ANNUAL REPORT 2012

CPFL ENERGIA

INDEX

CPFL ENERGIA PROFILE

1. Profile

1.1. CPFL Energia

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CPFL Energia is the largest private sector group in the Brazilian electric sector and operates in the electricity generation, distribution, commercialization, and added value services segments. In 2012, CPFL Energia celebrated 100 years of history with a record investment of R$ 2.5 billion in the expansion of its generation assets, modernization of its distribution network, innovation programs and customer service.

Electricity distribution is CPFL Energia's main business: its eight distribution companies (CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, CPFL Mococa, CPFL Sul Paulista, CPFL Leste Paulista, CPFL Jaguari and Rio Grande Energia) account for 13% of the Brazilian market. In 2012, the Group distributed 56,682 GWh[1] of electricity to 7.2 million customers in 569 municipalities in the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais.

In the generation segment, clean and renewable energy sources account for over 90% of the Group's portfolio, which includes plants in the states of São Paulo, Rio Grande do Sul, Santa Catarina, Tocantins, Rio Grande do Norte, Paraíba, Ceará, Minas Gerais, Mato Grosso do Sul and Paraná.

CPFL Energia's 23 conventional generation assets have a total installed capacity of 2,234 MW and include the hydroelectric plants Serra da Mesa, Monte Claro, Barra Grande, Campos Novos, Luiz Eduardo Magalhães - Lajeado, Castro Alves, 14 de Julho and Foz do Chapecó. The portfolio also includes three fuel oil plants (TPPs Termonordeste, Termoparaíba and Carioba).

Constituted in 2011 and segment leader in Latin America, CPFL Renováveis possesses 77 alternative energy generation plants totaling 5,535 MW capacity, with 1,153 MW in operation, 582 MW under construction and over 3,800 MW in development. Its plants currently in operation include 47 small hydro plants, 15 wind farms and six biomass plants. Among its projects under construction in 2013, of note are 18 wind farms and two biomass plants.

1) Considers the adjustment in billing for RGE's free and permit holder customers in 2Q12.

CPFL Energia is also a market leader in the commercialization segment, with 10% Brazilian market share. In 2012, electricity generation and commercialization sales to the free market reached 16,445 GWh, an increase of 8.3% compared to the previous year.

A highlight among the businesses that are growing within the CPFL Energia Group are the added value services offered by CPFL Serviços, CPFL Atende and CPFL Total to the electric sector, which increased by 34.7% in net revenue.

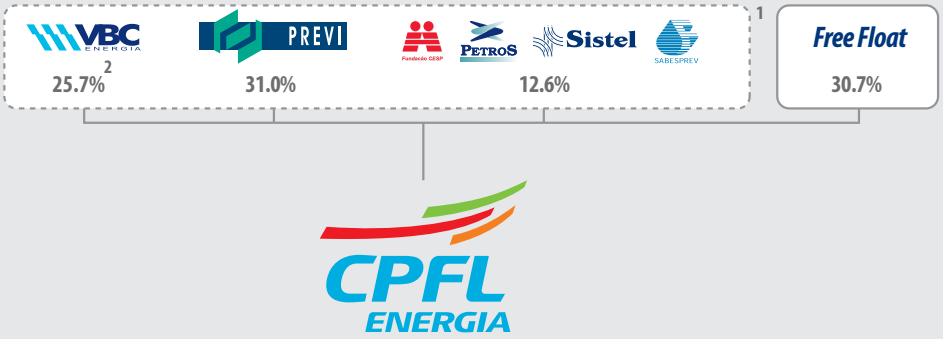
CPFL Serviços specializes in the design and construction of electricity self-generation, distribution and transmission systems, as well as the maintenance and recovery of electric equipment.

CPFL Atende's services include a contact center, customer service hotline, back office, service desk, face-to-face service, sales, and credit recovery for the Group's companies and other market companies.

CPFL Total has an accredited network of 2,500 commercial outlets for the payment of electricity, water and telephone bills and bank collection slips, financial products and customer services on behalf of electricity concessionaires (consultation of amounts due, issuing of duplicate electricity bills, reconnection and validation of customer registrations).

CPFL Energia marks its commitment to environmental, social and financial sustainability in all these business segments as a strategy for retaining leadership of the electric sector and generating value for shareholders and other stakeholders.

Controlling shareholders



Distribution

- 100% cpfl paulista
- 100% cpfl piratininga
- 100% RGE
- 100% cpfl santa cruz
- 100% cpfl leste paulista
- 100% cpfl jaguari
- 100% cpfl sul paulista
- 100% cpfl mococa

7.2 million customer units

8 distributors across 4 Brazilian states

Generation

- 100% cpfl geração
  - 65% Ceran
  - 25.01% BAESA
  - 48.72% Enercan
  - 52.75% Epasa [3]
  - 51% Foz do Chapecó
- 100% Jaguari
  - 59.93% Paulista Lajeado
    - 5.94% Investco

- 2 HPP Serra da Mesa
- 7 12 SHPs: 9 (SP) and 3 (MG)
- 6 Ceran Complex: HPPs Monte Claro, Castro Alves and 14 de Julho
- 5 HPP Barra Grande
- 4 HPP Campos Novos
- 8 TPPs Termoparaíba and Termonordeste
- 3 HPP Foz do Chapecó
- 1 HPP Luis Eduardo Magalhães

8 OPERATIONAL IN 2013:
hydroelectric power plants +47 SHPs*
+15 wind farms
+6 biomass plants
+1 solar plant
+3 fuel oil thermal plants

Renewables

- 63.0% [4] CPFL RENOVÁVEIS

- 9 35 SHPs: 17 (SP), 8 (MG), 5 (SC), 4 (RS), 1 (MS)
- 10 33 Wind Farms: 8 (CE), 21 (RN), 4 (RS)
- 11 8 Biomass TPPs: 5 (SP), 1 (RN), 1 (MG) and 1 (PR)

18 UNDER CONSTRUCTION IN 20
wind farms
+2 biomass plants

Commercialization

- 100% cpfl brasil
  - 100% cpfl meridional
  - 99.95% cpfl sul geradora
  - 100% cpfl cone sul
- 100% cpfl planalto

— Operations across Brazil

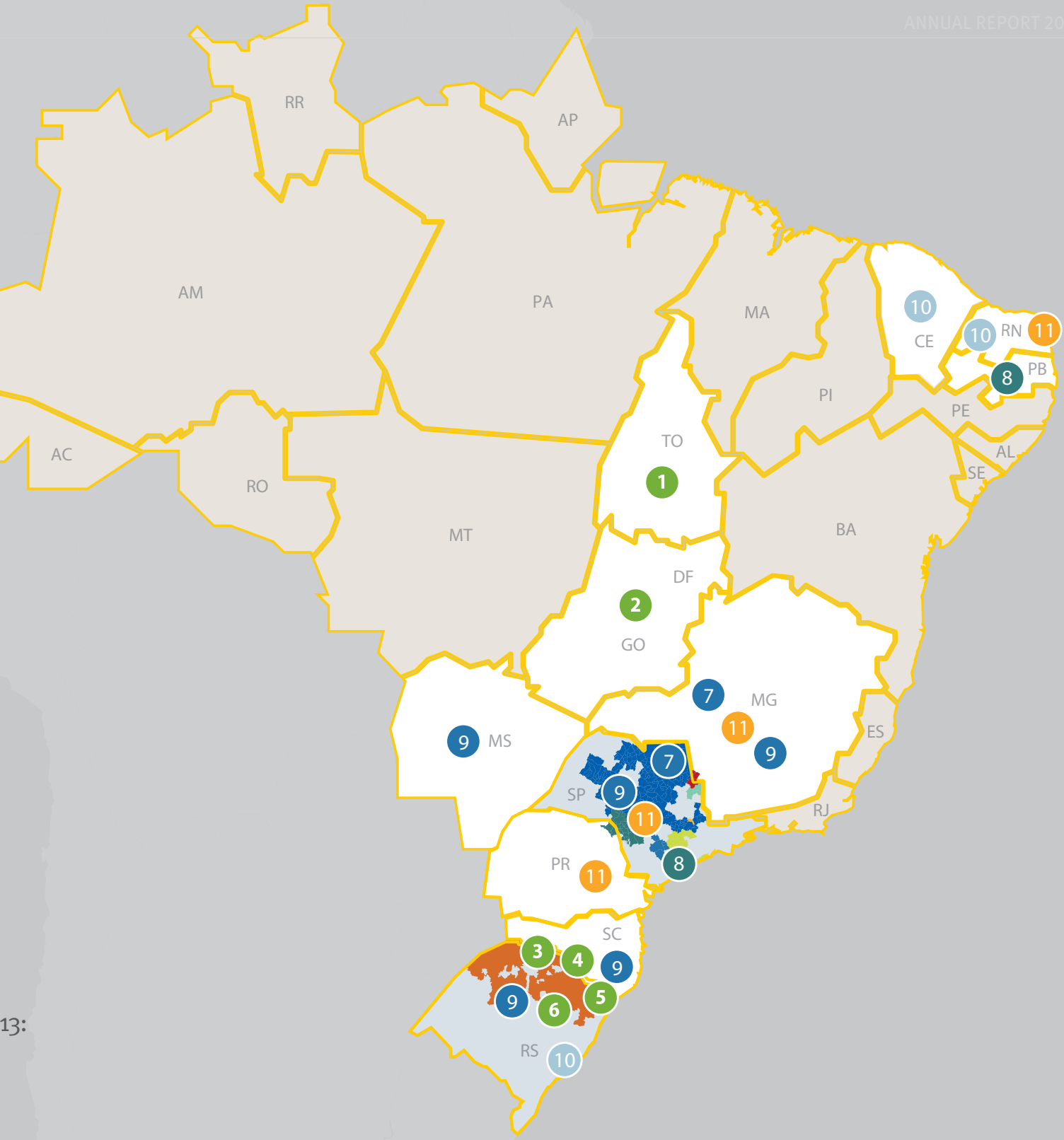
231 free market clients
With 10% Brazilian market share

Services

- 100% cpfl serviços
- 100% cpfl atende
- 100% CPFLTOTAL pagamentos e serviços
- 100% Nect

— Operations across Brazil

* 35 CPFL Renováveis and 12 CPFL Jaguariúna 9 in operation totaling 24.2 MW and 3 (total installed capacity of 2.2 MW) in the process of being decommissioned



13:

1) Controlling shareholders
2) Includes 0.1% of the shares of Camargo Correa S.A.
3) Termoparaiba and Termonordeste TPPs
4) CPFL Energia holds a 63.0% indirect stake in CPFL Renováveis through CPFL Geração, with 35.5% and CPFL Brasil, with 27.5%
5) CPFL Energia holds a 100% stake in CPFL Total, 47.4% directly and 52.6% indirectly through CPFL Brasil

Distribution

- Brazilian market leader with 13% share
- 8 distributors across 4 Brazilian states: São Paulo, Rio Grande do Sul, Paraná and Minas Gerais
- 7.2 million customers
- 569 municipalities served

Conventional Generation (CPFL Geração)

- 23 plants in portfolio
- 2,234 MW installed capacity (share of projects) [2]

Renewable Generation (CPFL Renováveis)

- 57 plants operational and 20 plants in construction
- 1,153 MW installed capacity, 582 MW in construction and a further 3,800 MW in development (figures refer entirely to CPFL Renováveis[3]).

Commercialization

- Active across Brazil, with offices in Caxias do Sul (RS), Campinas (SP), Rio de Janeiro (RJ) and Recife (PE)
- 231 free clients purchase energy from CPFL Brasil through long-term contracts
- Market leader in commercialization with 10% share in the electricity sales ranking

Electricity sales

- 56,682 GWh[4] sales in the concession area in 2012 (captive market + Tariff for Use of the Distribution System - TUDS)
- 16,445 GWh in commercialization and generation (conventional and renewable) sales in 2012

Services

- Competitive in the added value services market: CPFL Serviços, CPFL Atende and CPFL Total
- CPFL Total service network with 2,500 accredited outlets.

2) Includes installed capacity of CPFL Jaguariúna, which equals 24 MW. The company's SHPs do not offer guaranteed energy for commercialization and do not contribute to the Brazilian Interlinked System (SIN).

3) Considering CPFL Energia's 63% stake in CPFL Renováveis, 726 MW installed capacity is operational, 367 MW under construction and 2,394 MW in development.

4) Considers the alteration in the billing calendar for RGE's free and permit holder customers in 2Q12.

1.2 100 years generating history

Companhia Paulista de Força e Luz came into being in 1912 through the merger of three small electricity companies in upstate São Paulo. The company was controlled by American & Foreign Power (AMFORP) from 1927-1964, after which Eletrobras, part of the Brazilian Federal Government, took ownership. In 1975, shareholder control passed to the Companhia Energética de São Paulo (CESP), of the São Paulo state government.

Following privatization in November, 1997, control of the company was transferred to a group formed of VBC Energia (Votorantim, Bradesco and Camargo Corrêa), the Banco do Brasil employees' Pension fund, (Previ) and Bonaire Participações (which includes the Funcesp, Sistel, Petros and Sabesprev pension funds).

The year 2002 saw the constitution of the CPFL Energia holding company. Two years later, the Group held its initial public offering on the São Paulo (BOVESPA) and New York (NYSE) stock exchanges. In 2008, CPFL Bioenergia was constituted to specialize in the biomass business. Its renewable energy investments portfolio was expanded in 2009 following success at Brazil's first wind energy auction.

In 2012, CPFL Energia celebrated 100 years of activity in the Brazilian electric sector with a series of events, communication activities and initiatives to inform Brazilian society of the Company's contribution the country's development since 1912.

These celebrations were part of the CPFL 100 Years Project, planning for which began in 2011. The events and activities held in 2012 supported its corporate culture, strengthened the cohesion, organizational identity and management alignment of the Group's companies, as well as institutionalizing the CPFL Memorial on the Living Memory (Memória Viva) website. The centenary activities, in which 7 thousand employees took part, were planned from the point of view of the CPFL Transformation Program, which aims to forge the Company's next 100 years.

As a continuation of the centenary celebrations, activities planned for 2013 include the launch of the CPFL Memorial (the company's history center); maintenance of the Living Memory website; a tour of the 100 years of History and Energy exhibition to Santos, Sorocaba, Ribeirão Preto, Bauru, Caxias do Sul and Porto Alegre; the inclusion of the interactive CPFL Energy Hall in the Campinas museum tourist guide and in the CPFL Schools and Community Network Program; and the inception of the CPFL Museum.

To learn more about this, go to memoriaviva.cpfl.com.br.

1.3 Highlights

GRI 2.9

Start-up of the Tanquinho Solar Plant

Following an investment in research and development of R$ 13.8 million, São Paulo state's first and Brazil's largest solar generation plant opened on November 27, 2012.

The plant is located in a 13,700 m² area of the Tanquinho Substation in Campinas (SP) with an installed capacity of 1.1 MWp, and will generate around 1.6 GWh/year, enough to supply 657 customers consuming an average 200 kWh/month. CPFL Renováveis constructed the plant and will oversee its management and operation.

This project for clean and renewable power generation with photovoltaic solar panels was submitted to the National Electric Energy Agency (ANEEL) through the 013-2011 Calling (Technical and Commercial Arrangements for the Inclusion of Photovoltaic Solar Generation in the Brazilian Energy Matrix) and approved in December, 2011.

This undertaking seeks to encourage photovoltaic technology production in Brazil, stimulate knowledge generation, develop the Brazilian production chain for this type of power generation and provide skills training.

Continued ISE Portfolio Presence

For the eighth consecutive year, CPFL Energia is part of the BM&FBovespa Corporate Sustainability Index (ISE), which is formed of companies that lead the way in sustainable practices with respect to the environment, corporate governance, finance, social responsibility and climate change.

The portfolio is effective until December 31, 2013 and includes 51 shares from 37 companies with a market value equal to 44.81% of the total market capitalization of companies listed on BM&FBovespa as of November 29, 2012.

Inclusion in the Dow Jones Sustainability Index Emerging Markets

In February, 2013 CPFL was included for the first time in the Dow Jones Sustainability Index Emerging Markets (DJSI Emerging Markets), a stock index that measures the performance of sustainability leaders in emerging markets. Only 15 Brazilian companies are a part of this index and were selected following a long-term analysis of their economic, environmental and social activities.

Commercial start-up of the Bio Pedra and Bio Ipê thermal plants

In May, the Bio Pedra and Bio Ipê sugarcane biomass-fueled thermal plants, located respectively in Serrana (SP) and Nova Independência (SP), entered operation. The electricity for the former, with an installed capacity of 70 MW, was commercialized at the 2010 Reserve Energy Auction, with a supply term of 15 years and 24.4 average MW assured energy. The Bio Ipê plant has an installed capacity of 25 MW, with an agreed free market energy commercialization sales contract for 8.2 average MW.

Conclusion of purchase of Wind Farms

On March 23, 2012, CPFL Renováveis concluded its purchase of the stake in the four Atlântica Complex Wind Farms (Atlântica I, II, IV and V), located in the municipality of Palmares do Sul (RS). The assets have a total installed capacity of 120 MW and a 35 year-term electricity generation authorization. Their power output was sold at the Alternative Sources Auction of August 26, 2010.

New customer service channels

In 2012 CPFL Energia expanded its customer relationship tools and social media service offerings, in particular Twitter, Facebook, and mobile web and SMS services, in order to serve clients with greater speed, comfort and security.

Summary of economic, financial, social and environmental indicators

GRI 2.8 | EC1

Summary of economic, financial, social and environmental indicators			
Economic Indicators	2012[1]	2011[1]	2010[1]
Gross Operating Revenue (R$ million)	21,422	18,866	17,557
Net Operating Revenue (R$ million)	15,055	12,764	12,024
Gross Operating Income (R$ million)[4]	3,898	3,768	3,350
EBITDA (R$ million)[4]	3,898	3,768	3,350
Operating Income – EBITDA (R$ million)	2,771	3,050	2,739
Financial Income (Expense) (R$ million)	(768)	(689)	(354)
Net Income (R$ million)	1,256	1,582	1,560
Dividends Distributed (R$ million)	1,096	1,506	1,260
Financial Indicators	2012[1]	2011[1]	2010[1]
Total Assets (R$ million)	31,076	27,413	20,057
Shareholders' Equity (R$ million)	8,407	8,552	6,750
Investments (R$ million)	3,368	2,487	1,801
Net Adjusted Debt (R$ million)	14,161	10,688[2]	7,855[2]
Net Financial Debt/ (Shareholders' Equity + Minority Interests) (%)	168	125	116
Shares	2012[1]	2011[1]	2010[1]
Number of shares (thousands)	962,274	962,274	481,137
Net Earnings (loss) per share (R$)	1.27	1.64	3.20
Average common share price – ON (R$)	24.64	22.00	38.64
Dividends distributed per share (R$)	1.14	1.57	2.62

Market	2012	2011	2010
Electricity Sales (GWh)[2]	57,128	52,090[3]	51,512[3]
Number of customers (thousands)	7,176	6,951	6,747
Number of free market customers	231	140	129
Installed Generating Capacity (MW)	3,348	2,644	2,309
Assured Generating Capacity (average MW)	1,437	1,334	1,157
Payroll	**2012**	**2011**	**2010**
Employees (total number)	8,674	7,923	7,924
Numbers hired during the period	1,227	1,541	1,671
Environmental Indicators – IBASE	**2012**	**2011**	**2010**
Environmental Investments (R$ million)	109	105	182
Social Indicators – IBASE	**2012**	**2011**	**2010**
Internal Social Investments (R$ million)	362	316	307
Total Contributions to Society (R$ million)	25,8	16,40	21,00
Value Added for the Period (DVA)	9,729	9,769[1]	8,686[1]
Payroll and Payroll taxes (R$ million)	660	595	498
Taxes, Duties & Contributions (R$ million)	6,276	6,163	5,682
Interest and Rent (R$ million)	1,522	1,428	946
Dividends and Interest on Shareholders' Equity (R$ million)	1,094	1,506	1,260
Retained Earnings (R$ million)	163	78	300

1. Adjusted in line with IFRS requirements (International Financial Reporting Standards).

2. To bring the information in line with the calculation of the company's financial covenants, we have considered only the financial debt (including hedge) and cash equivalents, removing from the calculation the private pension fund debt and legal deposit relating to CPFL Paulista's income tax lawsuit. EBITDA does not include regulatory assets and liabilities.

3. Includes 65% of CERAN, 54.5% of CPFL Renováveis from August-November 2011 and 63% in December 2011. Does not include EPASA sales (availability contract). Excludes CCEE and sales to related parties.

4. Includes captive market. Does not include TUDS.

1.4 Awards and Recognition

GRI 2.10

Over the course of 2012, CPFL Energia and its subsidiaries' good practices were recognized with the following awards:

CPFL Energia

Agência Estado Corporate Focus 2012

CPFL was one of the winners of the Agência Estado Corporate Focus 2012, awarded by the newspaper O Estado de São Paulo.

The Best Companies To Work For

CPFL Energia features as one of the best companies for the 11th time in this survey of personnel management in Brazil, run by Exame magazine.

Época Climate Change Award 2012

CPFL Energia came top in the Services category of this award given by Época magazine to companies with the best environmental practices on climate change and global warming.

Época Business 360º Ranking

CPFL Energia was awarded 1st place in the electric sector and 3rd in the overall ranking of 200 companies in Brazil with the most advanced practices in finance, HR, governance, innovation, socio-environmental responsibility and future outlook.

Camargo Corrêa Sustainable Innovation Award

CPFL Energia won with the case studies 'The Creation of CPFL Renováveis' and 'Light bulb Renovation'.

ABERJE Award

This awards the best corporate communication practices. CPFL Energia executive Augusto Rodrigues received the Corporate Communicators 2012 award.

Exame Sustainability Guide Award

CPFL Energia re-entered the Exame Sustainability Guide as one of 21 model companies in sustainability.

The Most Innovative Companies in Brazil Award 2012

CPFL Energia is the 19th most innovative company in Brazil, according to this award from Época magazine in partnership with A.T. Kearney consultancy.

COGE Foundation Award

CPFL Energia came first in the Environmental Responsibility Actions category with the project 'Organizational Development in Greenhouse Gas Management'.

Carbon Disclosure Project

CPFL Energia was ranked among the top 10 publicly traded companies in Brazil in the Performance and Disclosure dimensions, from among the 80 companies listed on BM&FBovespa invited to take part in the Carbon Disclosure Project (CDP), which aimed to detail their emissions and anti-climate change policies for 2011. CDP is a not-for-profit organization based in London and has the world's largest corporate climate change database.

Subsidiaries

ABRADEE Award 2012

Concessionaires with over 500 thousand customers:

RGE – Best Distributor in South Region in the Management Quality category (Brazil)

CPFL Paulista – Winner in Management Quality category (Brazil)

Concessionaires with up to 500 thousand customers:

CPFL Leste Paulista – Winner in Social Responsibility category (Brazil)

Gaúcho Quality Program Award

RGE won the diamond trophy at the Gaúcho Quality and Productivity Program Award (PGQP).

500 Largest Companies in the South

RGE is among the 10 largest companies in Rio Grande do Sul state (placed 9th) in a ranking by AMANHÃ magazine and Pricewaterhouse Coopers of the 500 largest companies in Brazil's south region.

Eloy Chaves Medal

CPFL Geração was placed first in the up to 2,000 employees category, followed by CPFL Santa Cruz in third place, for its workplace safety activities and results. CPFL Mococa was placed second in the 'distributor with up to 500 employees' category.


CPFL
ENERGIA
Centro de Operação do Sistema
CONTROLE DE DEMANDA

MESSAGES

2.1. Message from the Board of Directors

GRI 1.1 | 1.2

Murilo Passos
Chairman of the Board of Directors

In commemorating 100 years of corporate history and protagonism in the Brazilian electric sector, CPFL Energia has consolidated its leadership and ability to anticipate trends and transform challenges into opportunities. It has done this by developing strategies to ensure the creation of shareholder value as well as perfecting the quality of service it provides to customers and the communities where it operates.

In 2012, CPFL generated EBITDA of R$ 3.9 billion and net income of R$ 1.3 billion, with the distribution of R$ 1.1 billion in dividends, reflecting its objective of creating shareholder value. Considering the adverse conditions we faced in 2012, these are indeed significant results when set against a lackluster economic performance worldwide and the modest growth of the Brazilian economy, mainly due to a weak industrial sector performance. We expect this situation to be reversed in 2013, following the Federal Government's initiatives in 2012 to boost the country's industrial sector and make the economy more competitive as a whole.

Thus, considering this less than favorable scenario, our results are even more impressive, reflecting as they do the Company's high standards of corporate governance and risk management. Our constant quest for innovation, increased operating efficiency and cost savings is conducted in parallel with an ongoing investment program.

CPFL is considered a benchmark in corporate governance with its adoption of advanced practices and policies, transparency through the markets and shareholders, and commitment to dialog with all stakeholders. In this context, a highlight of 2012 was the formation of the Sustainability Committee, a forum to discuss the implementation of management strategies of a social and environmental nature with the aim of ensuring the longevity of the business.

During the year, CPFL Energia was selected to become part of the Dow Jones Sustainability Index – Emerging Markets. We were also nominated as a component of the BM&FBovespa Corporate Sustainability Index for the eighth consecutive year, one of the few companies to be a part of the index since its inception in 2005.

As part of our strategy of developing new technologies for predominantly clean and renewable electricity generation, I would particularly mention the inauguration of the Tanquinho plant in Campinas in November, 2012 – the first solar generation plant in São Paulo state and the largest in Brazil, with an installed capacity of 1 MWp. With an investment of R$ 13.8 million, the project aims to kick-start photovoltaic technology in Brazil, disseminate know-how and develop a nationwide production network for this type of generation.

CPFL's socio-environmental business focus was instrumental in the Company being the recipient of some important awards. In 2012, for the first time, CPFL Energia was presented with the Época Climate Change Award and the Época 360º Business Award for innovation, highlighting its leadership of the Brazilian electric sector. During the year, the Company also became the country's first electric sector company to head the ranking in the Carbon Disclosure Project's 100% neutralization of greenhouse gas emissions category.

Despite a period of significant regulatory change for the sector, CPFL Energia is fully prepared to turn the challenges of the moment into opportunities, maintaining its position at the vanguard of the Brazilian electric sector.

In order to reach this objective, we hope to continue warranting the trust and support we received in 2012 from our shareholders, customers, employees, investors, suppliers and other partners who have accompanied us over this century of corporate endeavor. We extend our thanks to all and restate our commitment to socio-environmental development and creation of stakeholder value.

2.2 Message from the Board of Executive Officers

Wilson Ferreira Jr.
Chief Executive Officer of CPFL Energia

In a notable year for the Brazilian electric sector, and one that saw CPFL Paulista – the CPFL Group's founding company – commemorating its centennial year, CPFL Energia's results largely reflect the strategic planning that was carried out in the previous year. Moreover, these results are a testament to the trust of our shareholders, the quality of our strategic decision-making and the Group companies' ability to preempt trends, operating in an efficient, competitive and financially solid manner.

In the institutional and regulatory field, the Federal Government made the timely decision of establishing the conditions for renewal of generation and transmission concessions expiring between 2015 and 2017. In a process that also included the cancellation of tariff subsidies and the reduction of sectoral charges included in electricity bills, the anticipated renewal of the concessions was initially enshrined in Provisional Measure 579/12, and subsequently enacted as Law 12.783/13. Key to the Federal Government's objective of reducing electricity bills by an average 18.2%, this action addressed a legitimate concern among society and business in Brazil, paving the way for cost reductions across the entire economy, notably the industrial sector, contributing to increased household incomes and thereby boosting domestic consumption and the international competitiveness of Brazilian companies.

From CPFL Energia's perspective, these measures affected only five small distributors controlled by the Group, along with small hydro plants, which together produce 24 MW, accounting for less than 1% of the Company's total installed capacity. Overall, the total estimated impact of CPFL Energia's adherence to Law 12.783/13 is equal to just 3% of its EBITDA.

Brazil's unfavorable hydrological situation, the worst since 2001, was a significant factor in the final quarter of 2012. This led to the National Electricity System Operator (ONS) deploying power from all existing thermal plants in order to guarantee the country's electric-

ity supply. The thermal generation assets responded adequately to the demand, allowing a significant recovery in reservoir levels and removing any risk to energy supply in 2013. On the other hand, the financial impact of higher generation costs from thermal plants, squeezing distributors' cash flow in the last quarter, was mitigated by the Federal Government's decision in early 2013 to use Energy Development Fund (CDE) resources to compensate distributors for the additional costs incurred, avoiding the total and immediate pass-through of these costs to electricity bills.

In this context, CPFL Energia's net operating revenue increased by 17.9% to reach R$ 15.1 billion. EBITDA rose by 1.2% to R$ 3.9 billion, and net income fell 22.7% to R$ 1.3 billion. The Group's economic and financial performance was marked by an 8.1% growth in total energy sales, which reached 57,128 GWh, compared with 52,851 GWh in 2011. In the distributors' concession areas, where 223 thousand new customers were hooked up to our network during the year, electricity consumption increased by 3.8%, well above Brazil's 0.9% increase in GDP for 2012, demonstrating the continued vigor of the consumer market. The Group also reported progress in the segment of electricity generation from clean and renewable sources through the CPFL Renováveis subsidiary, which completed its purchases of wind generation assets – Bons Ventos (158 MW) and Atlântica (120 MW) – and sugarcane biomass-fired cogeneration assets – Ester TPP (40 MW). Over the period, plants entering operation included the Bio Pedra (70 MW) and Bio Ipê (25 MW) sugarcane biomass plants in São Paulo state, the Santa Clara wind farms (188 MW) in Rio Grande do Norte, the Salto Góes SHP (20 MW) in Santa Catarina, and the Tanquinho solar generation plant (1.1 MWp) in São Paulo. In the electricity commercialization segment, sales made by the Group's commercialization and generation companies reached 16,445 GWh, an increase of 27.1% on 2011, and revenue from added value services increased by over 30%. Internally, we would point out the success of our cost-reduction initiatives, particularly the zero-based budget project, which led to a reduction

in the Group companies' operating costs of R$ 108 million (7.2%) in real terms, a process which began in 2011 and has since continued consistently to bear fruit.

Investments for the period totaled R$ 2.5 billion, with R$ 1.4 billion going to distribution, R$ 1.1 billion invested in generation and a further R$ 22 million to the energy commercialization and services segments.

The Company's leverage at year-end 2012 in terms of adjusted net debt against adjusted EBITDA, remained at 2.89 times, a satisfactory level for a company experiencing major expansion. In 2012, the Group maintained its pre-funding strategy, anticipating funding needs to cover debt falling due in 2013. Thanks to this policy, the nominal cost of debt fell by about 2.1 percentage points to 9.0% p.a. and average maturity was extended by 3.5% from 4.3 to 4.5 years.

Reflecting its comfortable financial situation, the Group's financial discipline was instrumental in paying out dividends of R$ 1.1 billion. Once again, we maintained our practice of distributing dividends above the minimum percentage of the Company's dividend policy.

In 2012, our incessant quest for operating excellence obtained significant recognition, once again. CPFL's distributors are already benchmarked as among Brazil's most efficient, with supply quality indicators well above the national average – borne out by CPFL Santa Cruz's first place position in ANEEL's 2012 Service Continuity Ranking.

Our commitment to sustainability was also recognized through our inclusion in the Dow Jones Sustainability Index – Emerging Markets for 2012, an index that tracks the performance of sustainability leaders in emerging markets. The Company's commitment to sustainability is also reflected through the numerous initiatives described in this report, and CPFL's status as Global Compact signatory. These actions have all contributed to the Company's shares being listed as a component of BM&FBovespa's Corporate Sustainability Index (ISE) for the eighth year running – since its inception in 2005.

We have identified significant growth opportunities for the Group going forward. In the distribution segment, we signed an agreement with Equatorial Energia in December, 2012 to acquire the assets of the Rede Group. We are at the final phase of negotiations for concluding the con-

ditions precedent under this agreement and we expect to finalize the transaction shortly.

