

2017 ANNUAL REPORT



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1.

INTRODUCTION

MESSAGE FROM THE CEO GRI 102-14

IN 2017, WE EMBARKED ON YET ANOTHER important cycle for the CPFL Energia Group, which was marked by various events and transformations.

After three years of crisis, Brazil's economic and business environment showed signs of improvement with inflation slowing, interest rates declining and various sectors of the economy staging a recovery. Even so, challenges remain with regards to the country's fiscal situation and high unemployment rate.

In the Power Sector, the year was guided by a constructive agenda. In addition to consolidation and expansion moves, innumerable discussions have been held on the proposal to reform the regulatory framework (Public Consultation 33), which, besides correcting imbalances in our industry, modernizes regulations in aspects to which society is sensitive, including incentives for adopting new technologies, new business models, incorporating distributed microgeneration, smart grids, expanding renewable energies and other topics.

Aside from changes in the economy and the Power Sector, we are undergoing an important transition at the Company, following the conclusion of the transfer of the CPFL Group's controlling stake to China's State Grid. The world's largest power company, our new controlling shareholder has profound knowledge of the Power Sector, develops and adopts cutting-edge technologies and has a corporate DNA marked by a long-term strategic vision. These traits, coupled with our teams' efforts and dedication, facilitated the integration of the two cultures, which kept our teams engaged and focused on managing the operations and the investments made over the year.

In 2017, we continued our pursuit of excellence in offering services and new solutions to our customers. We were one of the industry's companies that most invested in Brazil, with around R\$2.6 billion allocated to the Group's various businesses: we made the Company's largest investment ever in the Distribution asset base, delivered the Morro Agudo Substation, started up the Wind Power Generation Complex



MESSAGE FROM THE CEO GRI 102-14

Pedra Cheirosa (Ceará state) and built 42 kilometers of transmission lines for Sabesp in the São Lourenço Production System, which assures an extra source of water for the entire São Paulo metropolitan area.

At the same time, we concluded the integration of RGE Sul in the state of Rio Grande do Sul and launched ENVO, a company dedicated to solar power distributed generation systems, and the CPFL Inova project which, through partnerships with startups and scaleups, will help us develop new solutions for our businesses and customers.

No less important were our efforts to promote a culture of Safety, which to us is a nonnegotiable issue. We launched the campaign “Chega de Choque” to raise aware among the public on the risks of improperly coexisting with the power grid to help prevent accidents.

Another highlight was the consolidation of CPFL Institute as our social investment platform, with initiatives structured on five fronts: culture, sports,

education, public administration and community development. We executed projects that directly benefitted over 100,000 people, in 96 municipalities.

Despite all these challenges and transformations, we focused intently on the operating performance of our businesses, on managing our assets and investments and on the Group’s financial discipline. We delivered EBITDA growth of 17.9%, to R\$4.9 billion, and net income of R\$1.2 billion, which represents growth of 41.4% on the prior year. We also succeeded in reducing our debt cost and leverage ratio. This scenario warranted an upgrade in our credit rating to “AAA (bra)” by rating agency Fitch.

We also dedicated special attention to our employees during this period. We launched a process to reformulate our Corporate University, with the goal of developing our more than 12,000 professionals so that they can follow an even more prosperous career at CPFL and play a lead role in this new era, marked by technological revolution and new business

and consumption models. Reaping the rewards of the care we dedicated to our people, we obtained excellent results in the survey of organizational climate conducted by Great Place to Work, which attests to our employees’ motivation and sense of pride.

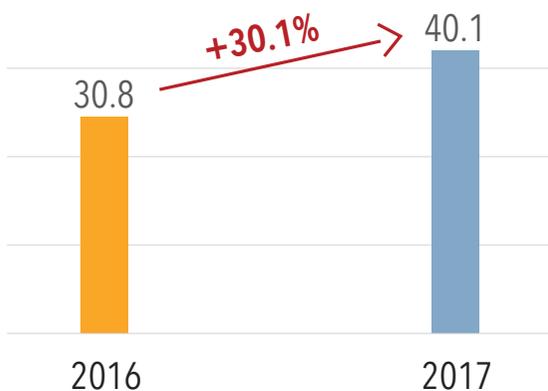
Critical to the management and processes of our business, we improved our Sustainability Platform for the 2018-2022 cycle, which was born already integrated with the principles of the Global Compact and the Sustainable Development Goals (SDG) of the United Nations. All of this so that we can strengthen our long-term vision and our asset and business portfolio, both connected to the new economy.

These are some of the initiatives and achievements that give us a great sense of pride. I believe that we are now better prepared to continue building our future and playing a lead role in the development of Brazil’s Power Sector.

[Andre Dorf](#)

2017 HIGHLIGHTS

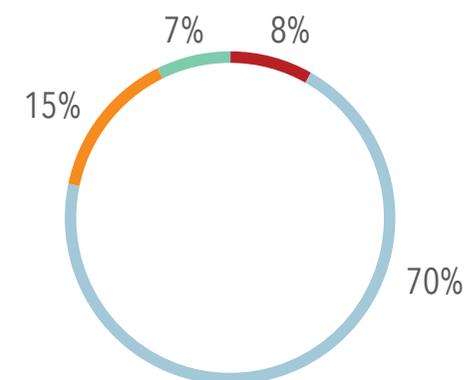
Gross operating revenue
R\$ 40.1 billion



EBITDA
R\$ 4.9 billion



Distribution of R\$ 17.3 billion
in value added



R\$ 44.5 million invested in Research & Development

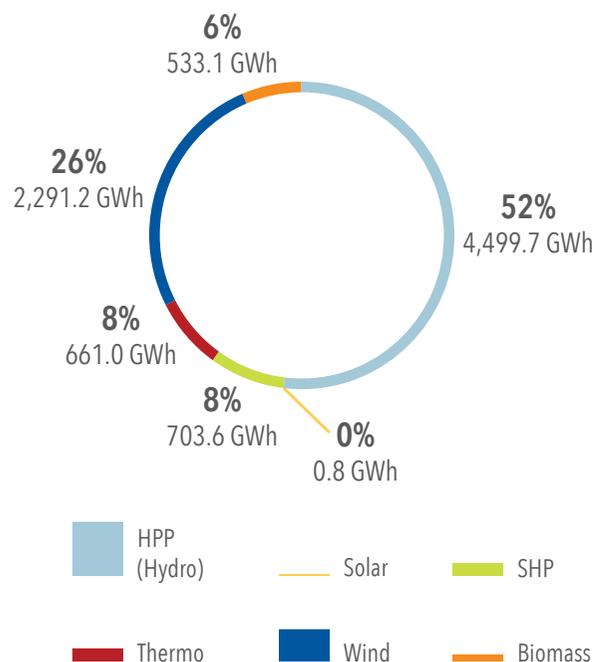


In 2017, we have reached net income of **R\$ 1.2 billion**, representing an increase of 41.4% (R\$364 million) compared to 2016



2017 HIGHLIGHTS

8.7 thousand GWh of energy generated in 2017



3,283 MW of installed generation capacity, 95% from renewable sources

9.4 million customers



12,862 employees



R\$ 54.0 million invested in the Energy Efficiency Program

REDUCTION

11.4% SAIDI **3.9% SAIFI** considering all our distribution companies



R\$ 21.6 million invested in social welfare via the CPFL Institute



2.

INSIDE THE COMPANY

WHO WE ARE GRI 102-1 | 102-2 | 102-6 | 102-7

CPFL ENERGIA is a company that offers complete energy solutions, operating throughout the Sector in areas including Generation, Transmission, Distribution, Commercialization and Services.

Our story began in 1912, and in the proceeding 105 years we have both grown and undertaken many transformations. Today, we are the largest private Company in the Brazilian Power Sector, with our controlling shareholder being the State Grid Corporation of China – SGCC, the world’s largest power company.

We are market leaders in the Distribution sector with a 14% market share, and we provide energy to 9.4 million customers across 679 municipalities in our

concession area. We also operate in the free market, through companies that offer energy solutions all over the country.

We are the third largest private energy generator in the country, with a portfolio including both clean and renewable sources, such as large and small hydroelectric power plants, wind farms, biomass thermal and solar power plants. At the end of 2017, our installed capacity of generation was 3.3 GW.

In the Commercialization segment, we have 14% market share in the sale of energy to end consumers, and we are market leaders in energy commercialization, from incentivized sources.

GRI 102-16

Vision

Energy is essential to people’s well-being and society’s development. We believe that producing and using energy sustainably is vital to humankind’s future.

Mission

To provide sustainable and competitive energy solutions with excellence, while operating in close integration with the community.

Principles

- | | |
|----------------------------|-------------------------|
| Value Creation | Sustainability |
| Commitment | Trust and Respect |
| Safety and Quality of Life | Surpassing Expectations |
| Austerity | Entrepreneurship |

HOW THE POWER SECTOR WORKS

THE POWER SECTOR'S VALUE CHAIN CAN BE ANALYZED ACROSS FIVE PILLARS OF PERFORMANCE:



Generation: generators are energy producers that utilize various sources, including hydroelectric power (both large and small hydroelectric plants), wind farms, solar, biomass and other renewable energy sources. In addition, energy is also generated from non-renewable sources such as fossil fuels, coal, natural gas and others.



Transmission: the transportation of energy produced by the Generators to the consumption centers.



Distribution: the distribution of energy from the Transmission system to the end consumer. In addition to customer relationship and grid management, Distributors have a fundamental role in planning the expansion of the system through market growth management within their concession.



Commercialization: companies that deal energy within the scope of the Free Contracting Environment – ACL (more information in the box below), as well as negotiating energy through bilateral purchase contracts (in partnership with generators and other trading companies) and the sale of contracts to free consumers within the ACL itself, to other trading companies or even in regulated auctions to distributors.



Services: companies that aim to improve customer experience throughout the Power Sector through solutions including infrastructure projects, energy efficiency, distributed photovoltaic generation and more.

