions	67	Reported		7,8
			EN18 Greenhouse gas (GHG) emissions intensity	68	Reported		
			EN19 Reduction of greenhouse gas (GHG) emissions	68			
			EN20 Emissions of ozone-depleting substances	GRI Content Index	Not applicable		The CPFL Group does not produce, import or export this gas (ODS).

8. ATTACHMENTS

Environmental Category

Category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Environmental	Emissions	Management of socio-environmental impacts	EN21 NOx, SOx, and other significant air emissions	GRI Content Index	<p>Reported</p> <p>Nitrogen oxide emissions are gauged through the collection of nine samples – the results of monitoring over a one-year period are as follows:</p> <p>The Bioburiti plant had a particulate material emission rate of 151.18 mg/Nm3 for nitrogen oxide and the maximum value measured was 121.58 mg/Nm3.</p> <p>Monitoring at the Ipê plant resulted in 169.77 mg/Nm3 for the particulate material emission rate and 141.99 mg/Nm3 for nitrous oxide emissions.</p> <p>At the Baldin BioEnergy cogeneration plant, the values obtained were 120.7 mg/Nm for particulate material emissions and 118.9 mg/Nm3 for nitrogen oxide emission.</p> <p>The Bio Pedra cogeneration plant has two chimneys, as it possesses two furnaces.</p> <p>The readings for the chimney of the first furnace were 183.57 mg/Nm3 for particulate material emissions and 168.91 mg/Nm3 for nitrogen oxide emission. For the second furnace's chimney, the values were 166.86 mg/Nm3 for particulate material emissions and 133.31 mg/Nm3 for nitrogen oxide emission.</p> <p>Finally, the monitoring data for the Esther plant were 104.03 mg/Nm3 for particulate material and 98.46 mg/Nm3 for nitrogen oxide emission.</p> <p>We stress that for all cogeneration plants the values obtained for particulate material and nitrous oxide were below the maximum values established by legislation, which are 200 mg/Nm3 for particulate material emissions and 350 mg/Nm3 for nitrogen oxide (NOx).</p>		
	Effluents and Waste	Management of socio-environmental impacts; Eco-efficiency	EN22 Total water discharge by quality and destination	GRI Content Index	<p>Reported</p> <p>CPFL Energia has experienced no situations of discharge or drainage affecting water bodies or habitats.</p>		
			EN23 Total weight of waste by type and disposal method	63, 64	Reported		8

8. ATTACHMENTS

Category Environmental

Category	Material Aspect G4-19	Prioritized Material Issue			Status	Verificação Externa	Pacto Global
Environmental	Effluents and Waste	Management of socio-environmental impacts; Eco-efficiency	EN24 Total number and volume of significant spills	GRI Content Index	The table below shows oil leakages reported by CPFL Energia in 2013. In all cases soil as well as contaminated gravel was removed. In the case of Promissão, further analysis of soil conditions after the clean up was carried out. CPFL Energia has a contract with a company providing nationwide coverage for environmental emergencies. The Group also carries specific insurance policies covering eventual environmental accidents..	✓	
			EN25 Weight of transported, imported, exported, or treated waste deemed hazardous	GRI Content Index	Not applicable		
			EN26 Identity, size, protected status, and biodiversity value of water bodies and related habitats	GRI Content Index	Reported  CPFL Energia has experienced no situations of discharge or drainage affecting water bodies or habitats..		
Environmental	Products and Services	Management of socio-environmental impacts; Eco-efficiency	EN27 Mitigation of environmental impacts	GRI Content Index	Reported  The installation of hydraulic generation plants requires the formation of reservoirs, with social, economic and environmental impact on local communities. In these cases, CPFL Energia conducts prior studies to analyze local biodiversity and undertakes fauna and flora conservation programs, as well as projects to recover affected areas..		
			EN28 Percentage of products sold and their packaging materials that are reclaimed by category	GRI Content Index	Not applicable		

Company	Location	Type	Approximate volume (liters)
CPFL Paulista	Promissão	Oil leakage from transformer	3500
CPFL Paulista	SE Cillo Americana	Oil spillage from transformer	200
CPFL Paulista	Campinas - RT Boa Vista	Fire accompanied by spillage	Not available
CPFL Paulista	Igarapava	Transformer fire with leakage	Not available
CPFL Paulista	Capivari	Transformer fire with leakage	Not available
CPFL Paulista	SJ Rio Preto	Transformer fire with leakage	80
CPFL Paulista	SE Cillo Americana	Oil spillage from transformer	400
UTE EPASA	João Pessoa – Paraíba	Equipment leakage	Not available

8. ATTACHMENTS

Environmental Category

Category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Environmental	Conformity	Management of socio-environmental impacts	EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws	GRI Content Index	Reported  In 2013, no significant fines were paid and/or significant non-monetary sanctions applied due to noncompliance with laws and environmental regulations.	✓	
Environmental	Transport	Management of socio-environmental impacts	EN30 Significant environmental impacts of transporting products and members of the workforce	GRI Content Index	Reported  The distribution segment is the most dependent on the transportation of materials and people, given the need to maintain and expand the electric system. For this transportation, the most significant aspects are the consumption of fuel (renewable and non-renewable) – the volumes and energetic amounts (GJ) are described in indicator G4-EN3 and the emissions of GHGs can be consulted in CPFL's GHG inventory..		8
Environmental	General	Management of socio-environmental impacts	EN31 Total environmental protection expenditures and investments	62	Reported	✓	
Environmental	Supplier Environmental Assessment	Management of socio-environmental impacts; Supply chain management	EN32 Percentage of new suppliers that were screened using environmental criteria	GRI Content Index	Reported  CPFL Energia does not measure the percentage of suppliers screened. However, any company wishing to become a CPFL supplier can access the Portal, which contains details of environmental requirements. In the contracts CPFL signs with its suppliers there are also clauses related to the theme. For some materials, such as products from wood sources we request additional documentation, a license from the relevant environmental body, an active federal technical registration (CTF) from IBAMA, up-to-date CTF reports, forest origination documentation (DOF) for the wood, active DOF system -which are analyzed by the Environmental Department.	✓	8
			EN33 Significant actual and potential negative environmental impacts in the supply chain	GRI Content Index	Partial  CPFL Energia does not measure this indicator. The Company carries out visits for assessments of strategic suppliers, which include environmental aspects, but there are no specific studies on environmental impact caused in the supply chain.	✓	8