In generation from alternative sources, we plan to bring into operation installed capacity of 328 MW in 2013, comprising the Alvorada and Coopcana sugarcane biomass TPPs and the Campo dos Ventos II, Macacos and São Benedito wind farms. A further 254 MW are planned to enter operation in 2016, completing a total portfolio of 1,735 MW. Additionally, CPFL Renováveis possesses a development portfolio equivalent to over 3,800 MW installed capacity at strategic sites around Brazil. These sources will occupy an increasing share of the domestic energy matrix, given the current environmental challenges and the Brazilian government's voluntary commitment to sharply reduce greenhouse gas emissions. We shall also continually assess new opportunities that may emerge in relation to conventional generation plants, and examine further opportunities for consolidation in the electricity distribution segment, a process that is likely to be hastened by the challenges resulting from the electricity distributors' third tariff review cycle.

We also see relevant opportunities in electricity commercialization, a segment where we are leaders in the domestic market with a share of around 10%, and whose players will increasingly require technical and financial expertise. In the value-added services segment, we see much potential for growth in our project portfolio and the provision of transactional services.

Finally, we believe that the Brazilian economy offers great opportunities for growth in the coming years, despite the obstacles which still remain. However, the country's authorities are currently addressing these with the objective of creating an attractive and safe investment environment for all areas of infrastructure, and especially in the electric sector.

CPFL Energia has been making continual efforts to ensure it is both prepared and qualified to take part in Brazil's expected growth, acting with innovation, excellence, responsibility, transparency and adopting a long-term horizon.

As we present our 2012 performance, we wish to thank our shareholders, customers, employees and all other stakeholders for their trust, and to reiterate our pledge to continue contributing to the nation's sustainable development.

ABOUT THIS REPORT

3. About this Report

This report presents details of CPFL Energia's main economic, social and environmental performance for 2012. For the fourth consecutive year, the online report is being published in an innovative blog format, which permits broad-based internet disclosure and reaffirms CPFL Energia's commitment to transparency with its stakeholders. GRI 3.1 | 3.2 | 3.3

The report content follows the guidelines of version (G3) of the Global Reporting Initiative (GRI), the international benchmark for sustainability reports and meets application A+ level, as assured by Bureau Veritas Brasil. The financial statements have been audited by the independent auditors Deloitte Touche Tohmatsu. GRI 3.13

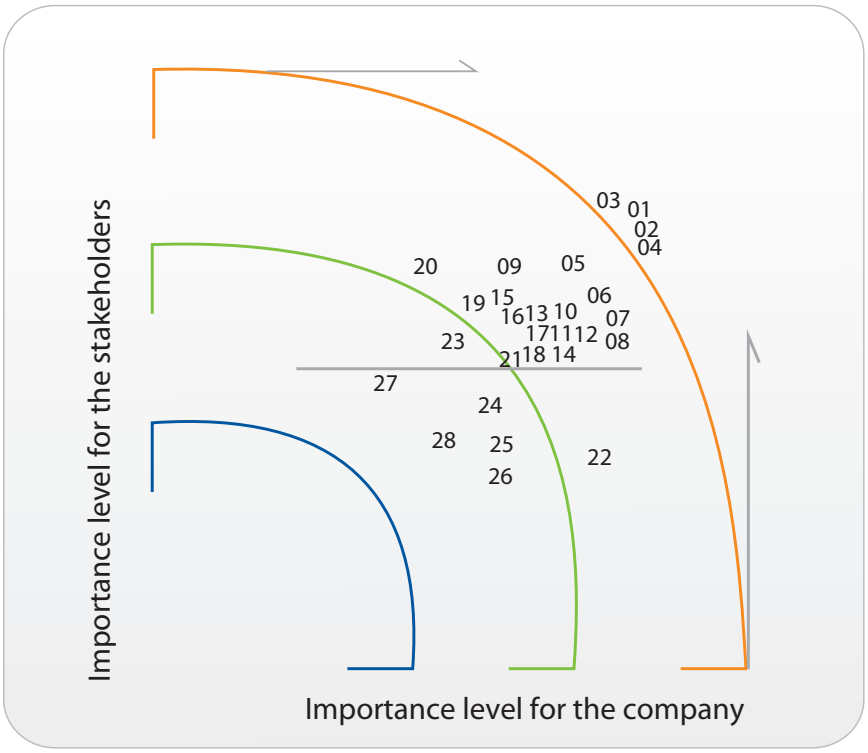
This publication also adheres to the recommendations of the Brazilian Association of Publicly Listed Companies (ABRASCA) on writing annual reports and includes social reports of the Brazilian Institute for Social and Economic Analysis (IBASE) and the Information of a Social and Environmental Nature – Brazilian Accounting Standard (NBCT 15). It conforms to the guidelines of the Brazilian Accounting Pronouncements Committee (CPC) and the Guidance Committee for the Dissemination of Market Information (CODIM).

The economic and financial information and Accounting Statements contained in this Report follow the International Financial Reporting Standards (IFRS) international accounting practices.

The CPFL Energia Annual Report is also presented as a Communication of Progress (COP) of the company's adherence to the principles of the Global Compact, to which CPFL Energia has been a signatory since 2003.

The drafting of this report involved submitting the main events of 2012 to the process of materiality testing. Interviews were held with executives to pinpoint the subjects of high importance for inclusion from the point of view of the Company and its stakeholders.

Materiality testing was conducted by BSD Consulting in 2011 through consultation with the main stakeholders, such as civil society representatives, community, customers, academia, government, employees, investors, shareholders and suppliers. The results of this process are displayed in the matrix below:



Specific Subjects
1.Respect for human rights including the supply chain
2.Sustainable use of resources
3.Energy efficiency
4.Economic-financial sustainability
5.Customer service and satisfaction
6. Socio-environmental impacts of hydroelectric power plants and other energy sources
7.Occupational health and safety/work related risks and accidents
8. Volume of investment in renewable energy (example: plants and wind farms)
9. Supplier management and development
10. Training of employees and preparation of new company managers for management aligned to sustainability concepts
11. Prevention of pollution and management of waste
12. Guaranteed energy supply
13. Socio-environmental impacts of transmission and distribution lines
14. Combating corruption, bribery and fraud
15. Mechanisms to identify and solve complaints and conflicts

16. Management of impacts on biodiversity
17.Protection of consumer health and safety
18. Dialog and engagement with stakeholders
19. Expansion of access to electric energy
20. Evaluation of social investment performance
21. Tariffs practiced
22. Financial health and capacity for raising funds
23. Investment in social, cultural, sporting and environmental projects
24. Social leadership and influence
25. Climate change
26. Respect for rights and customs
27. Indirect economic impacts
28. Compensation and benefits practice

The first eight subjects, which are considered of very high importance, guided the content of the report and the GRI indicators to be reported on. GRI 3.5

Subjects considered to be of high importance	GRI Indicators
Respect for human rights including the supply chain	HR1, HR2, HR3, HR4, HR6, HR7, HR8, SO1, EU19
Sustainable use of resources	EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10
Energy efficiency	EN3, EN4, EN5, EN6, EN7
Economic-financial sustainability	EC2, EC5, EC6

Methodologies, any alterations to the criteria for collecting data and relevant information beyond 2012 are all described over the course of the report. Detailed information on the CPFL Energia subsidiaries can be found on the website and in the ANEEL socio-environmental reports for the companies in question. GRI 3.6 | 3.7 | 3.8 | 3.9 | 3.10 | 3.11

In the event of questions or suggestions, please access sustentabilidade@cpfl.com.br. GRI 3.4

CORPORATE GOVERNANCE

4. Corporate Governance

The corporate governance model of CPFL Energia and its subsidiaries is grounded in four principles: transparency, equitability, accountability and corporate responsibility.

Transparency involves a process of rapid and spontaneous communication with internal and external stakeholders incorporating factors which guide corporate activity and create value.

The principle of equitability guarantees fair and egalitarian treatment to all shareholders and other stakeholders, such as customers, suppliers, government bodies and regulators, employees, creditors, etc.

Through accountability, management reiterates its commitment to shareholders and reaffirms responsibility for its actions over the course of its mandates.

Corporate Responsibility is evidenced in prudent management of sustainability issues and the longevity of the businesses (long-term vision), incorporating considerations of a social and environmental order in the management of the businesses and compliance with the prevailing legislation.

As a company with its shares traded on BM&FBovespa's Novo Mercado, CPFL Energia complies with its differentiated rules of corporate governance on a voluntary basis. These rules include the issue of voting shares only and the maintenance of a free float of at least 25% of the total number of shares. CPFL Energia has a Level III American Depositary Receipts (ADR) program - with securities being traded on the New York Stock Exchange (NYSE), the Company adheres to the requirements of United States legislation.

The Company adopts differentiated and important practices of corporate governance for the purposes of sustainability and the relationship with its shareholders. Among these practices are:

Succession Plan: CPFL Energia has a structured and transparent plan of succession for the Board of Executive Officers and for the principal non-statutory officers. The plan permits the identification and preparation of successors and the mitigation of risks with the objective of long-term results. The Succession Plan for the Board of Executive Officers is monitored by the Personnel Management Committee and by the Board of Directors.

Minority shareholder representative in shareholder meetings: the Company offers all shareholders the possibility of appointing an executive to represent them without cost at shareholders' meetings. The appointment of the executive is conducted by power of attorney, the model for which can be found in the Manual for Participation in Shareholders' Meetings. This permits geographically distant minority shareholders to be represented at the meetings and their opinions to be freely expressed through a power of attorney who will faithfully reproduce their votes and comments. GRI 4.4

The Manual is available for download in the Investor Relations site: www.cpfl.com.br/ri (Governança Corporativa ⇢ Convocações e Atas de Reuniões).

4.1 Strategic Guidelines and Ethics
4.1.1 Vision, Mission and Principles

GRI 4.8

VISION

"Energy is essential for the wellbeing of people[1] and for the development of society[2]. We believe that the sustainable production and use of energy[3] is vital for the future of humanity."

1. Energy allows the use of technologies which provide satisfaction and comfort to people by satisfying the majority of their necessities from the most basic, such as housing, health, nutrition, transportation and security to the most complex such as education, entertainment and communication.

2. The concept of the development of society goes beyond the responsibilities inherent to the businesses the company operates. It means understanding their responsibility in the broadest sense and with an integrated, inclusive and interdependent vision, to contribute to increased standards of production, education, health, safety, quality of life and human development. In this sense, all the company's actions should consider their ability to create value for society.

3. The longevity of our business and the future of humanity are increasingly contingent on the balance between the quest for economic results and the capacity of society and nature to support the growth. We believe that the integration of these variables in production and use of energy contributes to the creation of a lifestyle which does not generate social and environmental imbalances and produces a secure, balanced, healthy and agreeable society to live in.

MISSION

"To provide sustainable energy solutions[1] with excellence and competitively[2], operating in a manner that is integrated with the community[3]."

1. In providing sustainable energy solutions, we are affirming that our commitments are not simply encapsulated in energy generation, distribution and commercialization and services but also include our capacity for integration and innovation, providing the market with greater customization of services and agility in attending its needs and expectations.

2. Excellence and competitiveness express the CPFL Energia Group's way of being – that is, seeking differentiation and a superior standard of performance in all its activities and initiatives. Positioned as a market leader, recognized by the efficiency of its operations and by its differentiated practices of governance, the Group's way of being is essential to the strategy of growth and longevity of the businesses in the country's captive and free markets for electric energy and for maintaining the Group's attractiveness in the capital markets.

3. We recognize that our organization is a living organism, a component of a complex ecosystem and that our success depends on the quality of our relationships and the contribution of all the stakeholders with whom we interact, particularly the communities which we serve.

PRINCIPLES

Creation of Value – The CPFL Group creates value in everything that it does. It exists for this reason: to generate value for its shareholders and for the stakeholders with whom we interact.

Commitment – Ensure that business activities and professional conduct faithfully and transparently reflect the search to fulfill the Principles and Ethical Guidelines of CPFL Energia and the agreements, obligations and agreements assumed with stakeholders.

Security and Quality of Life – To permanently operate to control and minimize the risks associated with the Group's work, product and service processes and to ensure the physical and mental wellbeing of the people with whom it relates in environments which stimulate cooperation, cohesion, dissemination of knowledge and professional and human development.

Austerity – CPFL deems austerity an administrative principle of great ethical value which should guide all actions of the Group's companies. In this context, this principle affirms that all their material or financial resources must be used parsimoniously without excesses or waste. In other words, such resources should be used in a rational and sustainable way in the right measure for achieving the business objectives.

Sustainability – The Group is concerned with the future consequences of its actions and decisions, always seeking to control and avoid risks that can threaten its longevity in addition to the non-negotiated effects on the communities where it operates and with stakeholders.

Trust and Respect – Establishes and maintains relationships of trust, based on loyalty, respect and balance between its own interests and the interests of stakeholders.

Exceeding Goals – The belief that all can be improved and executed in an innovative form to transcend market benchmarks and exceed the expectations of its stakeholders, always seeking challenges which are apparently out of reach.

Entrepreneurial Spirit – To make each professional of CPFL a catalyst for change who seeks permanently to establish competitive advantages in his field of operations, always being alert to future trends before they emerge, operating on a pioneering basis, absorbing new knowledge, processes and technologies, developing a strong sense of ownership in relation to their functions and responsibilities at the CPFL Group.

The policies and commitments which govern the management of the CPFL Energia Group can be found in: www.cpfl.com.br (Quem Somos ⇢ Políticas e Compromissos).

4.1.2. Ethics

Ethics is an essential value for the reputation and longevity of the companies. CPFL Energia's Code of Ethics and Business Conduct governs all relations between the Group's companies and their different stakeholders (shareholders, clients, employees, suppliers, service suppliers, governments, the community and society).

The Ethics Management and Development System (SGDE) at CPFL Energia seeks to convert a concern for ethical behavior into effective practices. The system combines a series of provisions implemented in all the companies controlled by CPFL Energia. SGDE seeks to anticipate, monitor, evaluate, reformulate and improve the individual and institutional actions of the Company which have an implied ethical character, all or partially, directly or indirectly.

One of SGDE's provisions is the Ethics Committee, its objective being to disseminate, protect and improve the ethical culture within the organization, accompanying and monitoring its implementation and its development in the CPFL Group companies. It also acts as a forum for analysis of suggestions, complaints and whistle blowing from stakeholders on infringements to the Code of Ethics. On a monthly basis, the Audit Advisory Unit sends a report of the Ethics Committee's actions to the Board of Directors.

Code of Ethics and Business Conduct

In 2012, in light of CPFL Energia's organizational and cultural conditions and the current economic, social, political and cultural state of Brazilian society together with domestic and international market conditions, the company began a further revision of the Code of Ethics to update its structure, themes, content and language. With its conclusion expected in 2013, the guiding principle of this exercise is to ensure maximum employee participation with the creation of a platform for consultations called the Ethics in Network Portal. Questions and doubts on the new Code may now be voiced through the portal by in-house stakeholders. Focus groups involving specific stakeholders have also been held. The process also incorporates suggestions collected at 15 seminars.

Ethics Consultancy

This virtual channel provides consultancy, clarification and eventually, advice on doubts and ethical conflicts. In 2012, this channel recorded 28 accesses, 8 of which were pertinent to the ethics theme.

CPFL Energia's principal ethical vulnerabilities, recorded by the Ethics Consultancy in 2012 related to three subjects: customer dissatisfaction with the service, employee dissatisfaction as to institutional conduct and the conduct of CPFL Energia's managers, and doubts on the part of employees on ethically acceptable conduct.

Dissemination and acculturation seminars GRI HR3

CPFL conducts on-site seminars with its employees to disseminate the content of the Code of Ethics, collect contributions for new versions and promote the engagement of all with respect to ethical commitments.

In 2012, 15 seminars were held in 12 cities with the direct participation of 1,468 employees and the aim of aligning ethical discussions within CPFL. The result will serve as input for the revision of the Code of Ethics.

The seminars provided a broad diagnosis of the challenges facing the company (such as the need for labor isonomy among the controlled companies and difficulties in understanding the Code) as well as the desires, values and commitment of employees in relation to the new Code of Ethics. In response to this diagnosis, an action plan was prepared as part of the renegotiation of the institutional and professional ethical commitments to be adopted at CPFL in 2013.

The entire process of revising the code, the cycle of seminars and the Ethics Committee's activities and decisions were widely disclosed through all internal communication vehicles. The permanent system for disclosing ethical actions seeks to provoke reflection and debate on conduct as well as facilitating and promoting the dissemination of the Committee's decisions.

Ethics in Network Portal (www.cpfl.com.br/etica)

This is a space which examines and details CPFL's positioning on the ethics theme as well as centralizing all the management system's tools. It encompasses the channels through which stakeholders can send comments and suggestions on the continual upgrading of the program.

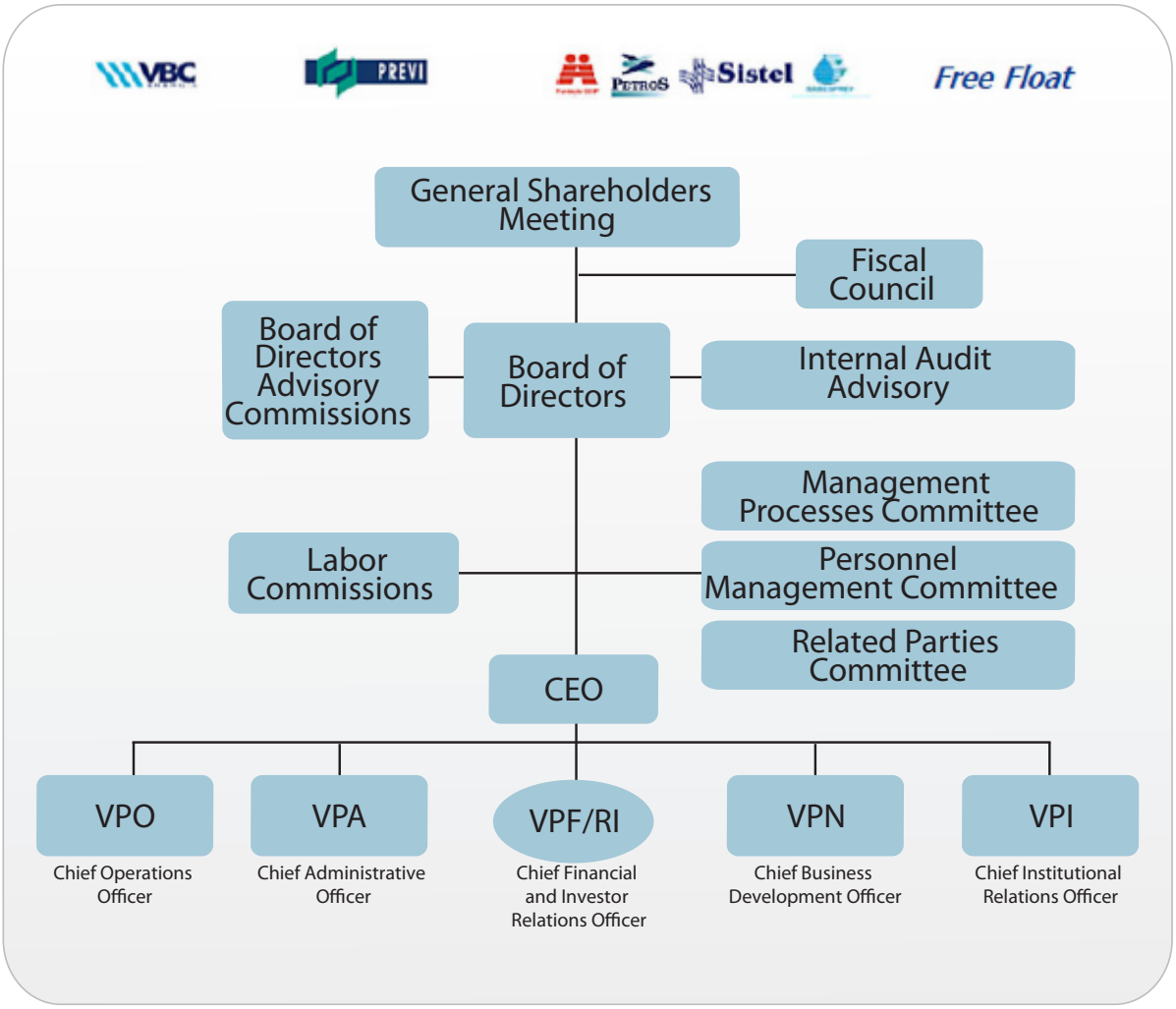
Actions for 2013

In 2013, monthly Ethics Committee meetings are scheduled together with the publication and distribution of the revised Code of Ethics. CPFL Energia is also to begin specific actions for aligning the Code of Ethics at the Foz de Chapecó Hydro Plant and at Companhia Energética Rio das Antas (CERAN) through the "Ethical Improvements in Corporate Relations" communication plan with a permanent campaign of disclosure and expansion of the coverage of the Ethics Committee's reach through the creation of Local Ethics Committees and the Ethics Forum.

More information on ethics management at CPFL can be found by accessing the page: www.cpfl.com.br/etica.

4.2 Governance Structure
4.2.1 Corporate Structure

CPFL Energia's capital stock is made up of 962,274,260 common shares. The Company is controlled by an important business conglomerate and by the country's largest pension funds. GRI 4.1



4.2.2 Board of Directors

GRI 4.2

CPFL Energia is managed by a Board of Directors and a Board of Executive Officers, both operating in conformity with the Corporate Bylaws. The Board of Directors is the central forum for the company's strategic decisions and is responsible for determining the strategic global guidelines.

The Board is a collegiate body elected by the General Shareholders Meeting which may be made up of at least seven and at the most nine members. Currently, the Board has seven members, one of whom is independent in accordance with BM&FBovespa Novo Mercado Listing Regulations and the Corporate Bylaws. GRI 4.3

Jointly with the Board of Executive Officers, the Board of Directors has the mission of protecting and adding value to CPFL Energia's assets, representing the interests of the shareholders and the other stakeholders of the company and its subsidiaries.

The functioning of the Board of Directors is disciplined by an Internal Charter which details its relationship with the advisory committees and commissions as well as with other organs of the company and its subsidiaries and affiliates.

Among the competencies and functions of the Board of Directors, of particular importance is the establishment of general business policies, the election of the Board of Executive Officers and supervision of the manner in which they exercise their functions and express their opinion on the Management Report and the Board of Executive Officers' accounts. GRI 4.7

Also part of the Board of Directors' functions is making decisions on the acquisition, sale or pledging of fixed assets (depending on the asset value), authorization for signing agreements of any kind, agreements with shareholders and with persons controlled by them or affiliated or related to them, the constitution of guarantees in businesses related to the interests of the company and its subsidiaries or affiliates, the creation of advisory committees and the approval of amendments to concession agreements of subsidiaries.

The company's Bylaws as well as the Board of Directors Internal Charter may be consulted in the CPFL Energia (www.cpfl.com.br) and Investor Relations (www.cpfl.com.br/ri) websites.

In addition, the Corporate Bylaws require the preliminary examination by the Related Parties Committee of matters submitted for approval of the Board of Directors involving parties related to the company's controlling shareholders.

One of the Board of Directors' functions is the creation of committees and commissions to advise it on strategic matters. The competencies and rules of functioning of the Advisory Committees are set forth in the Internal Charter. The members of the Committees are nominated for a one year term of office at the first meeting of the Board of Directors, which is held after the Annual General Meeting. GRI 4.9

The Advisory Committees handle important matters which the Board needs to monitor throughout the year. The committees are:

- **Management Processes Committee:** among its competencies are the evaluation of CPFL Energia's business risks and the preparation of proposals for improvement of business management processes.
- **Personnel Management Committee:** among its functions are decisions on compensation criteria for the members of the Board of Executive Officers (including short and long-term incentive plans) and the preparation and implementation of the Board of Executive Officers Succession Plan.
- **Related Parties Committee:** among its competencies are the evaluation of the process for selecting suppliers and service providers in which the contracted value involved is equal to or higher than the Board's minimum value for agreements involving related parties. GRI 4.6

Details of the committees' functions can be found in item 12.1. Description of the management structure in the Reference Form.

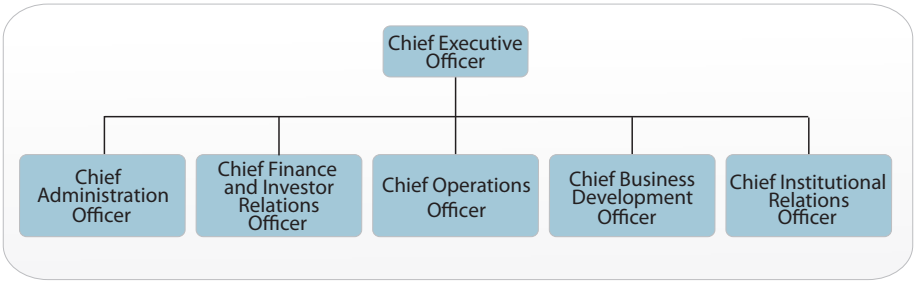
The Board of Directors may set up Labor Commissions to advise it on specific themes and of material importance to the Company and not part of the competencies of the committees. Since 2006, the Board has created several ad hoc labor commissions according to the need to make a more in depth study of certain themes. These commissions are installed when necessary and can be disbanded or otherwise depending on the functions attributed to them by the Board (Corporate Governance Commission, Strategy Commission, Budget Commission, Financial Services Commission, Power Purchasing Commission, Projects Evaluation Commission and the IFRS Commission). In 2012, a further two commissions were set up: the Sustainability Commission and the Risk Management Commission. GRI 4.9

Directors' evaluation

Each year, the directors undertake a self-evaluation appraisal for improving their work and to identify points for improvement, also taking part in further education activities. Since 2005, the members of the Fiscal Council have received annual evaluations given that they exercise some audit committee functions as called for under the US Sarbanes-Oxley Act (SOX). The performance of the Board of Executive Officers is also assessed in accordance with corporate and individual targets established in alignment with the Shareholder Value Generation System's (GVA) strategic and metrics plan. Targets are initially decided by the directors, submitted for preliminary analysis by the Personnel Management Committee and approved by the Board of Directors. CPFL Energia has certified the members of the Board of Directors, Fiscal Council and the Board of Executive Officers via a recognized research institution for promoting good corporate governance practices. GRI 4.7 | 4.10

4.2.3 Board of Executive Officers

The Board of Executive Officers is responsible for the operational management of the Company. It is made up of a CEO and five executive officers, all with a term of office of two years, re-election being permitted. The CEO nominates the executive officers. To ensure consistency in the practices of corporate governance, CPFL Energia's statutory directors also hold executive positions in the subsidiary companies.



It is the responsibility of the Board of Executive Officers to submit the Company's plans, policies and strategies to the Board of Directors for approval, together with proposals for increasing capital and amendments to the Bylaws as well as the annual calendar of corporate events.

Composition of total executive compensation (%)

	Board of Directors	Fiscal Council	Board of Executive Officers
Fixed Fees	100	100	74
Benefits	-	-	3
Short-term incentives	-	-	12
Long-term incentives	-	-	11
Total	100	100	100

Compensation of CPFL Energia's executives at all levels of the governance structure is based on a policy for attracting, retaining, motivating and developing executives with the standard of excellence which its businesses demand. Fixed compensation of members of the Board of Directors, Fiscal Council and the Board of Executive Officers is based on an annual market survey conducted by specialized consultancies. GRI 4.5

The members of the Board of Directors and the Fiscal Council receive fixed monthly fees. In addition to fixed compensation, the members of the Board of Executive Officers receive benefits and short and long-term incentives.

The short-term incentives are designed to focus executive effort on improving business strategy and achieving results. The long-term incentives are designed to create a long-term vision and commitment, the alignment of statutory director interests to those of the share-

holder group and rewards for producing results and creating value in a sustainable manner.

Alternate directors are not remunerated. However, they are entitled to 50% of the fees of an effective director which are due when the alternate director substitutes the effective member at an ordinary board meeting, or 100% when the effective director is temporarily unable to exercise his functions. GRI 4.7

4.3 Risks and Compliance

The Internal Controls and Risk Management Department, subordinated to the Chief Finance and Investor Relations Officer, is responsible for monitoring risk management and guaranteeing adherence of CPFL Energia's processes to Brazilian and international norms and the alignment of policies to the company's business plan. Compliance and risk management units have been structured to perform these activities accordingly.

Compliance (internal controls)

As a company listed on the US stock exchange and on Bovespa's Novo Mercado, CPFL Energia adheres to the requirements of the Sarbanes-Oxley Act (SOx) with respect to internal controls of financial statements, principally those which refer to sections 302 (Responsibility of Management for Financial Information), 404 (Evaluation of Management with respect to the Internal Controls Environment) and 906 (requires certifications in the company's annual report and establishes criminal sanctions).

In line with CVM Instruction 480/2009, the Company adheres to the requirements under attachment 24, item 10.6 of its Reference Form. In this, the directors must comment on the degree of efficiency of the internal controls, indicating any faults (and steps taken to correct them) and the shortcomings and recommendations on internal controls cited in the independent auditor's report.

In this context, since 2005, the compliance unit has been upgrading internal controls to ensure greater security in business processes and to improve the self-assessment control culture thus guaranteeing greater transparency of the account-financial data.

The compliance unit adopts the standards of the Public Company Accounting Oversight Board (PCAOB), a body which supervises the activities of independent audit companies, and an arm of the Securities and Exchange Commission (SEC). The unit also adheres to the internal controls evaluation model in line with the Internal Control Integrated Framework – COSO (Committee of Sponsoring Organizations of the Treadway Commission). The latter defines internal controls as " a process, executed by senior management, middle management or other employees of an organization, considering policies, procedures, activities and mechanisms designed to provide reasonable security for executing the objectives of the business".

The company adopts the Processes Classification Model which classifies the principal evaluated activities as:

1. Corporate controls (Entity Level Controls – ELC)

2. Business processes (linked to the respective management units of the CPFL Group)

3. Support processes (for example Treasury, Tax, Legal etc.).

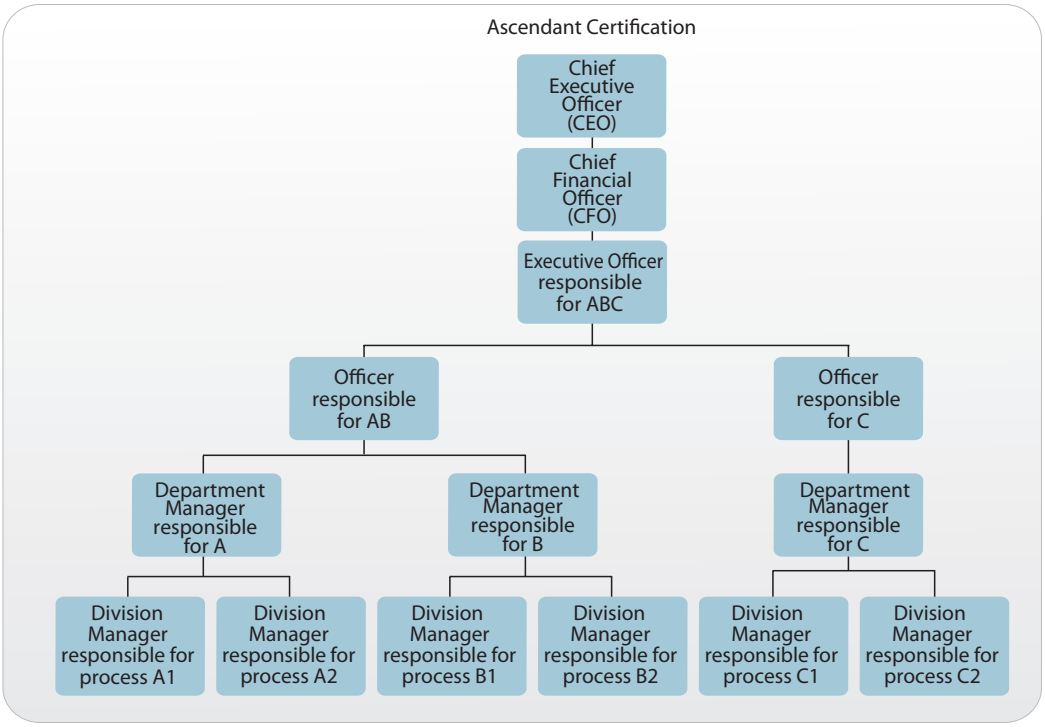
The compliance unit undertakes a continuous process of evaluation and improvement of the Company's controls environment through:

i) Risk assessment: identification of the key processes for evaluation based on the financial statements of CPFL Energia with breakdown of each one of its subsidiaries according to quantitative (selection of the key accounting items) and qualitative (selection of the accounting items which represent exposure to risk such as transactional volume, complexity, susceptibility to errors or losses) criteria.

ii) Evaluation of entity level controls (ELC): consists in mapping, testing and validating the principal controls which permeate the entire organization (pervasive controls) according to COSO methodology[1].

iii) Process level controls evaluation (Process Level – PC), effected in two stages: self-evaluations performed by the areas pertaining to the process and subsequently, effectiveness tests by the compliance area, developed and coordinated by a trained team made up of professionals with knowledge of internal controls and auditing techniques as well as knowledge of Group systems and processes.

iv) A systematic tool for monitoring and ascendant electronic certification (Process Control – SAP/PC):



1) The controls relating to the information technology aspects are evaluated by the compliance unit based on the IT Control Objectives for Sarbanes-Oxley (COBIT for SOx).