HOW THE POWER SECTOR WORKS

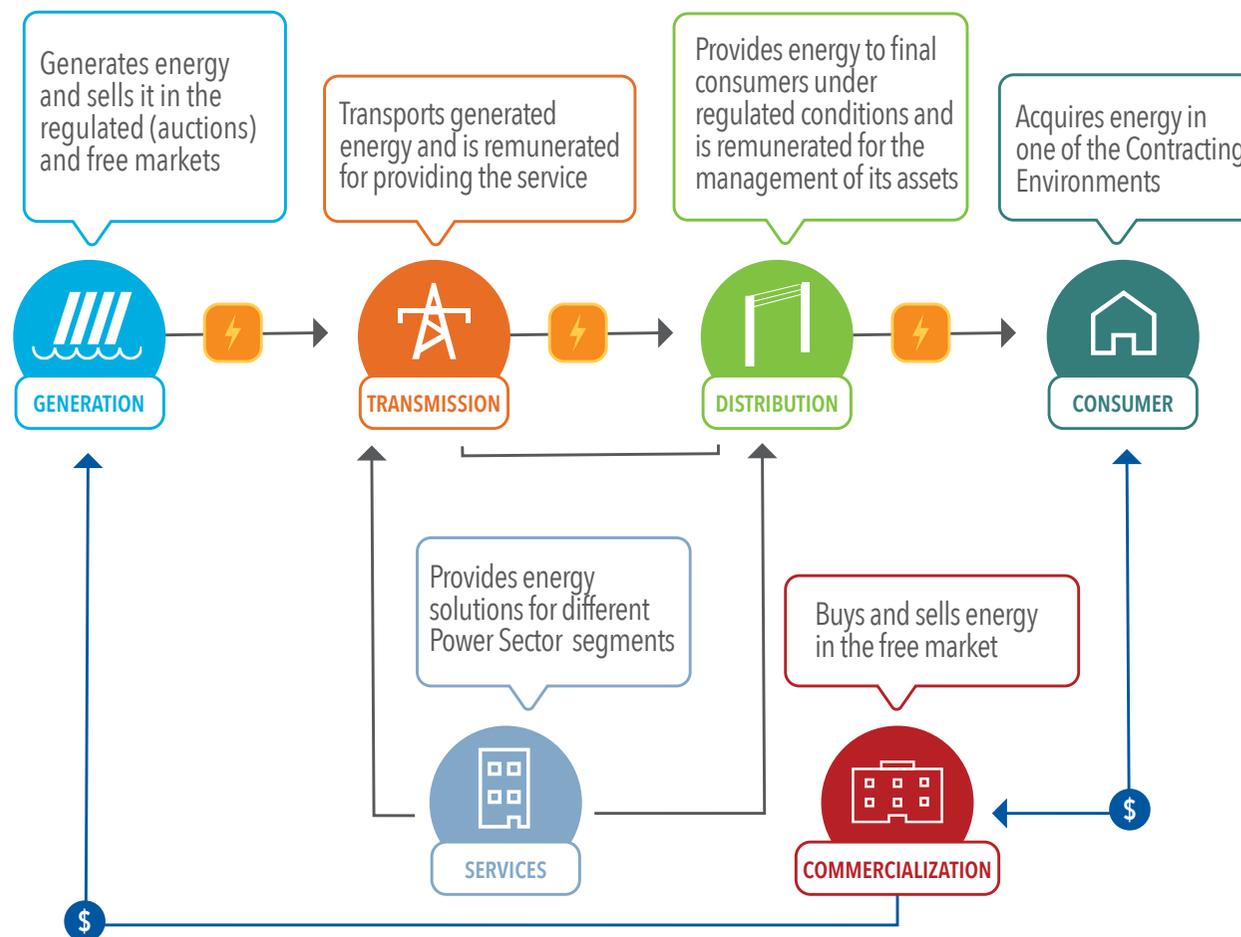
CONTRACTING ENVIRONMENTS

The energy markets in Brazil can be divided into two contracting environments: the regulated market (captive) and the free market. At first, the Distributor has a key role, acquiring energy in auctions to serve their markets, which is passed on to captive consumers through regulated tariffs.

In the free market, energy quantities, price, terms and supply conditions are negotiated. Generators, trading companies and free consumers participate in this process, as long as they are enrolled with the Electrical Energy Trading Chamber – CCEE.

Learn how the Power Sector works, on the next image:

OPERATION OF THE POWER SECTOR



HOW AND WHERE WE OPERATE GRI 102-2 | 102-4 | 102-6 | 102-7



WE OPERATE IN ALL sections of the energy supply chain – Generation, Transmission, Distribution, Commercialization and Services. Below we'll explain how we operate throughout the cycle.

GENERATION

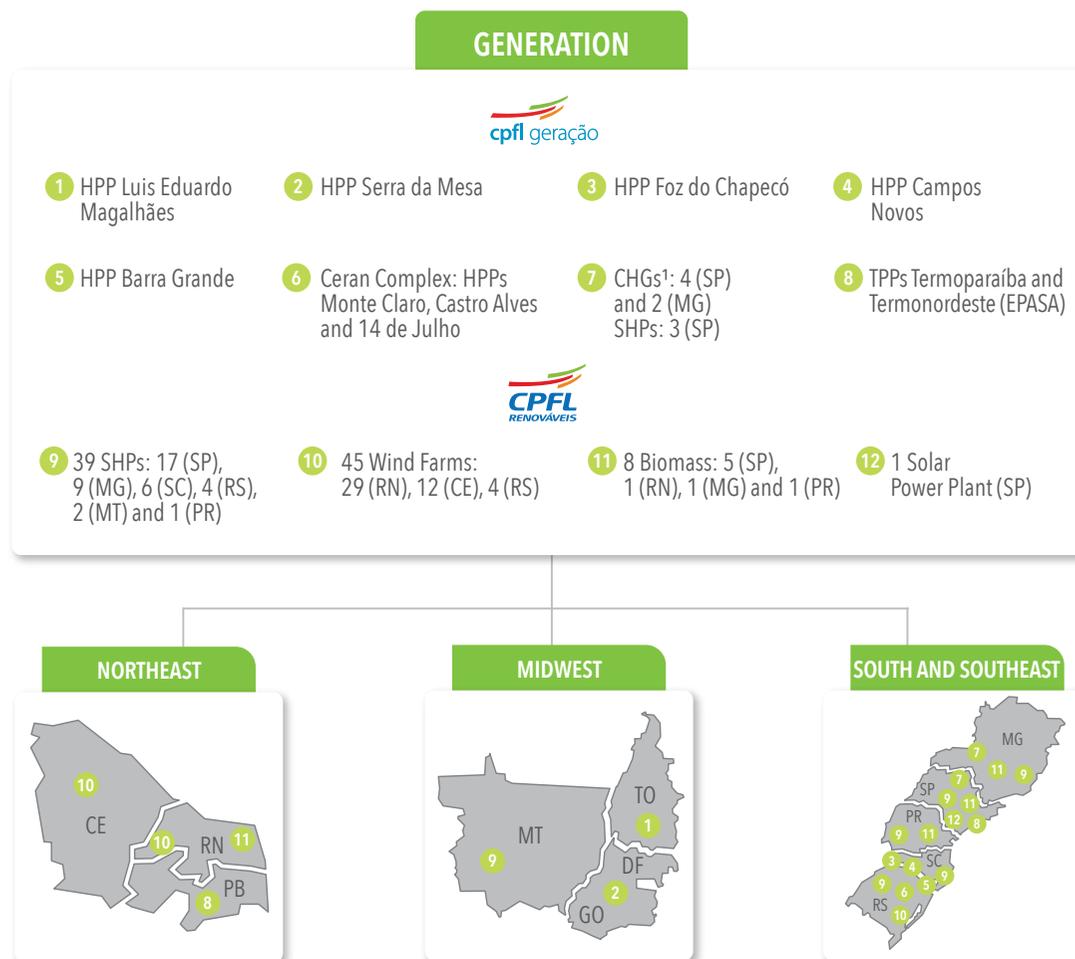
We are the third largest private energy generator in Brazil, and market leader in the generation of energy from renewable sources. We produce energy in four regions of the country, through two companies:

CPFL Geração: operates with a focus on power generation from Hydroelectric Power Plants – HPPs, Central Hydraulic Generator – CHGs, as well as the operation of two Thermolectric Power Plants – TPPs;

CPFL Renováveis: generates energy from renewable sources, such as wind (wind farms), sun (photovoltaic plants), sugarcane (biomass plants) and Small Hydroelectric Power Plants² (SHPs). The Company works across 58 municipalities in eight Brazilian states.

¹ Central Hydraulic Generators (CHGs) are plants that have the potential to generate up to 5 MW of energy;

² Small Hydroelectric Power Plants (SHPs) have a power capacity of between 3 and 30 megawatts (MW), and less than 13 km² of reservoir area.



¹ The CHGs are not part of CPFL Geração, but belong to the conventional generation segment (see Corporate Structure on page 22).

HOW AND WHERE WE OPERATE

GRI 102-2 | 102-4 | 102-6 | 102-7



TRANSMISSION

Transmission is one of the Group's more recent areas of business, focusing on niche projects, near large consumer centers or our renewable generation plants.

We launched our Transmission operations in 2015 at the Piracicaba Substation, in the countryside of São Paulo, creating the CPFL Transmissão Piracicaba. In the same year, we won the auction to build the Morro Agudo Substation, in São Paulo, inaugurated in 2017 and managed by CPFL Transmissão Morro Agudo. Through the two projects, we have already invested more than R\$ 300 million in Transmission over the last three years.



TRANSMISSION LINE TOWER | CAMPINAS | SP

HOW AND WHERE WE OPERATE GRI 102-2 | 102-4 | 102-6 | 102-7



DISTRIBUTION

We are a leader in this segment, holding about 14% of the market share, operating across 679 municipalities, covering more than 22 million people¹. We operate in the South and Southeast of Brazil, through five companies: CPFL Paulista, CPFL Piratininga, CPFL Santa Cruz, RGE and RGE Sul.

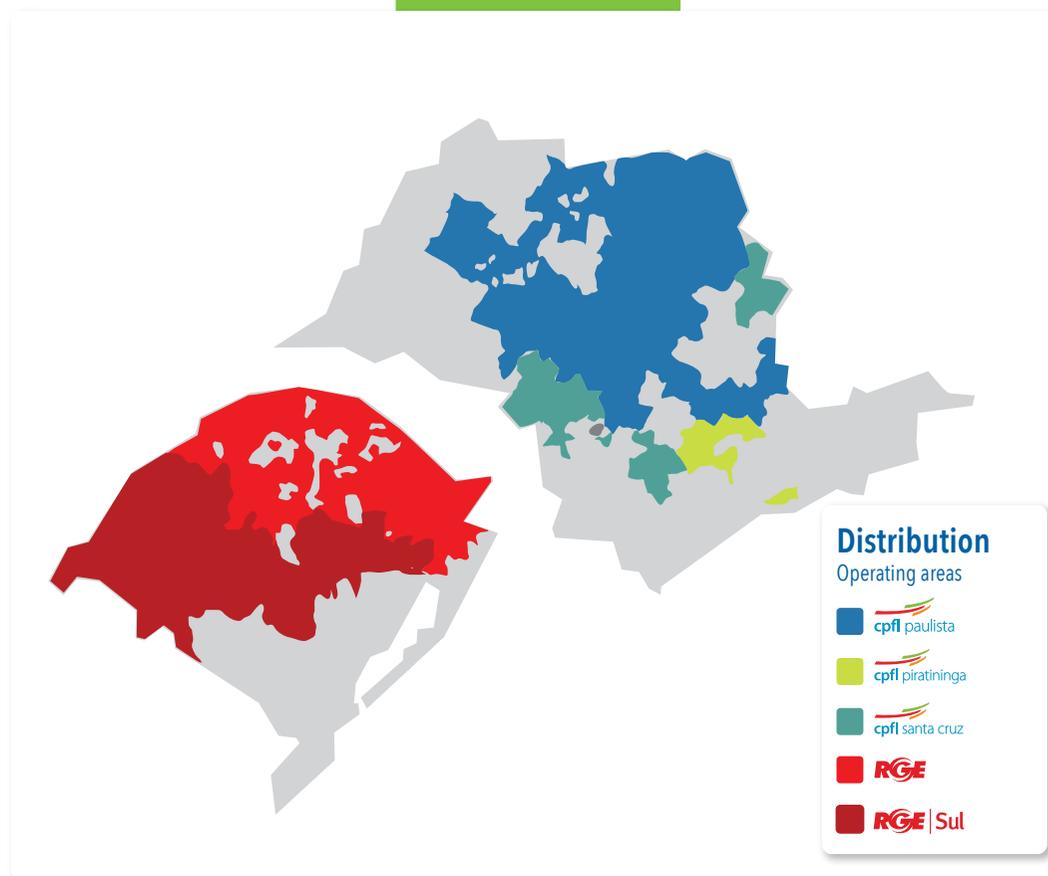
MERGER OF FIVE SÃO PAULO DISTRIBUTION COMPANIES

GRI 102-10 | 102-48

On January 1st, 2018, the Distribution companies CPFL Sul Paulista, CPFL Leste Paulista, CPFL Jaguari, CPFL Mococa and CPFL Santa Cruz became one: CPFL Santa Cruz.