8. ATTACHMENTS

Environmental Category

Category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Environmental	Complaint and conflict mechanisms related to environmental impact	Management of socio-environmental impacts; xClient relationships	EN34 Number of complaints and grievances filed concerning environmental impacts	GRI Content Index	Partial CPFL Energia has the channel meioambiente@cpfl.com.br open to receive communication from its stakeholders, but does count total messages received.	✓	

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Employment			Status	External Verification	Global Compact
Labor Practices	Employment	Community development	LA1 Total number and rates of new employee hires and employee turnover	GRI Content Index	Partial Employee turnover shows the company's "renewal rate". It is necessary to maintain a balance between retention and the capture of new and different skills, which means preserving the organizational culture and incorporating innovations. The most important is to know how to attract, develop, unleash potential and hold on to people that create value for clients and the businesses, and consequently for themselves.  The turnover rate is an indicator calculated monthly by CPFL. It is calculated in the following way:  [(accumulated number of terminations + accumulated number of hirings/2)/average number of employees for 2013]*100  -> 20,90 is the accumulated turnover rate for 2013.	✓	6	

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Employment		Status	External Verification	Global Compact
Labor Practices	Employment	Personnel Management	LA2 Comparison of benefits provided to full-time employees and temporary or part-time employees	GRI Content Index	Reported		
<p><b>Benefits offered to CPFL Energia Group employees</b></p> <p>Paulista, Piratininga, Brasil, Geração and Energia</p> <p>At CPFL Paulista, CPFL Piratininga, CPFL Geração and CPFL Brasil, employees linked to the CESP Foundation are offered access to pension plans, medical insurance, food and travel vouchers, daycare allowance and profit sharing. For these employees, the Company also offers personal loans; life, home and vehicle insurance; and specific health-related reimbursements.</p> <p>RGE</p> <p>RGE employees receive various benefits such as pension plan, medical insurance with dental assistance, meal and food vouchers, salary advances, daycare allowance, personal/payroll, debit loans, results sharing, life insurance, subsidized medications from drug stores, school kit, refund of driver's license costs, post-vacation bonus and assistance for those with special needs. Study grants are also offered annually for technical, graduate, postgraduate, MBA and Master's degree courses.</p> <p>Other Companies</p> <p>CPFL Santa Cruz offers a pension plan, medical, hospital and dental assistance, and food and travel vouchers. In addition, employees enjoy benefits such as personal loans, personal and accident insurance (extended to spouses), subsidized drugstore purchases, study grants and travel assistance to and from place of study. The CPFL Jaguari, CPFL Mococa, CPFL Leste Paulista and CPFL Sul Paulista distributors offer their employees' pension plans, medical, hospital and dental assistance, meal and food vouchers, subsidized drugstore purchases, vacation loans, life insurance and workplace exercises. Company employees also benefit from agreements with universities and language schools.</p> <p>Temporary employees have the right to medical and hospital treatment, a basic basket of goods plus travel vouchers through an intermediary company hired by CPFL Energia.</p> <p>At other companies in which CPFL Energia has a stake, employees are offered benefits in line with market practices, which comply with all legal requirements.</p>							
			LA3 Return to work and retention rates after parental leave	59	Reported		
					Non-material although the company considered it important.		
Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Labor Relations				
			LA4 Minimum notice periods regarding operational changes	-	Unrelated to a Prioritized Material Issue		

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Labor Practices	Work Health and Safety	Health and Safety	LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees	54	Reported	✓	
			LA6 Rates of injury, occupational diseases and lost days	54, 55	Partial	✓	
			LA7 Workers with high incidence or high risk of diseases related to their occupation	54, 55	Reported	✓	
			LA8 Health and safety topics covered in formal agreements with trade unions	55	Reported		
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
Labor Practices	Training and education	Personnel Management	LA9 Average hours of training per year	57, 58	Reported	✓	6
			LA10 Programs for skills management and lifelong learning	58	Partial		
			LA11 Percentage of employees receiving regular performance reviews	57	Reported		6
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
Labor Practices	Diversity and equal opportunities	Supply chain management	LA12 Composition of governance bodies and breakdown of employees per employee category	-	Unrelated to a Prioritized Material Issue		

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact				
Labor Practices	Equality of remuneration for men and women	Supply chain management	LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	GRI Content Index	Reported						
					Ratio between male and female remuneration at CPFL Energia						
							<b>Female</b>				
							<b>College</b>				
							<b>educated</b>				
					<b>Empresa2</b>	<b>Female Statutory</b>	<b>Female Executives</b>	<b>Female Manager</b>	<b>Female Leaders</b>	<b>Female Operational</b>	
					Atende	NA	NA	NA	73.63%	101.37%	75.02%
					Brasil	NA	NA	NA	NA	191.01%	57.22%
					Centrais Geradoras	NA	NA	NA	NA	NA	NA
					CJE	NA	NA	NA	NA	61.21%	65.26%
					CLFM	NA	NA	NA	NA	76.43%	53.54%
					CPEE	NA	NA	NA	NA	51.29%	64.65%
					CPFL Total	NA	NA	69.08%	139.48%	126.27%	106.75%
					CSPE	NA	NA	NA	NA	85.50%	59.17%
					Energia	NA	NA	NA	NA	NA	NA
					EPASA	NA	NA	NA	NA	77.72%	59.11%
					Geração	NA	NA	NA	90.48%	89.53%	69.43%
					Nect	NA	NA	153.57%	97.65%	57.94%	78.44%
					Paulista	NA	88.59%	86.11%	90.05%	69.14%	73.69%
					Piratininga	NA	310.24%	74.43%	105.39%	70.47%	80.11%
					RGE	NA	NA	70.39%	71.45%	77.03%	68.63%
					Santa Cruz	NA	NA	NA	NA	54.67%	65.77%
					Serviços	NA	NA	64.18%	76.56%	102.64%	58.30%
					Telecom	NA	NA	NA	NA	56.57%	69.89%

**Aspect: Supplier assessment for Labor Practices**

Sub-category	Material Aspect G4-19	Prioritized Material Issue			Status	External Verification	Global Compact
Práticas Trabalhistas	Avaliação de fornecedores	Gestão da cadeia de suprimentos	LA14 Percentage of new suppliers that were screened using labor practices criteria	45	Reported	✓	4,5,6
					100% of suppliers are selected based on labor practices criteria. The registration approval and renewal processes for suppliers include legal labor aspects such as INSS and FGTS, which are verified through the Emais (supplier portal) system. If the relevant certificates are not in conformity, the registration approval or renewal is rejected, unless there is approval from the Goods and Suppliers Assessment Division. Contracts signed by CPFL and the suppliers include obligations relating to labor practices in Clause XII (of the standard contract). (www.cpfl.com.br > Portal Fornecedores).		
			LA15 Significant actual and potential negative impacts for labor practices in the supply chain	GRI Content Index	Partial	✓	4,5,6
					CPFL Energia does not measure this indicator. The Company carries out visits for assessments of strategic suppliers which include labor aspects, but there are no specific studies on the impact caused in the supply chain.		