The work of the compliance unit is periodically reported to the Board of Executive Officers and Fiscal Council of CPFL Energia.

Certification

CPFL Energias Risk and Compliance Management practices hold Management Systems Certification – ABNT NBR ISO 9001:2008 issued in 2010 with re-ratification in 2011 and 2012.

In 2012, the position of CPFL Energia Group's compliance agent was instituted as an integral part of the Compliance Communication Program. Allocated functionally in the business areas, this professional is responsible for: i) operating as a facilitator for the compliance unit during tests at the business units; ii) constantly interacting with those responsible for the process in order to guarantee the integrity of the operations; and iii) discussing the necessary mitigating initiatives in the event that non-conformities are found as a result of the process evaluation.

Corporate risk management

As a component of the governance structure, Internal Controls and Risk Management is also responsible for building the Corporate Risk Management model based on the activities of the Risk Management Unit. The Risk Management Unit's team conducts the analysis of the leading business risks in the form of priority waves.

Since its creation, the Risk Management Unit has drawn up the Corporate Risks Management Policy approved by the Board of Directors, and also structured the components of the corporate management model. Among these components, of particular note are:

- Incorporation of the risk perspective into the Strategic Business Plan, analyzing it from the point of view of uncertainty that is, identifying the set of events having a significant impact on business strategy.
- Structuring and implementing the Corporate Risk Management Committee.
- Consolidation and alignment of the Risk Grid.
- Attributing "risk ownership" to the functional directors.
- Jointly with the principal business areas, modeling the risks and monitoring the risk factors and key risk indicators (Key Risk Indicators – KRIs) – impact and probability calculation.
- Selection and treatment of the best set of actions in response to risk (when necessary).
- Interaction with the Risk Management Committee, Finance and Investor Relations, the Board of Executive Officers, the Fiscal Council and the Board of Directors.
- Risk Grid – divided into categories (strategic, financial, regulatory and operational) and subcategories (strategy, credit, liquidity, technology, environmental, labor- related, tax, processes, personnel etc.), the Risk Grid gives the first visualization of the set of events that could affect the company's strategies and operations.

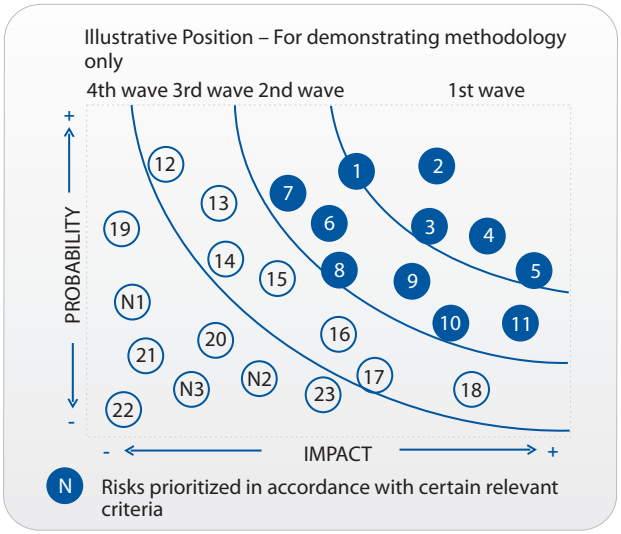
Main View - Work Process

1 **1)Identification, Classification and Prioritization** **Analysis of strategy** - Disclosure - Risks Map - Classification - Criteria for prioritization of development	**2** **2)Structuring** - Understanding - Definition of the Risk Factors - Definition of Sub factors (where applicable) - Selection of the best set of indicators - Nature of the risk (quantitative, qualitative or hybrid)
3 **3) Evaluation of the Risk** - Analysis of historical and projected data - Calculation of the potential impact and probability - Definition of the scores, indicators and qualification rules - Study of the limits (exposure and business objectives) - Preparation of the actions to be addressed	**4** **4) Monitoring and Reporting** - Periodic evaluation based on indicators - Analysis of the factors - Discussion with the risk owners - Reporting to the decision areas

Business risks are measured in relation to their exposure (impact and probability) and in accordance with their characteristics (qualitative or quantitative), based on the selection of risk factors and sub factors (origins of the risks) and the respective analysis of the historical data, projected data and trend in indicators.

The drawing up of the Risk Grid is based on a public model of risks applicable to all business segments. On the basis of critical analysis and comparison with the Strategic Business Plan (particularly with the strategic objectives and the weaknesses and threats identified by the preparation of the SWOT Analysis), the set of events which could impact short, medium and long-term strategies was identified.

In 2011, the Risk Management Unit's efforts focused on the measurement, analysis and solution of actions for risks deemed to be most relevant (qualitative analysis of the impact and probability) selected on the basis of certain prioritization criteria. In addition to the modeling done for first and second wave events, in 2012, some fine tuning was performed on the models with updating of the positions of the quantified events.



As the Risk Grid is one of the principal components of the corporate risk management model, it requires updating from time to time, to reflect the company's operations and threats to its value and stakeholders. The Grid is revisited for periodic analysis of strategies, significant changes in the processes and, in the context of the businesses, in order to better reflect uncertainties.

Risk owners

The process of measurement and analysis includes the involvement of the 'risk owner' from the outset, an executive with a broad grasp of the area relating to the risk being measured and best skilled to suggest and implement the most appropriate set of actions in response to the risk as well as coordinate the actions suggested by other executives in response to the risk.

Risk Committee

Following the stage of modeling, measurement, analysis and choice of the best set of responses to corporate risk, the matter is presented to the Risk Committee, formed of a group of executives versed in corporate strategy, economic and financial planning, sector regulations, and risk management and internal controls. Other executives also take part in the Risk Committee as and when required and according to their ability to contribute to the subject being discussed.

Measurement and analysis

The measurement and analysis process begins with the understanding of risk, identification of the associated risk factors (conditions or events which contribute to the materialization of the risk) and the selection of the best set of KRIs.

The next stage consists in the capture and analysis of historical and projected information which explains the behavior of the factors and KRIs as well as their affect on the projected information and scenarios or, in the case of risks with a high concentration of qualitative characteristics, the construction of the scales and models for differentiating the levels of exposure in terms of impact and probability.

Response to the risk

Once exposure to the risks has been measured (impact and probability) and the result indicates levels of exposure higher than or close to tolerable limits, actions are selected and implemented for bringing these risks down to acceptable levels in accordance with the profile of the organization and agreed strategies. The set of actions is examined every time risk monitoring takes place in accordance with the periodicity of the evaluation process (monthly, quarterly, semi-annual, annual etc.) or at the end of the period, for implementing corrective action.

	Prioritization Waves			
	4th	3rd	2nd	1st
Risks	10	10	6	5
Key Risk Indicators	0	0	31	64
Action Plans	0	0	11	22

Scope of the work 2010 – 2012 (Modeling and Monitoring)

Certification

Thanks to the way in which these processes are conducted, at the end of 2012, Bureau Veritas Certification – Brazil was able to audit CPFL Energia. As a result, the Group retained its Quality Management System certification in accordance with the ISO 9001:2008 standard for the second consecutive year and covering the scope of Risk Management and Internal Controls Assessment for Financial Reporting.

Interface between risk management and compliance (internal controls)

The Risk Management and Compliance operations are concentrated in the same department, thus maximizing the opportunity for interaction between them. It brings synergy and robustness to the control process, given that the results of internal control tests on business processes are variable and this can affect both the perception and the calculation of the probability of risk deviating from corporate objectives.

The same rule applies to actions developed and implemented as a result of the batteries of tests (at least two for the most significant processes). Again on the subject of interface, the analyses made by the Risk Management area provide important input to be considered in financial, regulatory and strategic planning as well as by the business areas in the management of their processes and operations (for example, human resources and technical-operational services).

Commitment to risk management

At CPFL Energia, an appropriate level of management is observed in the management of the businesses. The monitoring of business risks is intrinsic to the roles and responsibilities of the principal executives and forums of decision in line with Corporate Governance Documentation (CPFL Energia's Corporate Bylaws, the Board of Directors Internal Charter and the Internal Charter of the Fiscal Council).

Risk Grid versus Materiality Matrix

A glance at the Materiality Matrix in the Annual Report alongside the Risk Grid shows that many of the chosen topics are also covered by the Risk Management and Compliance areas, as well as included in daily management practices and mechanisms.

An example: the debt risk is related to topics: a) economic and financial sustainability, and b) financial health and ability to attract funding, which are listed in the Materiality

Matrix as items of high and medium importance, respectively. These subjects are subject to continual monitoring by company management, with defined KRIs and relevant containment actions undertaken by the Corporate Finance Department.

The following chart shows other examples of these correlations for some questions seen to be of high and medium relevance for CPFL's sustainability bearing in mind the two axes of the Materiality Matrix (perspective of the stakeholders versus internal perspective of the company). No topic was considered of low importance after the results from the internal (company) and external (stakeholder) perspectives were cross-referenced.

Issue	Risks/Compliance/Management
Energy Efficiency	Evaluation of the controls of the R&D Process and Energy Efficiency
Economic-financial Sustainability	Monitoring of leverage and containment actions
Socio-environmental impacts of hydroelectric plants and other energy sources	Management of environmental practices, certifications and initiatives for minimizing impacts
Management and development of suppliers	Evaluation of the controls of the supplier qualification process and monitoring of the concentration/dependence of suppliers and service providers
Training of employees and development of new managers	Indicators of development and training, labor turnover, wage classification etc. Training and development actions undertaken by the Corporate University
Guarantee of energy supply	Monitoring of energy interruption indicators (duration and frequency), execution and monitoring of the distribution network investment plan
Combating bribery, fraud and corruption	Evaluation of the internal controls at the entity level (ethics management structures; dissemination and acculturation of the Code of Ethics and Conduct, operation of the Ethics Committee, Whistle Blowing Channel, and operation of the Internal Audit etc.)
Mechanisms for identifying and solving complaints and conflicts	See the preceding comments
Financial health and capacity to raise funds	Monitoring of leverage and containment actions
Compensation and benefits practice	Indicators of compensation practices and wage agreements etc.

4.3.1 Operating Risk

GRI 1.2 | 4.11

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). The system has established documentation on procedures relating to the environment, fraudulent consumption and hydrological risks and provides guidance on operating processes for energy distribution and generation in accordance with the environmental legislation.

In the planning of new projects, CPFL Energia undertakes in-depth studies of the environmental impact 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.

In the case of the hydroelectric plants, a Technical Guidance document describes the procedures to be adopted in emergency situations to protect CPFL's property and that of third parties in addition to preventing or offsetting environmental damage. The document also facilitates the mobilization of resources to address these situations, as well as communication between the units involved in the operation, and coordination with government agencies responsible for the protection of people and property.

Fraudulent Consumption

Specialized teams from CPFL Energia companies conduct inspections of consumer units to prevent irregularities in measuring electricity consumption. If fraud in consumption is identified, the Group collects the corresponding value, which can be paid in installments. With this procedure, CPFL Energia guarantees equal treatment for all its consumers.

Hydrological Risks – Environmental Permitting Regulations (EPR)

In order to create a balance between energy supply and demand, Brazilian electric sector regulations incorporate the assured energy concept, establishing a production control equation for each generating source. The objective is to avoid the hydrological risks inherent in hydroelectric generation. With this concept, power generation revenue is calculated according to the volume of power supply each plant will have to offer, and not simply on the basis of installed capacity or volume of power actually generated.

The authorizing organ stipulates a plant's assured energy at the concession or authorization stage and this is enshrined in an energy certificate which can be commercialized – irrespective of the volume of power actually generated – and determined by the National Electricity System Operator (ONS).

Hence, if a hydro plant is generating electricity below its Assured Energy level, other plants in the system can release their excess to offset the shortfall. Conversely, a plant that generates in excess of its assured energy will only receive additional revenue to cover its related costs.

4.3.2 Exchange Rate Risk

The electric sector legislation requires distributors to acquire electricity generated from the Itaipu Plant with values for purchased energy fixed in US dollars and therefore subject to exchange rate fluctuations. CPFL Energia monitors the power purchasing agreements of its controlled distributors in order to manage currency risk exposure.

All distribution companies have the right to seek financial protection from currency losses through the CVA Parcel A Tracking Account Mechanism established by resolution of the National Electric Energy Agency (ANEEL). This compensates companies for currency losses on energy purchases through the adjustment of electricity tariffs.

Currency risk on financial liabilities

The CPFL Group protects its earnings and cash against fluctuations in the US dollar exchange rate through hedge transactions. This allows the Company's debt to be always indexed to Brazilian domestic indices.

Financial Covenants

CPFL Group companies have loan agreements, financing and debentures with restrictive clauses in the form of financial covenants typically relating to adherence to certain minimum economic and financial ratios, cash generation, and other requirements. These clauses do not represent any kind of restriction on the Company's ability to conduct its normal business activities.

Credit

The current collection policy in force in the Brazilian electricity sector permits, among other aspects, the disconnection of electricity supply to delinquent consumers. In addition to the dispersal of consumer units, this contributes to a low level of risk from losses due to the difficulty in receiving payment.

STRATEGY AND MANAGEMENT

5. Strategy and Management

CPFL Energia's strategy is geared toward consolidating its leadership of the Brazilian electric sector and creating value for its shareholders through increases in operating efficiency, portfolio diversification and growth of all the segments in which it operates: distribution, conventional sources of power generation, renewable generation sources, commercialization and services.

The execution of this strategy is underpinned by innovation, sustainability and stakeholder relationships and requires financial discipline, social responsibility, improved corporate governance and changes to organizational culture and leadership style.

5.1 Strategic Planning

GRI EC2

CPFL Energia's strategic planning covers a five-year period and is updated annually. Specialists invited by the Company present to management and executives on the macroeconomic, regulatory, technological and market scenarios as well as considering future trends.

Following this, workshops are held in each area of the Company, to allow discussion on performance, a review of strategic guidelines and the construction of action plans for the distribution, generation, commercialization and service segments, in the pursuit of operating excellence (innovation and processes).

The output from these discussions is consolidated in a workshop held in August with all the Company's directors, to validate the action plans and proposed goals for each business. In parallel to this process, the Company reviews its growth guidelines and investment decisions. In September, the conclusions reached by the directors are put to shareholders for approval. In 2012, the strategic planning workshops had around one thousand participants at numerous levels of the Company's leadership.

In all, the Company outlined the following strategies for attaining its objectives of sector leadership, innovation and growth:

CPFL Renováveis

Over the year, CPFL Renováveis fulfilled all the points on its strategic agenda and focused its activities on the consolidation of its generation assets and its projects portfolio. The company also achieved all the stages of its business plan, the purchase and construction of ventures in various regions of Brazil, and became established as the only Brazilian company skilled enough to operate in four alternative energy sources: SHP, wind, biomass and solar.

In this sense, its economic and financial performance was robust, with EBITDA of R$

504.3 million. Its investment plan for the year was fulfilled in entirety, and the company's installed capacity grew by 43% compared to the previous year.

In January, 2012, CPFL Renováveis formally took over Siif Énergies, which it had purchased in 2011. It also concluded its acquisition of the Bons Ventos wind farm, located in Ceará state and possessing 157 MW of installed capacity. The Ester biomass plant, at 40 MW, located in Cosmópolis in upstate São Paulo, was also a part of the company's acquisitions, as well as the four wind farms that comprise the Atlântica Complex, of 120 MW, in the state of Rio Grande do Sul.

In addition to its acquisitions, over the course of the year CPFL Renováveis concluded work on power generation projects spanning four sources: the Pedra (70 MW) and Ipê (25 MW) biomass plants, both in upstate São Paulo; the Santa Clara wind farm complex (188 MW), in Rio Grande do Norte; the Salto Góes SHP (20 MW) in Santa Catarina which was delivered three months ahead of schedule; and the Tanquinho solar plant in Campinas, SP, with an installed capacity of 1.1 MWp. The fruit of an R&D project, Tanquinho is the first photovoltaic solar energy plant in the state of São Paulo and the largest in Brazil.

The CPFL Renováveis generation assets portolio ended 2012 at 5,553 MW: 35 SHPs, 15 wind farms and 6 TPPs in operation (1,153 MW), 18 wind farms and 2 TPPs in construction (582 MW), as well as projects in development and pre-construction phases, which total a further 3,818 MW.

CPFL's largest business segment is electricity distribution in its concession areas, accounting for around 60% of consolidated EBITDA. The company invests in synergies and technologies, and standardized and updated systems in order to continually improve its service quality and maintain lean operating costs, achieved through using safer and more productive systems and tools.

In 2011 the Company launched the Tauron Program for adopting new technologies to improve processes, productivity and team safety, with the following highlights:

1) Tele-measurement: installation of electronic measurement for large clients, with the aim of restructuring the electricity measurement system.

2) Operation and mobility: introduction of an intelligent system for task-force administration and management of interruptions, aimed at optimizing field teams' operations logistics with data communication to allow real-time notification of occurrences via tablet computers installed in vehicles.

This project should be completely implemented in 2014.

Commercialization

Free customers account for about 25% of the Brazilian electricity market. CPFL Brasil, the Group's commercialization subsidiary, seeks to close bilateral contracts with consumers that have become free market customers, and attract other free customers outside the CPFL Energia distributors' concession areas. With these goals in mind, the company promotes the provision of services, strategic consultancy and decision-making support on electricity-related issues.

Services

Their growth strategy includes diversification of the services portfolio in line with a worldwide trend, to make the most of the CPFL customer base (around 7.1 million) and meet other needs beyond electricity consumption.

This segment is focused on increasing sales through greater penetration and scope of services. One example is the expansion of the CPFL Total payment network, which now allows, in addition to electricity bills, payment of water bills and cell phone top-ups, in addition to its services for other large companies.

Other lines of growth are the sale of solar power to shopping malls and large commercial and industrial clients, and service provision to the telecommunications industry, thereby capitalizing on the company's asset base.

Sustainability in the strategy

CPFL Energia also designs its strategy from the perspective of constructing a Low Carbon Economy, based on a new energy mix that favors renewable power sources and viable alternatives from the social, economic and environmental point of view, as well as reducing carbon atmospheric emissions. This perspective fuels our investment in innovative R&D power generation projects, such as the Tanquinho plant (solar generation) and the Biogas plant (power produced from vinasse, a by-product of ethanol production), which are part of the Group's growth and investment guidelines in the Strategic Planning context. GRI EU6

5.2 Intangible Assets

Intangible assets[6] such as human resources, brand, reputation and knowledge (intellectual property) add value to CPFL Energia's businesses and allow the Company to achieve a high level of differentiation in the way it conducts its business and relates to its stakeholders.

These assets are maintained for the Company's use and ownership through established norms and procedures, labor registration and instructions, and information systems. Intangible assets are a source of constant discussion at CPFL. Their key strengths and weaknesses are explored during the annual strategic planning cycles to ensure they remain aligned with the Company's evolving strategic direction.

6) Assets which are of a non-physical nature but bring economic benefits. Source: Business Dictionary. Francisco Lacombe. Editora Saraiva. 2009.

5.2.1 Sustainability and Innovation

GRI EU8

Innovation is structurally intertwined with the CPFL Energia strategy and directly overseen by its Board of Directors. The objectives of innovation are closely aligned with the CPFL Group's positioning of sustainability, value creation and corporate growth.

Innovation management goes beyond launching new technologies, products and services. It also covers the business model, improvement in processes and the promotion of an internal culture of innovation that seeks social, economic, environmental and operating benefits for CPFL and its stakeholders.

Investment in innovation over one hundred years of history has helped to position CPFL Energia as the largest private group in the Brazilian electric sector. For example, the Company built São Paulo's first hydroelectric plant, it has been a pioneer in the purchase of power generated from sugarcane bagasse since 1980 and in 2012 it opened São Paulo state's first solar power plant.

As further examples of our pioneering spirit, in our business operations we have developed software for automating our SHPs via tele-command and introduced electronic meter reading systems for our high tension client base.

In October, 2012, innovation and sustainability were the topics of a workshop involving employees from numerous areas of the company that aimed to engage internal champions on these subjects, and identify problems and opportunities that could lead to innovative ideas, initiatives and projects.

5.2.1.1 Research and Development

GRI EU23

The Research and Development (R&D) program is a requirement of the Brazilian electric sector regulations and aims to generate significant innovation. As stipulated by ANEEL, electricity distribution companies are required to invest at least 0.2% of their net operating revenue in the program. CPFL has earmarked an investment of R$ 190 million for innovation projects over the period 2013 - 2017.

CFPL has been increasing its investments in ANEEL's R&D Program. Since 2009, the annual rate of increase of investment has been 15% p.a., reaching R$ 30.2 million in 2012.

Compared to 2011, there was a slight fall of around 3% (R$ 32.1 million in 2011) in the amount we invested in R&D due to the nature of projects underway, which require greater investments in equipment at their inception.

For 2013, the total estimated investment in R&D will be R$ 34 million.

R&D programs are run in strategic partnership with universities and research centers in Brazil. A significant tranche of investment goes toward innovation and the development of new technologies that can be applied to the business. The scope of projects and their

results and expenditure are subject to assessment by ANEEL according to criteria of originality, relevance, workability and reasonable cost.

In 2012, the Group's distributors invested in projects in the fields of alternative energy sources, environment, electric system operation and energy efficiency, as detailed in the table below:

Investments made in scientific and technological Research & Development (R$ thousand)	2012
Alternative energy sources	13,199,292.30
Thermoelectric generation	-
River basin and reservoir management	-
Environment	1,599,825.35
Safety	259,205.50
Energy efficiency	315,119.73
Electricity systems planning	2,081,744.14
Electricity systems operation	3,279,628.74
Supervision, control and protection of electricity systems	1,493,811.63
Quality and reliability of electricity services	3,186,156.57
Meter reading, billing and combating commercial losses	965,858.89
Other	3,841,376.77
Total R&D investments	30,222,019.62

CPFL's innovation area is divided into management, strategy and innovation streams. There are six streams: distribution, corporate innovation, renewable generation, sustainability, smart city and electric vehicle. Each stream has its own subject-specialist team. There is also a specialized team for looking after project management and a strategy team to guarantee the projects' alignment with the Group's strategy. To guarantee a project's approval and successful outcome, CPFL possesses a structured and consolidated process for capturing, evaluating and prioritizing all projects.

Corporate Innovation

The corporate innovation stream exists to guarantee continual improvement in corporate processes so as to facilitate and increase CFPL employees' productivity through the introduction of new processes and tools.

Ideas Factory: A highlight of this stream is the Ideas Factory program, launched in 2012, a portal that helps all the Group's employees to make suggestions for process innovations, new R&D projects and potential new businesses. Following this, a forum is set up to debate and assess these ideas.

In 2012, the Ideas Factory saw the participation of around 1,800 employees, who contributed with over 600 new ideas, 3,200 contributions on posted ideas and 7,000 votes.

All ideas are assessed by a Committee formed of representatives from all areas of the Company on the degree of innovation, potential for value creation and alignment with

company strategy. If an idea shows potential to become an R&D project it is also evaluated according to ANEEL criteria (originality, applicability and reasonable cost).

Distribution

Projects in the distribution stream seek to ensure and elevate the quality of customer service through innovation in materials, processes and technologies, as well as developing the smart grid concept via partnerships and the introduction of new technologies and service solutions.

Green Trace: This project involves substituting the mineral insulating oil in electric system transformers with biodegradable vegetable insulating oil, which takes 15 days to decompose instead of 40 years. This action reduces the risk of environmental accidents and the cost of decontamination, thereby reinforcing the Group's sustainable positioning.

Renewable generation

The projects classified in this stream are concerned with the development of new technologies and services in clean power generation so as to maintain the sustainability of the generation business.

Two projects confirm CPFL's positioning as an innovative company in this area: the Tanquinho solar and the vinasse-fuelled biogas plants.

Sustainability

The sustainability stream's projects aim to develop sustainable technologies and solutions and replicate them for the market. Highlights in this stream are the Waste Plant and Greenbuilding projects.

Waste Plant: This is a pioneering project in Brazil and concerns the construction of a pilot 2 MW plant for developing plasma technology. CPFL's objective is to study, develop and install a waste treatment station to generate power using this technology, which optimizes the burn process and reduces greenhouse gas emissions to almost zero. The start-up of the plant is planned for 2013.

Greenbuilding: A partnership with Unicamp, this project aims to develop sustainable construction concepts, mechanisms and methodologies that make use of solar direction, dominant winds and other resources to reduce the environmental impact of buildings, while using resources efficiently.

Smart city

The smart city is a global trend toward greater ease and integration, and being more "clean". This stream relates directly to the worldwide population increase and the resulting increase in atmospherically polluting gases.

With a desire to lessen these problems in the future, CPFL Energia created this stream in

order to develop a vision of how energy companies will be integrated in cities and invest in projects that allow this vision to be brought to life and tested in a pilot smart neighborhood or city. We also want to create a reserve of knowledge that can guide the Company's strategy, technology platforms and business opportunities. The highlight of this stream is the Tele-reading project.

Tele-reading

This involves installing 25,000 electronic meter reading units for large clients in order to restructure the electricity measurement system. This intelligent reading allows the Company to gain more than simple billing information but also data on the load curve and minute-by-minute information on power use. This provides input for the client to manage and optimize their production process with CPFL responsible for generating this interface.

In conjunction with this new measurement reading equipment, a new process for obtaining data was created (reading center). All information from the equipment will be sent via remote online communication to CPFL, thereby completely automating and ensuring high standards of meter reading and billing. CPFL is already operating this new system and aims to have it fully installed at all large energy consumers by the end of 2014.

Operation and mobility

This will introduce an intelligent system for task-force administration and management of outages, aimed at optimizing field crews' operations logistics with data communication to allow real-time notification of occurrences via tablet computers installed in vehicles. This technology will allow for far speedier dispatch and organization of crews and will be implemented at all Group distributors during the course of 2013 and 2014.

Electric vehicles

CPFL Energia invests in electric vehicle technology projects and thereby makes a contribution to reducing pollutant gas emissions in the atmosphere.

These projects seek to develop business models for electric vehicles, with priority given to recharging and payment network infrastructures, as well as developing a pilot scheme for relevant usage of these vehicles in order to: test impact; identify opportunities; encourage growth of this market; and stimulate developments in relevant legislation and services. Additionally, this strengthens CPFL Energia's image as an innovative company.

More information on the CPFL Group's R&D projects at the consideration or implementation stages is available at:

http://www.cpfl.com.br/parceiros_inovacao_tecnologica.

5.2.2 Brand and Reputation

CPFL Energia sees its brand as an intangible asset that generates relationships stemming from the way its stakeholders identify with the Company's view of the world and its businesses.

The brand creates expectations based on its meaning to people. In CPFL's view, relationships should be created and nurtured with an awareness of the individual and his values and beliefs, and not just the role he performs for the company. If CPFL Energia has good relationships with its stakeholders, this generates a positive company reputation.

The Company works continually to build and strengthen its brand, in line with its sustainability strategy. In 2012, our brand positioning work focused on celebrating 100 years of CPFL Energia, with an extensive program across numerous areas to reinforce the Company's continuity and highlight its influential role in discussing policies related to climate change and investment in renewable energies for the future.

This work also aimed to strengthen CPFL Energia's image as a company that puts Brazil's interests first, occupying a position at the forefront of discussions on the future of the Brazilian electric sector. It was a process that highlighted our protagonism.

Among the program of events for CPFL Energia's centenary, this positioning was expressed through the Company's setting up and taking part in seminars on the electric sector's structural changes, which included the presence of specialists and authorities. One of the issues discussed was Provisional Measure 579, whereby the Federal Government reduced energy tariffs and anticipated the renewal of concessions expiring in 2015.

5.2.3 Knowledge Management

In 2012, CPFL Energia stepped up the development of its Knowledge Management project by carrying out internal surveys to map and identify the holders of knowledge deemed critical for the Company's businesses.

This initiative is aimed at preventing organizational knowledge losses resulting from retiring employees. The project is developing ways to formalize and retain knowledge within the organization, create a physical and digital archive, and formulate training programs and other means of allowing greater socialization of this critical knowledge.

Mapping in 2012 covered three key areas and identified six strategic knowledge bases. The project is to be extended to other areas of the organization. The Company also has knowledge management projects aimed at an external audience.

As well as preserving this knowledge, the Company runs initiatives to communicate

and share it with external audiences. One action of note over the year was the inception of the Electricians School in partnership with SENAI, SindiEnergia and energy companies, with the aim of developing a reserve of skilled professionals to mitigate the risks of possible skilled labor shortages.

The Electricians School is a social investment given that it offers cost-free training for the labor market in general, as well as training future employees prior to eventual hiring by the Company.

5.3 Quality Management

CPFL Energia uses its Integrated Management System (IMS) as a way to maintain a quest for excellence in the services it provides to clients. The system manages and standardizes the main work processes and their quality certifications for quality (ISO 9001), environment (ISO 14001), occupational health and safety (OHSAS 18001), social responsibility (SA 8000) and information security (ISO 27001).

In 2012, the CPFL Paulista, CPFL Piratininga and RGE subsidiaries retained their certifications for SGI (ISO 9001, ISO 14001, OHSAS 18001 and SA 8000) and distributors CPFL Santa Cruz, CPFL Jaguari, CPFL Mococa, CPFL Sul Paulista and CPFL Leste Paulista maintained their quality management system and respective certifications (ISO 9001).

CPFL retained its certifications for the information security of its Data Center (ISO 27001), and quality (ISO 9001) for Risk Management and Internal Controls Assessment for Financial Reporting.

In 2012, CPFL Serviços obtained ISO 9001 certification for project design, development and commercialization of products and services related to transmission systems, distribution systems, assets maintenance and self-generation.

In the same year, CPFL Atende received the Seal of Ethics from the relationship sector of the Brazilian Auto-regulation Program (PROBARE) for its customer service units in Ourinhos and Araraquara.

National Quality Award

The Management Excellence Model (MEM) has been installed at the CPFL distributors CPFL Paulista (from 2002), CPFL Piratininga and RGE (from 2007) and all three have been recognized with the National Quality Award (PNQ). In 2011, subsidiary companies RGE and CPFL Paulista were winners of the PNQ 2011, awarded by the National Quality Foundation. This achievement differentiates CPFL Paulista as the first and only Brazilian company to gain successive recognition from the PNQ in three different years (2005, 2008 and 2011).

Details of our subsidiaries and their respective recognitions and certifications can be found at www.cpfl.com.br.

PERFORMANCE

6. Performance

The controlled companies' alignment with CPFL Energia's business strategy is reflected in the results reported for economic-financial, operating and socio-environmental performance.

6.1 Economic and Financial Performance

The year 2012 will go down as a watershed for the Brazilian electricity sector: the Federal Government's proposal for anticipating renewal of electric energy concessions for generation, transmission and distribution was a significant step toward reducing electricity tariffs in Brazil.