The merger of the five companies was implemented in 2017, which reduced the number of Distribution companies in the Group from nine to five, strengthening service quality and providing administrative and operational cost optimization. These synergy gains bring benefits to over 445 thousand consumer units, covering approximately 1,126,761² million people in 45 cities in the states of São Paulo, Minas Gerais and Paraná.

DISTRIBUTION



¹ Source: IBGE data published in the Official Gazette of the Union, on August 30, 2017.

² Source: IBGE data published in the Official Gazette of the Union, on August 30, 2017.

HOW AND WHERE WE OPERATE

GRI 102-2 | 102-4 | 102-6 | 102-7



PROGRAMA FRONTEIRA (“FRONTIER PROGRAM”)

In order to promote a fast and efficient integration of RGE Sul (which became part of our Group in 2016), we created the Frontier Program, which structured the incorporation process step by step. A total of 19 areas participated in the Program, 18 of which have already completed their schedules. They are: Infrastructure, Information Technology, Energy Planning, Commercial, Operation, Accounting, Treasury, Investor Relations, Corporate Communication, Environment, Sustainability, Controllership, Fiscal Tax, Regulatory, Quality, Supplies, Engineering, Legal and Human Resources.

By the end of 2017, the Program was 99% complete. From December, we consider that RGE Sul is already integrated in the CPFL Energia Group Management Model.

COMMERCIALIZATION

We operate through CPFL Brasil, which conducts the purchase and sale of energy contracts in the Free Contracting Environment, adding value through a diversified portfolio, in which customers with a contracted demand greater than or equal to 500 kW can negotiate price, term, flexibility and amount of energy contracted. CPFL Brasil also has the Energy Management service, which aims to support customers in the migration from Captive Market to Free Market and in the monitoring during the contract period.

HOW AND WHERE WE OPERATE GRI 102-2 | 102-4 | 102-6 | 102-7



SERVICES

Through our Services companies (listed below), we provide operational intelligence and customized solutions to our customers:

CPFL Serviços: provides power infrastructure services, support for the implementation of substations, transmission lines and distribution grids, including design, construction and maintenance, as well as manufacturing and recovery of equipment;

CPFL Eficiência: develops and implements energy optimization solutions to increase productivity and efficiency, as well as the distributed generation solution, especially photovoltaic, for customers from several sectors;

CPFL Atende: offers contact center and customer relationship services;

SERVICES



Nect Serviços: provides infrastructure, human resources and financial services for companies in the CPFL Group; and

CPFL Total: a financial products company that acts in the management of customers and partners that use the energy bill as a means of payment.

GO TO MARKET STRATEGY

In order to provide increasingly integrated solutions focused on customers and their needs, we have redesigned our commercial strategy aimed at unifying the sales force of CPFL Brasil, CPFL Serviços and CPFL Eficiência to offer a complete portfolio of products and services, ranging from efficiency projects to commercial representation and consulting. Due to this initiative, we are prepared for the market liberalization focusing on consumer's empowerment.

SECTOR CONTEXT



INSTALLATION OF SOLAR PANELS | CAMPINAS | SP

FOLLOWING A PERIOD of economic challenges in Brazil, 2017 saw the beginning of the recovery process, positively impacted by the growth of industrial production. Driven by a 1% increase in electricity consumption compared to the previous year (data from the Brazilian Energy Research Company – EPE), the Power Sector continued to improve its operations, while preparing for significant changes in the medium and long-term.

Looking at the Power Sector in developed countries, market trends are clear: there is a focus on clean and renewable energy generation, smart grids, energy storage, electric mobility, distributed generation, digitalization, innovation in technology and processes, as well as customer empowerment due to better energy supplier alternatives, with companies offering tangible benefits (cost reduction, better service/information) to compete.

To accelerate the future of the Brazilian Power Sector, the key players have been working through trade associations and with the Ministry of Mines and Energy – MME, the Brazilian Electricity Regulatory Agency – ANEEL and other governmental and regulatory agents, to make improvements in the Sector’s model, in order to build a safer, more modern and balanced energy system.

Due to this backdrop, companies in the Sector have been reviewing their operations and business models. With the aim of increasing efficiency and preparing for future challenges and opportunities, companies in the Sector have been seeking market consolidation and dedicating individual attention to non-regulated business oriented to customers.



3.

OUR MANAGEMENT

CORPORATE GOVERNANCE

WE CONDUCT our business based on the principles of transparency, equity, accountability and corporate responsibility. We are a century-old company with a solid governance model, always in line with best market practices.

Our shares are listed on the São Paulo Stock Exchange – B3, and are part of the following indexes: Bovespa Index – IBOVESPA, Brazilian Index of 100 shares with greatest liquidity – IBRX, Special Tag Along Stock Index – ITAG, Special Corporate Governance Stock Index – IGC, Electric Energy Index – IEE and Novo Mercado. On the New York Stock Exchange (“NYSE”), we are Level III ADR, a special segment for companies that comply with corporate governance best practices.

In 2017, we received awards for best corporate governance practices. These included the “Corporate Governance Survey”, from Empresas Mais (part of the O Estado de São Paulo newspaper group), and “As Melhores da Dinheiro”, an award by IstoÉ Dinheiro magazine. During the period, we were also featured in the Brazil Reputation Dividend Report, published by Exame magazine, ranking 13th out of 25 of the best-evaluated national companies.

CHANGE IN SHAREHOLDER CONTROL

GRI 102-10 | 102-48

In January 2017, the State Grid Corporation of China (SGCC) – the second largest company in the world according to Fortune magazine (ranking of the world’s 500 largest – 2017 edition), and number 1 in the Power Sector – acquired the controlling shareholder position in the company. Based in Beijing, State Grid serves 88% of China’s population (or 1.1 billion people) and has operations in countries such as Philippines, Portugal, Australia, Hong Kong, Italy, Georgia, Greece and Brazil, where it has been operating since 2010 and is currently present in 12 states.

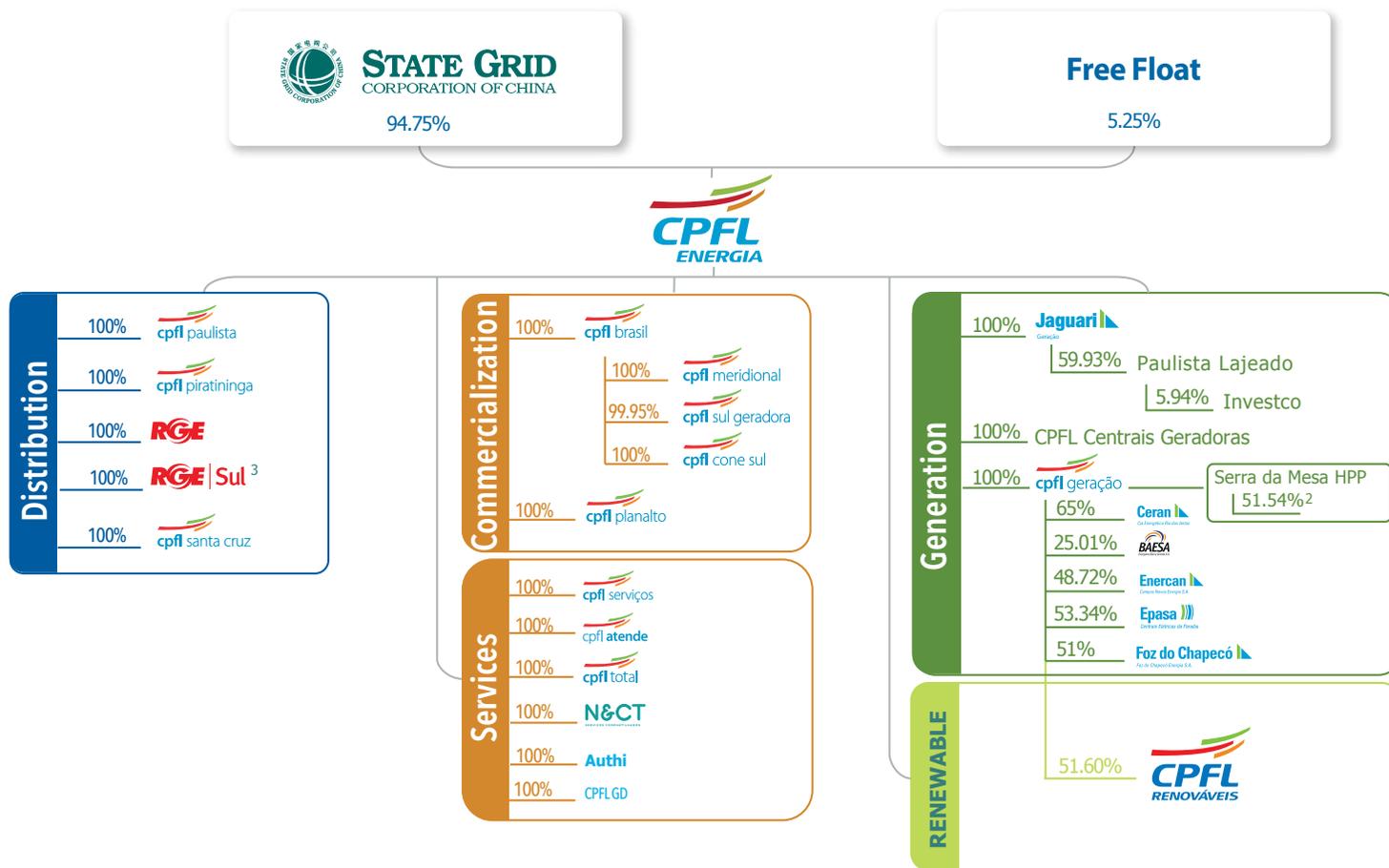
The Chinese state-owned company is also a global leader in distribution technology and in long-distance energy transmission – important expertise for a country with continental dimensions such as Brazil.

The change in shareholding control, therefore, opens the potential for technological and experience exchange between the two companies, which will certainly benefit all stakeholders of the CPFL Energia Group.

CORPORATE GOVERNANCE

CORPORATE STRUCTURE GRI 102-45

Our corporate structure is based around our central holding company, CPFL Energia, which owns shares in other companies and is directly and indirectly controlled by State Grid Brazil Power Participações S.A. (SGBP), which is indirectly controlled by the State Grid Corporation of China (SGCC). On November 30, 2017, SGBP performed a Public Tender Offer, and as a result, now, it owns 94.75% of the holding¹ company's capital stock (or 964,521,902 common shares), as shown in the following graph:



¹ Shareholding position on December 31, 2017;

² A 51.54% share of the power and energy availability of the Serra da Mesa HPP, related to the Energy Supply Agreement between CPFL Geracao and Furnas;

³ RGE Sul is controlled by CPFL Energia (76.3893%) and by CPFL Brasil (23.4561%).