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Complaint and grievance procedures concerning labor practices			External Verification	Global Compact
Labor Practices	Complaint and reporting mechanisms related to labor practices	Client relationships, supplier management	LA16 Grievances about labor practices filed, through formal grievance mechanisms	35	Reported	✓	
Human Rights	Investments	Supply chain management	HR1 Significant investment agreements and contracts that include human rights clauses	GRI Content Index	Reported		1
			HR2 Total hours of employee training on human rights policies or procedures, including the percentage of employees trained	-	Unrelated to a Prioritized Material Issue		
Human Rights	Non-discrimination		HR3 Total number of incidents of discrimination and corrective actions taken	-	Unrelated to a Prioritized Material Issue		6
	Freedom of association and negotiation	Supply chain management	HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	46	Reported		2,3

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Material Issue			Status	External Verification	Global Compact
Human Rights	Child Labor	Supply chain management	HR5 Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken	46	Reported CPFL Energia does exercise any management over this indicator.	✓	5
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
Human Rights	Forced or analogous to slave labor	Supply chain management	HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken	GRI Content Index	Reported CPFL Energia does exercise any management over this indicator.	✓	4
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
Human Rights	Safety practices	Supply chain management	HR7 Percentage of security personnel trained in the organization's human rights policies or procedures	46	Reported		1
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
			HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken	GRI Content Index	Not reported Not managed. The company is structuring itself to meet the requirements of this indicator	✓	2
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
			HR9 Total number and percentage of operations that have been subject to human rights reviews	-	Unrelated to a Prioritized Material Issue		

## 8. ATTACHMENTS

### Society Category

Subcategoria	Aspecto Material G4-19	Tema material Priorizado			Status	External Verification	Global Compact
Human Rights	Supplier assessment for human rights	Supply chain management	HR10 Percentage of new suppliers that were screened using human rights criteria	45	Partial	✓	2
			CPFL Energia does not measure the percentage. However, any company wishing to become a CPFL supplier can access the Portal, which contains details of social responsibility requirements and provides access to the letter of commitment, and the Ethics Code. In the contracts CPFL signs with its suppliers there are also clauses related to Human Rights.				
			HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	GRI Content Index	Partial	✓	2
					CPFL Energia does not measure this indicator. The Company carries out visits for assessments of strategic suppliers which include labor aspects, but there are no specific studies on the impact caused in the supply chain.		
Sub-category	Material Aspect G4-19	Prioritized Material Issue					
Human Rights	Complaint and reporting mechanisms related to human rights	Supply chain management, client relationships	HR12 Number of grievances about human rights impacts filed, addressed, and resolved	35	Reported	✓	1,2
Sub-category	Material Aspect G4-19	Prioritized Material Issue					
Society	Local communities	Community development	SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	49, 50, 58	Reported	✓	1
		Community development, Management of socio-environmental impacts	SO2 Operations with significant actual and potential negative impacts on local communities	49	Reported	✓	
					100% of the business segments (distribution, generation and services) for which this issue is considered material carry out local community engagement programs. The actions are described in the mentioned pages.		

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Status	External Verification	Global Compact		
Society	Fight against corruption	SO3 Operations assessed for risks related to corruption	-	Unrelated to a Prioritized Material Issue			
		SO4 Percentage of staff trained on anti-corruption policies and procedures	-	Unrelated to a Prioritized Material Issue			
		SO5 Confirmed incidents of corruption and actions taken	-	Unrelated to a Prioritized Material Issue			
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
		SO6 Policies on financial contributions to political parties, politicians or institutions	-	Unrelated to a Prioritized Material Issue			
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
		SO7 Total number of legal actions for anti-trust behavior	-	Unrelated to a Prioritized Material Issue			
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
		SO8 Monetary value of significant fines and total number of non-monetary sanctions	-	Unrelated to a Prioritized Material Issue			
<b>Sub-category</b>	<b>Material Aspect G4-19</b>	<b>Prioritized Material Issue</b>					
Society	Supplier assessment for society impact	Supply chain management, Management of socio-environmental impacts	SO9 Percentage of new suppliers that were screened using criteria for impacts on society	45	Partial	✓	7
			SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	GRI Content Index	Not reported	CPFL Energia does not measure this indicator. The Company carries out visits for assessments of strategic suppliers which include social aspects, but there are no specific studies on the impact on society caused by the supply chain.	✓

8. ATTACHMENTS

Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Grievance Mechanism and complaints related to impact on society		Status	External Verification	Global Compact
Society	Supply chain management	Management of socio-environmental impacts, Client relationships	SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	35	Reported	✓	8
Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Customer Health and Safety				
Product responsibility	Health and Safety	Client relationships, Management of socio-environmental impacts	PR1 Product and service categories for which health and safety impacts are assessed for improvement	55	Reported		
			PR2 Incidents of non-compliance concerning the health and safety impacts of products and services	GRI Content Index	Not reported  The company is structuring itself to meet the requirements of this indicator.		