For some years, Brazilian society had been waiting for a government initiative to reduce electricity tariffs – considered among the highest in the world – and in this way enhance economic competitiveness and improve living conditions. Over the next few years, Government measures - initially in the form of Provisional Measure 579/2012 and subsequently enacted as Law 12.783 - will certainly give new drive to economic growth and social development in the country, immediately affecting the Brazilian authorities' control of inflation.

The government proposal for the anticipated rollover of concessions has significantly modified energy generation and transmission tariffs and the benefits have been passed on to consumers directly through a reduction in final tariffs announced at the end of January, 2013.

In the specific case of CPFL Energia, five small distribution concessions corresponding to 2,575 GWh (4.5% of CPFL Energia's concession area) and some small hydroelectric power plants amounting to 24 MW (less than 1% of the Group's total installed capacity) have been affected by the government measures.

In spite of an unfavorable trading scenario, the CPFL Group is able to report growth. In the distribution segment, sales to the captive market increased by 1.9% to 40,683 GWh. Again, energy volume corresponding to consumption by free consumers in the concession areas of the Group's distributors and billed through the intermediary of the Tariff for the Use of the Distribution System (TUDS), reported growth of 9% to 15,999 GWh. Thus, consumption in the CPFL Energia Group's concession area amounted to 56,682 GWh[7] , a year-on-year improvement of 3.8%.

The CPFL Renováveis subsidiary remained at the forefront of the generation segment based on alternative energy sources. During the year, the subsidiary concluded several acquisitions such as the Bons Ventos and Atlântica wind farms and the Ester sugarcane bagasse cogeneration plant. Additionally, we began commercial operations at

7) Takes into account the billing adjustment of RGE's free consumers and permit holders in 2Q12.

the Santa Clara wind farm and at the Salto Góes SHP. CPFL Energia also maintained its standard of excellence in the management of hydro plants through its CPFL Geração subsidiary and CPFL Brasil continued to lead the energy trading business in the free market. Thus, commercialization and generation turnover extra-Group amounted to 16,445 GWh, growth of 27.1% if compared to 2011. In another business segment - that of value added services, the Group also posted growth, increasing its net revenue by 34.7%, reflecting an expansion in the volume of transactions and services sold to customers throughout Brazil.

Regulatory requirements are constantly being increased with each tariff review cycle and continue to a challenge the companies to increase their operating efficiency and the quality of their customer service. The Group has prepared to meet the demands of this new cycle by investing in innovation, through the incorporation of new technologies, principally smart grid technology. CPFL has also made investments in the expansion and reinforcement of the networks for meeting solid growth in demand from the discos' concession areas. In all, investments at the eight controlled distributors amounted to R$ 1,403 million.

In commemoration of the centennial year of the founding of CPFL Paulista, from which CPFL Energia originated, the unveiling of the Tanquinho Solar Power Plant, located in Campinas, state of São Paulo, deserves particular mention. With 1.1 MWp of installed capacity, the power plant is the result of a research and development project by CPFL Group companies in response to the strategic project denominated "Technical Arrangements for the Insertion of Solar Photovoltaic Generation in the Brazilian Energy Matrix", and the subject of a Public Meeting by the National Electric Energy Agency. With an investment of R$ 13.8 million, combining various technologies already used elsewhere in the world, the project seeks to harness existing technologies and evaluate ways in which solar energy can be integrated into the electricity distribution system of CPFL and Brazil. Thus, as this energy source becomes more competitive in Brazil, the Group's prospects for taking advantage of the associated opportunities are promising.

Over the next few years, the Group's prospects are very favorable, principally given the outlook of growth for the Brazilian economy and the reduced impact on the Group of measures announced by the Federal Government for reducing electric energy tariffs to consumers through the proposal of anticipating concessions expiring between 2015 and 2017.

Consequently, CPFL Energia plans to maintain the strategies which have been the principal drivers of its growth and enhanced strength. The focus is to take advantage of the opportunities of consolidation, investments in new generation projects and in the increase in efficiency through innovation in the current businesses, principally in distribution with a substantial investment in smart grid technologies.

It is also the Group's intention to maintain those strategies which have been critical to development in the last few years: the commitment to corporate governance, business excellence, social responsibility and sustainability of the businesses, widely recognized by the market and by Brazilian society as a whole.

All CPFL Energia's financial statements are published in the Investor Relations website:

www.cpfl.com.br/ri ⇢ Divulgação de Resultados ⇢ Central de Resultados ⇢ 4T12

6.1.1 Macroeconomic Environment

Continued macroeconomic instability was the flavor of 2012 together with other unfavorable elements which contributed to a worsening in economic activity. Following the 2008/2009 downturn, in 2010 the international economy saw a recovery in countries core to the world economy, a recovery which was even more accentuated among emerging economies. The expectation was that this would be repeated in succeeding years. However, adverse factors proved this to be a false dawn.

While emerging countries – above all China – have been recording a gentler deceleration, Europe remains in recession and the United States, albeit on a trajectory of moderate growth, is still being impacted by negotiations surrounding the fiscal cliff.

Thus, the world experienced moments of uncertainty during 2012 with implications for global trade, confidence and investment. These were the principal challenges which fed through to Brazil, notably impacting industrial performance which reported a drop of 2.7% in activity during the year. In addition to global deceleration, a continuing appreciated exchange rate, high levels of inventory and infrastructural problems, bureaucracy and shortage of qualified labor contributed to this weak performance.

However, the government has introduced a series of stimulus measures for the sector, in particular: reductions in mandatory social security charges, tax breaks, cuts in electric energy tariffs, increased capacity on the part of the states to take on more debt and concession programs for private investment. Mention should also be made of cuts in spreads and interest (which should benefit the public debt and investment) as well as allowing the foreign exchange rate to drift lower to stimulate exports. With this at the end of 2012, industry began a slight recovery. Meanwhile, unemployment continued at low levels driving income and household pay – reflected in the positive results for commercial activities.

Given the favorable outlook, market (Boletim Focus) estimates for growth (GDP growth) are for an increase from 0.9% in 2012 to 3.2% in 2013, driven by the improvement in confidence, industry and investments. The outlook for the domestic market continues positive in the light of low unemployment and the good performance in income and commercial activities.

6.1.2 Regulatory Environment Distribution Segment

Following the conclusion of the Tariff Regulation Procedures ("PRORET") for the distribution segment, economic regulation for 2012 was characterized by regulatory fine tuning, particularly: (i) REN 472/2012 – Regulating the methodology for calculating the monthly differential of revenues and the amount to be passed through to each disco within the scope of the Electric Energy Social Tariff – EEST; (ii) REN 478/2012 – Regulation of the Connection Charge and adaptations to the Tariff for the Use of the Distribution System - TUDS for the A1 subgroup consumer units; (iii) REN 484/2012 – Setting of procedures to be adopted by electric energy services and installation concessionaires, permit holders and authorized entities to obtain agreement for the transfer of corporate control and other measures; (iv) REN 498/2012 – Off-Peak Tariff for Low Tension consumers – kz parameter; and (v) REN 1399/2012 – Extraordinary Calculation of Tariffs for the Use of the Distribution System for generating plants - TUDSg for the purposes of Provisional Measure 579/2012.

In relation to technical and commercial regulations, the following are of note: (i) REN 479/2012 – Revision of Normative Resolution 414/2010, which covers general conditions for the supply of electric energy; (ii) REN 480/2012 – Technical accounting procedures for transfer without cost to the municipal government of public lighting assets registered in the Fixed Assets of the public utility energy distribution concessionaires pursuant to ANEEL Resolution 414/2012; (iii) REN 482/2012 – Establishes general conditions for access to micro- and mini-generation distributed to electric energy distribution systems and the system of electric energy compensation; (iv) REN 493/2012 – Supply of electric energy through collective or individual generation systems in communities and isolated villages characterized by widely scattered consumers and the absence of economies of scale; (v) REN 488/2012 – Establishes conditions for the revision of plans for universalization of electric energy distribution services in rural areas, considering the institution of the Light for All Program for the period 2011 to 2014; (vi) REN 495/2012 – Approves the Manual for Energy Efficiency and the Electric Energy Sector Research and Technological Development; (vii) REN 499/2012 – Approval of PRODIST's Module 9 and the amendment of Chapter XVI of Normative Resolution 414/2010; (viii) REN 502/2012 - Regulates measuring systems of Group B electric energy consumer units; (ix) REN 504/2012 – Revision of the Manual of the Electric Energy Sector Research and Technological Development Program, version 2008; (x) REN 506/2012 – Establishes the conditions for accessing the distribution system through connection to installations owned by the distributor to be complied both by those accessing and those being accessed; (xi) REN 507/2012 – Consolidation and revision of the rules of access to the distribution systems; (xii) REN 508/2012 – Establishes criteria and conditions for signing bilateral agreements between signatories of CCEAR (Energy Sales in the Regulated Environment) for new energy; (xiii) REN 514/2012 – Establishes the conditions for the contracting of Quotas for Physical Energy and Power Guarantee Quotas pursuant to the provision in Decree 7.805/2012; (xiv) REN 516/2012 – Revision of Chapter XV, Section II of Normative Resolution 414/2010 covering telephone services rendered by the electric energy distributors and; (xv) REN

517/2012 – Amends, ANEEL Normative Resolution 482/2012, approving revision 6 of Module 1 and revision 5 of Module 3 of the Distribution Procedures – PRODIST.

In 2012, ANEEL also held a public hearing to discuss other relevant themes still not subject to specific regulation.

Generation Segment

From the regulatory point of view, 2012 was a year of major changes and definitions for the generation segment, in particular for concessions expiring up to 2017, highlights of the year being as follows: (i) ANEEL Resolution 466/2011, published January 2012, which covers the criteria for deployment of energy generated outside the order of merit to compensate past unavailability; (ii) renewal of the Petrobras Commitment Agreement, guaranteeing natural gas for the thermoelectric plants up to 2015; (iii) creation of the "Associations for Gas Forum" and the Parliamentary Front for Gas with a view to opening the market for gas to increase the generation of electric energy; (iv) Law 12.651/2012 – New Brazilian Forestry Code – which represents a major advance for the electric sector in the areas of energy generation and transmission; (v) discussions on the linking of the initial payment for the Use of Public Property (UPP) with the date of entry into commercial operation of delayed projects, in the majority of cases, due to environmental licensing issues; (vi) Provisional Measure 577/2012, which in cases of bankruptcy and expiry, disciplines the extinguishment, and the intervention in public utility electric energy concessions and permit holders; (vii) Provisional Measure 579/2012 covering the Renewal of the Electric Sector Concessions and tariff reductions, as well as results: a) PM 591/2012 and Decree 7.850/2012, with respect to the indemnifications to be paid to transmission and generator companies whose concessions have been impacted by the PM and with respect to what must be taken into account in the generation tariff calculation and b) Public Hearings 091 and 098/2012 which regulate TUTS and TUDSg, establishing the methodologies for the extraordinary calculation of transmission and distribution tariffs (applied to generators) in view of the general reduction in the cost of transmission and distribution; (viii) MME Ordinance 455/2012, which extinguishes the ex-post energy market and determines the creation of a price benchmark index for commercialized energy in the market; (ix) the adoption of measures to reduce non-performance by members of the Electric Energy Trading Board - CCEE; (x) ANEEL Resolution 508/2012 which allows bilateral agreements for suspension, reduction, rescission and transfer of new CCEARs.

The above examples give an overall panorama of the electric sector in 2012. Currently, the consolidation of these initiatives is occurring, principally with the respect to the regulation of PM 579 which will have important results in 2013. Another very important aspect relates to energy security of the National Interconnected System (SIN) which under existing conditions will not only require considerable effort on the part of the National Electric System Operator (ONS) if the situation is to be successfully overcome but also prompting the need to revisit questions such as electric energy generation versus climate change and to continue detailed discussions on the Brazilian electricity matrix.

Electric energy tariffs and prices

Distribution Segment

The 2012 Annual Tariff Readjustment (ATR): ANEEL approved the 2012 Annual Tariff Readjustment (ATR) for three CPFL Group distributors (Paulista, RGE and Piratininga) and held the tariff of the other distributors unchanged - as shown in the following table:

Annual Tariff Readjustment (ATR)	CPFL Paulista (%)	RGE (%)	CPFL Piratininga* (%)
Date of the tariff readjustment	04/08/2012	06/19/2012	10/23/2012
Economic readjustment	1.96	0.49	7.71
Financial components	1.75	11.02	1.08
Total readjustment	3.71	11.51	8.79

* Combined result of the result of the application of the Periodic Tariff Review (RTP), the Annual Tariff Readjustment (RTA) and the return of an installment of the tariff which had been held unaltered in the previous period.

Third periodic tariff review

CPFL Piratininga

Through Ratifying Resolution 1369 of October 16, 2012, ANEEL ratified the third periodic tariff review for CPFL Piratininga which resulted in a tariff repositioning of minus 4.45%, which in addition to an adjustment for financial components of minus 0.98%, makes a total of minus 5.43%. The average impact to consumers was minus 6.78%.

CPFL Santa Cruz, CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa

Due to the delayed ratification of the methodologies for the 3rd tariff review cycle, ANEEL extended the prevailing tariffs to the concessionaires for which a tariff review should have been concluded in early 2012 (the case of the discos: CPFL Santa Cruz, CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa). The results of the revision will be applied to the tariffs at the next tariff readjustment including its retroactive impacts. The application of the new tariff review methodology will occur simultaneously to the readjustment in February, 2013.

Principal alterations for the 3rd periodic tariff review:

- **Operating costs:** transition of the reference company methodology to the benchmark model. The defined costs in the previous cycle were restated, the average distributor productivity gains reverting to tariff moderateness. In addition, a comparative evaluation of distributor efficiency was made. The difference between the two results will decide if there is an operating costs trajectory through the Xt Factor;
- **Rate of Return (WACC):** fell from 9.95% to 7.5% (real and net of taxes). The decline reflected the reduction in perceived risk of investments in energy distribution in Brazil and declining funding costs as well as methodological adjustments such as the exclusion of regulatory and country risks verified by the median, among others;
- **XPd Factor – Productivity Component:** the historic relation between market expan-

sion and growth in distributor costs was noted in order to estimate gains in productivity;

- **XQ Factor – Quality Component:** the companies which have shown a better performance will have a greater benefit and lower penalty. The reverse occurs for companies reporting a worse performance in quality always compared with their own track record.
  (For XQ = 0, variation in the DEC and FEC quality parameters between -5% and + 5%);
- **Xt Factor – Trajectory:** applied if the operating costs defined in the 2CRTP, restated according to the productivity gains, are not contained in the efficient operating costs interval defined by the benchmarking method (Xt limited to +/- 2%);
- **Irrecoverable Revenues:** non-performance was considered by consuming class and sector charges with limits established by ANEEL;
- In the case of **"Other revenues",** revenues which exceed demand (additional value that the distributor receives when a consumer exceeds the pre-established contractual demand) and the collection of excess reactive energy from the consumers (additional value received from the distributor when a consumer uses reactive energy[8] over the levels established by ANEEL, overloading the system) are booked as "special obligations", being used to the benefit of the electric energy distribution system with consequent impacts on the final consumer.

Generation Segment

Energy sales contracts involving generators contain specific readjustment clauses which have the IGP-M as their inflation indicator. Agreements signed under the Regulated Contracting Environment (ACR) use the IPCA as their indexer while the bilateral agreements signed by ENERCAN use a combination of dollar and IGP-M indexers. In line with ANEEL Resolution 488/2002, which establishes the contractual option of requesting a revision of indexers after ten years, in 2012 ENERCAN filed a request with ANEEL and awaits approval on a single indexer: IPCA or IGP-M.

8) Reactive energy is consumed as a function of predominantly inductive and not linear characteristics of some loads such as florescent lamps, refrigerator motors, air conditioners, computers and transformers. As a general rule, reactive energy does not produce work and therefore reduces the efficiency of the system.

Note: In January 2012, the Brazilian Association of Electric Energy Distributors (Abradee) brought a court action entering an advanced protection plea against the application of the Other Revenues methodology in the 3rd cycle by ANEEL.

6.1.3 Financial Results
6.1.3.1 Operating Revenue

Operating revenue rose 17.9% (R$ 2,291 million) reaching R$ 15,055 million.

Ignoring construction revenue from concession infrastructure (which does not affect the result due to the corresponding cost offset in the same value), net operating revenue would be R$ 13,704 million, a growth of 17.8% (R$ 2,069 million).

This variation is principally due to the following factors:

(i) Distributor tariff readjustments;

(ii) Increase of 1.8% in the sales volume to the captive market;

(iii) Increase of 7.1% (R$ 94 million) in TUDS gross revenue from free consumers due principally to the migration of captive customers to the free market;

(iv) Increase of 29.4% in sales from commercialization and generation due principally to the expansion of CPFL Renováveis as well as increased sales under bilateral agreements and to free consumers.

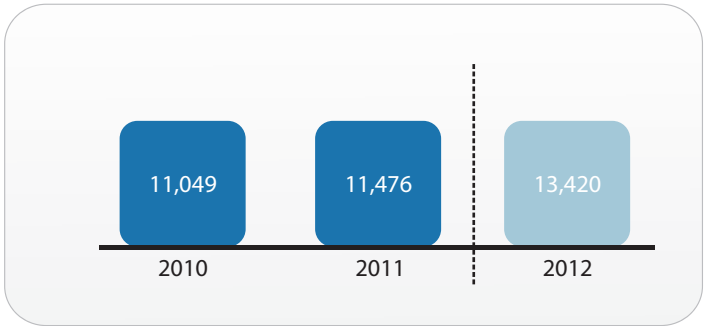
(v) Additional net revenue due to the following factors:

- Effect at CPFL Piratininga and CPFL Paulista of the low income subsidy for the 2002 to 2004 period (R$ 15 million);
- Increase in revenue from the deployment of electric energy from EPASA's two thermo-electric plants (R$ 81 million);
- Acquisition of Bons Ventos wind farms (157.5 MW) in June 2012 and the biomass-fired co-generation assets at Usina Ester (40 MW) in October 2012 (R$ 111 million);
- Beginning of operations at Bio Ipê and Bio Pedra TPPs in May, 2012; and
- Start-up of operations at the Santa Clara (188 MW) wind farms in July, 2012 (R$ 87 million).

It is important to remember that part of the sales from these generation projects goes to CPFL Group companies, the corresponding revenue being eliminated on consolidation.

Taking into account the adjustments for assets and liabilities and non-recurring effects, net revenue would be R$ 13,420 million, representing an increase of 16.9% in relation to 2011 (R$ 11,476 million).

Trend in Net Revenue (IFRS + Regulatory Assets and Liabilities – Non Recurring – Construction Revenue)



6.1.3.2 Investments

GRI 2.9 | HR1

In 2012, Group investments totaled R$ 2,468 million in maintenance and expansion of the business. Of this amount, R$ 1,403 million was allocated to distribution, R$ 1,043 million to generation (R$ 1,022 million for CPFL Renováveis) and R$ 22 million for commercialization and services.

Among CPFL Energia's investments in 2012, we would specifically cite:

- **Distribution:** investments were made in the expansion, maintenance, improvement, automation, modernization and strengthening of the electrical system to meet market growth, in operating infrastructure, in customer services and in research and development programs, among others. On December 31, 2012, our distributors had a customer base of 7.2 million (an increase of 223 thousand) and our distribution network consisted of 235,498 km of distribution lines including 327,455 distribution transformers (an increase of 50,894 transformers). Our eight distribution subsidiaries had a total of 9,644 km of high tension distribution lines of between 34.5 kV and 138 kV. As of December 31, 2013, we had 446 high to medium tension transformer substations for subsequent distribution (growth of 12 substations) with a total transformation capacity of 13,650 MVA;
- **Generation:** investments were largely allocated to the conclusion of the Bio Ipê and Bio Pedra TPPs, Salto Góes SHP and the Eólico Santa Clara wind farm complex, these projects already having entered commercial operation. The Alvorada and Coopcana TPPs, Campo dos Ventos II Wind Farm and the Macacos I, Atlântica, Campo dos Ventos and São Benedito Wind Farm Complexes are still under construction.

6.1.3.3 EBITDA

EBITDA is a non-accounting measurement calculated by management based on the sum of earnings, taxes, financial result and depreciation/amortization. This parameter serves as an indicator of management performance and is habitually tracked by the market. Management has observed the principles of CVM Instruction 527 of October 4, 2012 when verifying this non-accounting measurement.

Reconciliation of net income and EBITDA	2012	2011
Net Income	1,256,734	1,624,272
Depreciation and amortization	1,127,103	801,203
Financial result	767,632	625,378
Social contribution	198,987	215,517
Income Tax	547,760	585,380
EBITDA	3,898,215	3,851,750

Operating cash generation as measured by EBITDA reached R$ 3,898 million, an increase of 1.2% (R$ 46 million), reflecting principally the expansion of 17.8% (R$ 2,069 million) in net revenue (ignoring construction revenue from concession infrastructure) and partially offset by the increase of 24.2% in the costs of purchasing electric energy (R$ 1,505 million) and 27.4% (R$ 451 million) in operating expenses, from which are excluded: the cost of construction of the concession infrastructure and private pension plan expenditures, depreciation and amortization.

This increase of 27.4% (R$ 451 million) in operating costs and expenses at CPFL Energia is due principally to the following factors:

(i) Increase due to the deployment of energy from the two EPASA thermoelectric power plants as from October, 2012 (R$ 109 million);

(ii) Increase in legal and judicial expenses (R$ 142 million);

(iii) Increase in delinquency with change in estimates at the Group distributors (R$ 76 million);

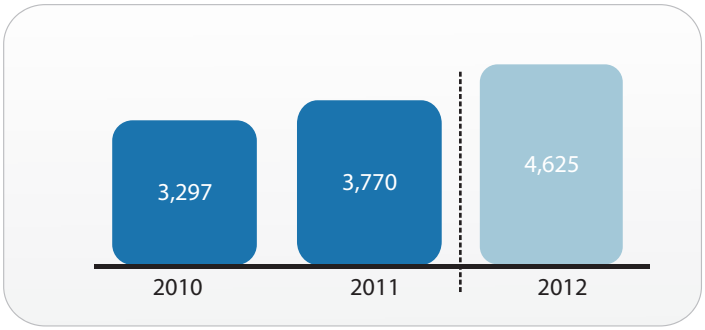
(iv) Increase related to the writing off of assets with the implementation of the Electric Sector Property Control Manual at all group distributors (R$ 44 million); and

(v) Operating expenditures with operations at CPFL Renováveis with the start-up of operations at Bio Ipê and Bio Pedra TPPs in May, 2012 and the Santa Clara wind farms in July, 2012, the acquisition of the Bons Ventos wind farms in June, 2012 and the cogeneration assets of the Ester Plant in October, 2012 in addition to other assets already in operation (R$ 114 million).

If the above factors are not considered, operating costs and expenses would have reported a reduction of 1.9% (R$ 27 million) in 2012 compared to the IGP-M inflation index for the period (7.8%).

Considering all adjustments to regulatory assets and liabilities and non-recurring effects, EBITDA would be R$ 4,625 million, representing a year-on-year increase of 22.7% on 2011 (R$ 3,770 million).

TREND IN EBITDA (IFRS + REGULATORY ASSETS AND LIABILITIES – NON-RECURRING EFFECTS)

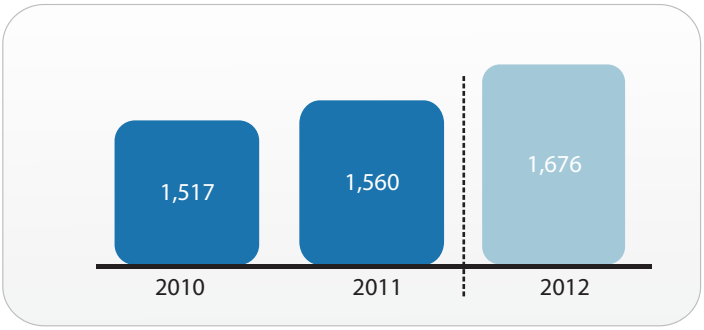


6.1.3.4 Net Income

In 2012, net income reached R$ 1,257 million, a reduction of 22.7% (R$ 368 million), reflecting principally: (i) the increase in net financial expenses (R$ 143 million) and (ii) the increase in depreciation and amortization (R$ 326 million), mainly due to the commissioning and operation of new generation projects at CPFL Renováveis and the change in the booking of PIS and COFINS tax credits which in 2011 were recorded in the expense line for "depreciation and amortization" but in 2012 were included in "Deductions from Operational Revenues" for greater accounting correctness. These effects were partially offset by (i) the increase of 1.2% (R$ 46 million) in EBITDA; and (ii) the positive effect on Income Tax and Social Contribution (R$ 54 million).

Incorporating adjustments to assets and liabilities and the non-recurring effects, net income would be R$ 1,676 million representing an increase of 7.4% in relation to 2011 (R$ 1,560 million).

Trend in Net Income (IFRS + Regulatory Assets and Liabilities – Non-recurring)



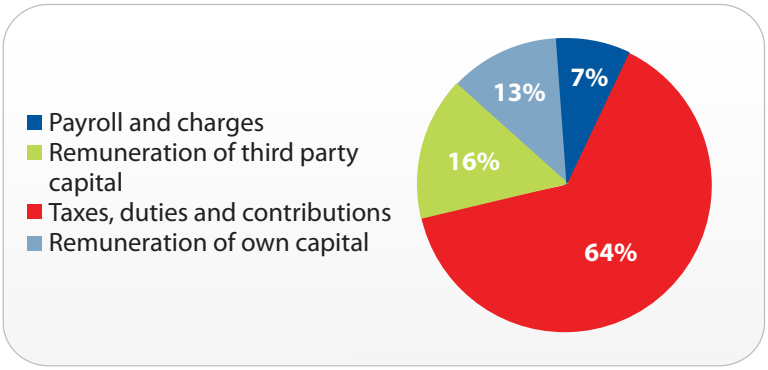
6.1.3.5 Value Added Statement

GRI EC1

CPFL's consolidated distributed added value amounted to R$ 9.7 billion in 2012. Of this amount, 64.5% went to taxes, duties and contributions, followed by 15.8% remuneration of third party capital (largely made up of interest).

	2012		2011	
Distribution of Added Value	R$ thousand	%	R$ thousand	%
Payroll and charges	659,596	6.8	595,432	6.1
Taxes, duties and contributions	6,276,188	64.5	6,184,300	62.9
Remuneration of third party capital	1,536,621	15.8	1,428,479	14.5
Remuneration of own capital	1,256,734	12.9	1,624,273	16.5
Total	9,729,138	100.0	9,832,485	100.0

DISTRIBUTION OF ADDED VALUE (2012)



Social investments are also listed (internal and external) in the Information of a Social and Environmental Nature – Brazilian Accounting Standard (NBCT 15) and in the Social Report for CPFL Energia (item 7.1 of this Report).

6.1.3.6 Capital Markets

CPFL Energia currently has a free float of 30.7%, its shares being traded in Brazil (BM&FBovespa) and on the New York Stock Exchange (NYSE). In 2012, CPFL Energia's shares reported a depreciation of 12.9% on the BM&FBovespa and 21.2% on the NYSE, closing prices for the year being R$ 21.40 per share and US$ 20.96 per ADR. Daily average trading volume was R$ 42.7 million, of which R$ 17.9 million on BM&FBovespa and R$ 24.8 million in the NYSE, representing an increase of 30.1% in relation to 2011. The quantity of trades conducted on the BM&FBovespa increased by 50.7% from a daily average of 2,045 trades in 2011 to 3,081 trades in 2012.

6.1.3.7 Share Performance and Dividend Distribution

Management is proposing the distribution of R$ 1,096 million in dividends to the holders of common shares traded on the BM&FBovespa S.A. Securities, Commodities and Futures Exchange.

The proposed annual value corresponds to R$ 1.139118233 per share, with the company exceeding the minimum distribution of 50% of net income as enshrined in its dividends policy.

Discounting the amount of R$ 640 million for the first half of 2012 (paid on September 28, 2012), the value to be paid out will be R$ 456 million, equivalent to R$ 0.473778718 per share.

6.2 Operating Performance

GRI 2.7

The diversification of the portfolio, the growth in all operating segments (energy distribution, generation, commercialization and services) and the investment in innovation, processes and operating improvements are all part of CPFL Energia's strategy for consolidating its leadership in the electric energy sector.

More detailed information can be found in items 7.2 and 7.3 of the Reference Form and on the CPFL Energia (www.cpfl.com.br) website.

6.2.1 Distribution

CPFL Energia operates in the distribution segment through eight concessionaires – CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, RGE, CPFL Jaguari, CPFL Sul Paulista, CPFL Leste Paulista and CPFL Mococa – located in the states of São Paulo, Minas Gerais, Paraná and Rio Grande do Sul.

Distribution is the company's largest business segment and leads the domestic market with a 13% market share. In 2012, these distributors supplied a total of 56,682 GWh[9] electric energy to approximately 7.2 million consumer units serving about 20 million people in 569 municipalities.

Operations in the states of São Paulo, Rio Grande do Sul, Paraná and Minas Gerais			
	2012	2011	2010
Municipalities served	569	569	569
Area of operations (km2)	208,421	208,421	208,421
Clients (millions)	7.2	6.9	6.7
Market share (%)	13	13	13
Energy sales (GWh) – captive market	40,683	39,917	39,250
Energy sales (GWh) – TUDS	15,999	14,674	12,794

9) Considering the change in RGE's free and licensee customer billing calendar in 2Q12.

GRI EU3

Number of CPFL Energia's distributors' customers by segment			
	2012	2011	2010
Residential	6,312,737	6,087,719	5,881,458
Industrial	59,057	59,503	78,190
Commercial	494,556	500,117	490,570
Rural	243,283	242,589	237,964
Government	48,467	46,780	45,382
Public Lighting	9,166	8,623	8,098
Public services	7,729	7,417	7,230
Proprietary consumption	845	785	785
Total	7,175,840	6,953,533	6,749,677

In 2012, CPFL Energia invested a total of R$ 1.4 billion in the distribution segment in order to expand, modernize and reinforce the electric energy system and meet the requirements of market expansion including resources allocated to customer assistance services and research and development programs.

The customer base reported an increase of more than 223 thousand consumer units compared with 2011. A total of 50,894 transformers were added to the system while a further 12 high to medium transformer substations went into operation.

As at December 31, 2012, the distribution network totaled 236,969 km of distribution lines, including 327,455 distribution transformers. CPFL Energia's eight distribution companies had 9,630.25 km of high tension lines of between 34.5 kV and 138 kV, as well as 446 transformer substations with total transforming capacity of 13,650 MVA.

GRI EU4

Length of the distribution network – 2011/2012 (KM)								
Company	2011				2012			
	Primary		Secondary	Grand Total	Primary		Secondary	Grand Total
	15 kV	23 kV			15 kV	23 kV		
CPFL Paulista	54,599	-	37,940	92,539	74,856	-	39,449	114,305
CPFL Piratininga	3,658	6,733	11,203	21,594	3,740	6,879	11,513	22,132
RGE	15,464	32,341	30,455	78,260	16,044	33,360	30,108	79,512
CPFL Santa Cruz	6,297	-	2,154	8,450	7,150	-	2,263	9,413
CPFL Leste Paulista	2,312	-	608	2,920	3,001	-	610	3,611
CPFL Jaguari	470	-	419	889	575	-	436	1,011
CPFL Sul Paulista	3,236	-	836	4,072	3,498	-	850	4,348
CPFL Mococa	1,314	-	463	1,777	2,141	-	496	2,637
Total	87,350	39,074	84,078	210,501	111,006	40,239	85,725	236,969

Losses

The CPFL Energia Group's eight distributors record the lowest commercial loss rates in the Brazilian electricity sector. The companies work continually on preventing and combating commercial losses including initiatives such as the inspection of consumer units, verification and substitution of obsolete meters and guidance campaigns.