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE GRI 102-18

To ensure that the interests of our stakeholders are fully represented in key corporate decisions, our governance structure is aligned with best international practices. This structure includes the following bodies:

Board of Directors GRI 102-22

Our highest corporate governance body is the Board of Directors (BD), responsible for the strategic business direction and for the decisions that have the greatest impact on our stakeholders. The BD acts in accordance with the **Bylaws** and **Corporate Governance Guidelines** – both public documents – following a pre-defined schedule of regular meetings and, when necessary, extraordinary meetings.

In February 2017, six new board members (five State Grid representatives and a new independent member) were elected. Now, the BD has two Independent Directors, as described below:

**Composition of the Board of Directors
(on December 31, 2017)**

Yuhai Hu	.....	Chairman
Daobiao Chen	.....	Vice Chairman
Yang Qu	.....	Advisor
Yumeng Zhao	.....	Advisor
Andre Dorf	.....	Advisor
Antonio Kandir	.....	Independent Member
Marcelo Amaral Moraes	.....	Independent Member

The BD has the support of three Advisory Committees directly subordinated to it, as well as two Commissions established for the 2017 fiscal year, as listed below:

- Management Processes, Risks and Sustainability Committee;
- Human Resources Management Committee;
- Related Parties Committee;
- Corporate Budget and Finance Commission; and
- Strategy Commission.

Find out more about the composition of the Advisory Committees at <https://bit.ly/2qw2Uj9>.

CORPORATE GOVERNANCE

Fiscal Council

Independent body of the Management and external auditors, whose main duties are to supervise Management’s activities, analyze and comment on the financial statements and report its conclusions to our shareholders.

Our Fiscal Council is permanent and, at the end of 2017, was composed of three members, who met on a monthly basis and adopted a minimum calendar of activities, which included periodic meetings with the internal and external auditors and our Board of Executive Officers.

Find out more about the composition of the Fiscal Council at goo.gl/K8rQsS.

Board of Executive Officers

The Board of Executive Officers is responsible for executing the strategy and managing our business. Currently, it is composed of one Chief Executive Officer, one Deputy Chief Executive Officer and six Vice Chief Executive Officers, as described below:

Board of Executive Officers composition (on December 31, 2017)

Andre Dorf	.....	Chief Executive Officer
Yumeng Zhao	.....	Deputy Chief Executive Officer
Gustavo Estrella	.....	Chief Financial and Investor Relations Officer
Luís Henrique Ferreira Pinto	.....	Chief Regulated Operations Officer
Karin Regina Luchesi	.....	Chief Market Operations Officer
Gustavo Pinto Gachineiro ¹	.....	Chief Legal and Institutional Relations Officer
Wagner Luiz Schneider de Freitas	.....	Chief Business Management Officer
Andre Dorf (interim)	.....	Chief Planning and Business Management Officer

¹ Gustavo Pinto Gachineiro was elected in December 2017 and took office in January 2018.

SUSTAINABILITY GOVERNANCE

GRI 102-19 | 102-20 | 102-29



WE ARE CONSIDERED by the international community as one of the most sustainable companies in the Power Sector in the world. Our shares are listed on the following indexes: B3's Corporate Sustainability Index (ISE), for 13 years; the Dow Jones Sustainability Emerging Markets Index (DJSI) of the New York Stock Exchange (USA), for 6 years; the Morgan Stanley Capital International Global Sustainability Index, for 2 years; and, in 2017, we entered the FTSE4Good Emerging Index, the corporate sustainability index for emerging markets of the London Stock Exchange (England).

These achievements are the result of our strategy to constantly incorporate the values of sustainable development into our business goals. Therefore, our sustainability governance structure is managed by our Board of Directors (BD), which is responsible for deliberating on the Company's social, environmental and economic issues and guiding the actions of the Executive Officers, who are fully responsible for each subject. The BD monitors these issues through our Sustainability Platform (page 31).

The process of delegation and assigning responsibilities, as well as our sustainable governance, involve the following bodies:

Board of Directors: approves the Sustainability Policy and oversees economic, social, regulatory and environmental aspects and corporate governance guidelines.

Management Processes, Risks and Sustainability Committee: monitors the Sustainability Platform and other initiatives related to sustainability, addressing the matters to the Board of Directors, when necessary.

Board of Executive Officers: manages and guides sustainability matters, defining and ensuring compliance with principles and legal standards.

Vice Presidency of Legal and Institutional Relations: analyzes and advises on sustainability matters at the Board of Executive Officers or Board of Directors level, as well as defining and ensuring compliance with the legal principles and standards.

Sustainability Committee: oversees the Sustainability Platform, evaluating and advising on the inclusion of social and environmental criteria and guidelines in decision-making processes, proposing the preparation of new projects and monitoring trends and critical issues.

Sustainability Board: proposes strategies and ensures the implementation of the Sustainability Platform in our business, delivering results in the short and long-term.

ETHICAL CONDUCT GRI 102-16 | 102-17



ALL OF OUR ethical values are included in the Code of Ethical Conduct – available in Portuguese and English¹ – which brings together CPFL Energia’s main conduct guidelines and which guides the actions and decisions of all employees, regardless of the hierarchical level, and of all our suppliers.

To ensure that our ethical values are put into practice, we implemented the **Ethics Management and Development System – SGDE**. Reformulated in 2016, it aims to increase monitoring tools, as well as to bring more equality and transparency to the process of evaluating inquiries, suggestions and grievances.

¹ Get to know at <https://bit.ly/2IRBZG9>

PRO-ETHICS SEAL

In December 2017, we received the Pro-Ethics Seal from the Ministry of Transparency and the Comptroller General of the Union, which recognizes companies that have excelled in preventing and combating acts of corruption and fraud.

A total of 375 companies from various sectors registered for the award, 198 of which submitted a duly completed evaluation form and only 23 were approved and recognized with the Seal.

Winning this award indicates that we have evolved into a theme that we consider essential, and that the reformulation of our Ethics Management and Development System – SGDE led to effective improvements in the Company’s ethical issues.



ETHICAL CONDUCT GRI 102-16 | 102-17



After the reformulation, the SGDE is made up of seven components that work to strengthen our ethical culture. They are:



EMPLOYEES AT HEADQUARTERS | CAMPINAS | SP

ETHICS MANAGEMENT AND DEVELOPMENT SYSTEM - SGDE

- 1**

CODE OF ETHICAL CONDUCT
Brings together our main ethical conduct guidelines in a document with simple structure and language, easy and accessible to all stakeholders.
- 2**

ETHICS AND BUSINESS CONDUCT COMMITTEE
A body composed of members from several areas of the Company, with the purpose of discussing issues related to the topic, as well as to analyze the suggestions and complaints received through our different channels. Currently, the Committee has five members: three Vice Presidents of CPFL Energia and two independent external members.
- 3**

INTERNAL RULES OF THE ETHICS AND BUSINESS CONDUCT COMMITTEE
Document that establishes the operational dynamics of the Ethics and Business Conduct Committee, including processes, deadlines, resolutions, reporting to other Company bodies, among other items.
- 4**

EXTERNAL ETHICS CHANNEL
Communication channel accessible to internal and external stakeholders 24 hours a day, 7 days a week. It guarantees privacy and confidentiality of information, and allows the monitoring of the reports (inquiries, suggestions and complaints) via protocol. All forms of contact can be found by clicking on the following link: goo.gl/oP763w.
- 5**

REPORTS PROCESSING COMMISSION (CPD)
The commission was established to support the Ethics and Business Conduct Committee in the process of investigation complaints from employees and other stakeholders.
- 6**

TRAINING
We constantly train our employees to disseminate ethical principles, guide and prepare them for all situations that involve ethical issues.
- 7**

DISSEMINATION
We carry out communication campaigns and other outreach initiatives, in order to increase awareness ethical guidelines among our employees and other stakeholders.

COMPLIANCE



IN ADDITION to the Ethics Management and Development System – SGDE, our compliance structure is designed to ensure that the Company is in line with internal and external laws, standards and regulations, as well as to detect any irregularities.

This structure is focused on Internal Audit and Corporate Risks management which, in addition to issues related to compliance, it also advises the Board of Directors and the Board of Executive Officers.

AWARENESS AND TRAINING GRI 205-2

In order to reinforce adherence to our Integrity Program and to ethical culture, we have developed a strategic anti-corruption awareness and training plan with our main stakeholders – including management, employees and suppliers.

Awareness activities are carried out through events, lectures and campaigns, with the participation of management, employees and suppliers. The results are measured by assessing the attendance at events, content satisfaction, number of views and engagement on Multi, our News Portal.

Among the main awareness activities are:

IntegrityWeek: an annual event for all employees, with the use of internal and external channels to discuss ethics, as well as a lecture by a recognized and qualified personality on the subject;

Pills of Integrity: texts and videos on the subject, periodically sent to all employees via e-mail marketing;

Anti-Corruption Booklet: a simple and educational document, distributed to all our employees, with content about the concept of “corruption”, according to the laws and regulations that govern our business.

In 2017, our ethics and compliance-focused awareness activities had the participation of 100% of our employees (including all management) and all our suppliers through the standard anti-corruption clause included in all contracts signed by our Company, and the Supplier’s Newsletter, which is periodically distributed and also contains information on the subject.

COMPLIANCE



In addition to these activities, we offer face-to-face training, directed at teams that work with greater exposure to risk, such as supplies and relationships with public agencies, and online training, which is applicable and mandatory for all employees. The number of people trained in both modalities is calculated monthly and reported to our leaders.

During the reporting period, more than 8,000 employees were trained online. The following table gives more details on ethics and anti-corruption training.

INTEGRITY PROGRAM

In order to meet the requirements of Law 12,846/13, known as the “Anti-Corruption Law”, we have developed an Integrity Program that periodically assesses corruption risks in all companies of the Group – including our most strategic suppliers. From these assessments, we have implemented new prevention measures and therefore, the Program has been constantly improved.

Total employees trained in ethics and anti-corruption¹ by region

	2015		2016		2017	
	No. of trained employees	% of trained employees in relation to total employees by region	No. of trained employees	% of trained employees in relation to total employees by region	No. of trained employees	% of trained employees in relation to total employees by region
Southeast	3,954	51%	6,861	81%	6,777	77%
South	781	46%	1,568	90%	1,591	40%
Total	4,735	50%	8,429	83%	8,368	65%

¹ Includes only online training.