## 8. ATTACHMENTS

### Society Category

Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Labeling of Products and Services		Status	External Verification	Global Compact
			PR3 Type of product and service information required for labeling procedures	-	Unrelated to a Prioritized Material Issue		
			PR4 Incidents of non-compliance concerning product and service labeling	-	Unrelated to a Prioritized Material Issue		
Product responsibility	Marketing Communications	Client relationships	PR5 Results of surveys measuring customer satisfaction	48	Reported		
Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Marketing Communications				
Product responsibility			PR6 Sale of banned or disputed products	-	Unrelated to a Prioritized Material Issue		
			PR7 Incidents of non-compliance concerning communications of products and services	-	Unrelated to a Prioritized Material Issue		
Sub-category	Material Aspect G4-19	Prioritized Material Issue	Aspect: Customer Privacy				
Product responsibility	Conformity	Client relationships	PR8 Fines for non-compliance concerning the supply and use of products and services	GRI Content Index	We registered no complaints of this nature in 2013.		
			PR9 valor monetário de multas significativas por não conformidade com leis e regulamentos relativos ao fornecimento e uso de produtos e serviços	-	Unrelated to a Prioritized Material Issue		

## 8. ATTACHMENTS

### Electric Utilities Sector

<p>The sectoral indicators are considered totally relevant for publication and all are aligned with the prioritized material issues.</p> <p>The material issues prioritized according to the sustainability platform and used for developing this report are:</p> <ul style="list-style-type: none"> <li>• Client relationships</li> <li>• Supply chain management</li> <li>• Eco-efficiency</li> <li>• Socio-environmental impact management</li> <li>• Community development</li> <li>• Health and Safety</li> </ul>	EU1 Installed capacity, broken down by primary energy source and by regulatory regime	3	Reported	✓
	EU2 Net energy output broken down by primary energy source	3	Reported	✓
	EU3 Number of residential, industrial, institutional and commercial customer accounts	47	Reported	✓
	EU4 Length of above and underground transmission and distribution lines by regulatory regime	3	Reported	✓
	EU5 Allocation of co2e emissions allowances or equivalent, broken down by carbon trading framework	67	Reported	

## Electric Utilities Sector

EU6 Management approach to ensure short and long-term electricity availability and reliability

GRI Content Index

The hydro plants have five-year plans that include preventive (machine stoppage) and corrective maintenance and an estimate of failure, per generating unit. This plan is managed weekly in the Operations & Maintenance meetings. There is also software for managing all maintenance activities containing a plan of all necessary preventive maintenance.



At EPASA, for motors, the guidelines of the manufacturers' manuals are followed. The electrical components are subject to periodic inspections. There is also an asset management system which is in the testing phase, for improving the database for registering occurrences and maintenance.

At CPFL Renováveis, planned short-term preventive maintenance aims to preserve equipment and extend its working life, reducing the need for large-scale equipment interventions in the long term or repairs.

Short-term maintenance is planned for the period of least water throughput, for the hydro plants, least wind for the wind parks and for the inter-harvest period for the biomass thermal plants. The planning of maintenance aims to reduce or avoid generation losses due to downtime caused by maintenance..

	BARRA GRANDE HPP	CAMPOS NOVOS HPP	MONTE CLARO HPP	14 DE JULHO HPP	CASTRO ALVES HPP	FOZ DO CHAPECÓ HPP	SERRA DA MESA HPP
Flooded area (km <sup>2</sup> )	83.2	25.6	0.686	2.7659	3.051	46.01	1,754.80
Installed capacity (MW)	690	880	130	100	130	855	1,275.00
Installed capacity / Flooded Area (MW/ km <sup>2</sup> )	8.29326923	34.375	189.504373	36.1545971	42.6089807	18.5829168	0.7146

The energy intensity of the HPPs is calculated by dividing the Installed Capacity by the Flooded Area (MW / KM<sup>2</sup>).

**EPASA (kg/MWh) 231.2**

The energy intensity rate is calculated as total fuel consumption in kilos divided by total energy sold in MWh.

EU7 Demand-side management programs including residential, commercial, institutional and industrial programs

52

Reportado



## Electric Utilities Sector

EU8 Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	65	Reported	✓																																
EU9 Provisions for decommissioning of nuclear power sites	52	Reported																																	
EU10 Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	GRI Content Index	The increase in generating capacity at the hydroelectric plants and wind farms is subject to variations in rainfall and wind amount. Therefore, CPFL Energia does not plan to increase generating capacity according to demand projections, although it follows studies carried out by government bodies that point toward a long-term increase in demand.	✓																																
EU11 Average generation efficiency of thermal plants	3	<table border="1"> <thead> <tr> <th>Usina</th> <th>BARRA GRANDE HPP</th> <th>CAMPOS NOVOS HPP</th> <th>MONTE CLARO HPP</th> <th>14 DE JULHO HPP</th> <th>CASTRO ALVES HPP</th> <th>FOZ DO CHAPECÓ HPP</th> <th>SERRA DA MESA HPP</th> </tr> </thead> <tbody> <tr> <td>Flooded area (km<sup>2</sup>)</td> <td>83.2</td> <td>25.6</td> <td>0.686</td> <td>2.7659</td> <td>3.051</td> <td>46.01</td> <td>1,754.80</td> </tr> <tr> <td>Installed capacity (MW)</td> <td>690</td> <td>880</td> <td>130</td> <td>100</td> <td>130</td> <td>855</td> <td>1,275.00</td> </tr> <tr> <td>Installed capacity / Flooded Area (MW/km<sup>2</sup>)</td> <td>8.29326923</td> <td>34.375</td> <td>189.504373</td> <td>36.1545971</td> <td>42.6089807</td> <td>18.5829168</td> <td>0.7146</td> </tr> </tbody> </table> <p>The energy intensity of the HPPs is calculated by dividing the Installed Capacity by the Flooded Area (MW / KM<sup>2</sup>).</p> <p>The energy efficiency of EPASA for 2013 was 37.81%. The energy calculates this figure as follows:</p> <p>Total energy delivered equal to the sum of energy sold in the center of gravity, expressed in gigajoules; and total energy consumed, equal to the sum in gigajoules to the accountable volume of OCB1 consumed, the accountable volume of diesel consumed and the electricity consumed in the center of gravity.</p>	Usina	BARRA GRANDE HPP	CAMPOS NOVOS HPP	MONTE CLARO HPP	14 DE JULHO HPP	CASTRO ALVES HPP	FOZ DO CHAPECÓ HPP	SERRA DA MESA HPP	Flooded area (km <sup>2</sup> )	83.2	25.6	0.686	2.7659	3.051	46.01	1,754.80	Installed capacity (MW)	690	880	130	100	130	855	1,275.00	Installed capacity / Flooded Area (MW/km <sup>2</sup> )	8.29326923	34.375	189.504373	36.1545971	42.6089807	18.5829168	0.7146	✓
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EU12 Transmission and distribution losses as a percentage of total energy	68	Reported																																	