In 2012, 253 thousand obsolete meters were replaced, thus adding value to the income base with an increase in revenue from energy sales and a reduction of losses. Through the various actions taken to curb losses during the year, 430 GWh were recovered, corresponding to revenues of R$ 156 million.

There was a reduction in the result for the balance of losses in the CPFL Energia Group's distribution business between 2011 and 2012, from 8.11% to 7.95%, the fruit of ongoing efforts to combat losses. The calculation reflects the difference between energy demand and supply to free and captive customers. In 2012, this difference amounted to 4,940 GWh.

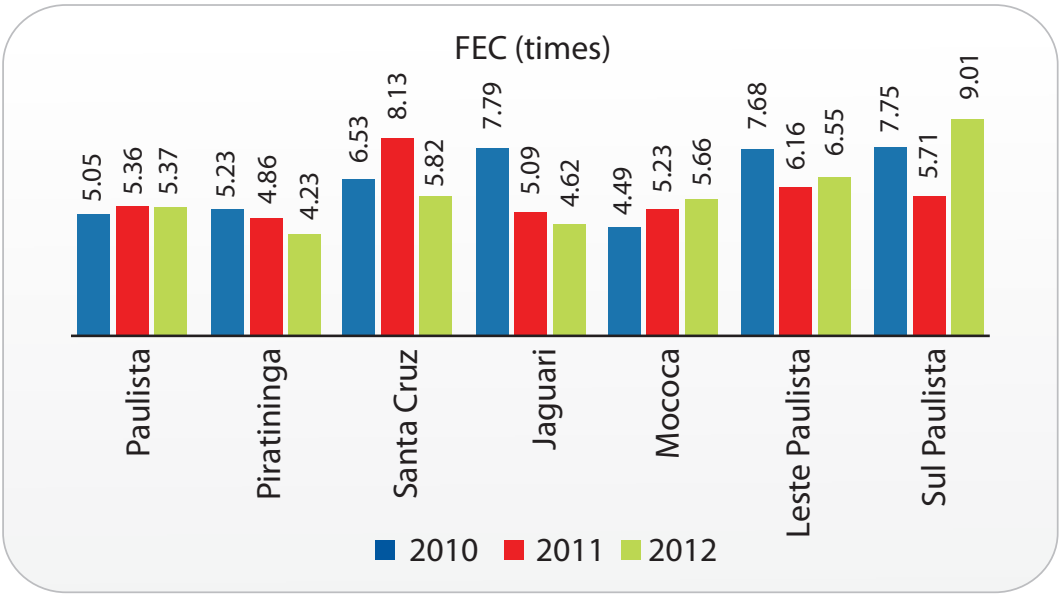
Losses are classified as technical when arising from the physical characteristics of the electricity networks, and non-technical when caused by fraud, illegal hookups and faults in equipment or procedures. Out of the total result for losses, 3,836 GWh (6.2%) were of a technical origin and 1,104 GWh (1.75%) of a non-technical nature (commercial).

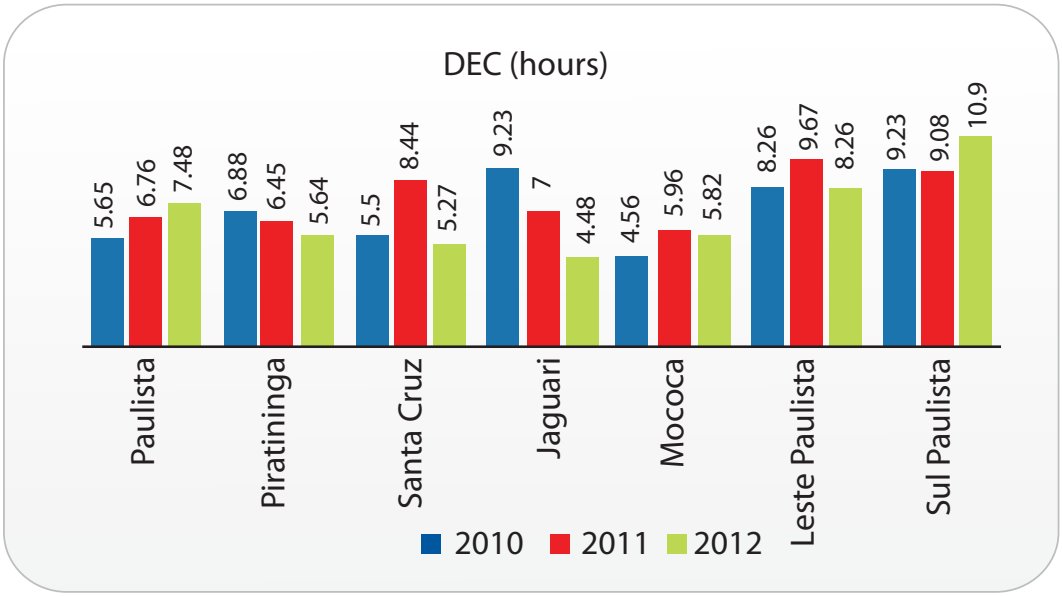
Commercial losses occur in the low tension market making up 99% of connected customers. The loss rate is 4.68% considering losses in this market alone. GRI EU12

Quality

The quality and reliability of electricity supply are expressed in the Average Duration of Interruptions (DEC), which measures the average duration in hours of interruptions per customer over the year, and Average Frequency of Interruptions (FEC), which measures the average number of interruptions per customer over the year:

GRI EU28 | EU29





Regulatory fines GRI PR9

In 2012, the CPFL Energia Group companies paid a total of R$ 1.905 million in regulatory fines, subsequently reduced in value following adjudication as described below:

- In 2010, a CPFL Group company in the south of Brazil failed to comply with certain quality indicators required for telephone assistance by the regulator, resulting in a fine of R$ 764.9 thousand. Following adjudication in 2012, the fine was reduced to R$ 540.3 thousand - already paid.
- In 2009 and 2010, a CPFL Group company failed to comply with certain quality indicators for the electricity supply in the south of Brazil required for by the regulator, resulting in a regulatory fine amounting to R$ 800 thousand. In 2012, the fine was cut to R$ 589.2 thousand following adjudication - already paid.
- In the years 2005 and 2006, a CPFL Group company in the state of São Paulo transgressed certain rules of the regulator for acquiring energy, resulting in a regulatory fine of R$ 1.55 million later reduced to R$ 775.6 thousand following adjudication and paid in 2012.

6.2.2 Generation

In 2012, CPFL Energia continued its strategy of expanding in the generation segment, posting an increase of 12% in its installed capacity which rose from 2,644 MW to 2,961 MW . This increase was driven by the acquisition of assets and by the start-up of operations of the CPFL Renováveis projects.

CPFL Energia's generation facilities are located in the states of São Paulo, Rio Grande do Sul, Santa Catarina, Tocantins, Rio Grande do Norte, Paraíba, Ceará, Minas Gerais, Mato Grosso do Sul and Paraná.

HPPs – Installed capacity (MW)[11] GRI EU1

Plant		Total capacity (MW)	Shareholding stake	Proportional capacity (MW)
Serra da Mesa		1,275	51.54%	657
Foz do Chapecó		855	51.00%	436
Campos Novos (ENERCAN)		880	48.72%	429
Barra Grande (BAESA)		690	25.01%	173
CERAN Complex	Monte Claro	130	65.00%	85
	Castro Alves	130	65.00%	85
	14 de Julho	100	65.00%	65
Luis Eduardo Magalhães		903	6.93%	63
Termonordeste (EPASA)		171	52.75%	90
Termoparaíba (EPASA)		171	52.75%	90

CPFL Renováveis – Installed capacity (MW)

Type	Capacity	Shareholding stake	Proportional capacity
Small hydroelectric plant (PCH)	327	63%	206
Wind	556		350
Biomass	270		170
Solar	1		1
Total	1153		726

Net production of energy (GWh) GRI EU2

PLANT		
Barra Grande		1,818
Campos Novos		2,382
CERAN	HPP Monte Claro	267
	HPP Castro Alves	361
	HPP14 de Julho	251
Foz do Chapecó		2,362

10) Considering CPFL Energia's shareholding stake in the conventional generation projects (2,234 MW) and 63% in CPFL Renováveis (726 MW).

11) Does not incorporate the installed capacity of CPFL Jaguariúna which totals 62.4 MW (24.2 from plants in operation and a further 38.2 MW representing plants being decommissioned). The company's SHPs and HPPs do not have the available physical energy for commercialization and do not contribute to the National Interconnected System (SIN).

CPFL Renováveis (GWh)

Type	
Small hydroelectric plant (SHP)	1,010
Wind	516
Biomass	1,412
Total	2,938

ASSURED ENERGY (MW) GRI EU10

PLANT		Average MW	Annual assured energy[5]
Barra Grande (BAESA)[1]		381	3,334,056
Campos Novos (ENERCAN)[2]		378	3,319,474
CERAN[3]	Monte Claro	59	516,840
	Castro Alves	64	560,640
	14 de Julho	50	438,000
Foz do Chapecó[4]		432	3,784,320
CPFL Renováveis		482	4,222,320
Termonordeste		124	1,086,240
Termoparaíba		124	1,086,240

1. Planned capacity = Annual assured energy. Gross generation in the year = 1,831,718.67 MW. Production factor = 55%

2. Planned capacity = Annual assured energy. = 2,419,848.23 MW. Production factor = 73%

3. There are no plans to increase the plants' installed capacity. Generation is directly linked to river flow parameters. The three plants operate on the run-of-river system.

4. There are no plans to increase installed capacity.

5. Annual assured energy = average MW x 24 hours per day x 365 day/year.

Average uptime factor of the generation plants GRI EU30

PLANT		Average plant uptime (%)
Barra Grande (BAESA)		94.56
CERAN	Monte Claro	79.93
	Castro Alves	95.57
	14 Julho	97.49
Campos Novos (ENERCAN)		97.55
Foz do Chapecó		93.2
CPFL Renováveis		NA

Note: the low uptime level recorded for Monte Claro is due to the period needed to install the water intake screen cleaning equipment which meant a 60-day downtime of the two generator units. It is worth noting that this downtime was not taken into account by ANEEL.

6.2.2.1 Conventional Sources

The conventional energy complex is made up of 23 plants of which eight are hydroelectric (Serra da Mesa, Monte Claro, Barra Grande, Campos Novos, Luiz Eduardo Magalhães - Lajeado, Castro Alves, 14 de Julho and Foz do Chapecó), and two thermoelectric-fired (EPASA). A further five are small hydroelectric plants (installed capacity of over 1 MW) and eight micro-hydroelectric plants (installed capacity of less than 1 MW).

At year-end 2012, the CPFL Energia Group's installed conventional energy generation capacity totaled 2,234 MW[12] (equivalent to the proportional shareholding stake in the plants). Assured energy (value of average energy production established by ANEEL) was 1,125 average MW.

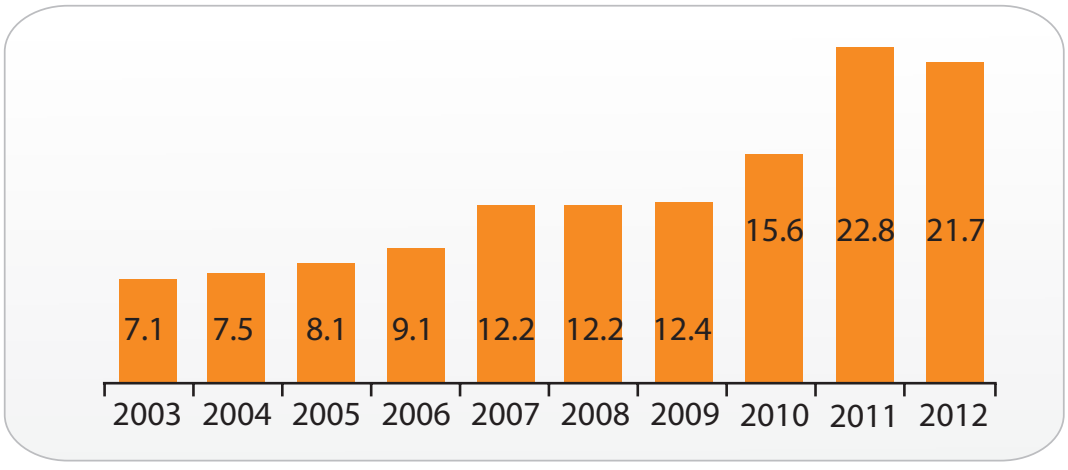
CPFL Energia's strategy of maintaining constant growth in conventional energy generation came to fruition in 2011 with the conclusion of hydroelectric and thermoelectric projects including the motorization of Foz do Chapecó in southern Brazil. The Foz do Chapecó Plant currently represents installed capacity of 855 MW, of which CPFL Energia has a 51% stake, corresponding to 436.1 MW.

CFPL Energia's generator complex also includes two thermoelectric plants: Termonordeste and Termoparaíba[13]. Both were acquired in 2009, going into operation in 2010 and 2011 with an installed capacity of 342 MW, 180 MW of which pertains to CPFL Energia and reflects the Group's stake of 52.75% in the projects.

Operating efficiency

CPFL Geração has been achieving significant results for various operating efficiency indicators, a highlight being equipment uptime rate of the generator units at its plants. Productivity at CPFL Geração has reached a score of 21.7, a ratio which reflects the relation between installed capacity and the number of employees.

Productivity – Installed capacity/Number of employees 2003/2012



12) Takes into account CPFL's shareholding stake. Includes installed capacity of CPFL Jaguariúna, which totals 24 MW. The company's SHPs do not have the available physical energy for commercialization and do not contribute to the National Interconnected System (SIN).

13) Carioba Thermoelectric Power Plant is in the process of being decommissioned

6.2.2.2 Renewable Sources

The year saw the consolidation of CPFL Renováveis, constituted in 2011 to incorporate all energy generation projects powered from renewable sources: wind farms, thermoelectric biomass-fired plants, small hydroelectric and solar energy plants. The company is the result of a merger between CPFL Energia and ERSA Energia Renováveis.

Its creation is aligned with CPFL Group's strategy to ramp up its penetration in generation from predominantly clean sources. The Group's stake in CPFL Renováveis is 63%.

Type of generation	Operation		Construction	
	Quantity	Capacity (MW)	Quantity	Capacity (MW)
Small hydroelectric plants	35	326	-	-
Wind farms	15	556	18	482
Biomass	6	270	2	100
Solar	1	1.1	-	-
Total	57	1153	20	582

During 2012, the Ipê (25 MW) and Pedra (70 MW) biomass plants, the Santa Clara wind farms (188 MW) and the Salto Goes SHP (20 MW) entered into commercial operations. Work on these plants was concluded ahead of schedule due to the synergy between the teams from all areas of the company and its partners. The Tanquinho (1.1 MW) solar plant also came on stream during the year.

In March, the Group concluded the acquisition of the Atlântica Wind Complex, the component wind farms of which will begin operations in 2013. The following acquisitions were also concluded during the period: the Bons Ventos Wind Complex, the Atlântica Wind Complex and the sugarcane bagasse-fired Ester co-generation plant.

The company also continued to invest in the construction of biomass-fired generation projects and wind farms which will increase installed capacity over the coming years. During 2012, the following thermoelectric plants were under construction: Alvorada and Coopcana TPPs, the Campo dos Ventos II Wind Farm and the Macacos I, Atlântica, Campo dos Ventos and São Benedito wind complexes.

In March 2013, CPFL Renováveis's installed capacity amounted to 5.5 GW. Of this total, 1,153 MW relate to projects already in operation: 35 SHPs (327 MW) in the states of São Paulo, Santa Catarina, Rio Grande do Sul, Minas Gerais and Mato Grosso; 15 wind power operations (556 MW, 8 wind parks located in the state of Ceará); 6 biomass-fired plants (270 MW) in the states of São Paulo and Rio Grande do Norte; and 1 solar energy plant (1.1 MW) in the state of São Paulo.

A further 582 MW corresponds to projects under construction: 18 wind generation (482 MW) and 2 biomass-fired (100 MW) plants. The company also has 3.8 GW of wind, SHPs and biomass-powered plants in the development phase.

6.2.3 Commercialization

In 2012, CPFL Energia retained its leadership (10% market share) in the free contracting market for the commercialization of energy through CPFL Brasil. Sales from trading and generation reached 16,445 GWh, growth of 27.1% compared with the previous year. During the year, CPFL operated with 231 free customers.

Electricity commercialization and services operations are managed by the CPFL Brasil subsidiary which provides intermediation services for free consumers in the Electric Energy Trading Chamber (CCEE) and other agents. Services also include guidance on operational requirements.

CPFL Brasil acquires electricity for the operations of the CPFL Energia Group companies, sells energy to free consumers, other commercialization companies and distributors. The price at which CPFL Brasil purchases and sells electric energy in the free market is determined by bilateral negotiations with its suppliers and customers. Power purchasing agreements are regulated by ANEEL.

In addition to selling energy to unrelated parties, CPFL Brasil resells electricity to CPFL Paulista, CPFL Piratininga and to RGE. However, profit margins from sales to related parties have been restricted by ANEEL regulations.

Prior to the New Electricity Sector Law, distribution companies were allowed to acquire up to 30% of electricity requirements from related parties. The scope for sales of electric energy to related parties was eliminated under the New Electric Sector Model with the exception of agreements approved by ANEEL prior to March, 2004.

CPFL Brasil is authorized to sell electricity to distributors through a bidding process conducted through the regulated contracting environment.

Energy sales in the distributors' concession area

In 2012, energy sales by the distributors in the concession areas amounted to 56,682 GWh[14], growth of 3.8% in relation to the 54,590 GWh sold in 2011.

Sales in the concession area – GWh			
	2012	2011	Chge (%)
Captive market	40,683	39,917	1.9
TUDS	15,999	14,674	9.0
Total	56,682	54,590	3.8

Note: considering the billing adjustment for RGE free consumers and permit holders in 2Q12.

14) Considering the billing adjustments for RGE free consumers and permit holders in 2Q12.

Sales in the concession area – GWh			
	2012	2011	Chge (%)
Residential	14,567	13,626	6.9
Industrial	24,924	24,752	0.7
Commercial	8,981	8,405	6.8
Others	8,210	7,807	5.2
Total	56,682	54,590	3.8

Note: the tables for concession area sales by distributor are attached to this report in item 13.9. Considering the billing adjustment for RGE free consumers and permit holders in 2Q12.

The following table shows sales in the concession area adjusted for calendar period and temperature:

Sales in the concession area – GWh – adjusted			
	2012	2011	Chge (%)
Residential	14,567	13,695	6.4
Industrial	24,924	24,727	0.8
Commercial	8,981	8,529	5.3
Others	8,210	7,789	5.4
Total	56,682	54,740	3.5

Sales to the captive market amounted to 40,683 GWh (a year-on-year increase of 1.9%).The residential class reported growth of 6.9% and the commercial class expanded by 6.8%. This trend reflects the economic growth (increase in incomes and consumer purchasing power as well as more plentiful consumer credit) seen in Brazil over the past few years.

Energy consumption by free customers in the CPFL distributors' areas of operations and billed through the Tariff for the Use of the Distribution System (TUDS) reached 14,674 GWh, an increase of 9%, reflecting principally migration of clients to the free market.

Energy commercialization and generation sales

Commercialization and generation sales (except related parties) were 16,445 GWh, growth of 27.1% compared with 2011, largely due to the expansion of CPFL Renováveis, in addition to sales under bilateral agreements and for free customers. The number of free customers in portfolio in December, 2012 was 231 compared with 141 in December, 2011.

Commercialization and generation sales – excluding related parties			
	2012	2011	Var. (%)
CPFL Renováveis	2,167	446	386.2
Commercialization and conventional generation	14,278	12,489	14.3
Total	16,445	12,935	27.1

Note: excludes sales to related parties and through the CCEE. Takes into account Furnas (Semesa) and other generation extra-Group sales. Considers 100% of the sales of CPFL Renováveis and CERAN (IFRS consolidation accounting criteria) as well as provisioning adjustments of 89 GWh in 4Q12.

6.2.4 Services

CPFL Energia's business unit dedicated to services was reorganized in 2011 due to the increasing importance of this segment as a value driver in light of the major market potential and the strong synergy with other Group companies. In addition to CPFL Serviços, responsible for the offer of energy services, the area includes the following businesses:

CPFL Atende

With two sites in the cities of Araraquara and Ourinhos, 500 service positions and 1,000 employees, CPFL Atende is responsible for providing the Customer Call Center service - SAC, ombudsman services, chat rooms, e-mail, service desk, back office and credit recovery for 9 companies in the CPFL Energia Group.

Based on the experience acquired in processes involved in its relationship with Group customers, CPFL Atende offers services to other market companies including on-site service, customer satisfaction surveys and telesales.

In 2012, CPFL Atende was honored with the Brazilian Self-Regulation Program's (Probare) Ethics Seal for the relationship sector. Probare is an initiative of three entities representing the Brazilian relationship market (ABEMD – Brazilian Direct Marketing Association, ABRAREC – Brazilian Company Client Relations Association and ABT – Brazilian Teleservices Association) and testifies to CPFL Atende's commitment to the continual upgrading of its processes, excellence in customer assistance and the satisfaction of its clients.

CPFL Total

CPFL Total is a specialized customer service channel for use by accredited companies and their end customers for bill collection, customer services and the capture and intermediation of financial products.

The collection network is made up of 2,500 authorized outlets that receive not only payment of utility bills (energy, water, telephone and bank payment notes) but also offer customer assistance services for accredited energy concessionaires (verification of amounts due, issue of duplicate utility bills, energy reconnection and customer registration validation) .

ELECTRIC ENERGY-RELATED ADDED VALUE SERVICES

The CPFL Brasil and CPFL Serviços subsidiaries provide added value services relating to electricity, such as design and construction projects for subsidiary and non-affiliate companies. The objective of the services is to assist customers in improving the efficiency costs and reliability of their electrical equipment.

In the added value services segment, the CPFL Energia Group reported a growth of

34.7% in net revenue, reflecting the increase in the volume of transactions and services sold to clients throughout Brazil.

In this business segment, the following services are offered:

- Electrical maintenance
- Distribution systems
- Transmission systems
- Self-production systems
- Equipment recovery

CPFL offers energy solutions such as generation during periods of critical demand (diesel and natural gas), consisting of generator banks which operate at peak hours. Cogeneration (natural gas) allows simultaneous and sequential production of electric and thermal energy from a single fuel source. The company also offers air conditioning and energy efficiency solutions as well as solutions for distributed photovoltaic generation.

See more on the company at: www.cpfl.com.br/cpflatende/

6.3. Social and Environmental Performance

GRI 4.15 | 4.16 | 4.17

Sustainability is incorporated in the management of CPFL Energia's businesses as a strategy for longevity and as part of the outlook for the transition to a green, inclusive and responsible economy.

The company adopts ongoing initiatives for the creation of value for all stakeholders (employees, community, customers, shareholders, suppliers and government) and for the mitigation of the economic, environmental and social impacts associated with its activities. GRI 4.14

CPFL Energia goes further by actively promoting the theme and sharing its acquired knowledge at various events, forums and meetings in which it takes part. Among these events, of particular note was its participation in 2012 in the principal debates and in the organization of the United Nations Conference on Sustainable Development held in Rio de Janeiro (Rio+20).

In the context of the partnerships for engagement on the theme, of particular note was the Sustainable Planet, a digital platform launched by Editora Abril for debating, informing and producing knowledge on sustainability in a systematic manner for a wide range of audiences.

CPFL Energia is also a partner in the Together for Sustainable Development Project created by the Comunitas social organization for engaging business leaders in initiatives to improve municipal government management in areas such as health and education. Jointly with this organization, CPFL is one of the founders of BISC – Corporate Social Investment Benchmarking. BISC conducts surveys and analysis of qualitative and quantitative data for evaluating the Brazilian scenario in relation to actions undertaken by the companies.

Jointly with the Ethos Institute, CPFL has played an active role in the collaborative pro-

cess of building the Platform for an Inclusive, Green and Responsible Economy. The platform consists of a document to define the operating guidelines for the private sector in the New Economy. GRI 4.13

In relation to internal governance, the Sustainability Committee was reformulated in 2012. The organ is responsible for integrating actions, implementing sustainability policies and guidelines and making recommendations to the Board of Executive Officers as well as identifying sustainability-related risks and opportunities in accordance with the materiality indicated by CPFL's stakeholders.

As recognition of these sustainability initiatives in 2012, it is worth mentioning the inclusion of CPFL Energia in the Dow Jones Sustainability Emerging Markets Index, participation for the 8th consecutive year as a component of BM&FBovespa's Corporate Sustainability Index, its presence among 20 model companies in the Exame Sustainability Guide and the Época Award in the Green Company and Climate Change categories.

See more on partnerships in:

planetasustentavel.abril.com.br

www.comunitas.org.br

www.bisc.org.br

www.ethos.org.br

Voluntary commitments GRI 4.12

Global Compact

As well as in the management of its businesses, CPFL Energia's commitment to the three dimensions of sustainability (economic, social and environmental) is also illustrated in initiatives such as the Group's adherence in 2003 to the United Nations Global Compact.

CPFL also sits on the Brazilian Global Compact Committee where the objective is to mobilize the business community in commiting to principles related to the protection of human rights, working relations and the environment and combating corruption. Annually, CPFL Energia sends the Communication on Progress (COP), incorporated in this Report, to the Global Compact, itemizing its actions in relation to these principles. GRI 4.13

Find out more: www.pactoglobal.org.br

Business Pact for Integrity and Against Corruption – Clean Company

CPFL Energia is a party to Ethos Institute's initiative, involving UniEthos – Formation and Development of Socially Responsible Management, Patri Government Relations & Public Policies, United Nations Development Program (UNDP), United Nations Office on Drugs and Crime (UNODC) and the Brazilian Global Compact Committee. All have the objective of promoting corporate engagement in combating corruption and in defining guidelines for the relationship with government.

See more: www.empresalimpa.org.br

Corporate Friend of the Child Program

This Abrinq Foundation initiative seeks commitment from the companies in developing and guaranteeing the fundamental rights of the child and adolescent as expressed in the Child and Adolescent Statute.

Find our more: www.fundabrinq.org.br/

Corporate Pact Against Sexual Exploitation of Children and Adolescents on Brazilian Highways

CPFL Energia is signatory to the World Childhood Foundation (WCF) initiative which establishes an agreement with companies whereby they commit to engage in actions against the sexual exploitation of children and adolescents on Brazilian highways as part of their socially responsible practices.

See more in: www.childhood.org.br

Climate Forum

In 2012, CPFL Energia participated in regular meetings in which it contributed to the implementation of the methodology for monitoring commitments adopted. A compendium of actions for combating and monitoring climate change was also published.

See more by accessing: www.forumempresarialpeloclima.org.br.

GHG Protocol

CPFL Energia is a corporate member of the Brazilian GHG Protocol Program. In 2012, the Group was awarded a gold medal for its greenhouse gas emissions inventory in 2011.

For more details go to: www.ghgprotocolbrasil.com.br

More information can be found at: www.cpfl.com.br/sustentabilidade

6.3.1 Internal Stakeholders

The mission of the Personnel Development area is to add value to the CPFL Energia Group through the attraction, treatment, development and retention of people, maintaining them as a competitive differential for executing the strategic plan.

The Company sees improvement in employee performance, productivity and the maintenance of a healthy climate in the working environment as catalysts for creation of value. In 2012, CPFL Energia's organizational climate survey recorded a 95% response rate and a 69% favorability ratio among employees.

The Group's companies continued their management and training programs focused on the development of strategic competences for the businesses, leadership succession, increase of productivity and in occupational health and safety. The average number of hours of training per employee was 91.56 hours, higher than the Sextante Survey 2012 average of 50 hours.

The value placed by CPFL Energia on employees is reflected in the Company's ranking - for the 11th successive year - among the 150 Best Companies for You to Work for in Brazil, organized by Você S/A and Exame magazines.

One of the principle personnel management processes is the Transformation Program. A strategic challenge of CPFL Energia is the implementation of a new culture which encourages the spirit of innovation and collaboration between the various areas of the Company with a focus on longevity.

The culture mapping was constructed from 50 interviews with 153 focus groups and a 77% participation. The culture workshops had an attendance of 82% of the total number of employees invited.

The Transformation Program also includes the preparation and incorporation of new functions for leadership, guarantee of the participation of target in-house stakeholders and minimizing gaps in the development of the audiences involved. The first module of the Leadership Path: CPFL Group's Organizational Competencies involved 8 groups with a total of 1,360 man hours worked and 170 managers trained, reaching 91% of the target audience.

Challenges of personnel management

Among CPFL Energia's challenges in the personnel management area over the next few years is the development in the services provided by the Shared Services Center. This project, with a three year duration, aims to increase operating productivity and efficiency, reduce costs and sustain the Group's growth.

A further challenge is to administer the complexity of the Group which combines different businesses in distinct locations with different requirements for people development while ensuring alignment to the same organizational values.

The third ongoing challenge is to make certain that leadership is committed to personnel management and the promotion of the organizational culture in line with the company's strategic objectives. Through workshops, CPFL Energia endeavors to empower leadership and make it responsible for identifying recommendations or changes in relation to the climate and the perception that people have of the Company.

In 2013, the area is planning to expand the Electricians' School pilot projects and knowledge management and to invest in management processes for people who show the greatest promise for building a long-term legacy. It is in this context that the company is creating the post of human resources business partner in each business area for advising the leadership on aspects of people management.

6.3.1.1 Profile

GRI LA1 | LA2

The company ended 2012 with a payroll of 8,674 (9.5% more than in 2011 when the company reported a total of 7,923 employees) and a turnover of 14.26% [15].

Total employees by region				
Company	State	2012	2011	2010
CPFL Paulista	São Paulo	2,903	2,931	3,130
CPFL Piratininga	São Paulo	1,048	1,078	1,161
CPFL Geração	São Paulo	103	96	149
CPFL Santa Cruz	São Paulo	272	249	263
CPFL Jaguariúna[1]	São Paulo	298	244	258
RGE	Rio Grande do Sul	1,550	1,479	1,457
CPFL Brasil	São Paulo	98	104	153
CPFL Serviços	São Paulo	525	340	347
CPFL Atende	São Paulo	995	739	763
Nect[2]	São Paulo	216	186	-
CPFL Energia	São Paulo	8	6	7
CPFL Total	São Paulo	97	-	-
Renováveis	São Paulo	322	233	
EPASA	Paraíba	50	52	53
BAESA	Santa Catarina	33	31	31
CERAN[3]	Rio Grande do Sul	63	61	64
ENERCAN	Santa Catarina	36	32	33
Foz do Chapecó[4]	Santa Catarina	57	62	55
Total		8,674	7,923	7,924

1. Includes CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa.

2. Consider as the new corporate denomination of Chumpitaz.

3. Total number of employees, 14 being women and 49 men.

4. Total registered employees = 57 (12 women and 45men). Total for outsourced company = 9 (1 woman and 8 men).

15) Excludes BAESA, CERAN, ENERCAN and Foz do Chapecó.

Total headcount by type of employment and gender														
Company	Statutory		Executives		Managers		Leaders		College Educated		Operational		Total	
	Fem.	Male	Fem.	Male	Fem.	Male	Fem.	Male	Fem.	Male	Fem.	Male	Fem.	Male
CPFL Paulista	0	4	1	13	8	67	8	97	189	295	246	1,975	452	2,451
CPFL Piratininga	0	0	1	3	2	23	8	40	97	127	103	644	211	837
CPFL Geração[1]	0	2	0	3	0	7	1	14	30	36	4	6	35	68
CPFL Santa Cruz	0	1	0	0	0	2	0	10	11	18	20	210	31	241
CPFL Jaguariúna[2]	0	0	0	0	0	3	0	7	18	22	32	216	50	248
RGE	0	1	0	0	2	18	7	77	71	98	181	1,095	261	1,289
CPFL Brasil	0	1	0	2	0	6	0	6	31	46	3	3	34	64
CPFL Serviços	0	1	0	1	1	10	1	28	19	31	25	408	46	479
CPFL Atende	0	0	0	0	1	1	33	13	3	5	728	211	765	230
Nect[3]	0	0	0	1	1	8	8	10	54	72	42	20	105	111
CPFL Energia	0	6	0	1	0	0	0	0	1	0	0	0	1	7
CPFL Total	0	0	0	0	2	4	1	12	12	6	23	37	38	59
EPASA	0	0	0	0	0	2	0	7	5	2	0	34	5	45
Total	0	16	2	24	17	151	67	321	541	758	1,407	4,859	2,034	6,129

1. Excludes BAESA, CERAN, ENERCAN and Foz do Chapecó.
2. Includes CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa.
3. Consider as the new corporate denomination of Chumpitaz.