Total employees trained in ethics and anti-corruption¹ by position

	2015		2016		2017	
	No. of trained employees	% of trained employees in relation to total employees by position	No. of trained employees	% of trained employees in relation to total employees by position	No. of trained employees	% of trained employees in relation to total employees by position
Leadership ²	485	78%	614	91%	553	70%
Other employees	4,250	48%	7,815	82%	7,815	65%
Total	4,735	50%	8,429	83%	8,368	65%

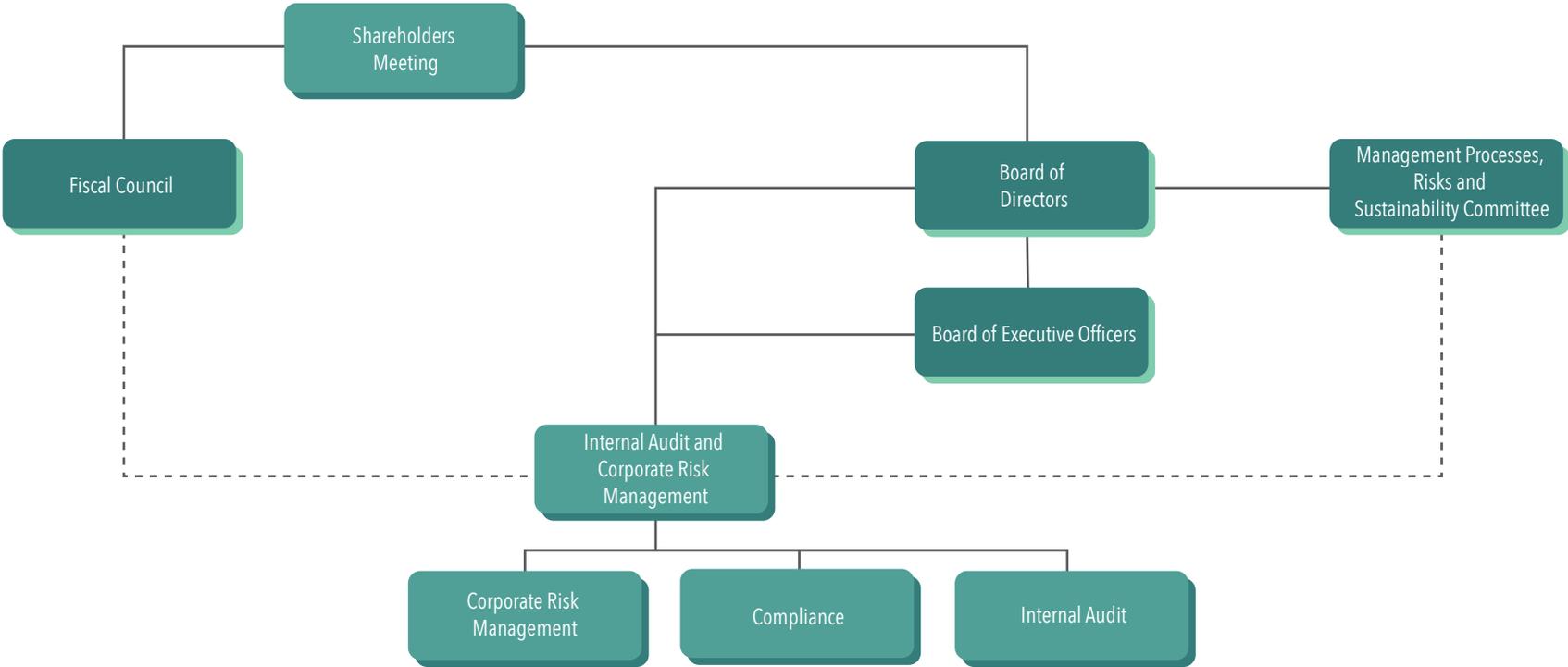
¹ Includes only online training.

² The Leadership category includes Directors, Managers, Coordinators, Supervisors and other leadership positions.

RISK MANAGEMENT GRI 102-15 | 102-29 | 102-30 | 201-2

THE MANAGEMENT OF THE RISKS to which we are exposed is essential for the sustainability of our business. To accomplish this task, we use a risk management

model that assigns clear roles to our leaders. Basically, our risk management framework is as follows:



RISK MANAGEMENT GRI 102-15 | 102-29 | 102-30 | 201-2

This management is regulated by the Corporate Risk Management Policy, which describes the risk management model, as well as the duties of each body.

Board of Directors – BD: deliberates on the risk limit methodologies recommended by the Board of Executive Officers, in addition to knowing exposures and mitigation plans presented in case these limits are exceeded.

Fiscal Council: ensures that Management is able to identify the risks related to the preparation and disclosure of the financial statements, among other attributions.

Management Processes, Risks and Sustainability Committee: is a technical body, taking notice of the risk monitoring models and exposure to them, supporting the BD in the performance of its statutory risk management.

Board of Executive Officers: must conduct business within the defined risk limits and take the necessary measures to prevent exposure to them. In the event of exceeding these limits, the body shall report to the BD, also presenting mitigation actions.

Internal Audit and Corporate Risk Management: is responsible for coordinating the risk management process, developing and updating

methodologies that involve the identification, measurement, monitoring and reporting of the risks.

Business areas: primarily responsible for managing the risks involved in their processes, conducting them within the defined exposure limits, as well as implementing mitigation plans.



TELECOM OPERATION CENTER | CAMPINAS | SP

RISK MANAGEMENT

GRI 102-15 | 102-29 | 102-30 | 201-2

Guided by our Corporate Risk Map, the Corporate Risks area monitors seven categories: financial, market (migration of customers from the captive market, Generation Scaling Factor – GSF and variations on the spot price – PLD), operational, legal, reputation, environment and regulatory. Within these categories, social and environmental risks are also considered: people, health and safety, labor and the environment.

Due to the importance of market risks, other teams are focused on managing the topics below:

Subcontracting / overcontracting risk: the Distribution companies may suffer losses if the energy contracted with the generators is not enough or is above the expected demand. In this case, the Distribution companies must purchase/sell energy, which can lead to financial impacts.

Hydrological risk (GSF): the Brazilian electric power matrix consists mainly of hydroelectric plants. If the hydrological system is negatively affected, these plants are obliged to purchase energy at a higher

price, from other sources (such as thermal), in order to honor their contracts, which can generate an additional cost for the entire system.

Market risk of trading companies: large variations in energy prices, due to an increasingly uncertain hydrological scenario, may affect the planning of trading companies.

Credit risk: our customers may find difficult to meet their financial commitments. In this case, we may not receive the amounts for the energy sold within the established time limits and this may impact our liquidity, cash flow, etc.

Other risks: we also monitor risks such as interest rate, exchange rate, among others, which may also impact our operational and financial performance.

In addition, in order to manage operational risks, the Business Excellence area advises business managers on the identification of internal controls to mitigate operational risks involved in the processes

and to define the response – accept (reduce and/or share) or avoid them. To do this, the methodology used includes stages such as identification, evaluation and measurement, monitoring and mitigation, allowing the assessment of exposure to known risks, the identification of new risks and support in the definition of the necessary controls to maintain operational processes at adequate levels.



LUIS EDUARDO MAGALHÃES HYDROELECTRIC POWER PLANT | TO

NEW SUSTAINABILITY PLATFORM

TO EVOLVE THE SUSTAINABLE MANAGEMENT of our business, we designed a new platform in 2017, which will run from 2018 to 2022.

The new Sustainability Platform enhances the line of reasoning of the previous version and is more in line with our strategic planning, as well as our value proposition, aligned with our operational and financial goals and the Sustainable Development Goals proposed by the United Nations (UN).

The 2018-2022 Sustainability Platform is illustrated in a matrix that positions on one axis our main stakeholders and, on the other axis, the most important (or “material”) topics for our business. At the intersection of these two axes, sustainable value levers are generated, which in turn are broken down into indicators and targets, which are tangible ways to **protect, optimize** or **create** shared value with our stakeholders. The chart below shows the mechanism of this process:

		MATERIAL TOPICS		
		Safe and Efficient Operations	Corporate Development, Growth & Innovation	Reputation and Responsibility
STAKEHOLDERS	EMPLOYEES AND PARTNERS Employees Third parties Suppliers	<ul style="list-style-type: none"> Safety Culture Supplier management efficiency 	<ul style="list-style-type: none"> Human capital development Attraction and retention of talents 	<ul style="list-style-type: none"> Labor contingency
	STRATEGIC RELATIONSHIPS Shareholders Regulatory agents Customers	<ul style="list-style-type: none"> Service efficiency Information Technology 	<ul style="list-style-type: none"> Low carbon economy and GHG emissions New opportunities and new business models 	<ul style="list-style-type: none"> Strengthening relationships
	COMMUNITIES Population Civil society NGOs	<ul style="list-style-type: none"> Impact prevention and mitigation 	<ul style="list-style-type: none"> Sustainable solutions 	<ul style="list-style-type: none"> Community Development

SUSTAINABLE VALUE LEVERS

Within each lever, there are protection, optimization and value creation indicators, which allow us to measure the performance of our company:



CREATING

We are able to create value through investments in new business, processes, training, relationships, asset management and other improvements that will enable value generation in the future;



OPTIMIZING

We are able to optimize value by avoiding costs and obtaining additional revenues through more efficient and intelligent processes; and



PROTECTING

We are able to protect value by improving the processes related to our business, which reduces exposure to possible risks.

NEW SUSTAINABILITY PLATFORM

In order to manage value levers, we established targets that are monitored by about 60 indicators, used to evaluate our performance on a monthly basis. This is aimed at managing risks and seeking new

opportunities for sustainable business and processes.

All indicators managed by the Platform are monitored by the Sustainability Board, the Sustainability Committee, the Board of Executive

Officers and the Management Processes, Risks and Sustainability Committee, and are reported to our Board of Directors.

SDG INTEGRATION WITH THE POWER SECTOR



As a member of the Global Compact Network in Brazil, we were responsible for the creation and implementation of a study on the integration of the Sustainable Development Goals (SDG) in the Brazilian Power Sector, which is aimed at mapping the most important SDGs for the Generation, Transmission and Distribution segments, both from impact and opportunities standpoints.

The survey was conducted between April and June 2017, with 20 companies in the Sector, and found out that 65% of them started integrating SDG into their business strategy. “Affordable and Clean Energy”, “Industry, Innovation and Infrastructure”, “Responsible Consumption and Production”, and “Climate Action” – SDGs No. 7, 9, 12 and 13, respectively – appear as the most relevant goals to the Sector.

The full integration of SDG into the companies’ business strategy is still a challenge and requires paradigm shifts in public and private management. At the same time, we believe it represents a great opportunity for companies to be part of global problem solving, to explore new markets and to create new products and services.

Following the Survey’s proposal, our new 2018-2022 Sustainability Platform is now in line with the SDG and, to better identify them, we indicated every time our actions are aligned with the world’s sustainability goals throughout this report, as follows:

THE 17 SUSTAINABLE DEVELOPMENT GOALS





4.

SHARED VALUE

SHARED VALUE CREATION

OUR DECISIONS ARE made based on the shared value creation guideline. We believe that the best way to achieve greater results is to also create value for society.

Improving the experience of our customers, preserving natural resources, contributing to the development of communities and being the best place to work are goals that our leadership pursue as much as they do financial results.

Next, you can learn more about our management model and our results.