## Electric Utilities Sector

EU13 Biodiversity of offset habitats	GRI Content Index	CPFL Energia does not have a management model that covers this indicator. The company is putting in place the necessary control mechanisms.	✓						
EU14 Programs and processes to ensure the availability of a skilled workforce	58	Reported	✓						
EU15 Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	GRI Content Index	Percentage of employees with the right to retire in the next five and ten years.  <table border="1"> <thead> <tr> <th></th> <th>2018</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td><b>TOTAL</b></td> <td><b>469</b></td> <td><b>940</b></td> </tr> </tbody> </table> <p>1. The data cover employees with the right to retire in the next five and ten years, based only on time worked at CPFL Energia. 2. Excludes BAESA, Ceran, Enercan and Foz do Chapecó.</p>		2018	2022	<b>TOTAL</b>	<b>469</b>	<b>940</b>	
	2018	2022							
<b>TOTAL</b>	<b>469</b>	<b>940</b>							
EU16 Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	54	Reported	✓						
EU17 Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities	GRI Content Index	CPFL Energia does not monitor this. The Company contracts by service supplied and not by worker numbers. Subcontracted employees working within Company installations will be invited to take part in the next round of seminars.	✓						
EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	54, 55	Reported  There are no mechanisms which allow verification of health and safety training extended to outsourced and subcontracted employees.	✓						
EU19 Stakeholder participation in the decision making process related to energy planning and infrastructure development	61	Reported	✓						

8. ATTACHMENTS

Electric Utilities Sector

EU20 Approach to managing the impacts of displacement	49, 61	Reported	✓
EU21 Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	55	Reported	✓
EU22 Number of people physically or economically displaced and compensation	61	Reported	✓
EU23 Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services	52	Reported	
EU24 Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services	48	Reported	✓

## Electric Utilities Sector

EU25 Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases	GRI Content Index	Reported  In 2013, 65 accidents were registered on the network, 25 of them fatal.	✓																											
EU26 Percentage of population unserved in licensed distribution or service areas	GRI Content Index	All the CPFL Energia distributors met the targets of the Federal Government's Light for All Program with respect to the universal access to electricity in their concession areas.																												
EU27 Number of residential disconnections for non-payment	GRI Content Index	<table border="1"> <thead> <tr> <th></th> <th>Paulista</th> <th>Piratinga</th> <th>Jaguariúna</th> <th>Santa Cruz</th> <th>RGE</th> <th>CPFL Energia</th> </tr> <tr> <th>Month</th> <th>Executed</th> <th>Executed</th> <th>Executed</th> <th>Executed</th> <th>Executed</th> <th>Executed</th> </tr> </thead> <tbody> <tr> <td>Accumulated</td> <td>214,109</td> <td>90,136</td> <td>18,152</td> <td>21,499</td> <td>169,014</td> <td>512,910</td> </tr> </tbody> </table>		Paulista	Piratinga	Jaguariúna	Santa Cruz	RGE	CPFL Energia	Month	Executed	Executed	Executed	Executed	Executed	Executed	Accumulated	214,109	90,136	18,152	21,499	169,014	512,910							
	Paulista	Piratinga	Jaguariúna	Santa Cruz	RGE	CPFL Energia																								
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Accumulated	214,109	90,136	18,152	21,499	169,014	512,910																								
EU28 Power outage frequency	74	<p>DEC and FEC indicators 2013 (annual results)</p> <table border="1"> <thead> <tr> <th></th> <th>CPFL Paulista</th> <th>CPFL Piratinga</th> <th>RGE</th> <th>CPFL Santa Cruz</th> <th>CPFL Leste Paulista</th> <th>CPFL Jaguari</th> <th>CPFL Sul Paulista</th> <th>CPFL Mococa</th> </tr> </thead> <tbody> <tr> <td>DEC</td> <td>7.14</td> <td>7.44</td> <td>17.35</td> <td>6.97</td> <td>7.58</td> <td>5.92</td> <td>9.08</td> <td>4.86</td> </tr> <tr> <td>FEC</td> <td>4.73</td> <td>4.58</td> <td>9.04</td> <td>6.82</td> <td>6.33</td> <td>5.43</td> <td>6.72</td> <td>4.93</td> </tr> </tbody> </table>		CPFL Paulista	CPFL Piratinga	RGE	CPFL Santa Cruz	CPFL Leste Paulista	CPFL Jaguari	CPFL Sul Paulista	CPFL Mococa	DEC	7.14	7.44	17.35	6.97	7.58	5.92	9.08	4.86	FEC	4.73	4.58	9.04	6.82	6.33	5.43	6.72	4.93	✓
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EU30 Average plant availability factor	3	Reported	✓																											

## 8.2. NBCT T-15 and Ibase

CFC 1003/04 NBCT 15 (*)	2013	2012 (**)
<b>Company: CPFL - Energia S.A.</b>		
<b>15.2.1 - Added Value Distribution</b>	<b>Energia Consolidated</b>	<b>Energia Consolidated</b>
Total Value Added to be distributed (R\$ thousand):	In 2013: 7,831,239	In 2012: 9,388,372
Added Value Distribution ((AVD):	56.5% government	65.5% government
	9.5% employees	7.5% employees
	10.7% shareholders	11.6% shareholders
	21.9% third parties	14.2% third parties
	1.4% retained	1.2% retained
	<b>2013 Value (R\$ thousand)</b>	<b>2012 Value (R\$ thousand)</b>
<b>15.2.2 - Human Resources</b>		
<b>GROSS REMUNERATION BY:</b>		
Employees	596,856	541,858
Management	21,905	22,976
Outsourced labor	NA	NA
Self-employed	-	-
Relationship between the highest and the lowest remuneration of the company, considering the employees and management	20,27	20,88
Mandatory social charges	175,130	170,456
Nutrition	54,505	49,134
Transportation	4,082	3,978
Private Pension Plan	39,292	35,840
Health	35,338	28,876
Workplace safety and medicine	3,146	2,483
Education (excluding environmental education)	2,454	2,431
Culture	-	-
Training and professional development	10,801	13,032
Daycare and daycare assistance	951	927
Participation in profits and results	35,295	50,275
<b>WORKFORCE INDICATORS</b>		
Total employee numbers at the end of the fiscal year	8,391	8,490
Total hirings	1,778	2,223
Total number of discharges	1,908	1,634
Total number of trainees at the end of the fiscal year	130	217
Total number of employees with special needs at the end of the fiscal year	273	272
Total number of outsourced service providers	NA	NA
<b>Total number of employees by gender:</b>		
Men	6,422	6,367
Women	1,969	2,123
<b>Total number of employees by age group, in the following age bands:</b>		
Less than 18	29	21
From 18 to 35	4,345	4,526
From 36 to 60	3,961	3,902
More than 60	56	41
<b>Total number of employees by academic level, separated by:</b>		
Illiterate	-	-
Primary school education	898	783
High school education	5,096	4,840
Technical education	111	555
College education	1,855	1,727
Postgraduate education	431	585