Statutory: CEO and executive Chief Officers
Executives: officers
Managers: departmental managers and divisional managers
Leaders: specialist positions, 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)

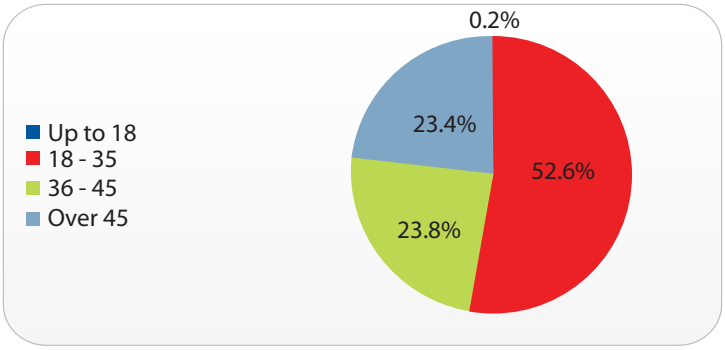
Total employees by contract type			
Company	Fixed duration	No fixed duration	Total
CPFL Paulista	35	2,899	2,934
CPFL Piratininga	14	1,045	1,059
CPFL Geração[1]	4	99	103
CPFL Santa Cruz	3	269	272
CPFL Jaguariúna[2]	7	291	298
RGE	3	1,547	1,550
CPFL Brasil	1	97	98
CPFL Serviços	0	0	0
CPFL Atende	0	0	0
Nect[3]	1	215	216
CPFL Energia	0	0	0
CPFL Total	0	0	0
EPASA	1	15	16
Grand total	69	6,477	6,546

1. Excludes BAESA, CERAN, ENERCAN and Foz do Chapecó.

2. Includes CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa.

3. Consider as the new corporate denomination of Chumpitaz.

Classification by age group



Classification by ethnic group (%)[1]	2012	2011
Asian	1.0	0.9
Caucasian	83.8	85.8
Indigenous	0.1	0.1
Afro-descendent	4.9	4.5
Mixed Race	10.1	8.6
Grand total (numbers)	8,163	7,504

(1) Excludes BAESA, CERAN, ENERCAN and Foz do Chapecó.

CPFL Renováveis

	Statutory		Area Head		Manager		Leader		Analyst		Operational		Total	
Region	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Northeast	0	0	0	3	0	4	1	11	5	4	7	36	13	58
South	0	0	0	1	0	0	0	3	1	5	0	19	1	28
Southeast	0	7	2	7	1	15	5	26	36	44	21	58	65	157
													Total	322

Retirement GRI EU15

Approximately 616 employees in the CPFL Energia Group companies will be eligible for retirement in 2020.

Employees eligible for retirement in the next five to ten years[1]										
Company	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CPFL Paulista	28	36	52	62	117	183	254	295	391	510
CPFL Piratininga	11	18	18	26	31	43	55	78	111	124
CPFL Geração[2]	0	0	0	1	2	3	4	5	6	6
EPASA	0	0	0	0	0	0	0	0	0	0
CPFL Brasil	0	0	0	0	1	1	2	3	3	4
RGE	6	11	14	31	43	43	43	48	56	65
CPFL Santa Cruz	0	1	1	1	3	3	3	7	18	23
CPFL Jaguariúna[3]	0	1	2	3	3	4	6	11	21	27
CPFL Serviços	0	0	0	0	1	1	1	2	2	2
CPFL Atende	0	0	0	0	0	0	0	0	0	0
Chumpitaz	0	0	0	1	3	3	4	5	8	10
CPFL Energia	0	0	0	0	0	0	0	0	0	1
CPFL Total	0	0	0	0	0	0	0	0	0	0
Total	45	67	87	125	204	284	372	454	616	772

1. The data shown considers those employees with the right to retirement in the next 5 to 10 years based on time of service with CPFL Energia only.

2. Not including BAESA, CERAN, ENERCAN and Foz do Chapecó.

3. Includes CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa.

Employees eligible for retirement in the next five to ten years	2012
Barra Grande Plants	1
Campos Novos Plants	1
CERAN Plants	NA
Foz do Chapecó Plants	NA
CPFL Renováveis	ND

NA: Not applicable to company

ND: Information not disclosed

6.3.1.2 Training and Benefits

Benefits Program

GRI LA3

At CPFL Paulista, CPFL Piratininga, CPFL Geração and CPFL Brasil, employees linked to the CESP Foundation receive fringe benefits in line with best labor market practices, namely 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.

RGE

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 acquired 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.

Other CPFL Energia Companies

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.

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.

At other companies in which CPFL Energia has a stake, employees are offered benefits in line with market practices and which comply with all legal requirements.

Ceran and Foz do Chapecó Plants

Benefits: healthcare plan, dental plan, group life insurance, results sharing, maternity and paternity leave (in line with legal requirements), restaurant at place of work (for the plants), meal vouchers (for the rotating shift workers and head office management) and study grants.

CPFL Renováveis

Benefits: healthcare plan, meal vouchers, transportation vouchers, private pension plan, dental care plan, onsite English language lessons and a training subsidy (50% limited to R$ 450.00

for graduation and post-graduation courses, 80% for MBA students and 100% for technicians, seminars and workshops). Temporary administrative employees receive meal and transportation vouchers granted by the contracted company.

Remuneration GRI EC5

Relation between the highest and the lowest remuneration of the company		
Company	2011	2012
CPFL Paulista	34.3	34.7
CPFL Piratininga	22.0	27.0
CPFL Geração[1]	36.6	33.9
EPASA	10.2	9.9
CPFL Brasil	35.4	32.7
RGE	69.4	31.5
CPFL Santa Cruz	16.6	14.3
CPFL Jaguariúna[2]	43.8	23.0
CPFL Serviços	33.0	50.0
Nect[3]	51.3	29.7
CPFL Atende	34.8	29.5
CPFL Renováveis	-	29.6
CPFL Total	-	17.6
CPFL Energia Consolidated	74.1	55.7

1. Excluding BAESA, CERAN, ENERCAN and Foz do Chapecó.

2. Including CPFL Leste Paulista, CPFL Jaguari, CPFL Sul Paulista and CPFL Mococa.

3. Consider as the new corporate denomination of Chumpitaz.

Company	Local minimum wage (R$)	Lowest wage (R$)	Ratio
Barra Grande Plants	840.00	966.00	1.15
Campos Novos Plants	1,034.00	875.00	0.85
CERAN Plants	770.00	815.32	1.06
Foz do Chapecó Plants	678.00	975.20	1.44
CPFL Renováveis	678.00	1,048.19	1.55

Professional development

Electricians' School

GRI EU14

In 2012, CPFL Energia set up the Electricians' School for training manpower for Group companies and for the labor market as a whole in partnership with the National Service for Industrial Apprenticeship - SENAI and other institutions. In addition to mitigating the risks of skilled labor shortages through the training of a cadre of skilled electricians, ready to take up their posts with immediate effect, the project also seeks to meet the challenge of developing suppliers in the market to administer training courses for electricians to work in the distribution network.

The project also has the benefit of the SENAI Apprentice Scheme in 2012, training three

groups in Salto, Jundiaí and Santos according to this model. A total of 32 apprentices were trained, with 72% of them going on to take up positions as electricians and for the formation of training grounds in Indaiatuba and Bauru. Some 800 theoretical and practical class hours were administered enabling students to exercise the function of distribution network electrician without the need for further training. As a result of the project, 16 positions were filled in Bauru and a further 16 in Indaiatuba. Later these students will have the opportunity to be taken on to the payroll of our company.

Corporate University LA11

Since 2008, the Corporate University has been training employees and leaders to develop and improve skills in a continuous learning process. The University's purpose is to prepare for internal succession and identify initiatives for developing business at the subsidiary companies. The Corporate University is structured into three schools – Specializations, Market and Customer and Leadership – with their content organized into learning paths.

The main University facility offers a computer room, classroom, auditorium, audiovisual and teaching equipment. The University Campus has classrooms, training yards, operating vehicles, training, equipment, tools and Individual Protection Items (IPIs). The Corporate University runs training centers in Americana, Araraquara, Ipaussu, Ribeirão Preto, Bento Gonçalves, Caxias do Sul and Erechim and in partnership with SENAI, in Indaiatuba and Bauru.

In addition, the Professional Requalification Program subsidizes the cost of studies from elementary level to postgraduate and MBA courses, including those for languages, computer sciences, short courses, one-off events and transportation to place of study. The program is available to employees of nine companies in the Group (Paulista, Piratininga, Geração, Brasil, Jaguariúna, Mococa, Leste Paulista, Sul Paulista and Santa Cruz).

CPFL Renováveis grants a 50% subsidy, limited to R$ 450.00, for graduation and post graduation courses and 80% for MBA courses. In addition, the company provides a full subsidy for technical training, seminars and workshops. The company has no set policy for professional training in cases of suspended labor contracts.

The Foz do Chapecó Energia Plant offers mandatory courses and training on occupational health and safety for each class of employee in accordance with the activity exercised (Regulatory Norms NR-10, NR-33, NR-35, among others). The company also offers courses compatible with the employee's job. As the average age of employees is low, pre-retirement courses are currently not provided.

Evaluation of executives and managers, calibration committees and succession plan GRI 4.7 | 4.10

CPFL Energia also undertakes a process of evaluation of executives and managers, calibration and success plan. The aim is to achieve a more consistent and transparent evaluation of executives and managers to ensure the right competencies are in the right positions. This evaluation includes the views of an outside consultancy as well as the individual's manager and peers as part of the process of identifying and developing successors for a given position.

In addition, the Company plans to restructure the career planning process, including and con-

solidating tools such as evaluation of performance, feedback and in-house recruiting as well as providing the employee with information on what is required for developing his professional career in the company.

Personal Value Program

Launched in 2001, the Personal Value Program is responsible for the management of employee and leaders' performance. The system allows the tracking of employee performance, provision of feedback, preparation of the Individual Development Plan (IDP) and the monitoring of targets related to the company's and area's strategic objectives. Targets must be specific, measurable, viable, focused on results and chronologically arranged.

The self-evaluation prepared by the employee is seen by his immediate superior who will evaluate the competencies and targets and give his feedback on the individual, highlighting strengths and aspects to be developed. The immediate superior also has to consult the individual's peers and in-house clients to ensure a comprehensive evaluation. As from 2014, performance reviews will be conducted using the SAP/HCM system.

All employees receive feedback regularly on their performance and career development. In 2012, out of CPFL's 5,825 employees, 5,677 (97.5%) received an analysis of their performance and targets for the next appraisal period. The CERAN Plants and CPFL Renováveis completed performance evaluations for all their employees. Currently, Foz do Chapecó has no procedures in place for performance reviews although these are to be implemented in 2013 jointly with a job and wage plan. GRI LA12

Average hours of training per year GRI LA10

CPFL

Functional category	Total (man hours of training)	Average
Operational	132,852	30.11
Leadership*	3,535	12.85
Others	572,419	74.01

* The following are considered leaders:
- Formal technical level leaders
- Superior level leaders
- Level 1 Manager (of a department)
- Level 2 Manager (of a division)
- Officers
- CEOs
- Vice Presidents
- Various informal leaders (with more than four people in the team)

The CERAN Plants conducted 2,542 hours of training in 2012, 2,301 (50.02 hour/man) for operational employees and 241 (14.17 hours/man) for the employees in the administrative category.

At the Foz do Chapecó plants, 1,446 hours of training were given in 2012, 1,232 (32.8 hours/man) for operational employees and 214 (53.5 hours/man) for employees in the administrative category.

A total of 15,556.8 hours were dedicated to training at CPFL Renováveis – an average of 53.31 per employee. A new training system is to be implemented in 2013 which will permit more detailed management of data.

6.3.1.3 Health and Safety

Employee safety and quality of life constitute one of CPFL Energia's business principles, with the Group continually acting to minimize risks associated with its activities and ensure the integrity and wellbeing of people. Preventive health and safety initiatives undertaken by the Occupational Safety Engineering, Occupational Medicine and Quality of Life areas of the companies go beyond what is required by the legislation. They represent a benchmark for best practice in the electric energy sector and include advisory services to contracted companies for improving the occupational safety of outsourced employees.

Raising awareness of accident prevention is the objective of a series of actions in relation to occupational safety aspects of the Quality of Life Program. Among the actions, of particular importance are training, the weekly or daily occupational safety dialog, the program for prevention of occupational risks and the use of individual protection (IPE) and collective protection (CPE) equipment.

Laboratory examinations are offered for direct employees annually to detect chronic illnesses and to provide important input for planning preventive health campaigns. The Company stimulates members of the Internal Accident Prevention Commissions to increase employee awareness through the dissemination of occupational safety practices, healthy habits and promotion of quality of life with training, talks and workshops, among other initiatives.

All these efforts contribute further to the reduction in costs since they mitigate work-related operating risk as measured by the Work Environment Risks and Accident Prevention Factor indices. These indices in turn determine the rate payable by the company to the pension scheme: the greater the risk of the economic activity, the greater the rate. CPFL Energia has been reducing the value paid in this respect since 2010 with savings of R$ 912,525.00 in 2012.

Representation on occupational safety and health committees

GRI LA6

The Internal Accident Prevention Commissions (CIPAs) of the CPFL Energia Group's companies play an active role in the occupational safety and health programs.

CPFL Energia has 49 Internal Accident Prevention Commissions with a total of 383 members in the following companies: CPFL Paulista, CPFL Piratininga, RGE, CPFL Santa Cruz, CPFL Brasil, CPFL Geração, CPFL Jaguari, CPFL Mococa, CPFL Leste Paulista, CPFL Sul Paulista, CPFL Atende (Ourinhos and Araraquara), CPFL Serviços and Nect.

CPFL Energia's CIPAs held 1,728 ordinary meetings (between 2010 and 2012) and 3 extraordinary ones.

In addition to the CIPAs, CPFL's collective bargaining agreement calls for a specific commission for handling occupational health and safety issues.

The Barra Grande Plant (BAESA) does not operate a formal committee related to the health and safety area. Within the environmental management system, a continuous improvement team takes part in surveys and supervision and assists in the administration and preparation of the norms and programs which can directly or indirectly impact aspects of occupational

health and safety. The objectives of the Sol Program (Safety, Order and Cleanliness) also focus on these aspects.

Among the CERAN Plants, there is a CIPA at the Monte Claro Plant and a CIPA representative at other plants and at the headquarters. In addition, an operational health and safety management leader in the Integrated Management System interacts with all managers and employees on safety and health matters. The company also has an emergency group with 22 members. All employees are represented in formal occupational safety and health committees.

In addition to the CIPA, the Foz do Chapecó Plants' employees have the benefit of an occupational safety and health technician. The company also has an emergency group with ten members. All employees are represented in formal occupational safety and health committees.

CPFL Renováveis has an Internal Occupational Safety and Health Committee (CISSO) which meets every month and involves the various facets of the company (work in progress, administrative and operations). Representatives of the employees and outsourced personnel take part in the CISSO activities. The company also operates an Integrated Management System Committee as well as CIPAs in a number compatible with the degree of risk of the companies' activities and businesses.

Work-related injuries, sickness and fatalities GRI LA7

Company		2012	2011
CPFL Energia	FR	1.8	2.72
	DS	415	1,401
	Direct fatalities	1	3
	Out-sourced fatalities	2	6
RGE	FR	1.68	2.39
	DS	44	113
	Direct fatalities	0	0
	Out-sourced fatalities	0	2
Paulista	FR	0.85	2.72
	DS	1,074	2,137
	Direct fatalities	1	2
	Out-sourced fatalities	1	2
Piratininga	FR	3.25	0.87
	DS	134	63
	Direct fatalities	0	0
	Out-sourced fatalities	1	1
Jaguariúna*	FR	1.67	0
	DS	75	0
	Direct fatalities	0	0
	Out-sourced fatalities	0	1

Santa Cruz	FR	0	3.8
	DS	0	11,640
	Direct fatalities	0	1
	Out-sourced fatalities	0	0

*Jaguariúna includes the companies CPFL Jaguari, Sul Paulista, Leste Paulista and Mococa.

Frequency rate: represents the number of accidents in relation to a million man/hours worked (106 x the total number of accident cases divided by the total man/hours worked).

Degree of severity: represents the seriousness of the injury, that is "non-productive time" in relation to one million of man/hours worked (106 x total number of days lost + total number of days debited divided by the total for man/hours worked).

The health situation of the Group's employees is accompanied by the results obtained from the periodical examinations (PCMSO).

Other companies

In 2012, there were no records of work-related sickness or fatalities at CPFL Renováveis, Usinas CERAN, Campos Novos (ENERCAN), Barra Grande (BAESA) and Foz do Chapecó. CPFL Renováveis reported an accident without time off work. At Foz do Chapecó, there was a 1.8% injury rate.

In 2012, two work-related accidents were reported at the 14 de Julho (CERAN) Plant: one with an employee (technician mechanic) during the removal of a cofferdam gate and another involving a member of the outsourced security guard team. At Foz do Chapecó, there were three work-related accidents involving company employees and one with an out-sourced employee.

Occupational safety and health clauses in collective bargaining agreements

GRI LA9

CPFL

All the companies have occupational health and safety clauses in their respective agreements.

Ceran and Foz do Chapecó Plants

The Collective Agreement incorporates medical and dental care, nutrition, transportation, life insurance items among others.

The intention at the Foz de Chapecó Plant is to obtain certification in 2013 and for this purpose, work on implementing the Integrated Management System (IMS) began in 2012. BAESA has OHSAS 18001 certification and ENERCAN has completed the implementation of the system with audit certification expected for 2013.

CPFL Renováveis

The Collective Bargaining Agreement provides for health insurance and free medical care for all employees and dependents. The company also runs an Occupational Health and Safety Management System, certified according to OHSAS 18001 standards, which evaluates all possible employee risks at work. When an accident or incident occurs, the company begins an analysis of the event immediately with the objective of implementing corrective and preventive actions.

Quality of Life Program

GRI LA8

CPFL Energia's Quality of Life Program offers a series of activities for promoting the physical, mental and emotional wellbeing of its employees, notably in the form of actions for promoting health, prevention of sicknesses, control of risks in the workplace and accident prevention.

Actions for promoting emotional health include cinema sessions, talks during Internal Accident Prevention Weeks and the Speak to Me Program, a psycho-social support service to assist with employees' personal problems, typically those of a legal, financial, psychological or social nature.

The Company also encourages participation in prevention campaigns involving donation of blood, physical fitness programs and sporting competitions as well as initiatives for promoting health such as periodic medical tests, vaccinations and medical and dental assistance.

More information on the program can be found at: www.cpfl.com.br/qvida/

The CERAN and Foz do Chapecó plants' CIPA holds talks on themes related to health such as sexually transmitted diseases and preserving auditory quality.

6.3.1.4 Labor Union Relations

CPFL Energia respects the right of employees to freedom of expression and representation, such as participation in the Employee Representative Council (ERC) and the right to labor union membership.

The Company recognizes the labor unions as legal and legitimate representatives of its employees and as conduits for making claims. The Group maintains regular Collective Bargaining Agreements with the unions and agreements between the companies and unions representing employees cover all Group professionals. GRI LA4

CPFL Energia's collective bargaining agreement and internal policies do not allow minimum notice periods ahead of operational changes. In the case of CPFL Renováveis, when there are situations of change, the company always negotiates with the employees and with the Human Resources area so that there is no impact on internal processes and on the day-to-day activities of the employee. GRI LA5

6.3.2 Community

The full spectrum of CPFL Energia's operations produce a series of impacts on the communities with which the company relates. Such impacts are managed through programs and initiatives described below, the programs being designed to promote sustainability and a responsible relationship with the community and the environment.

6.3.2.1. Energy Efficiency

GRI EN6 | EU7 | EU19 | EU23

Investments in energy efficiency programs are enshrined in the electric energy sector's regulations. These programs involve the implementation of projects in residential communities, public organs and industries with the focus on optimization of energy systems, combating energy waste, dissemination of the precepts of rational and safe use of electric energy and the replacement of obsolete equipment for more efficient models, seeking to innovate in processes, products and technologies.

In this way, benefits accrue to society as a whole. Inefficiencies in the system are mitigated and consequently, the socio-environmental impacts such as emissions of pollutant gases, movements and impacts on biodiversity due to the new projects. On the company side of the equation, there is a reduction in energy consumption, principally during peak periods, thus minimizing the need to allocate fresh resources for expanding infrastructure.

CPFL Energia's energy efficiency program is designed to meet the requirements of all market segments and to offer products and services to improve customer satisfaction and loyalty and to further enhance the Company's image.

The Group's energy efficiency program includes the Low Purchasing Power Consumer Service Project. This project includes actions for regularizing connections, substitution of refrigerators for more efficient equipment, switching of electric showers for more efficient technologies, upgrading of internal electrical installations and the replacement of incandescent light bulbs for compact florescent lighting.

Program resources are also allocated to courses on the rational use of energy for customers and teachers and the rationalization of energy consumption for low income customers in areas of reduced purchasing power.

The discos also implement energy efficiency projects at industrial installations and water supply utilities.

In 2012, the highlight of CPFL Energia's Energy Efficiency Program was the achievement of all 24 objectives set for the eight distribution companies. The targets included the investment of 0.5% of net operating revenue to the energy efficiency program, the allocation of 60% of the program's resources to projects involving low income segments of the population and the maintenance of the energy efficiency account balance within the limits permitted by ANEEL.

These activities are reflected in the R$ 59.73 million financial revenue accruing from energy efficiency of 33,309.31 MWh/year to the benefit of 54,369 customers in the Group's eight distributors' concession areas.

Further important events in the energy efficiency segment include the implementation of the Caravana RGE and CPFL in the Schools educational projects. Equipment was also purchased for the LED traffic lights to be installed in 2013 in certain cities where CPFL is located to replace conventional traffic signals.

During the year, CPFL Paulista was winner of the 20th National Electric Energy Distribution Seminar with the Energy Efficiency in Industry work done at 3M in Ribeirão Preto (SP).

The program's challenges for 2013 include distributor compliance with the new Energy Efficiency Manual, increased inspection of energy efficiency work, the computerization of the management system and the technical training of the energy efficiency team.

Principal projects

CPFL in the Community & RGE in the Community

A project common to all of CPFL Energia's distributors, the CPFL in the Community and RGE in the Community projects undertake the regularization of electric installations in low-income communities (enrolled in the Federal Government's social programs) and the substitution of light bulbs and refrigerators, installation of solar heaters and equipment which reduces the power consumption of shower heads and the internal upgrading of electrical installations.

Thanks to these customer regularization initiatives, the company was able to recover revenue of R$ 137,622.00 in 2012. Again, during the year, the Group ran training courses for electricians as well as educational events in the communities.

Educational projects

Equipped with mobile units (trucks), CPFL's in the Schools and RGE's Caravana projects train teachers and increase student awareness of the rational use of energy.

In 2012, CPFL Energia's projects were responsible for raising the energy efficiency of all state level public schools, technical schools and state technological faculties (Etecs and Fatecs) and some municipal schools in the distributors' concession areas. Light bulbs and lighting generally were replaced in the classrooms and administrative areas resulting in improved illumination.

More information on CPFL Energia Group's energy efficiency initiatives is available at: www.cpfl.com.br/canaldaenergia.

6.3.2.2 CPFL Cultura

CPFL Energia is broadening its relations with the community through CPFL Cultura, a cultural program designed for the organization of knowledge and reflection on the challenges and opportunities of the contemporary world. Among such challenges are the development of more sustainable and inclusive societies, climate change and global warming.

CPFL Cultura's diversified program of talks, debates, film, theater and art exhibitions brings artists, intellectuals and specialists together with different audiences for discussion of the leading themes of the moment.

These meetings have given rise to cultural products such as the televised series 'Coffee with Philosophy' and 'Invention of the Contemporary', shown on TV Cultura and through digital platforms. CPFL Cultura also sponsors a weekly radio program on erudite music and produces documentaries based on debates and talks on the environment, health, the family, education, youth, cyber-culture etc.

In 2012, its free programming of visual arts exhibitions – some of them in partnership with the state of São Paulo's Pinacoteca (Art Gallery) – and onsite meetings with online broadcasts, were all focused on pivotal themes of the contemporary world for the period from 1912 to 2012, associated with the commemorations of the Company's centennial year. In addition, 2012 was memorable for the Company's "100 years of history and energy" and its book catalog, the "100 years light" documentary, the book "100 years of history and energy" and the "100 years of sound and light" show and DVD – all special products for CPFL's centennial year. More than 44 thousand people (20 thousand in Campinas and 24 thousand in São Paulo at the Pinacoteca) took part in CPFL Cultura's activities in 2012. The TV programs, documentaries and audio-visual products aired during the year are available from the site www.cpflcultura.com.br.

6.3.2.3 Access Initiatives

GRI EU23 | EU26

RGE completed all the 3,062 connections planned for the 2009 – 2012 period, complying with the Federal Government's Light for All Program's targets with respect to the universal access to electricity in its concession area. All the other distributors in the CPFL Group, with the exception of RGE, had achieved their universal access targets by 2011.

6.3.2.4 CPFL Philanthropic Hospital Modernization Program

GRI SO1

CPFL's Philanthropic Hospital Modernization Program aims to upgrade the administrative performance of the philanthropic hospitals served by CPFL Energia's distributors in the state of São Paulo and improve the services provided to the community. In 2012, the program's 3rd stage was launched covering 28 cities in the Campinas and São José do Rio Preto areas and benefiting 40 philanthropic hospitals (private entities with at least 60% of their patients being treated through SUS – the federal healthcare scheme). A total of R$ 1.3 million will have been invested in the program by 2014.

6.3.2.5 CPFL Volunteer Program

In 2012, for the second time, CPFL's volunteer workers took part in the Camargo Corrêa Group's annual Doing Good Day where employees, family members and partner companies are invited to do voluntary work. In 2012, this involved the mobilization of 1,500 people in 21 municipalities, benefiting 25 institutions. Another important event in the Volunteer Program's calendar of events was the Winter Clothes Campaign which collected three thousand items of clothing in 38 cities and donated to 20 welfare entities.

The benefits from the volunteer program are appreciated not only by those targeted through its initiatives but also by those who practice them and by the Company itself. The involvement of the employees in this context contributes to personal wellbeing, reducing stress, motivation and pride in belonging as well as improving integration with colleagues at work. Additionally, through the practice of volunteer work, professionals develop competencies such as commitment, team work and respect for diversity, all of which can also be applied to the corporate reality.

6.3.2.6 Support for Municipal Child and Adolescent Rights Councils (CMDCA)

In 2012, the CPFL Energia Group companies allocated a total of R$ 2.1 million to supporting the Municipal Child and Adolescent Rights Councils. The resources were allocated to 89 projects for supporting children and adolescents in 58 municipalities in the concession area. This year, the Employee Godparents campaign was launched to support the in-house dissemination of the program and the voluntary work of employees on the various projects.

6.3.2.7 Impact of Operations

GRI SO1 | EU18

In addition to involvement, relationship and efficiency initiatives, the CPFL Group's companies undertake impact evaluations and implement a series of programs with local communities where their distribution and generation businesses are located.

The research and development projects, principally those relating to distribution, must necessarily take into account the impacts on the community, contribute to consumer satisfaction and improve daily lives.

Prior to formalizing a project, the socio-environmental impacts for the company, employees and consumers are examined and contingent on the results of this analysis, the project may be taken forward or not.

CPFL's policies for recruitment and selection place great emphasis on local labor and diversity, particularly people with special needs. In the case of termination of an employment contract of an employee with special needs, he must by obligation be replaced by another with similar characteristics.

The Company also offers free training to the local community through the Electricians' School established in 2012, offering students the possibility of eventual hiring. Jointly with SENAI, the company trains young people to be electricians helping them to take up their first job in the labor market.

Displacement of people and indemnification

GRI EU22

In the distribution and transmission segment, private land is expropriated to allow for power lines although without involving the removal of people. Transmission lines (towers) which cross private property are subject to right-of-way easement agreements whereby the landowner authorizes the line's trajectory.

In some cases the land involved may become government property. In the case of distribution lines (poles), authorization is obtained for the line to be built but the area continues to be in private ownership. An agreement is signed with each owner where there is movement of employees across private property.

Resettlement programs

GRI EU20 | EU22

For local communities, the installation of generation projects with the formation of reservoirs and the construction of plants has a high social, economic and environmental impact. The Company undertakes programs specifically directed to people and communities where resettlement is required. These programs also involve psycho-social monitoring.

Be they in areas affected by the work site or the reservoir, the indemnification process of the properties which must be expropriated seeks to compensate the families involved for the value of their properties, this also taking into account social considerations.

The starting point for an expropriation process is a socio-economic study of the area known as a socio-economic inventory - showing the identity and the way of life of these families and establishing guidelines to be followed to reach the best form of compensation.

At CPFL Energia where they are incorporated under the CPFL Renováveis subsidiary, small hydroelectric power plants are characterized by the flooding of only small areas and in the majority of cases, without affecting production standards of the properties involved or requiring the need for removal of the families. However, cases may arise where

removal to other areas is required. In the case of wind and biomass projects, there are no impacts involving the removal of people.

In 2012, there were no programs for resettling families and communities, this process having been concluded in previous years.

Procedures in case of emergencies

GRI EU21

The CPFL Group's distributors have contingency plans for handling emergency situations with a trained team ready to go into action. The Company also undertakes the training of Call Center and Operations Center personnel as well as external teams.

The process for handling emergencies adheres to a technical norm which sets out general procedures and responsibilities as well as establishing the necessary resources for restoring the electricity network at various levels of emergency irrespective of the causes (natural climatic, environmental, social factors, vandalism or any other reason where the quality of the energy supply must be ensured).

Communication and prevention of accidents in the community

GRI EU25

CPFL holds its External Week for Prevention of Accidents with Electricity (EWPAE) every year. The purpose is to disseminate information on the safe use of energy and security measures where children and the electricity network are concerned. The event provides a series of activities (talks, distribution of didactic material and the showing of videos) held in schools and associations.

In 2012, 59 accidents were reported involving CPFL distributors. No accidents were recorded during the year at the generating plants (Barra Grande, Campos Novos, CERAN, Foz do Chapecó, CPFL Renováveis).

	Fatal		Serious		Slight		Total	
Company	2012	2011	2012	2011	2012	2011	2012	2011
Paulista	11	7	9	6	11	10	59	40
Piratininga	5	2	12	3	4	0		
RGE	1	1	0	0	3	8		
Santa Cruz	0	0	1	2	0	0		
Leste Paulista	0	1	1	0	0	0		
Sul Paulista	1	-	0	-	0	-		
Total CPFL Energia	18	11	23	11	18	18		

6.3.3 Suppliers

CPFL Energia invests in various relationship initiatives to ensure alignment of suppliers with the business principles of the Company.

The Group employs various initiatives for interacting and promoting the concept of sustainability with the supplier. Among these is the Jornal do Fornecedor (Suppliers Newspaper), a monthly bulletin with information of interest to the suppliers as well as news on CPFL Energia. Other vehicles are the Value Network and the CPFL More Value Award.

In 2012, the Company also used the Occupational Safety Workshop to engage with these stakeholders as a means of improving actions related to health, safety and the environment.

Over the next few years, the CPFL Energia Group's challenges are to promote greater supplier engagement and adjust the hiring of suppliers and supplies to eventual changes proposed by the regulator for both distributors and generators. Associated with these challenges are laws and bills tabled on socio-environmental legislation involving integration between government, the regulator and the concessionaires.