SECONDARY NETWORK DISTRIBUTION | CAMPINAS | SP

HOW WE CREATE VALUE TO OUR STAKEHOLDERS

<p>NATURAL CAPITAL</p>	<ul style="list-style-type: none"> • Use of natural resources, such as water, sun, wind, materials and fossil fuels 	<p>MISSION To provide sustainable and competitive energy solutions with excellence, while operating in close integration with the community.</p> <p>AMBITION To consolidate our leadership in the Power Industry by creating value sustainably, surpassing industry benchmarks and becoming an international reference of excellence in the operation of assets and provision of innovative services.</p>	<ul style="list-style-type: none"> • Power Generation from renewable sources (95%) • 631 tons of waste generated (88% for reuse, recovery or recycling) • Total emission of 1.2 million of tCO₂e
<p>HUMAN CAPITAL</p>	<ul style="list-style-type: none"> • 12,862 employees • 2,579 supplying partner companies 		<ul style="list-style-type: none"> • 75.5 hours of training per employee • 8,368 employees trained in anti-corruption and ethics • 77% adherence to the Corporate Climate Research - GPTW • 35 thousand health and safety inspections
<p>SOCIAL AND RELATIONSHIP CAPITAL</p>	<ul style="list-style-type: none"> • R\$ 21.6 million invested in social initiatives • R\$ 54.0 million invested in Energy Efficiency Programs • R\$ 314.3 million in investments aimed at improving customer service 	<p>OPERATION IN ALL STAGES OF THE ELECTRICAL POWER CYCLE</p>	<ul style="list-style-type: none"> • Direct benefit to 100 thousand people through social initiatives • Savings of 36 GWh with energy efficiency initiatives • Improvements in the relationship channels
<p>INFRASTRUCTURE CAPITAL</p>	<ul style="list-style-type: none"> • 111 generation projects (3.3 GW) • 330.2 thousand km of Distribution lines • 25 CPFL Services operational bases 		<ul style="list-style-type: none"> • 8.7 TWh of energy generated • 66.1 TWh of energy distributed • 9.4 million consumer units in 679 cities
<p>KNOWLEDGE AND COMPETENCES CAPITAL</p>	<ul style="list-style-type: none"> • R\$ 44.5 million invested in R&D • R\$ 2.7 million invested in professional Requalification Programs • Development of new projects and business models 		<ul style="list-style-type: none"> • 520 people benefited by the Professional Re-qualification Program • ENVO creation (solar distributed generation) • Creation of CPFL Inova with 12 startups selected
<p>2018-2022 SUSTAINABILITY PLATFORM</p>			
<p>SOLID RISK MANAGEMENT MODEL</p>			<ul style="list-style-type: none"> • Net operating revenue: R\$ 26.7 billion • EBITDA: R\$ 4.9 billion
<p>SOLID CORPORATE GOVERNANCE MODEL</p>			<ul style="list-style-type: none"> • Net income: R\$ 1.2 billion • Distribution of R\$ 17.3 billion in added value
<p>FINANCIAL CAPITAL</p>	<ul style="list-style-type: none"> • R\$ 2.5 billion issued via shares and debentures (R\$ 200 million via green bonds) • R\$ 0.9 billion raised with loans • R\$ 19.6 billion in gross financial Debt 		

OUR PEOPLE

EMPLOYEES ARE the energy that drives our business. We are very proud of our team, because besides being highly qualified and dedicated, it is diverse. In our Group, we have the privilege of working with very experienced professionals, who have been with us for several years and have deep knowledge of the Power Sector. We also have a new generation of professionals, who understand the latest technologies and maintain a more disruptive way of thinking and behaving. This combination helps us to maintain our leading role in the Power Sector.

The matching of these profiles represents a great challenge as we have to constantly find new ways to communicate and connect with these employees. It also represents an enormous opportunity to “go beyond”, to “make a difference” and to find new ways to better assist and honor our stakeholders.



CPFL ENERGIA GROUP'S EMPLOYEES



OUR PEOPLE

PROFESSIONAL DEVELOPMENT

GRI 103-2 | 103-3



Due to the transformations that the Power Sector has undergone – and will continue to go through – as a result of technological developments that have impacted (or will impact) all stages of the electric power cycle, we have been focused on the training and development of our employees, in order to prepare them for this new sectoral environment.

In 2017, we started the revision of the management pillars of our employees, which aims to: develop new organizational skills, establish mechanisms to attract and retain talent and prepare new future leaders.

Regarding the **development of new skills**, we began to reform our corporate education programme in the reporting period.

Starting in 2018, our Corporate University will include a menu with training options, aligned with our strategic planning and with our vision for the future. This will help to demonstrate the main attributes required for our employees to reach their goals, so that we can achieve the Company's business objectives.

For staff development, we also have a 180° system for evaluating **our competencies** (for employees and managers) and a 360° system (for directors and executives). The 360° system includes self-evaluation, evaluation from immediate superiors, evaluation of peers or other internal areas and evaluation of subordinates.

The results of this evaluation process are compiled under the Nine-Box methodology, which inputs all this information into a performance matrix, which helps to guide the development of our employees.

The results of their performances are presented to employees in a feedback meeting, when the Individual Development Plan (IDP) is discussed and defined – which is an outline of plans for the future.



CPFL EMPLOYEE COMPETENCIES:

- Ensures Results and Builds for the Future;
- Ensures Excellence, Simplicity and Speed;
- Aims for Growth;
- Acts as Owner;
- Transforms to Grow;
- Learns and Evolves;
- Considers the Interest of All Parties Involved; and
- Trains People, Inspires and Engages (only for our managers).

OUR PEOPLE

In 2017, we provided an average of 75.52 training hours per employee and gave performance feedback to 70% of our staff. More information below:

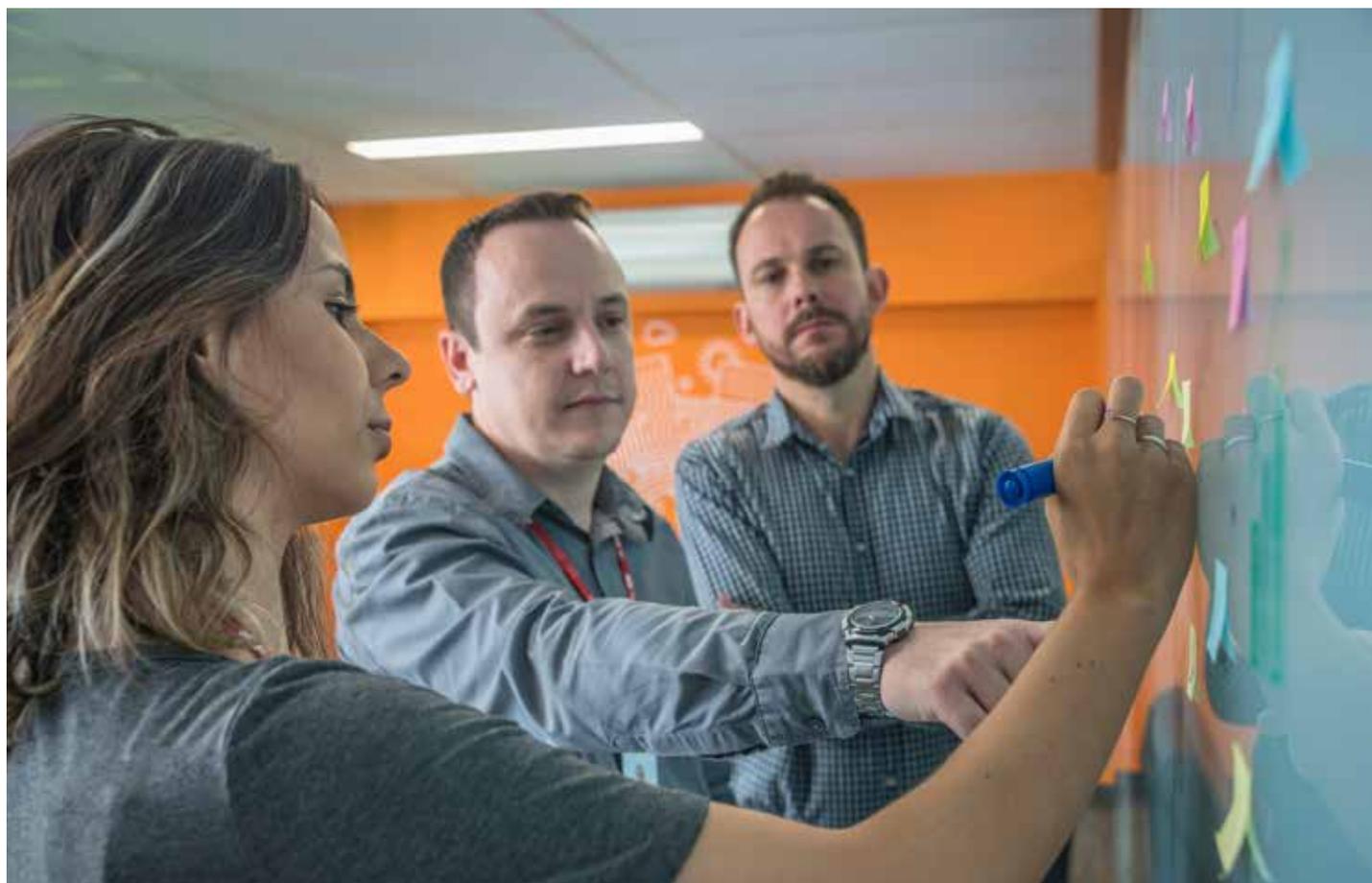
GRI 404-1 | 404-3

Average hours of training per employee by gender in 2017

	2015	2016	2017
Men	88.64	88.70	74.30
Women	86.22	63.03	80.24
Total	88.08	82.80	75.52

Average hours of training per employee by position in 2017

Corporate	99.37
Management	21.68
Operations	78.07



RGE SUL EMPLOYEES | SÃO LEOPOLDO | RS

OUR PEOPLE

Employees who received performance reviews by position¹

Position	2015		2016		2017	
	Number of employees who received evaluation	% of employees who received evaluation in relation to total positions	Number of employees who received evaluation	% of employees who received evaluation in relation to total positions	Number of employees who received evaluation	% of employees who received evaluation in relation to total positions
Management	180	29%	180	27%	170	22%
Other employees	6,006	68%	6,682	70%	8,858	73%
Total	6,186	65%	6,862	67%	9,028	70%

¹ Employees on leave, apprentices, retirees due to disability and executives did not receive performance evaluation, but are included in the total number of employees (12,862 in 2017).

Percentage of employees who received a performance review by gender¹

Gender	2015		2016		2017	
	Number of employees who received evaluation	% of employees who received evaluation in relation to total gender	Number of employees who received evaluation	% of employees who received evaluation in relation to total gender	Number of employees who received evaluation	% of employees who received evaluation in relation to total gender
Men	5,042	69%	5,670	71%	7,171	69%
Women	1,144	54%	1,192	53%	1,857	75%
Total	6,186	65%	6,862	67%	9,028	70%

¹ Employees on leave, apprentices, retirees due to disability and executives did not receive performance evaluation, but are included in the total number of employees (12,862 in 2017).

OUR PEOPLE

Succession of executives and managers

In order for our managers and executives (Director, Vice President, President) to evolve in their careers, we implemented a succession process with an annual cycle, carried out after performance review results. Through this methodology, we are able to identify potential successors, generating a succession map that indicates the level of security of each position and contributes to employee management.

With the “Talent Pool”, we are able to assess the criticality level of professionals and leadership positions, as well as define retention actions, always in line with our strategic planning.

For those who are already managers in our organization, we have created two programs, with the objective of raise the awareness of professionals responsible for people management, as well as the importance of continuous development, focused on achieving sustainable results.

Our aim is to stimulate a leadership team that has more autonomy and empowerment. This involves a **culture change**: from the culture of managers being “process leaders” to the “people leaders”; we want managers who encourage collaboration and who collaborate, working as a team.

All of this work is fully aligned with the results of the latest climate research and changing market conditions, such as greater flexibility, less bureaucracy and more speed. Find below the programs’ descriptions:

Decola Líder (“Leaders Take Off”): focus on the development of our first level of management, including Leading Technicians, Leading Engineers, Supervisors and Coordinators of the entire Company. It offers training on Human Resources tools, the role of the leader, as well as behavioral training given by an external consultancy on self-knowledge, leadership and feedback, delegation and time management, change management, communication and strategic business vision.