	2013 Value (R\$ thousand)	2012 Value (R\$ thousand)
<b>15.2.2 - Recursos Humanos</b>		
<b>INDICADORES DO CORPO FUNCIONAL</b>		
<b>Percentage of management positions held by gender:</b>		
Men	85.71%	89.74%
Women	14.29%	10.26%
<b>Information with respect to labor lawsuits filed by employees against the company:</b>		
Note: Lawsuits ruled partially favorably or concluded by agreement should be considered upheld.		
Number of lawsuits filed against the company	2,230	1,872
Number of lawsuits upheld	165	865
Number of lawsuits not upheld	44	694
Total value of indemnities and fines paid by court order	107,900	20,825
	<b>2013 Value (R\$ thousand)</b>	<b>2012 Value (R\$ thousand)</b>
<b>15.2.3 - Interaction of the Company with the External Environment</b>		
Education (except of an environmental nature)	909	240
Culture	11,992	15,092
Health and sanitation	634	701
Sport and leisure, (not considering sponsorships for advertising purposes)	1,553	2,785
Housing	-	-
Nutrition	-	-
<b>Information relative to interaction with customers</b>		
Number of complaints received directly by the entity	1,778,161	1,807,705
Number of complaints received through consumer protection agencies	988	907
Number of complaints received through the law courts	7,228	4,830
Number of complaints processed in each listed instance	-	-
Amount in fines and indemnities, ordered by consumer protection agencies or the law courts	-	-
Actions taken to resolve or minimize the causes of complaints	Ouvidoria	Ouvidoria
In the selection of suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are not considered
	( ) are suggested	( ) are suggested
	(X) are required	(X) are required
	<b>2013 Value (R\$ thousand)</b>	<b>2012 Value (R\$ thousand)</b>
<b>15.2.4 - Interaction with the Environment</b>		
Investments and expenses with maintenance in operating processes for environmental improvement	37,407	32,687
Investments and expenses with preservation and/or recovery of degraded areas	-	-
Investments and expenses with environmental education for employees, outsourced labor, self-employed labor and management of the company	-	-
Investments and expenses with environmental education for the community	-	-
Investments and expenses with other environmental projects	59,047	60,293
Number of environmental, civil and legal actions filed against the company	-	-
Value of fines and indemnities with respect to environmental matters, ordered administratively and/or judicially	-	-
Environmental liabilities and contingencies	-	-
<b>15.3 - FINAL PROVISIONS</b>		
Consolidated Information		
Responsible for the figures: Antônio Carlos Bassalo, telephone +55 (19) 3756-8018, bassalo@cpfl.com.br		

(\*) Information not reviewed by the independent auditors

(\*\*) Includes the effects described in explanatory note 2.9 of the consolidated financial statements

(\*\*\*) Indicator adjusted due to a change in the criteria for collecting information from the Group's distributors

## Annual Social Report 2013 / 2012 (\*)

Company: CPFL Energia S.A. Consolidado

1 - Basis for Calculation	2013 VALUE (R\$ THOUSAND)			2012 VALUE (R\$ THOUSAND) (**)		
Net Revenues (NR)	14,633,856			14,890,875		
Operating Result (OR)	1,519,200			1,877,998		
Gross Payroll (GP)	648,975			613,674		
2 - Internal Social Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Food	54,505	8.40%	0.37%	49,134	8.01%	0.33%
Mandatory payroll taxes	175,130	26.99%	1.20%	170,456	27.78%	1.14%
Private Pension plan	39,292	6.05%	0.27%	35,840	5.84%	0.24%
Health	35,338	5.45%	0.24%	28,876	4.71%	0.19%
Occupational health and safety	3,146	0.48%	0.02%	2,483	0.40%	0.02%
Education	2,454	0.38%	0.02%	2,431	0.40%	0.02%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and professional development	10,801	1.66%	0.07%	13,032	2.12%	0.09%
Day-care/ allowance	951	0.15%	0.01%	927	0.15%	0.01%
Profit/ results sharing	35,295	5.44%	0.24%	50,275	8.19%	0.34%
Others	5,811	0.90%	0.04%	5,969	0.97%	0.04%
<b>Total - Internal social indicators</b>	<b>362,723</b>	<b>55.89%</b>	<b>2.48%</b>	<b>359,423</b>	<b>58.57%</b>	<b>2.41%</b>
3 - External Social Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Education	909	0.06%	0.01%	240	0.01%	0.00%
Culture	11,992	0.79%	0.08%	15,092	0.80%	0.10%
Health and Sanitation	634	0.04%	0.00%	701	0.04%	0.00%
Sport	1,553	0.10%	0.01%	2,785	0.15%	0.02%
Prevention of hunger and malnutrition	0	0.00%	0.00%	0	0.00%	0.00%
Others	6,960	0.46%	0.05%	4,593	0.24%	0.03%
<b>Total Contributions to Society</b>	<b>22,048</b>	<b>1.45%</b>	<b>0.15%</b>	<b>23,411</b>	<b>1.25%</b>	<b>0.16%</b>
Taxes (excluding payroll taxes)	4,292,848	282.57%	29.34%	6,027,010	320.93%	40.47%
<b>Total - External social indicators</b>	<b>4,314,896</b>	<b>284.02%</b>	<b>29.49%</b>	<b>6,050,421</b>	<b>322.17%</b>	<b>40.63%</b>
4 - Environmental Indicators	Value (thousand)	% of GP	% of NR	Value (thousand)	% of GP	% of NR
Investments related to Company production/ operation	37,407	2.46%	0.26%	32,687	1.74%	0.22%
Investments in external projects/ programs	59,047	3.89%	0.40%	60,293	3.21%	0.40%
Total Environment Investment	96,454	6.35%	0.66%	92,980	4.95%	0.62%
Regarding annual targets for reducing waste, volume of resources used in / operation and increased efficiency in the use of natural resources, the Company:	( ) has no targets ( ) fulfilled 51 to 75% ( ) fulfilled 0 to 50% (X) fulfilled 76 to 100%		( ) has no targets ( ) fulfilled 51 to 75% ( ) fulfilled 0 to 50% (X) fulfilled 76 to 100%			
5 - Staff Indicators	2013			2012 (**)		
Employees at end of period	8,391			8,490		
Employees hired during period	1,778			2,223		
Outsourced employees	NA			NA		
Interns	130			217		
Employees over 45	2,011			1,963		
Women working at the company	1,969			2,123		
% management positions occupied by woman	14.29%			10.26%		
Afro-Brazilian employees working at the company	1,340			1,144		
% management positions occupied by Afro-Brazilian employees	2.22%			1.55%		
Employees with disabilities or special needs	273			272		