Value Network

CPFL Energia disseminates concepts of sustainability in the supply chain through the Value Network. This is a suppliers' forum formed for building up knowledge and developing and sharing sustainability solutions with participating companies.

In 2012, CPFL Energia began studies for reformulating the scope of the program, the focus being on the handling of important themes and critical situations experienced by suppliers. The purpose is the management and the minimization of identified socio-environmental risks along the Group's supply chain although this fresh initiative does not exclude previous practices of dissemination, reflection and exchange of experiences.

In this way, the CPFL Group will be investing in greater integration between its various internal entities in order to jointly evaluate the Integrated Management System (IMS) with eventual resulting changes to the format of the Value Network.

The new proposal seeks a more effective development of suppliers with a more hands-on approach through direct action on socio-environmental problems which are identified at suppliers and deemed key or critical to the company's businesses. The suppliers with whom problems have arisen are requested to take part in the Value Network.

CPFL More Value Award

In 2012, CPFL Energia ran its sixth version of the CPFL More Value Award which is an incentive scheme for encouraging suppliers to seek excellence in quality, delivery, safety, the environment and social responsibility. The award also endeavors to enhance alignment with CPFL's vision, mission, principles and ethics.

Again during the year, the award began to be used as a vehicle for recognizing suppliers with the best sustainability practices based on Ethos Institute indicators.

For suppliers to compete in this new category, they should have been among the most representative in terms of CPFL Energia's business volume (90%) in 2011; should have regularized registration documentation; should not have reported any environmental, social and occupational health and safety irregularities in the past three years; and should have answered the Ethos Corporate Social Responsibility Indicators questionnaire in full and on time.

Improvements in supplier selection processes and criteria

Consultation of the Transparency Portal in the process of registration and renewal was a highlight of the company's supplier selection process in 2012. This is a database maintained by the Government, consolidating a list of companies and private individuals that have been subject to sanctions and thus restricting their participation in government tender bids or in the signing of agreements with public entities.

Another important initiative was the change in supplier engagement criteria, incentivizing purchases from equipment manufacturers registered with FINAME (the BNDES Agency for Machinery and Equipment Financing).

In 2013, the Company is planning to improve its supplier classification criteria. This will allow a more suitably focused approach to hiring suppliers since it will include the scope of supply and relative strategic importance.

Hiring of locally-based suppliers

GRI EC6

There is no formal policy on the proportion of expenditure on inputs from local suppliers. However, 99.83% of outlay to suppliers by value went to locally-based companies in 2012. CPFL incentivizes Brazilian suppliers registered with FINAME/BNDES and permits partial deliveries (more appropriate to local suppliers).

The Barra Grande, Campos Novos, CERAN and Foz do Chapecó plant subsidiaries prioritized purchases from locally-based suppliers.

CPFL Renováveis's Suppliers' Management and Purchases Policies support and provide guidance on the supplier contracting process. There is no obligation or stipulation on dealing with specific suppliers in relation to origin, headquarters or domicile.

Human rights

GRI HR1 | HR2

In 2012, CPFL had a roll call of 252 significant suppliers with ongoing contracts. Based on the company's Integrated Management System, evaluation visits were made to 25 companies – that is 9.9% of all significant suppliers. None of the evalua-

tions revealed problems of a human rights nature.

At the CERAN, BAESA, ENERCAN and Foz do Chapecó plants, the subsidiaries require proof from suppliers of compliance with labor obligations (registration, individual protection equipment - EPI information file, payment of FGTS (Government Severance Indemnity Fund), debt clearance certificate from the government social security institute (INSS). At the Barra Grande plants (BAESA), all supplier agreements are examined for adherence to legal and normative requirements with respect to safety, prevention of risks and the wellbeing of employees.

Freedom of association or collective bargaining

GRI HR5

CPFL has not identified among its suppliers any cases in which the rights of the employees to freedom of association or collective bargaining are at risk. All centralized agreements require conformity with CPFL Group's Code of Ethics.

The Integrated Management System's evaluations also incorporate criteria on freedom of association and collective bargaining. Where suppliers account for 80% of the purchased volume, the company requests a letter of compliance stating fulfillment of SA8000 (Social Accountability 8000 requirements, international social responsibility certification focused on employees' rights).

In 2012, CPFL Renováveis expanded the relationship with its partners in the supply chain to map, identify and allow greater control over components most critical to social, environmental and labor issues.

Combating of child labor and forced labor or analogous to slave labor

GRI HR6 | HR7

No suppliers of the CPFL Energia companies were identified as presenting a risk of child labor and/or young employees being exposed to dangerous work or forced labor or analogous to slave labor. All centralized agreements carry clauses combating child or slave labor in conformity with the Group's Code of Ethics.

Occupational health and safety of outsourced and subcontracted employees

GRI EU16

All direct employees at the Barra Grande and Campos Novos plants receive in-house training through an induction process and completion of the Preliminary Risk Analysis (APR) as well as external training in compliance with regulatory norms.

At CERAN and the Foz do Chapecó plants, training in Occupational Health and Safety (OHS) is controlled and obligatory for every class of employee. Outsourced workers are included in the critical suppliers classification subject to the items in OHS training while others are classified in accordance with the activity undertaken.

CPFL Renováveis manages its employees, outsourced employees and other service

providers through various technical instructions, management procedures, integrated management policies and operational forms which can be accessed directly through the quality network and are constantly updated.

All employees, outsourced employees and other service providers to CPFL Renováveis are evaluated annually through the Occupational Health and Medical Control Program. The environmental workplace risks are also evaluated annually under the Environmental Risk Prevention Program. No work can begin until outsourced workers have been evaluated by the technical group and received induction training which provides information on the risks of their activity at the company.

Days worked in construction, operation and maintenance

GRI EU17

Control of man hours worked of outsourced and subcontracted employees exposed to risks of an electrical and construction nature and other activities at the Barra Grande and Campos Novos plants is made on the basis of statistical data sent to the COGE Foundation. The plants reported 252,049 and 200,690 man hours worked in 2012.

At the CERAN plants, it is estimated that outsourced employees worked 230 days on activities in support of maintenance crews, diving services, services for cleaning plant water intake systems, substation maintenance, repair of civil structures (slopes and embankments) and vegetation maintenance along transmission line rights of way. Outsourced employees worked 59 days at the Foz do Chapecó plants and 6,652,800 days at CPFL.

Occupational health and safety training

GRI EU18

In October, 2012, CPFL held the first Occupational Safety Workshop, the objective being to improve initiatives in occupational health and safety and the environment. Representatives from 25 companies from various supplier segments were present at the event at which topics such as the nature of accidents, safety legislation, environmental management and the responsibility of contracted companies were discussed.

ENERCAN (Campos Novos) has an annual training schedule for meeting all regulatory norms. All outsourced and subcontracted employees took part in the Health, Safety and Environment induction process and the Completion of the APR. At the CERAN and Foz do Chapecó plants, all outsourced employees underwent training as required by the regulations for their respective activity. At CPFL Renováveis, all direct contracted and outsourced employees are submitted to occupational health and safety training.

6.3.4 Clients

CPFL Energia ensures the quality of customer service through the continual training of service representatives, the constant monitoring of the electric energy service, customer satisfaction surveys by external and independent organizations and the auditing of critical processes.

Among important events in the customer relationship area in 2012 were the implementation of the new commercial system (CCS) at CPFL Jaguariúna, the beginning of customer service via smartphone and social networks (Twitter and Facebook) and the dispatch of energy bills via e-mail.

Another key highlight was the IASC (ANEEL's Customer Satisfaction Index) 2012 Award won by the CPFL Santa Cruz distributor in the South and Southeast Regions category for companies from 30 thousand to 400 thousand consumers. The award reflects the residential customer's perception of the quality of services provided.

Despite having a competitive advantage with the integrated commercial system, the principal challenge in 2012 for the customer relationship areas was to comply with the deadline for implementing ANEEL's new norms such as Resolution 414.

The resolution requires a personal service facility be made available in all municipalities in which the Company operates. In cities with more than 10 thousand customers, the Company has opened its own offices. In those where customer numbers are lower, service is provided through partners. The company has plans to gradually ramp up its own proprietary customer assistance offices.

The Company also invests in the development of systems and training of teams to provide explanations to customers on other regulatory changes that will make the understanding of the energy bill more complex as from 2013. Among the changes is information on the tariff breakdown with the adoption of tariff flags in green, yellow and red (showing differentiated values of energy), and the detailing of what is paid such as the Tariff for Use of the Distribution System (TUDS).

Another necessity will be to clarify the tariff revision to customers with the possibility of customers who micro-generate energy from wind and solar sources selling surpluses to the energy grid.

Consumers' Councils

GRI EU20

The CPFL Energia Group companies also relate to their customers through the Consumer Councils, instituted and regulated under ANEEL Resolution 451/2011. The councils represent classes of residential, industrial, commercial, rural and government consumer units.

The councils are of a consultative nature and designed to guide, analyze and assess questions linked to the supply of electric energy, and tariffs and fine tune services provided to the consumer.

In July and August, 2012, the distributors held public hearings so that the entities could appoint effective councilors and their alternates, these taking office at the beginning of October for the 2012-2014 period.

The distributors' Consumer Councils include representatives from the State of São Paulo Federation of Industries (FIESP), the State of São Paulo Federation of Agriculture (FAESP), the Commercial Federation (FECOMERCIO), city district associations and rural producers associations, the São Paulo Municipalities Association (APM) and the Consumer Protection Agencies (PROCONS) of Campinas and São Paulo.

The Consumer Council participated actively at the public hearings and meetings during CPFL Piratininga's tariff revision process, presenting suggestions for tariff moderation. The tariff revision cycle for CPFL Paulista began in December with the participation of the Council at an onsite meeting with ANEEL.

6.3.4.1 Service Channels

In 2012, the company upgraded its relationship channels to serve customers more quickly, safely and in a user-friendly manner. This process of enhancing channels included greater use of social networks such as Twitter and Facebook with monitoring through real time service and with specialized analysts.

Customers have also begun to enjoy the benefits of interactive and webmobile (internet by cell phone) assistance with seven services now available: notice of energy outages, consultation of debits, duplicate billing, reconnection, registration of automatic debit, registration of an account by e-mail and repairs to public lighting.

CPFL also has launched a service via SMS notifying customers about scheduled disconnections, cancelation of disconnections, energy outages, bar codes for payment and collection processes.

In order to facilitate the relationship with the client and access to information, we give prominence on the home page of our website to services provided including other new ones being implemented as well as details on registration of accounts via e-mail and notices on energy outages. The service via website processed 12.2 million requests in 2012, more than the 4.5 million dealt with face-to-face at the company's branch offices.

In 2012, CPFL Energia allocated investments to reducing the number of repeat calls and calling time spent with the Call Center. The growth in online use has enabled costs of customer service to be reduced with contacts made electronically now representing 50% of the total.

The CPFL Group works two call centers 24 hours a day, seven days a week in order to render a customer service of the highest caliber. In 2012, the call centers handled approximately 12 million calls.

The company invests in initiatives to reduce access barriers (related to language, culture, education). At some plants, there are adaptations for those with special needs and there is Braille identification.

Access barriers can also be mitigated through the relationship channels, the community

agent (for the Energy Efficiency program) and by the exclusive 0800 toll free number for those with a hearing deficiency. The Complaint Handling Process is ISO 9001 certified. GRI EU24

In 2012, CPFL began the option of sending electricity bills to its consumers by e-mail, so reducing the use of paper. The company estimates that for every 100 thousand bills that cease to be printed, ten trees fewer need to be felled. Consumers are now able to access their account by a link which is sent by e-mail. In early 2013, about 80 thousand customers had already signed up to this option.

6.3.5 Shareholders and Investors

CPFL Energia takes specific initiatives to develop its relationship with the investing market through its channels of communication and participation in various events such as investor meetings, Association of Capital Markets Analyst and Professionals (APIMEC) forums, conference calls and webcasts for disclosure of results, investors day activities and meetings with institutional investors.

The commitment to sustainability of CPFL Energia and its controlled companies is also widely perceived and recognized in the capital markets. For the first time in 2012, CPFL Energia became a component of the Dow Jones Sustainability Index, in the emerging markets portfolio (DJSI Emerging Markets). Out of a total of 800 companies located in emerging markets and eligible to participate in the DJSI Emerging Markets, 69 were identified as leaders in sustainability in their respective sectors of operations and selected to be part of the first portfolio of this new stock index. Additionally, CPFL was included as a component in BM&FBovespa's Corporate Sustainability Index for the 8th consecutive year and is one of the 12 companies which has been a constant feature since the stock index's inception in 2005.

Valid from January 2, 2013 to December 31, 2013, the portfolio is made up of 37 companies from 16 sectors, which in November, 2012 had a joint market value of a little more than R$ 1 trillion, equivalent to 44.81% of the total value of companies listed in the BM&FBovespa.

Communication channels

The Company provides a series of relationship channels for shareholders and investors:

- Investor Relations website – www.cpfl.com.br/ri
- E-mail: ri@cpfl.com.br
- Shareholders and Investors Services Communication Channel (Personal Investors): 55 (19) 3756-8895 / 3756-6082
- Market Analysts and Institutional Investors Communication Channel: 55 (19) 3756-6083 / 3756-8887
- Publications sent by e-mail and available off the website: Fact Sheet (quarterly) CPFL Investor newsletter (bi-monthly)

6.3.6 Government

CPFL Energia has a comprehensive structure for dialog and meeting the requirements of different areas of government. The relationship with government and the regulators is essential if the Company is to keep track and participate in the processes of Brazil's energy planning.

The company's account managers make up a team dedicated to the relationship with city governments and state-owned companies served by CPFL Group's distributors.

The Regulatory Affairs Department is responsible for coordinating all regulatory activities (inspection, public hearings, tariff adjustments and revisions, etc.) and for compliance with the requirements of the concession agreements and sector legislation. It also promotes institutional relations with government entities, electricity industry associations and regulatory bodies at both federal and state level.

The Corporate Communications and Institutional Relations Department is responsible for building relationships with the Group's strategic stakeholders (state and municipal governments, regulators, opinion formers, civil society organizations, associations and public universities) through institutional and governmental relationship activities.

The CPFL Group's office in Brasilia is responsible for institutional and governmental relations and is staffed by personnel from the Regulatory Affairs and the Corporate Communications and Institutional Relations departments. The office exists above all to establish relationships with authorities from the executive and legislative branches, those responsible for formulating public policies, the press, and the regulator.

CPFL Energia endeavors to maintain a permanent interface with the main entities involved in the electric energy sector:

- Ministry of Mines and Energy (MME)
- Environment Ministry (MMA)
- National Electric Energy Agency (ANEEL)
- Energy Research Company (EPE)
- Electric Energy Commercialization Chamber (CCEE)
- National Electric System Operator (ONS)
- São Paulo State Sanitation and Energy Regulatory Agency (ARSESP)
- Rio Grande do Sul State Delegated Public Services Regulatory Agency (AGERGS)

The Company also plays a leading role in class associations for assisting in government decision-making:

- Brazilian Association of Electricity Distributors (ABRADEE)
- Brazilian Association of Independent Electricity Producers (APINE)
- Brazilian Association of Electricity Traders (ABRACEL)
- Brazilian Wind Energy Association (ABEEÓLICA)

6.3.7 Environment

Permanent programs and environmental actions are designed to inhibit or mitigate potential risks to the environment in activities undertaken by the CPFL Energia Group companies.

Distribution and generation assets are subject to environmental licensing processes which include the preparation of environmental impact studies prior to the construction of installations and compliance with environmental requirements.

In the case of the construction of electricity generation units, environmental questions require special consideration. CPFL manages these issues according to the basic environmental needs of each location to ensure compliance with its environmental policies and obligations.

Decisions are taken by environmental committees in which each partner in the project and the environmental management divisions of each plant are represented. Additionally, the company supports local community programs which relocate rural families in collective settlements and provide for the institutional support of families involved in the conservation of the local biodiversity.

Environmental Management System: CPFL Energia adopts the Environmental Management System in all its businesses in line with ISO 14001 standards to facilitate compliance with the environmental legislation. The system ensures the identification, evaluation and updating of information with respect to the environmental laws and other requirements.

The Environmental Management System incorporates a series of procedures for identifying and handling possible environmental impacts. After mapping and recognition, the potential risks are permanently monitored through programs and environment-related actions.

The companies' processes and assets are evaluated annually, including practices such as the use of materials and natural resources, atmospheric emissions, effluent, waste and social impacts. In cases where risks are detected, CPFL Energia's companies evaluate the probability and eventual severity and these decisions are determinants for the preventive actions and controls adopted.

Each aspect and its respective environmental impact must be identified, registered and handled according to the requirements of the environmental certifications of the company's various business units. The generation and distribution units are subject to internal and external audits to check for conformity with ISO 14001 standards.

Alignment of environmental management: One of the important events of environmental management in 2012 was the extension of the methodology for monitoring environmental performance to areas of the companies that are not subject to certification but may represent a potential environmental risk. Santa Cruz and

Jaguariúna implemented the methodology already in 2011 although they are not certified. The initiative has already been extended to uncertified sites at CPFL Paulista, CPFL Piratininga and RGE.

In addition to being preventive, the measure seeks to align environmental management practices in all companies of the Group, anticipating a trend for increasing legal demands and requirements for environmental information. The initiative also allows on-site verification of the company's waste inventory as well as the identification of opportunities for improvement.

Environmental regularization: CPFL Energia began a far reaching and pioneering process of environmental regularization of all its assets in the state of São Paulo, including the licensing of more than 6,500 kilometers of transmission lines. While being a legal obligation, regularization is not deemed a priority by the environmental protection agency.

Among the licenses obtained in 2012, 2 were preliminary licenses (PLs), 12 installation licenses (ILs), 1 an operation license (OLs) and 9 authorizations for brush clearance for the construction of CPFL Paulista and CPFL Piratininga substations and transmission lines. RGE also received 3 PLs, 9 ILs and 2 OLs for the installation of substations and transmission lines.

Environmental emergencies company: Another event worthy of note in 2012 was CPFL Energia's engagement of a company specialized in handling emergencies. The company is staffed by prepared and technically trained personnel for avoiding, reducing or mitigating environmental aspects due to accidents. The company operates comprehensively across all areas of the CPFL Energia concession and is on standby 24 hours a day throughout the year.

Environmental insurance: In 2012, CPFL Energia became the first company in the electricity sector to take out environmental insurance with a coverage ceiling of R$ 2 million to guarantee financial resources in the face of situations involving major financial outlays for environmental control or compensation.

In the event of an eventual oil leak from a transformer for example, insurance contributes to the swift release of resources and consequently, the reduction in environmental liabilities and impacts.

Environmental kits: In 2012, the company acquired environmental kits for the control of minor accidents at Group distributors such as oil leaks from trucks or transformers. A total of 111 kits was allocated to Advanced Stations and a further 100 "autokits" for small pickup trucks and heavy goods trucks.

Noise measurement: During 2012, 339 substations and 142 advanced stations were measured for noise levels covering all Group distributors' plants in the states of São Paulo, Minas Gerais and Paraná.

6.3.7.1 Consumption of resources

Materials

The responsible consumption of resources is part of CPFL Energia's commitment to sustainability. GRI EN1

Materials used by weight or volume1[1]						
Year	Transformers for distribution (units)	Concrete poles (units)	Cables (m)	Cables (kg)	Meters (units)	Public lighting material[2] (units)
CPFL Paulista						
2012	14,919	113,265	9,383,628	584,123	380,373	502,338
2011	11,296	95,181	6,918,735	542,929	320,780	483,669
2010	8,725	69,277	5,937,099	472,892	275,097	597,320
CPFL Piratininga						
2012	2,377	15,743	3,265,223	77,249	157,574	150,100
2011	2,565	24,990	3,702,546	96,598	147,765	155,429
2010	3,198	22,155	5,514,040	176,528	136,864	170,505
RGE[2]						
2012	7,565	54,278	3,655,203	272,484	136,775	Notapplicable
2011	6,630	39,761	3,373,009	333,415	150,634	Notapplicable
2010	6,308	37,396	2,133,248	279,421	136,184	Notapplicable
CPFL Santa Cruz						
2012	774	2,607	282,906	81,393	11,559	28,720
2011	1,476	5,321	382,000	223,180	16,699	44,956
2010	638	2,708	250,021	119,148	19,415	20,403
CPFL Jaguariúna[4]						
2012	1,807	8,256	503,730	78,007	8,888	12,064
2011	1,885	10,189	717,327	71,635	13,386	18,282
2010	1,068	5,361	411,995	41,078	20,525	5,788

1. The table shows the principle items of inventory acquired by the company and representing 80% of the value consumed in materials. The materials shown are allocated to expansion and maintenance of the electricity network.

2. RGE does not execute services of installation and maintenance of public lighting. This activity is the responsibility of city governments which manage the acquisition and disposal of material resulting from their activities.

3. In 2010, CPFL Jaguariúna executed some work on installation and maintenance of public lighting. This activity was not performed previously.

This company includes the CPFL Jaguari, CPFL Leste Paulista, CPFL Sul Paulista and CPFL Mococa distributors.

Reverse logistics

CPFL Energia's distributors select material removed from its electricity system such as network transformers, meters and other equipment and recover it for reuse or as the case may be, correctly dispose of unserviceable materials (scrap).

The logistics unit operates out of the city of Rio Claro (SP) with 98 employees and a purpose-built truck fleet responsible for CPFL Energia's entire material recovery process and the sale of scrap.

Reuse contributes to the reduction in costs and in the consumption of natural resources and allows the traceability of recovered materials. Thanks to this process, in 2012, the company was able to recover 23% of all defective transformers taken out of service as well as 14% of meters.

Recovered materials from recycling GRI EN2	
Materials	Percentage
Meters	14
Transformers	23

Transformers which cannot be recuperated are dismantled to avoid reuse by third parties. Aluminum scrap is sold for the manufacture of kitchen utensils while wood is used for the production of furniture and fence posts. Damaged porcelain is sent for disposal in an industrial landfill.

Reverse chain numbers – CPFL Energia Group				
Equipment	2010	2011	2012	Unit
Lighting	37,670	20,280	29,767	Part
Light bulbs	263,652	198,991	153,234	Part
Wooden cross arms	58,184	93,575	179,220	Part
Poles (concrete and wooden)	25,280	45,583	124,821	Part
Transformers	1,721	4,102	6,481	Part
Other materials	3,757	7,677	10,028	Tons

RGE has run a reverse logistics operation since 2000. Currently, the company dispatches about 120 tons per month of unserviceable material removed from its electrical system for recycling or reuse.

Water Consumption

GRI EN8 | EN9

Water consumption at CPFL is principally of a domestic nature to meet the needs of the administration area (basic employee requirements, cleaning the installations and refrigeration). In 2012, the CPFL Energia companies consumed 164,732 m^3 of water as shown in the following table.

Total consumption of water by CPFL Energia (m^3/year)[1]	
	Public Supply
2012	164,732*
2011	133,260
2010	163,144

1Includes CPFL Brasil, CPFL Geração and the eight Group distributors. Wells are not included since control of withdrawal from this source is only partial.

*Part of the increase in water consumption from the public system was due to the construction of the Hall of Energy at CPFL's head offices in Campinas.

The Barra Grande and Campos Novos plants harness underground water which filters from a rock formation at the plant site. The volume of water that drives the turbines is returned to the river without being used.

Plants	2012 (m^3/year)
Barra Grande	1,825
Campos Novos	1,825

The water that is used is obtained from the piping of water which filters through a geologically hard rock formation in the area of the machine hall. Previously, water drained into the Rio Pelotas River without being used.

Energy consumption

Indirect energy consumption in 2012 from the acquisition of electricity consumed by the company totaled 135,370 GJ, as shown in the following table.

Indirect energy consumption GRI EN4		
Energy (GJ)[1]	2012	2011
CPFL Paulista	76,083	70,221
CPFL Piratininga	19,535	17,878
RGE	14,076	12,811
CPFL Santa Cruz	1,188	3,121
CPFL Jaguariúna	5,463	4,918
CPFL Brasil	87	ND
CPFL Serviços	2,304	2,613
CPFL Atende	3,139	3,619
CPFL Renováveis[2]	13,495	NA
Total	135,370	115,181

1. Includes consumption by the administrative area and the Icaraizinho and Praia Formosa wind parks.

2. CPFL Renováveis energy consumption is made up of: electric energy used at the administrative offices, fuel consumption by the proprietary fleet and energy consumed by the Icaraizinho and Praia Formosa wind parks. The remaining operations make use of energy which is produced by the plants themselves.

As for direct energy from fuel, CPFL Energia consumed 240,749 GJ in 2012, 9.4% more than 2011.

Consumption of fuels (GJ) GRI EN3				
Year	Gasoline	Diesel	Ethanol	Total
2012	55,725.89	159,949.74	25,073.66	240,749.28
2011	31,314.72	146,564.52	42,098.42	219,977.65
2010	57,250.97	127,769.49	25,860.97	210,881.44

Source: National Energy Balance, 2008 – page 159

1 calorie = 4.1868 Joules

Energy consumption at CPFL Renováveis reflects the needs of the administrative offices, fuel consumed by the company's vehicle fleet and energy consumed at the Icaraizinho and Praia Formosa wind parks. The other operations use energy which is produced by the plant itself, which in 2012 totaled 56,681 GJ. Direct energy consumption – representing fuels consumed by the proprietary fleet - totaled 3,371.47 GJ [16].

CPFL runs online courses for its internal stakeholders as a means of reducing energy consumption on its premises. The courses cover such themes as the rational use of resources, among other examples of attitudes which can be taken in the daily routine to contribute to this reduction. GRI EN7

6.3.7.2 Emissions

CPFL Energia manages its Greenhouse Gas Emissions (GGEs) and mitigation of the impacts arising from climate change. Since 2007, the company has been adopting actions to manage its GGEs. In 2009, the scope of these actions was broadened to include other initiatives such as the preparation of an emissions inventory for all Group companies.

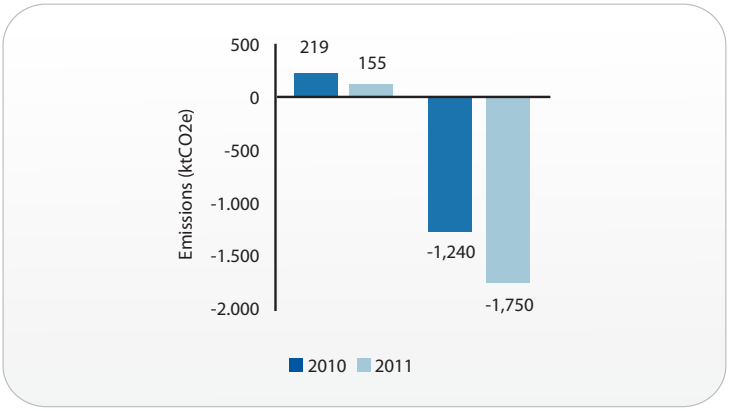
CPFL Energia is a member of the Brazilian Greenhouse Gas Protocol which quantifies and publishes details of Greenhouse Gas Emissions. In 2012, the company was the recipient of the gold medal for the transparency and quality of the data of its inventory and available at: http://www.registropublicodeemissoes.com.br/index.php?r=empresas/view&id=24&newRegistry=1.

Reduction targets

The CPFL Energia Group has set three voluntary targets for reducing emissions caused by fuels and paper consumption. The relative target represents a 15% reduction in direct emissions of tCO2eq/km to the end of 2012 relative to the baseline year of 2009. The absolute target provides for a reduction of 1% in direct emissions from consumption of fuels for transportation (fleet) relative to 2009. The third target was an absolute reduction of 5% in CO2eq emissions from solid waste (paper) in 2012 compared with 2011.

In 2011, CPFL estimated that it prevented the emission of over 1.7 million tCO2eq as a result of its renewable energy operations. This makes a positive contribution to the low emissions level of the Brazilian Interconnected System and also helps foster a low carbon economy.

16) Includes the consumption of gasoline and diesel by the company's own fleet of vehicles. One US liquid gallon should be considered as equal to a volume of 3.78 liters. A total of 5,700 liters of alcohol was used in 2012, although not computed in the calculation in accordance with completion manual guidelines.



Carbon credits

GRI EU5

The prices for carbon credits are currently the lowest recorded since the inception of the market. In spite of this instability, CPFL Renováveis adopts the practice of factoring in Emission Reduction Certificates (ERCs) to its projects from the outset of the preliminary analysis stage to the effective acquisition of the business.

The underlying concept of the projects is the carbon emissions which are avoided. In other words, generation using a renewable energy matrix avoids or at least delays the need to deploy a non-renewable energy plant in the supply energy to the Brazilian grid.

The projects are eligible for carbon credits both through the Clean Development Mechanism as well as the voluntary market scheme given their contribution to the mitigation of greenhouse gas emissions.

The benefits accruing from obtaining carbon credits are decisive for the implementation of projects, not to mention the contribution they make to the reduction in greenhouse gases on a world scale.

CPFL Renováveis' current portfolio of projects covers a total of seven projects with the potential to raise 486,174 ERCs/year as described below:

1. Registered with the UNFCCC (UNO)*:
(A) "Repowering of Small Hydroelectric Power Plants in the state of São Paulo, Brazil." Credits potential: 18,583 ERCs/year
(B) "Electricity generation from renewable sources – Arvoredo and Varginha Small Hydroelectric Power Plants." Credits potential: 29,254 ERCs/year
(C) "Electricity generation from renewable sources – Santa Clara I to VI and Eurus VI." Credits potential: 149,358 ERCs/year
(D) "Electricity generation from renewable sources – Barra da Paciência, Ninho da Águia, Corrente Grande, Paiol, São Gonçalo and Várzea Alegre Small Hydroelectric Power Plants." Credits potential: 138,331 CERs/year
(E) "Electricity generation from renewable sources – Campo dos Ventos II Wind Farm." Credits potential: 51,922 ERCs/years

2. Awaiting UNFCCC (UNO) registration:
(F) "Electricity generation from renewable sources – Macacos, Juremas, Pedra Preta and Costa Branca Wind Farms." Credits potential: 68,632 ERCs/year
(G) "Electricity generation from renewable sources – Salto Goes Small Hydroelectric Power Plant." Credits potential: 30,094 ERCs/year

* United Nations Framework Convention on Climate Change

6.3.7.3 Biodiversity

GRI EU13

CPFL Energia adopts a number of initiatives for mitigating the affects of its power generation operations in protected areas and biodiversity-rich habitats. Such impacts are identified in Environmental Impact Studies (EIS) at the construction and reservoir filling stage.

From this point on and often a condition of the licensing process, initiatives are taken to recover and preserve the biodiversity of the river basins in which the Group's small and large hydroelectric plants are situated as well as the rights of way along which new transmission and distribution lines are built.

Among these initiatives, CPFL Energia conducts activities focused on biodiversity, particularly programs to monitor and conserve fauna and flora, plus the reforestation of reservoir margins and investment of resources in setting up and consolidating conservation units. The Company contributes technically and financially to the conservation and preservation of indigenous species of flora and fauna in the areas in which it operates.

Plant	Barra Grande	Campos Novos	Monte Claro	14 de Julho	Castro Alves	Foz do Chapecó	Serra da Mesa
Total land area (km^2)	125.8	50.5	4.2	9.5	10.3	86.1	1,755.10
Flooded area (km^2)	83.2	25.6	0.7	2.8	3.1	46.6	1,754.80
Area with primary vegetation (km^2)	20.8	-	-	-	-	-	ND
Area with secondary vegetation in medium and advanced stages of regeneration (km^2)	45.7	9.9	0.1	0.7	2.2	14.6	ND
Area of permanent preservation (km^2)	42.4	20.7	2.6	5.6	6.4	34.1	ND
Constructed area (km^2)	0.2	0.2	0	0	0	0.2	30.7
Constructed area/Total area (km^2)	0.1	0.3	0.9	0.4	0.3	0.3	0
Installed capacity (MW)	690	880	130	100	130	855	1,275
Installed capacity/Flooded area (MW/km^2)	8.5	34.4	179.6	35.5	41.8	18.3	0.7

Reforestation

CPFL Energia's reforestation activities are executed through its Environmental Recovery Commitment Agreements (ERCAs), designed to compensate the impacts of its energy generation, transmission and distribution operations. These ERCAs have been unified and concentrated in two environmental conservation areas in the municipalities of Luís Antônio and São Simão, both in the state of São Paulo.