Voando Alto (“Flying High”): aimed at our managers, focusing on behavioral training, deepening the knowledge of leaders on issues such as identity, team empowerment, link building, successor development, strategic planning, innovation and business excellence.

Both programs are based on research of our employees, from individual and group interviews, mapping skills and development needs, market trends and alignment with the Company’s strategic guidelines.

OUR PEOPLE

ESCOLA DE ELETRICISTAS (“SCHOOL FOR ELECTRICIANS”) GRI EU14



Since 2012, we have maintained the School for Electricians, a program that seeks to invest in the training of people, and, at the same time, streamline our recruiting process for electricians – meeting the shortage of these professionals in the labor market – while benefiting the communities that live in our concession areas.

The project is run in partnership with recognized training centers and shortens the time necessary for the admission of employees. The traditional hiring process takes, on average, 120 days (30 days for selection and hiring, and another 90 days for the practical and theoretical training). Through the School for Electricians, we reduced this time to approximately 20 days, since students are prepared even before the vacancies open, eliminating the time used for selection and training.

In 2017, the Project was developed in partnership with SENAI schools in Americana – SP, Araraquara – SP, Bauru – SP, Cubatão – SP, Ribeirão Preto – SP, Indaiatuba – SP, Ipaussu – SP, São Leopoldo – RS and Piloto Erechim – RS. Including the regions in which we have Distribution companies, we trained 15 classes, having 223 people ready for the job market, with no cost. Of the total number of trainees, we hired 134 electricians. Those who have not yet been hired by our Company are available for future opportunities in other companies in the Sector, directly and positively impacting the quality of life and income of several families while increasing the level of professional competence of the communities in which they live.



SECONDARY NETWORK DISTRIBUTION

OUR PEOPLE

QUALITY OF LIFE, HEALTH AND SAFETY

GRI 403-2 | 401-2 | 103-2 | 103-3



One of our ongoing goals is to provide a safe working environment and better quality of life. We encourage our employees to attend gyms, running groups, among other initiatives. We also invest in programs and actions, including:

Quadro de saúde (“Health Panel”): evaluation and monitoring of employee health.

Programa Fale Comigo (“Talk to Me Program”): free and specialized advice in times of difficulties, everyday situation concerns or personal and family planning. Services offered are: legal, social work, speech therapy, financial services and nutrition.

Programa Nutrir (“Nurturing Program”): professional follow-up by nutritionists, with individual and group consultations, personalized goals and orientations, in addition to support from psychologists.

Incentives: gyms, running groups, among other health promotion initiatives and quality of life.

In addition, we offer all our employees the following benefits:

- Life insurance;
- Healthcare plan;
- Deficiency and disability assistance;
- Parental leave; and
- Retirement plan.

Safety is our main objective. We act preventively in the anticipation, recognition, evaluation and control of risks when implementing procedures, tools and technologies in the improvement of our operations.



FUTSAL TEAM PLAYER AT CPFL ENERGIA | CAMPINAS | SP

OUR PEOPLE

As a way of recording and controlling information related to Occupational Health and Safety, we developed the **Primeiro as Pessoas (“People First”) System – SPAP**, to promote better management and process governance, with more standardization, control and enforcement of actions established.

In addition to the SPAP, we have other continuous initiatives, in order to disseminate the safety culture and act with a focus on accident prevention, among them including:

Internal Week for Accident Prevention – SIPAT: a week dedicated to safety with the theme “Our greatest Value is your Safety”, including the 109 Internal Accident Prevention Committees – CIPAs and more than 18,000 of our own and contracted employees;

Security Inspections: we carried out more than 35,000 inspections, 13,000 of which related to work safety and focus on behavior and working conditions, and more than 22,000 behavioral inspections involving our own and contracted teams;

Diálogos Diários de Segurança (“Daily Safety Dialogs”) – DDS: we developed daily discussions on accident prevention and safety with employees working in operational areas;

Diálogos Semanais de Segurança (“Weekly Safety Dialogs”) – DSS: we promoted weekly discussions on accident prevention and safety with employees working in administrative areas; and

Internal communications: we made more than 500 Safety disclosures of information on the theme throughout 2017.

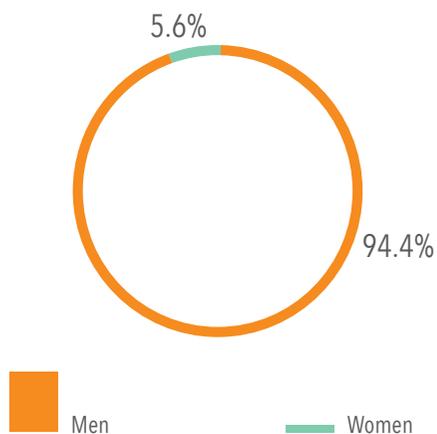


CPFL SANTA CRUZ | JAGUARIÚNA EMPLOYEES | SP

OUR PEOPLE

In 2017, we recorded 89 accidents. The negative impact on the lost days was due to the occurrence of two fatal accidents. Despite these sad events, the majority of the accidents registered in the period were of minor gravity. More information below:

Injuries, accidents and fatalities by gender in 2017



Number of injuries, accidents and fatalities by region¹²

	2015	2016	2017
Southeast Region			
Lost day accidents	43	50	63
Fatalities	1	1	1
Subtotal	44	51	64
South Region			
Lost day accidents	13	22	24
Fatalities ³	1	0	1
Subtotal	14	22	25
Total	58	73	89

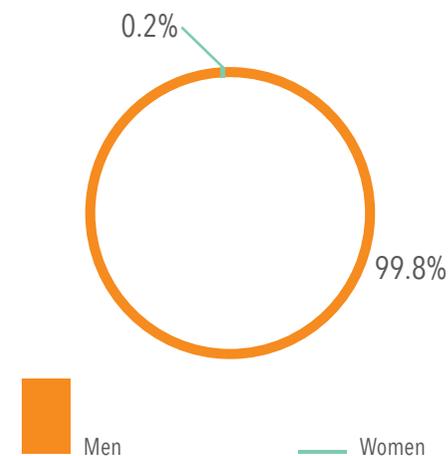
¹ The standards system applied to the recording and reporting of accident statistics is the NBR 14280;
² All injuries are registered as accidents;
³ The two fatalities in 2017 occurred with men.

Lost Days¹ by region

	2015	2016	2017
Southeast Region	7,144	6,666	7,611
South Region	6,508	377	6,805
Total	13,652	7,043	14,416

¹ The calculation of lost days is performed considering "calendar days" and begins to be counted on the day following the accident.

Lost days by gender in 2017



OUR PEOPLE

TEAM PROFILE AND TURNOVER GRI 102-7 | 102-8 | 401-1 | 103-2 | 103-3

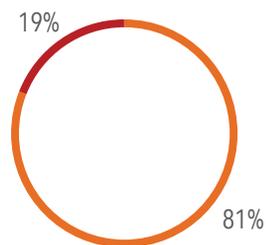
By the end of 2017, we had 12,862¹ people on our team. Below, we present more information about our employee profile:

PROFILE OF OUR PEOPLE

Total CPFL employees:
12,862¹

¹ The total considers the companies 100% controlled by CPFL Energia.

BY GENDER²



Men Women

² Does not consider employees working part-time.

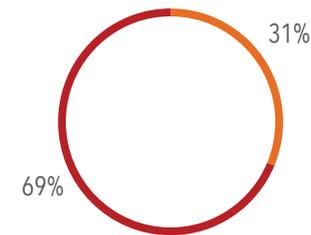
BY TYPE OF EMPLOYMENT AND GENDER

	Men	Women	TOTAL
Full time ²	10,324	2,407	12,731
Part Time ²	59	72	131
TOTAL	10,383	2,479	12,862³

² Employees who work up to 179.99 hours per month, are considered part-time. Above 180 hours, are considered full-time.

³ The total considers the companies 100% controlled by CPFL Energia.

BY REGION



Southeast South

OUR PEOPLE

In 2017, our turnover rate was 17%, while our hiring rate was 18%.

Hiring by age and gender

By age group	2016		2017	
	Employees hired	Hiring rate	Employees hired	Hiring rate
Up to 30 years old	1,201	36%	1,134	28%
Between 30 and 50 years old	861	15%	1,073	14%
Over 50 years old	46	4%	60	5%
Total	2,108	21%	2,267	18%
By gender				
Men	1,512	19%	1,801	17%
Women	596	26%	466	19%
Total	2,108	21%	2,267	18%

Turnover by age and gender

By age group	2016		2017	
	Employees dismissed	Turnover rate	Employees dismissed	Turnover rate
Up to 30 years old	639	19%	916	23%
Between 30 and 50 years old	582	10%	980	13%
Over 50 years old	149	12%	324	26%
Total	1,370	13%	2,220	17%
By gender				
Men	928	12%	1,632	16%
Women	442	20%	588	24%
Total	1,370	13%	2,220	17%

OUR PEOPLE

Organizational Climate Survey



Over last year, we conducted an organizational climate survey with our employees. The consultation followed the ‘Great Place to Work’ methodology, and evaluated aspects, dimensions such as employee perspective, cultural practices and transformation in the work environment through management.

The survey had an attendance of 77% and showed employees feel proud of our Company. The results also demonstrate that our employees have a high degree of engagement, mainly due to the work environment, growth opportunities and professional development, as well as work satisfaction. The survey also showed the points to be improved such as greater integration between different areas and people management. These topics will be worked out in 2018, through collaboratively constructed action plans.



RGE SUL INTEGRATED OPERATING CENTER | SÃO LEOPOLDO | RS

OUR RELATIONSHIPS

STAKEHOLDER RELATIONSHIP is one of the main pillars of our value creation process and contributes directly to the positive reputation of our brand and our business.

In addition to maintaining ethical conduct and respecting human rights - which we consider to be the most basic of our premises in relation to our stakeholders - we seek to continually improve the policies that guide our relations, not only to mitigate risks, but most of all, contribute effectively to improve people's quality of life.

CUSTOMER ORIENTATION

Our clients are the focus of our work. Being a company, our current strategy seeks guidance from them on the constant evolution of their consumption experience. We work to improve our service and create solutions that are aligned with customer expectations, such as more energy efficiency, speed, autonomy and comfort.

In 2017, we were delighted to receive the **'Companies that Most Respect the Customer'** award, a recognition for companies that demonstrate, in practice, respect for their consumers - in the view of their clients. The award is granted from a study conducted by the Consumidor Moderno magazine, under the technical coordination of Ponte Estratégia company, in partnership with MindMiners and the Centro de Inteligência Padrão.



CUSTOMER SERVICE

OUR RELATIONSHIPS

Transforming Customer Service Project



In 2016, we launched the 'Transforming Customer Service Project', based on a series of innovations to bring more speed, convenience and satisfaction to our Distributors' customers. The Project started with a research with these customers and, as a result, established three points of development, which were: to better understand customer needs; anticipate their expectations; and maintain clear and assertive communication.