6 - Information on Business Responsibility	2013			2012 (**)		
Ratio of highest to lowest compensation in the Company	20.27			20.88		
Total number of work-related accidents	31			43		
Company-sponsored social and environmental projects were decided upon by:	( ) executive officers	(X) executive officers and managers	( ) all employees	( ) executive officers	(X) executive officers and managers	( ) all employees
Health and safety standards in the workplace were set by:	( ) executive	( ) all employees	(X) all + CIPA	( ) executive	( ) all employees	(X) all + CIPA
With respect to labor union freedom, the right to collective bargaining, and internal employee representation, the Company:	( ) does not become involved	( ) adheres to ILO standards	(X) encourages and adheres to ILO standards	( ) does not become involved	( ) adheres to ILO standards	(X) encourages and adheres to ILO standards
Company pension plan covers:	( ) executive officers	( ) executive officers and managers	(X) all employees	( ) executive officers	( ) executive officers and managers	(X) all employees
Profit/ results sharing program covers:	( ) executive officers	( ) executive officers and managers	(X) all employees	( ) executive officers	( ) executive officers and managers	(X) all employees
In the selection of suppliers, the same ethical and social/ environmental responsibility standards adopted by the Company are:	( ) not considered	( ) suggested	(X) required	( ) not considered	( ) suggested	(X) required
In relation to volunteer work by employees, the Company:	( ) does not get involved	( ) supports it	(X) organizes and encourages it	( ) does not get involved	( ) supports it	(X) organizes and encourages it
Total number of customer complaints/ criticisms:	to the Company 1,778,161	to PROCON 988	to the law courts 7,228	to the Company (***) 1,807,705	to PROCON (***) 907	to the law courts 4,830
% of complaints and criticisms attended to or solved	to the Company 100%	to PROCON 100%	to the law courts 10.3%	to the Company 100%	to PROCON 100%	to the law courts 6.5%
Total Value added to be distributed (R\$ thousand):	In 2013	7,831,239		In 2012 (**)	9,388,372	
Distribution of Value Added (DVA):	56.5% government 9.5% employees 10.7% shareholders 21.9% third parties 1.4% retained			65.5% government 7.5% employees 11.6% shareholders 14.2% third parties 1.2% retained		

## 7 - Outras Informações

## CONSOLIDATED INFORMATION

For financial items only the % corporate stake was used. For other information, such as employee numbers and legal proceedings, overall figures have been used.

Responsible for Figures: Antônio Carlos Bassalo, telephone +55 (19) 3756-8018, bassalo@cpfl.com.br

(\*) Information not reviewed by the independent auditors.

(\*\*) Includes the effects described in explanatory note 2.9 of the consolidated financial statements

(\*\*\*) Indicator adjusted due to a change in the criteria for collecting information from the Group's distributors

## 8.3. Letter of Assurance



**KPMG Risk Advisory Services Ltda.**  
R. Dr. Renato Paes de Barros, 33  
04530-904 - São Paulo, SP - Brasil  
Caixa Postal 2467  
01060-970 - São Paulo, SP - Brasil

Central Tel 55 (11) 2183-3000  
Fax Nacional 55 (11) 2183-3001  
Internacional 55 (11) 2183-3034  
Internet www.kpmg.com.br



### Limited assurance report issued by independent auditors

The Board of Directors and Other Stakeholders of  
CPFL Energia S.A  
Campinas - SP

#### Introduction

We have been engaged by CPFL Energia S.A (“CPFL” or “Company”) to apply limited assurance procedures on the sustainability information disclosed in CPFL’s 2013 Annual Report, related to the year ended December 31<sup>st</sup>, 2013.

#### Responsibilities of CPFL’s Management

The management of CPFL is responsible for preparing and adequately presenting the information in the 2013 Annual Report in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (GRI-G4)*, with the “*GRI Electric Utilities Sector Disclosures*” and by the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

#### Independent auditors’ responsibility

Our responsibility is to express a conclusion about the information in the 2013 Annual Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared upon NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones and also that the engagement is conducted to provide limited assurance that the information in the 2013 Annual Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly in questions and interviews with the management of CPFL and other professionals of the Company involved in the preparation of the information disclosed in the 2013 Annual Report and applying analytical procedures to obtain evidence that allows us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which lead them to believe that the information disclosed in the Annual Report 2013 taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2013 Annual Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) planning: consideration of the material aspects of CPFL’s activities, relevance of the information disclosed, amount of quantitative and qualitative information and operational systems and internal controls that served as a basis for preparation of the information in the Annual Report 2013;
- (b) understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
- (c) understanding of the reporting processes and management approaches of material aspects and performance indicators;
- (d) application of analytical procedures on data and interviews on the qualitative information and their correlation with indicators disclosed in the 2013 Annual Report;
- (e) analysis of evidence supporting the quantitative and qualitative information disclosed in the 2013 Annual Report;
- (f) comparison of financial indicators with the financial statements and/or accounting records.
- (g) evaluation of reasons for possible omissions of performance indicators associated with topics and aspects identified as material through the Company’s materiality assessment;

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

#### Scope and limitations

The procedures applied in a limited assurance engagement are substantially less extensive than those applied in a reasonable assurance engagement. Therefore, we cannot ensure we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the Annual Report 2013.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate this data. Qualitative interpretations of the data’s materiality and accuracy are subject to individual presumptions and judgments. Additionally, the scope of our work did not include assurance on greenhouse gas emissions information, and we did not examine data regarding prior periods, assess the adequacy of policies, practices and sustainability performance, nor future projections.