In these two municipalities, overlapping studies were conducted by eight working parties covering birds, arachnids and insects, reptiles and amphibians, fish, mammals, landscapes, cryptograms (non-flowering plants) and phanerogams (flowering plants). Additionally, the two areas both replenish the Guarani Aquifer, as well as being located in the two main biomes of the state: Atlantic Rainforest and Cerrado (savannah).

Project	Fauna	Flora
Campos Novos	7 mammals (5 families)	2 species (2 families)
	2 reptiles (2 families)	
	3 amphibians (3 families)	
	23 birds (16 families)	
Barra Grande	17 mammals (10 families)	1 species (1 family)
	1 amphibian (1 family)	
	1 reptile (1 family)	
	41 birds (21 families)	
CERAN Complex [1]	12 mammals	15 species (8 families)
	6 birds	
	1 amphibian	
Foz de Chapecó	19 mammals	9 species
	1 amphibian	
	1 reptile	
	29 birds	

(1) List of species threatened with extinction in the state of Rio Grande do Sul (www.sema.rs.gov.br)

In addition to making the environmental benefits more perceptible to society, combining these ERCAs means the Group can avoid implementing a succession of dispersed forest recovery programs in its concession area and therefore reduce implementation costs by 50%. This initiative also consolidates the conservation unit and research, contributing to the effective demarcation of these units and making the area less attractive to squatting.

6.3.7.4 Waste

CPFL Energia's concern with preventing the pollution of ecosystems as a result of its activities means that waste disposal only takes place at units licensed by the applicable environmental protection agencies and subject to the issue of a final disposal certificate.

This waste management program involves identifying and classifying the main types of waste resulting from the Group's different operating processes. For each type of waste, the Group has established standards of storage and transportation as well as the best method for disposal according to existing legislation.

CPFL Energia has agreements with specialized companies authorized for appropriate disposal and eventual traceability of the waste produced by the company.

Transformer shelters

One of the latest initiatives in waste management was the construction of eight watertight shelters with removable topsides for storing damaged transformers and preventing contamination of the soil in the event of oil leakages.

The removable topside facilitates truck maneuvering for storage of the equipment and also saves on costs for disposing oil-contaminated soil and gravel for example.

At the RGE distributor in the state of Rio Grande do Sul, 10 new water-oil separator tanks have also been built to control possible oil leaks from substations due to accidents.

Disposal of light bulbs

Spent light bulbs are sent to a company in the state of Minas Gerais and licensed by the Brazilian Environment and Natural Resources Institute (IBAMA), where either toxic or environmental mercury is separated from aluminum and glass, which are recycled.

This process reduces the risk of soil and water contamination and helps reduce the consumption of natural resources. In 2012, 153,234 light bulbs were sent for decontamination.

Light bulbs sent for recycling GRI EN2		
2010	2011	2012
263,652	198,991	153,234

Ascarel – Polychlorinated Biphenyl (PCB)

CPFL Energia operates a licensed hazardous waste warehouse where equipment containing Polychlorinated Biphenyl PCB (ascarel) is stored. Disposal of this waste is centralized thus facilitating the logistics process and reducing operating costs. In 2012, there were no occurrences of disposal of this waste. CPFL has prepared a disposal plan for the period 2013-2020 for all equipment and oil containing ascarel (PCB).


SN-3046 IP44
16A-6h/200-250V~
2P+⏚
STECK
BRASIKON
MENNEKON
N-3076 IP44
16A-6h/200-250V~
2P+⏚
DIN 49468
STECK

EXTRAS

7.1. NBC T 15 - CPFL ENERGIA 2012

CFC 1003/04 NBC T 15

Company: CPFL - Energia S.A.

15.2.1 - Added Value Distribution						
Total Value Added to be distributed (R$ thousand):	**In 2012: 9,729,138**			**In 2011: 9,832,485**		
Added Value Distribution (AVD):	64.5% government 6.8% employees 11.2% shareholders 15.8% third parties 1.7% retained			62.9% government 6.1% employees 15.3% shareholders 14.5% third parties 1.2% retained		
15.2.2 - Human Resources	**2012 Value (R$ thousand)**			**2011 Value (R$ thousand)**		
Gross remuneration by:						
Employees	558,928			632,046		
Management	27,668			8,555		
Outsourced labor	NA			NA		
Self-employed	0			0		
Relationship between the highest and the lowest remuneration of the company, considering the employees and management	20.65			74.1		
Mandatory social charges	171,490			147,019		
Nutrition	49,629			46,731		
Transportation	ND			ND		
Private Pension Plan	35,924			33,381		
Health	29,380			26,154		
Workplace safety and medicine	2,513			2,307		
Education (excluding environmental education)	2,437			1,963		
Culture	0			0		
Training and professional development	13,101			11,721		
Daycare and daycare assistance	930			901		
Participation in profits and results	50,520			41,337		
Workforce indicators	**2012**			**2011**		
Total employee numbers at the end of the fiscal year	8,667			7,913		
Total hirings	2,262			1,541		
Total number of discharges	1,567			1,620		
Total number of trainees at the end of the fiscal year	220			229		
Total number of employees with special needs at the end of the fiscal year	272			273		
Total number of outsourced service providers	NA			NA		
Total number of employees by gender:						
Men	6,514			6,068		
Women	2,153			1,845		
Total number of employees by age group, in the following age bands:						
Less than 18	20			36		
From 18 to 35	4,291			3,862		
From 36 to 60	3,801			3,661		
More than 60	35			29		
Total number of employees by academic level, separated by:						
Illiterate	0			0		
Primary school education	777			531		
High school education	4,809			4,524		
Technical education	534			349		
College education	1,615			1,790		
Postgraduate education	412			394		
Percentage of management positions held by gender:						
Men	89.55%			90.75%		
Women	10.45%			9.25%		
Information with respect to labor lawsuits filed by employees against the company:						
Note: Lawsuits ruled partially favorably or concluded by agreement should be considered upheld.						
Number of lawsuits filed against the company	1,872			469		
Number of lawsuits upheld	865			281		
Number of lawsuits not upheld	694			347		
Total value of indemnities and fines paid by court order	20,825			10,394		
15.2.3 - Interaction of the Company with the External Environment	**2012 Value (R$ thousand)**			**2011 Value (R$ thousand)**		
Education (except of an environmental nature)	514			330		
Culture	16,554			12,120		
Health and sanitation	794			68		
Sport and leisure, (not considering sponsorships for advertising purposes)	3,071			1,833		
Housing	-			-		
Nutrition	-			-		
Information relative to interaction with customers						
Number of complaints received directly by the entity	1,185,531			1,083,459		
Number of complaints received through consumer protection agencies	2,009			1,889		
Number of complaints received through the law courts	4,830			5,397		
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	Ombudsman			Ombudsman		
In the selection of suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	( ) are not considered	( ) are suggested	(X) are required	( ) are not considered	( ) are suggested	(X) are required
15.2.4 - Interaction with the Environment	**2012 Value (R$ thousand)**			**2011 Value (R$ thousand)**		
Investments and expenses with maintenance in operating processes for environmental improvement	46,289			43,411		
Investments and expenses with preservation and/or recovery of degraded areas	0			0		
Investments and expenses with environmental education for employees, outsourced labor, self-employed labor and management of the company	0			0		
Investments and expenses with environmental education for the community	0			0		
Investments and expenses with other environmental projects	62,940			61,723		
Number of environmental, civil and legal actions filed against the company	0			0		
Value of fines and indemnities with respect to environmental matters, ordered administratively and/or judicially	0			0		
Environmental liabilities and contingencies	0			0		
15.3 - FINAL PROVISIONS						

Consolidated Information

In the case of financial information the percentages of corporate stakes are used. Overall figures are used for other information such as the number of employees and lawsuits.

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

(*) Information not reviewed by the independent auditors

7.1. Annual Social Report CPFL Energia

Annual Social Report / 2012 / 2011 (*)

Company: CPFL Energia S.A. Consolidated

1 - Basis for Calculation	2012 VALUE (R$ THOUSAND)			2011 VALUE (R$ THOUSAND)		
Net Revenues (NR)	15.055.147			12.764.028		
Operating Result (OR)	2.003.481			2.425.169		
Gross Payroll (GP)	618.804			570.600		
2 - Internal Social Indicators	**Value (thousand)**	**% of GP**	**% of NR**	**Value (thousand)**	**% of GP**	**% of NR**
Food	49.629	8,02%	0,33%	46.731	8,19%	0,37%
Mandatory payroll taxes	171.490	27,71%	1,14%	147.019	25,77%	1,15%
Private Pension plan	35.924	5,81%	0,24%	33.381	5,85%	0,26%
Health	29.380	4,75%	0,20%	26.154	4,58%	0,20%
Occupational health and safety	2.513	0,41%	0,02%	2.307	0,40%	0,02%
Education	2.437	0,39%	0,02%	1.963	0,34%	0,02%
Culture	0	0,00%	0,00%	0	0,00%	0,00%
Training and professional development	13.101	2,12%	0,09%	11.721	2,05%	0,09%
Day-care/ allowance	930	0,15%	0,01%	901	0,16%	0,01%
Profit/ results sharing	50.520	8,16%	0,34%	41.337	7,24%	0,32%
Others	6.257	1,01%	0,04%	4.161	0,73%	0,03%
Total - Internal social indicators	**362.181**	**58,53%**	**2,41%**	**315.675**	**55,32%**	**2,47%**
3 - External Social Indicators	**Value (thousand)**	**% of OR**	**% of NR**	**Value (thousand)**	**% of OR**	**% of NR**
Education	514	0,03%	0,00%	330	0,01%	0,00%
Culture	16.554	0,83%	0,11%	12.120	0,50%	0,09%
Health and Sanitation	794	0,04%	0,01%	68	0,00%	0,00%
Sport	3.071	0,15%	0,02%	1.833	0,08%	0,01%
Prevention of hunger and malnutrition	93	0,00%	0,00%	0	0,00%	0,00%
Others	4.768	0,24%	0,03%	2.079	0,09%	0,02%
Total Contributions to Society	**25.794**	**1,29%**	**0,17%**	**16.430**	**0,68%**	**0,13%**
Taxes (excluding payroll taxes)	6.154.155	307,17%	40,88%	6.080.430	250,72%	47,64%
Total - External social Indicators	**6.179.949**	**308,46%**	**41,05%**	**6.096.860**	**251,40%**	**47,77%**
4 – Environmental Indicators	**Value (thousand)**	**% of OR**	**% of NR**	**Value (thousand)**	**% of OR**	**% of NR**
Investments related to Company production/ operation	46.289	2,31%	0,31%	43.411	1,79%	0,34%
Investments in external projects/ programs	62.940	3,14%	0,42%	61.723	2,55%	0,48%
Total Environment Investment	**109.229**	**5,45%**	**0,73%**	**105.134**	**4,34%**	**0,82%**
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 0 to 50%	( ) fulfilled 51 to 75% (X) fulfilled 76 to 100%		( ) has no targets ( ) fulfilled 0 to 50%	( ) fulfilled 51 to 75% (X) fulfilled 76 to 100%	
5 - Staff Indicators	**2012**			**2011**		
Employees at end of period	8.667			7.913		
Employees hired during period	2.262			1.541		
Outsourced employees	ND			ND		
Interns	220			229		
Employees over 45	1.976			1.851		
Women working at the company	2.153			1.845		
% management positions occupied by woman	10,45%			9,25%		
Afro-Brazilian employees working at the company	1.173			942		
% management positions occupied by Afro-Brazilian employees	1,55%			2,89%		
Employees with disabilities or special needs	272			273		
6 - Information on Business Responsibility	**2012**			**2011**		
Ratio of highest to lowest compensation in the Company	20,65			74,10		
Total number of work-related accidents	43			41		
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 1.185.531	to PROCON 2.009	to the law courts 4.830	to the Company(*) 1.083.459	to PROCON (*) 1.889	to the law courts 5.397
% of complaints and criticisms attended to or solved	to the Company 100%	to PROCON 100%	to the law courts 23,35%	to the Company 100%	to PROCON 100%	to the law courts 14,63%
Total Value added to be distributed (R$ thousand):	**In 2012**	**9.729.138**		**In 2011**	**9.832.485**	
Distribution of Value Added (DVA):	64,5% government 15,8% third parties	6,8% employees 1,7% retained	11,2% shareholders	62,9% government 14,5% third parties	6,1% employees 1,2% retained	15,3% shareholders
7 - Other Information						

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.

7.2 GRI Profile Indicators and Global Compact

GRI 3.12

1. Strategy and Analysis			Observation	AR Pages	Global Compact
1.1		Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.		20 - 25	
1.2		Description of key impacts, risks, and opportunities.		20 - 25, 50	
2. Organization Profile			**Observation**	**AR Pages**	**Global Compact**
2.1		Name of the organization.		6	
2.2		Primary brands, products, and/or services.		6 - 10	
2.3		Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.		6 - 10	
2.4		Location of organization's headquarters.	Campinas, São Paulo		
2.5		Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		6 - 10	
2.6		Nature of ownership and legal form.		6 - 10	
2.7		Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		6 - 10, 78 - 88	
2.8		Scale of the reporting organization.		14 - 15	
2.9		Significant changes during the reporting period regarding size, structure, or ownership.		12 - 13, 74	
2.10		Awards received in the reporting period.		16 - 17	
3. Report Parameters			**Observation**	**AR Pages**	**Global Compact**
3.1		Reporting period (e.g., fiscal/calendar year) for information provided.		28	
3.2		Date of most recent previous report (if any).		28	
3.3		Reporting cycle (annual, biennial, etc.)		28	
3.4		Contact point for questions regarding the report or its contents.		30	
3.5		Process for defining report content, including: a) determining materiality, b) prioritizing topics within the report, and c) identifying stakeholders the organization expects to use the report.		29 - 30	
3.6		Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, and suppliers).		30	
3.7		State any specific limitations on the scope or boundary of the report. See completeness Principle for explanation of scope.		30	
3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		30	
3.9		Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.		30	
3.10		Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, and measurement methods).		30	
3.11		Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		30	
3.12		Table identifying the location of the Standard Disclosures in the report.		134 - 141	
3.13		Policy and current practice with regard to seeking external assurance for the report.		28	
4. Governance, Commitments, and Engagement Governance			**Observation**	**AR Pages**	**Global Compact**
4.1		Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		39	

4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).		40	
4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.		40	
4.4		Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		34	
4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		42	
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.		41	
4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		41 & 43, 99 - 100	
4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		35 - 38	
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		40 - 41	
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		41, 99 - 100	
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.		50	7
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		90	
4.13		Memberships of associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies, b) participates in projects or committees, c) provides substantive funding beyond routine membership dues or d) views membership as strategic.		90	
4.14		List of stakeholder groups engaged by the organization.		89	
4.15		Basis for identification and selection of stakeholders with whom to engage.		89 - 90	
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		89 - 90	
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		89 - 90	

Disclosure on management approach EC Pages: 76 to 77, 98, 112					
Aspect: Economic Performance			Observation	AR Pages	Global Compact
Core	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations, and other community investments, retained earnings, and payments to capital providers and governments.		14 - 15, 76 - 77, 133	
Core	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.		54 - 56	
Core	EC3	Coverage of the organization's defined benefit plan obligations.	Non-material indicator.		
Core	EC4	Significant financial assistance received from government.	Non-material indicator.		

Aspect: Market Presence			Observation	AR Pages	Global Compact
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	We do not compare salaries with local minimum wages. One reason is the geographical reach of the company (we have installations in many municipalities).	98	
Core	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Partial. There is no formal policy.	112	
Core	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Non-material indicator.		7, 8, 9
Aspect: Indirect Economic Impacts			Observation	AR Pages	Global Compact
Core	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Non-material indicator.		
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Non-material indicator.		

Disclosure on management approach ENI Pages: 119 to 120					
Aspect: Materials			Observation	AR Pages	Global Compact
Core	EN1	Materials used by weight or volume.		121	
Core	EN2	Percentage of materials used that are recycled input materials.		122, 128	8, 9
Aspect: Energy			Observation	AR Pages	Global Compact
Core	EN3	Direct energy consumption by primary energy source.		123 - 124	
Core	EN4	Indirect energy consumption by primary source.	Energy matrix is that of the National Interconnected System.	123 - 124	
Additional	EN5	Energy saved due to conservation and efficiency improvements.	Partial. There is no direct data on reduction of energy consumption. At CPFL Renovávieis a printing control system has been installed which requests a password prior to printing, and all forms are digital.	123 - 124	8, 9
Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		105 - 106	8, 9
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		123 - 124	8, 9
Aspect: Water			Observation	AR Pages	Global Compact
Core	EN8	Total water withdrawal by source.		122 - 123	
Additional	EN9	Water sources significantly affected by withdrawal of water.		122 - 123	
Additional	EN10	Percentage and total volume of water recycled and reused.	In the designs for CPFL Renováveis' biomass co-generation plants there is a closed water circulation system which is used for cooling in the condensation process and for cooling of bearings. All water employed in this process is reused totaling 9,953,988 m^3 in 2012.		8, 9

			In other companies water consumed is not reused and returns to the public water system.		
Aspect: Biodiversity			Observation	AR Pages	Global Compact
Core	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Non-material indicator.		
Core	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Non-material indicator.		
Additional	EN13	Habitats protected or restored.	Non-material indicator.		8
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Non-material indicator.		8
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Non-material indicator.		
Aspect: Emissions, Effluents, and Waste			Observation	AR Pages	Global Compact
Core	EN16	Total direct and indirect greenhouse gas emissions by weight.	Non-material indicator.		
Core	EN17	Other relevant indirect greenhouse gas emissions by weight.	Non-material indicator.		
Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Non-material indicator.		8
Core	EN19	Emissions of ozone-depleting substances by weight.	Non-material indicator.		
Core	EN20	NO, SO, and other significant air emissions by type and weight.	Non-material indicator.		
Core	EN21	Total water discharge by quality and destination.	Non-material indicator.		8
Core	EN22	Total weight of waste by type and disposal method.	Non-material indicator.		8
Core	EN23	Total number and volume of significant spills.	Non-material indicator.		
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Non-material indicator.		
Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Non-material indicator.		
Aspect: Products and Services			Observation	AR Pages	Global Compact
Core	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Non-material indicator.		8
Core	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Non-material indicator.		8
Aspect: Compliance			Observation	AR Pages	Global Compact
Core	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Non-material indicator.		
Aspect: Transport			Observation	AR Pages	Global Compact
Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Non-material indicator.		
Aspect: Overall			Observation	AR Pages	Global Compact
Additional	EN30	Total environmental protection expenditures and investments by type.	Non-material indicator.		8

Disclosure on management approach LA Pages: 91 to 92					
Aspect: Employment			Observation	AR Pages	Global Compact
Core	LA1	Total workforce by employment type, employment contract, and region.		93 - 95	
Core	LA2	Total number and rate of employee turnover by age group, gender, and region.	Partial. The turnover rate is not segmented by age group, gender or region.	93	6
Additional	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		97 - 98	
Aspect: Labor/Management Relations			Observation	AR Pages	Global Compact
Core	LA4	Percentage of employees covered by collective bargaining agreements.		104	3
Core	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.		104	3
Aspect: Occupational Health and Safety			Observation	AR Pages	Global Compact
Additional	LA6	Percentage of total workforce represented in formal joint management – worker health and safety committees – that help monitor and advise on occupational health and safety programs.		101 - 102	
Core	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.		102 - 103	
Core	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.		104	
Additional	LA9	Health and safety topics covered in formal agreements with trade unions.		103	
Aspect: Training and Education			Observation	AR Pages	Global Compact
Core	LA10	Average hours of training per year per employee by employee category.		100	
Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		99	
Additional	LA12	Percentage of employees receiving regular performance and career development reviews.		100	
Aspect: Diversity and Equal Opportunity			Observation	AR Pages	Global Compact
Core	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Non-material indicator.		6
Core	LA14	Ratio of basic salary of men to women by employee category.	Non-material indicator.		6

Disclosure on management approach HR Pages: 111 to 114					
Aspect: Investment and Procurement Practices			Observation	AR Pages	Global Compact
Core	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		74, 112 - 113	1
Core	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		112 - 113	1
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		38	
Aspect: Non-Discrimination			Observation	AR Pages	Global Compact
Core	HR4	Total number of incidents of discrimination and actions taken.	There were no registered cases of any form of discrimination.		6

Aspect: Freedom of Association and Collective Bargaining			Observation	AR Pages	Global Compact
Core	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		113	3
Aspect: Child Labor			**Observation**	**AR Pages**	**Global Compact**
Core	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.		113	5
Aspect: Forced and Compulsory Labor			**Observation**	**AR Pages**	**Global Compact**
Core	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.		113	2, 4
Aspect: Security Practices			**Observation**	**AR Pages**	**Global Compact**
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not met. Security personnel are outsourced and are not trained in Ethics Seminars. They are due to take part in the next cycle of training.		1
Aspect: Indigenous Rights			**Observation**	**AR Pages**	**Global Compact**
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Non-material indicator.		1

Disclosure on management approach SO Pages:104 to 110					
Aspect: Community			**Observation**	**AR Pages**	**Global Compact**
Core	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		107 - 110	
Aspect: Corruption			**Observation**	**AR Pages**	**Global Compact**
Core	SO2	Percentage and total number of business units analyzed for risks related to corruption.	Non-material indicator.		10
Core	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Non-material indicator.		10
Core	SO4	Actions taken in response to incidents of corruption.	Non-material indicator.		10
Aspect: Public Policy			**Observation**	**AR Pages**	**Global Compact**
Core	SO5	Public policy positions and participation in public policy development and lobbying.	Non-material indicator.		
Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Non-material indicator.		
Aspect: Anti-Competitive Behavior			**Observation**	**AR Pages**	**Global Compact**
Additional	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Non-material indicator.		
Aspect: Compliance			**Observation**	**AR Pages**	**Global Compact**
Core	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Non-material indicator.		

Disclosure on management approach PR Pages: 115 to 117					
Aspect: Customer Health and Safety			**Observation**	**AR Pages**	**Global Compact**
Core	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Non-material indicator.		
Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Non-material indicator.		

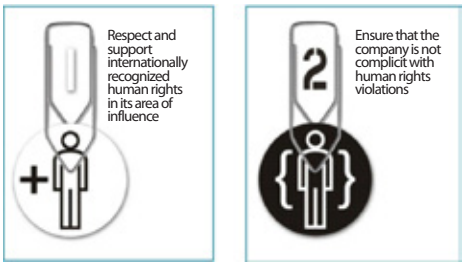
Aspect: Product and Service Labeling			Observation	AR Pages	Global Compact
Core	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Non-material indicator.		
Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Non-material indicator.		
Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Non-material indicator.		
Aspect: Marketing Communications			**Observation**	**AR Pages**	**Global Compact**
Core	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Non-material indicator.		
Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Non-material indicator.		
Aspect: Customer Privacy			**Observation**	**AR Pages**	**Global Compact**
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Non-material indicator.		
Aspect: Compliance			**Observation**	**AR Pages**	**Global Compact**
Core	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		81	

Sectoral Indicator			Observation	AR Pages	Global Compact
EU1		Installed capacity, broken down by primary energy source and by regulatory regime.		82	
EU2		Net energy output broken down by primary energy source and by regulatory regime.		82	
EU3		Number of residential, industrial, institutional and commercial customer accounts.		79	
EU4		Length of above and underground transmission and distribution lines by regulatory regime		79	
EU5		"Allocation of CO2e emissions allowances or equivalent, broken down by carbon trading framework."		125 - 126	
EU6		Management approach to ensure short and long-term electricity availability and reliability.		56	
EU7		Demand-side management programs including residential, commercial, institutional and industrial programs		105 - 106	
EU8		Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.		57 - 60	
EU9		Provisions for decommissioning of nuclear power sites.	Not applicable.		
EU10		Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.		83	
EU11		Average generation efficiency of thermal plants by energy source and regulatory regime.	94% efficiency index in biomass plants (CPFL Renováveis).		
EU12		Transmission and distribution losses as a percentage of total energy.		80	
EU13		Biodiversity of offset habitats compared to the biodiversity of the affected areas		126 - 127	
EU14		Programs and processes to ensure the availability of a skilled workforce		98 - 99	
EU15		Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region		96	
EU16		Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.		113 - 114	
EU17		Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.		114	

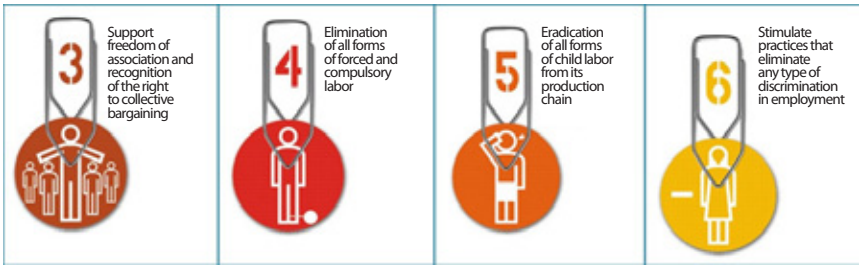
EU18		Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.		108 - 110 114	
EU19		Stakeholder participation in the decision making process related to energy planning and infrastructure development.		105 - 106	
EU20		Approach to managing the impacts of displacement.		109 - 110, 115 - 116	
EU21		Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.		110	
EU22		Number of people physically or economically displaced and compensation, broken down by type of project.		105 - 106, 109 - 110	
EU23		Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.		57 - 60, 107	
EU24		Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.		116 - 117	
EU25		Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.		110	
EU26		Percentage of population unserved in licensed distribution or service areas.		107	
EU27		Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	Partial. Non-payment rates for CPFL Energia companies in 2012 as a proportion of gross revenue were: CPFL Paulista 1.33% (difference of 7% compared to previous year), CPFL Piratininga 1.50% (2012/2011 change: 13%), RGE 1.32% (variation 2012/2011: -8%), CPFL Santa Cruz 0.94% (2012/2011 variation: -11%), CPFL Leste Paulista 1.41% (2012/2011 variation: 35%), CPFL Sul Paulista 1.12% (2012/2011 change: 3%), CPFL Jaguari 0.78% (2012/2011 change: 91%) and CPFL Mococa 0.77% (2012/2011 change: -8%).		
EU28		Power outage frequency.		80 - 81	
EU29		Average power outage duration.		80 - 81	
EU30		Average plant availability factor by energy source and by regulatory regime.		83	

Global Compact

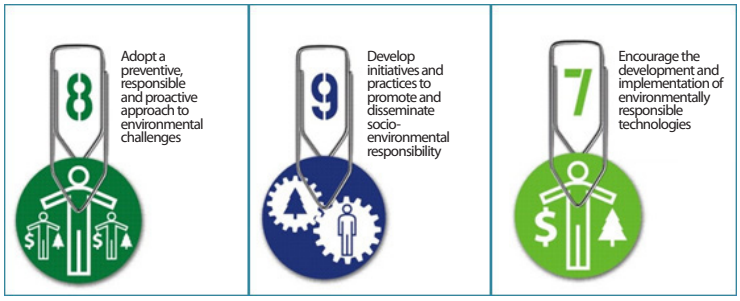
Human Rights



Labor



Environment



Against corruption

More information about the initiative: www.pactoglobal.org.br

We include the Global Compact principles in the GRI Index.

7.3 Letter of Assurance

BUREAU VERITAS' INDEPENDENT ASSURANCE STATEMENT

INTRODUCTION

Bureau Veritas Certification **Brasil (Bureau Veritas)** has been engaged by CPFL Energia to conduct independent assurance of its 2012 annual Sustainability Report (the Report), covering evaluation of the Report content. The information and its presentation in the Report are the sole responsibility of the management of CPFL Energia. Bureau Veritas' sole responsibility was to provide independent assurance according to the scope defined below.

SCOPE OF WORK

Bureau Veritas' assurance scope included the following:

- Data and information included in the Report covering the calendar year of 2012;
- Appropriateness and robustness of underlying reporting systems and processes used to collect, review and compile the information reported;
- Evaluation of the Report against the principles: Accuracy, Timeliness and Reliability, as defined in the Sustainability Reporting Guidelines - Global Reporting Initiative™ GRI-G3 (2006);

Excluded from the scope of our work is assurance of any information relating to:

- Activities outside the defined assurance period (see scope of work above);
- Positional statements (expressions of opinion, belief, aim or future intention by CPFL Energia) and statements of future commitment;
- Economic-financial information contained in the Report, itself extracted from validated financial statements that are subject to external audit conducted by an independent financial auditor;
- Application levels (A/B/C) in accordance to GRI-G3.

METHODOLOGY

Our work was conducted using Bureau Veritas' standard internal protocol for the Independent Assurance of Sustainability Reports, based on current best practice[1] and including the following activities:

1. Interviews with relevant personnel (text owners) responsible for the Report data and information;
2. Review of documentary evidence produced by CPFL Energia for the 2012 reporting period;
3. Evaluation of information and performance data against the principles that ensure accuracy and reliability, as defined by GRI-G3;
4. Site visits as follows: Small Hydro Power Plants of Americana (SP) and Salto Grande (SP), CPFL Renováveis Head Office (SP), Hydro Power Plants of Foz do Chapecó (SC) and Campos Novos (ENERCAM - SC), Distribution offices in Campinas / Centro (Paulista - SP), Sorocaba (Piratininga - SP) and Jaguariúna (CPFL Jaguariúna - SP) and Head Office CPFL - Campinas/SP

Our work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a sound basis for our conclusions.

FINDINGS AND RECOMMENDATIONS FOR THE NEXT REPORT

- The internal mechanisms for collection, analysis and compilation of information, as well as for control of the relevant documents and their traceability, were deemed to be reliable;
- A significant portion of the information included in this report was obtained and managed by the CPFL Energia Integrated Management System, certified by the standards ISO 9001, ISO 14001, OHSAS 18001 and SA8000. However other relevant information is obtained from companies in which CPFL Energia has a stake, whose management is not under direct responsibility of this company;
- We have evidenced an improvement over the previous publication, with respect to the collection of data from those companies in which CPFL Energia has a stake, with emphasis on a more consistent consolidation of information.
- During the Assurance process our team raised pending issues, all properly solved by CPFL Energia;

1. Bureau Veritas' independent assurance protocol, as deployed for this assignment, is based on the International Standard on Assurance Engagements (ISAE) 3000 and the GRI G3 Sustainability Reporting Guidelines.

- CPFL Energia considered several core indicators of the GRI-G3 to be immaterial, not reporting the associated data. We clarify that it was not part of our scope of work to review the quality of the Report, nor adherence to the Materiality Principle of the GRI Guidelines;
- We recommend that CPFL evolves in the process of collecting data from companies that are part of its holding, in order to achieve greater adherence to the indicator protocols of the GRI-G3.

CONCLUSION

- According to the assurance scope, the information and data submitted in the Report were deemed to be accurate and free from substantial errors or false statements, and correspond to the reporting period (2012) stated in the publication.
- The Report meets the Principles of Accuracy, Timeliness and Reliability, as defined in the GRI-G3 Guidelines.

STATEMENT OF INDEPENDENCE AND IMPARTIALITY

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with more than 180 years history in providing independent assurance services.

No member of the assurance team has a business relationship with CPFL Energia, its Directors or Managers beyond that required of this assignment. We have conducted this assurance independently, and it is our opinion that there has been no conflict of interest.

Bureau Veritas has implemented a Code of Ethics across its business to maintain high ethical standards among staff in their day to day business activities.

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São Paulo, June 2013.

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7.4 Information

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7.5 Credits

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We wish to thank all CPFL Group's executives and professionals who have supplied the content necessary for the preparation of the Annual Report 2012. In addition to the internal administrative areas, we enjoyed the support of the teams at the leading generating units (Foz do Chapecó, Enercan, Baesa and the Ceran Complex) and CPFL Renováveis.

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Produção Coletiva- www.producaocoletiva.com.br

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