#### Conclusion

Based on the procedures carried out, described in this report, we have not identified any relevant information that leads us to believe that the information in CPFL's 2013 Annual Report is not fairly stated in all material respects in accordance with the *Global Reporting Initiative Sustainability Reporting Guidelines (GRI-G4)*, with the "GRI Electric Utilities Sector Disclosures" and with its source records and files.

São Paulo, June 04th, 2014

KPMG Risk Advisory Services Ltda.  
CRC 2SP023233/O-4

Eduardo V. Cipullo  
Contador CRC 1SP135597/O-6

## 8.4. Awards and Recognition

Year	Company	Sponsor	Award	Category / Case / Program
2013	CPFL Paulista	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	Southeast - among the companies with more than 500 thousand consumers
2013	CPFL Leste Paulista	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	Customer evaluation - among the companies with less than 500 thousand consumers
2013	CPFL Leste Paulista	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	Quality in Management - among the companies with less than 500 thousand consumers
2013	CPFL Leste Paulista	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	National - among the companies with less than 500 thousand consumers
2013	RGE	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	Customer evaluation - among the companies with more than 500 thousand consumers
2013	RGE	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	Operating Management - among the companies with more than 500 thousand consumers
2013	RGE	ABRADEE - Brazilian Association of Electricity Distributors	Abradee Award	National - among the companies with more than 500 thousand consumers
2013	CPFL Brasil	Exame Magazine - Ed. Abril	Best and the Biggest Award	Best company in the energy sector
2013	CPFL Energia	ANEEL	Seenel Award (Energy Efficiency in the Electric Sector Seminar)	"Reverse Logistics - Refrigerators" Project
2013	ENERCAN	Valor Econômico newspaper	Valor 1000 Award	Electric energy
2013	CPFL Energia	Pró Cana Group	Mastercana Center-South	Commercialization & Finance / Electric & Automation
2013	CPFL Energia	Editora Globo	Época Negócios 360º	Energy Sector Champion of the Época Negócios 360º Yearbook
2013	CPFL Energia	Editora Globo	Época Negócios 360º	Época Negócios 360º Company of the Year

## 8. ATTACHMENTS

Year	Company	Sponsor	Award	Category / Case / Program
2013	CPFL Paulista	Guia Você S/A	The best companies for you to work for	Classified among the 150 best companies for you to work for
2013	CPFL Energia	Negócios da Comunicação magazine	Companies which best communicate with journalists Award	Electric Energy Category
2013	CPFL Energia	Platts	TOP 250	Global Energy Company 2013
2013	CPFL Brasil	Pró Cana Group	Mastercana Brasil Award	Commercialization & Finance / Electric & Automation
2013	CPFL Energia	ABERJE - Brazilian Association for Business Communication	ABERJE 2013 Award	Historic Responsibility and Corporate Heritage in the CPFL 100 years Project - São Paulo stage
2013	CPFL Energia	A.T.Kearney and Época Negócios magazine	The Most Innovative Companies in Brazil	20 most innovative companies in Brazil
2013	CPFL Energia	ABERJE - Brazilian Association for Business Communication	Prêmio ABERJE 2013	Historic Responsibility and Business Heritage in the CPFL 100 years Project - Brazil stage
2013	CPFL Piratininga	FNQ - National Quality Foundation	PNQ - National Quality Award 2013	Finalist in the National Quality Award 2013 in the Large Companies Category
2013	RGE	ADVB - RS - Association of Marketing and Sales Executives of Brazil -Rio Grande do Sul branch	ADVB TOP of Marketing 2013 Award	Energy Category
2013	CPFL Energia	IT Media	100+ Innovators in the use of IT	Winner in the utilities category
2013	RGE	CIER Comisión de Integración Energética Regional	CIER CLIENT QUALITY SATISFACTION 2013	Gold Category

Year	Company	Sponsor	Award	Category / Case / Program
2013	RGE	ABCE - Brazilian Energy Concessionaires Association	Eloy Chaves Medal	1st place in the category of companies which are predominantly Distributors with more than 2000 employees in their labor force
2013	CPFL Santa Cruz	ABCE - Brazilian Energy Concessionaires Association	Eloy Chaves Medal	1st place in the category of companies which are predominantly Distributors from 501 to 2000 employees in their labor force
2013	CPFL Sul Paulista	ABCE - Brazilian Energy Concessionaires Association	Eloy Chaves Medal	3rd place in the category of companies which are predominantly Distributors with up to 500 employees in their labor force
2013	CPFL Geração	ABCE - Brazilian Energy Concessionaires Association	Eloy Chaves Medal	2nd place in the category of companies which are predominantly Generators/ Transmitters, irrespective of the number of employees in their workforce
2013	CPFL Piratininga	ANEEL - National Electric Energy Agency	IASC 2013 - ANEEL Consumer Satisfaction Index	Distributors that supply more than 400 thousand consumer units in the southeast region
2013	RGE	ANEEL - National Electric Energy Agency	IASC 2013 - ANEEL Consumer Satisfaction Index	Distributors that supply more than 400 thousand consumer units in the southern region
2013	CPFL Energia	Dow Jones Sustainability Index	Dow Jones Sustainability Index Emerging Markets	CPFL Energia is a component of the index for the second consecutive year among 17 Brazilian companies
2013	CPFL Energia	BM&FBovespa	Corporate Sustainability Index (ISE)	CPFL Energia is a component of the index for the ninth consecutive year
2013	CPFL Energia	Exame magazine - Editora Abril	Exame Sustainability Guide	Outstanding company in the energy sector
2013	CPFL Energia	CDP - Carbon Disclosure Program	Disclosure	Among the 10 leading companies in transparency on greenhouse gas emissions and the best utilities company out of 100 Brazilian organizations that were evaluated

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