As a result we improved our customer service functions in 2017. Check below:

Implementation of new IVR: to streamline customer demands in our Interactive Voice Response – IVR, we reformulated the sequence of options (prioritizing the most frequent services) and included new features, such as sending a copy of the bill via SMS (in addition to the mail option). Also, we extended the reconnection request function via the IVR, which became available 24 hours a day;

Call Center Improvements: we evolved the service system platform and improved customer accessibility;

Redesign of the mobile app and webpage: in September 2017, we released a new version of our app, which was renamed to **cpflenergia**. Among the improvements made, we have increased the number of available services from 12 to 30 - such as the availability of a copy of the bill, reporting power outages and consumption history - and also created a more friendly website that offers the four most used services by our customers right on the homepage (responsible for 70% of contacts with our channels); and

Ombudsman: we have achieved ISO 9001 certification, an international standard that ensures the quality management of products and / or services. The certification was the result of a project started in July 2016, which included the redesign of processes, improvements in the quality of service, reduction of response time and creation of indicators for measuring results. All of this had one goal: improving customer satisfaction with our services.

VALIDATION OF DOCUMENTS THROUGH CUSTOMER SELFIE

In 2017, we have implemented another improvement in the change of ownership process related to new connection for residential customers: the validation of documents by e-mail. Previously, in order to carry out the change of ownership of a residence, the client had to go to one of our service agencies in person or wait for the electrician to go to the place to do the validation of documents; now, the customer just needs to send all the documents by email, including a selfie holding an ID document.

This new feature came into effect after the recognition and approval of ANEEL, and has offered more convenience to our customers, who can carry out this process without leaving home.

OUR RELATIONSHIPS

ENERGY EFFICIENCY PROGRAM GRI 103-2 103-3



To encourage more intelligent and efficient consumption by our customers, we have the **Energy Efficiency Program**. With it, we seek opportunities and offer solutions to reduce energy consumption in homes and businesses, including industries, hospitals, public agencies and others.

Among the actions of the Program, we highlight the replacement of obsolete equipment and the education initiatives, aimed at combating waste and promoting the safe use of energy.

In 2017, the Company invested more than R\$ 54 million, which represented a reduction of 35,568.60 MWh per year, enough to supply a municipality with more than 210 thousand people for a month. Of this total, R\$ 33 million was spent on projects for low-income customers, and we worked together to regularize more than 2,860 consumer units.

We also invested R\$ 7.7 million in education programmes in 225 schools, which impacted 75 thousand students and 5,031 teachers, through playful and interactive initiatives on energy efficiency practices. These initiatives directly contribute to improving the habits and behaviors of current and future customers. Learn more about the program by watching the video on the link: <https://goo.gl/kYWQ94>.



PRAÇA DAS ÁGUAS ("WATER SQUARE") | SOROCABA | SP

OUR RELATIONSHIPS

WHITE TARIFF



On January 1st, 2018, our customers were able to join the 'White Tariff', a new consumption option in which the energy value varies according to the day and time of use. If the customer uses more energy in periods of low demand (such as morning, early afternoon and dawn), they will have the option of reducing the amount paid for energy consumed.

Since 2016, we have been preparing for this change, keeping the focus on maintaining the quality of service for customers who opt for the new tariff. To achieve this, we have invested in some important updates, such as:

- Approval of the new meters with INMETRO;
- Replacement of current meters with new ones;
- Training of meter readers, electricians, customer service center staff and the entire call center;
- Adjustment in billing process of energy bills; and
- Guidance and care for all consumers.

The White Tariff option has been offered gradually and can adhere to the new tariff model new and/or monthly customers with consumption exceeding 500 kWh. Within our operation, we estimate that around 100 thousand customers will be able to make the change. In 2019, the White Tariff will be available for units with an average consumption of over 250 kWh/month and, in 2020, for all low voltage customers (regardless of their consumption level).

Customer satisfaction

In order to measure and monitor customer perception of our services, we participated in satisfaction surveys, with emphasis on the ABRADEE Survey - which compares the level of customer satisfaction of the largest distributors in the Sector - and ANEEL satisfaction survey.

In 2017, two of our Distributors were recognized by the **Abradee Award**. CPFL Santa Cruz - SP received the award for best Distributor in Brazil, in the category up to 500 thousand consumers, and RGE - RS was awarded as the best Distributor in the South region. This was the first time that CPFL Santa Cruz received this recognition, while RGE was awarded for the eighth time, which places it as the biggest winner in its category.

In the same period, the **Aneel Consumer Satisfaction Index (IASC) Award** was given to RGE Sul, in the category "South above 400 thousand consumer units", and CPFL Santa Cruz, in the category "South and Southeast", above 30 thousand up to 400 thousand consumer units."The IASC Seal is the largest and most important recognition in Brazil's Power Sector and reflects the perception of clients regarding the quality of service provided.

OUR RELATIONSHIPS

Population safety GRI EU24 | EU25 | 103-2 | 103-3



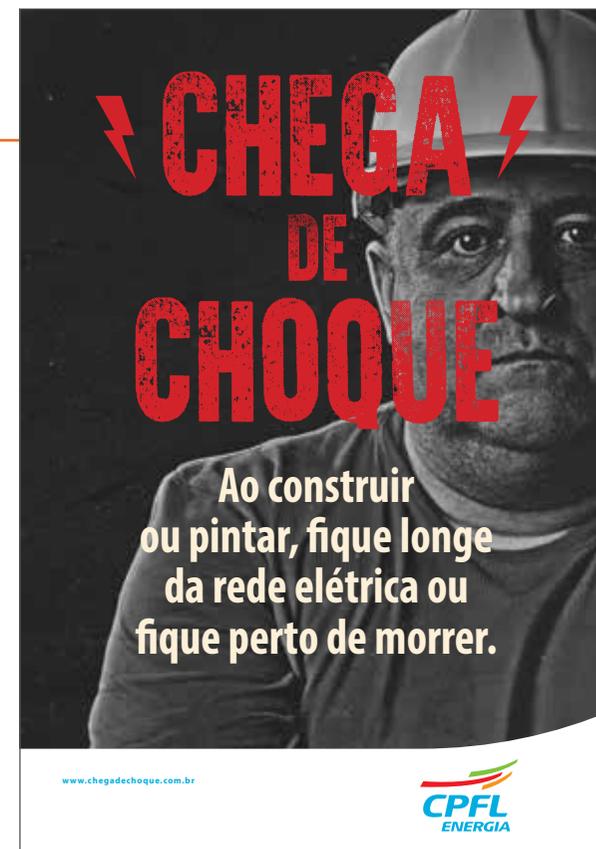
The safety of the population is a significant issue for us. We understand that it is our responsibility to provide, through our distributors, energy with quality, while disseminating a culture of safety among our customers in order to avoid accidents along the grid.

Every year, we make announcements in several media outlets about the risks of interfering in electricity grid, alerting the communities that live in our concession areas. In 2017, the *Chega de Choque* (“No More Shocks”) campaign was an important initiative, that sought new ways to raise awareness about these risks.

Among the initiatives of the Campaign, we highlight the creation of a website in which people have the opportunity to share their stories about accidents with the electricity grid and thus alert everyone about the dangers of informally carrying out activities such as tree pruning, house roof repairs and/or flying kites near the electricity grid.

In order to increase and deepen the impact on the population, the **Chega de Choque** Campaign was present in 623 municipalities within our concession areas, where it carried out blitzes with the population and presented videos that addressed the care that should be taken. You can see a campaign video at <https://chegadechoque.com.br/>

In addition to the Chega de Choque Campaign, we conducted the External Campaign for Prevention of Electrical Accidents - CEPAE, presenting lectures in more than 450 schools, institutions, buildings and power plants, named: “Prevention of Electrical Risk”.



“When building or painting, stay away from the power grid or stay close to dying.”

OUR RELATIONSHIPS

Due to the challenging moment, in 2017 Brazil recorded an increase in the number of unemployed people and, consequently, informal workers. Many people who lost their jobs ventured autonomously in the construction industry, doing so-called “filler jobs,” which led them to have reckless contact with the electricity grid. In addition to informality, in the reporting period we also recorded an increase in attempts to steal electrical equipment (such as cables), an activity that, in addition to being illegal, is very dangerous.

Even with the efforts we made to raise awareness of the risks, the economic environment contributed to the fact that, unfortunately, there were 61 accidents among the population, of which 26 involved fatalities. These numbers sadden us, and we will continue to invest all the resources we have available to offer people awareness and safety.

CLOSENESS TO SUPPLIERS GRI 102-9 | 102-15 | 103-2 | 103-3



Our relationship with suppliers is an important asset for our performance and has a direct impact on results. It is part of our strategy to foster the improvement of business management and technical-operational development in our supply chain.

During the period covered by the report, we started to contract products and services through the SAP Ariba system, a solution created to connect buyers and suppliers of products and services through a quick and simple virtual platform. With Ariba, we now have access to the world’s largest business-trading network, in which more than 2 million companies conduct business transactions.

In 2017, we worked with 2,579¹ companies. Of this total, we consider 106 as strategic partners - because together they represent more than 80% of our transactions with suppliers - and 67 as critical, since, besides being strategic, they present high operational criticality and/or may offer reputational risks.

¹ The number considers only companies that were contracted centrally, that is, with contractual amounts above R\$ 20,000. In November 2017, with the acquisition of RGE Sul, we increased our supplier base by 424 companies, which are already managed in an integrated manner by the CPFL Group.

OUR RELATIONSHIPS

Strengthening risk management

In order to provide products and/or services to our Group, the applicant company must meet a series of prerequisites that guarantee a partnership and transparency.

Among the commitments we demand are issues related to labor relations (working hours, decent pay, freedom of association, etc.), safety at work, social responsibility (non-direct or indirect involvement with child labor or forced labor), the fight against discrimination, and commitment to ethics and respect for the environment. All required commitments can be found in our Code of Ethical Conduct, access to which is extended to all our suppliers.

In addition to the requirements expressed in the contract, we work with a formal environmental and social risk identification process. For companies under approval (beginners), monitoring is carried out through a self-evaluation report completed by

the companies themselves. In the case of suppliers that are already active, we carry out visits to verify whether the commitments entered into are fully complied with.

We also evaluate the adherence of the labor and social security documents of outsourced employees that are part of our operations, through the Third-Party Documentation Management Cell, an area dedicated exclusively to the evaluation of suppliers of the critical scope. In 2017, the Cell evaluated 8,268 third parties from 312 different contracts, signed with 126 suppliers.

Encouraging good practices

In accordance with our proposal to foster our suppliers' management improvement, we encourage suppliers to adopt good socio-environmental practices, to be more sustainable in the management of their operations. This aims to create an environment conducive to ethical business and shared value

generation. Among the initiatives we have developed is the **Rede de Valor** ("Value Network"), a program that encourages our suppliers to share their best practices related to corporate sustainability.

In addition, every two years, we hold the **CPFL Mais Valor Award**, which recognizes suppliers that stood out the most in the period. The last **Award** was held in 2016 and the next will be in 2018.

You can learn more about supplier relationships in our Suppliers Portal on the following link <https://goo.gl/5Uv7Mm>.



¹ Critical scope includes exclusive suppliers (that is, they are the only ones that offer us a particular product or service) or offer operational or imaging risk.

OUR RELATIONSHIPS

COMMUNICATION WITH EMPLOYEES

For the creation and maintenance of a team committed not only to the Mission, Vision and Principles of our Company, but also to our strategic planning and results, we seek to establish a simple, direct communication line capable of engaging our people.

Through the use of different channels, we show our internal employees how important it is to us, and how their posture and attitude towards the challenges of everyday life influence directly not only in our business but also in the whole organizational climate. In addition, we use internal communication to show the opportunities for personal and professional evolution that our company offers.

Among the main tools we use to share these messages are:

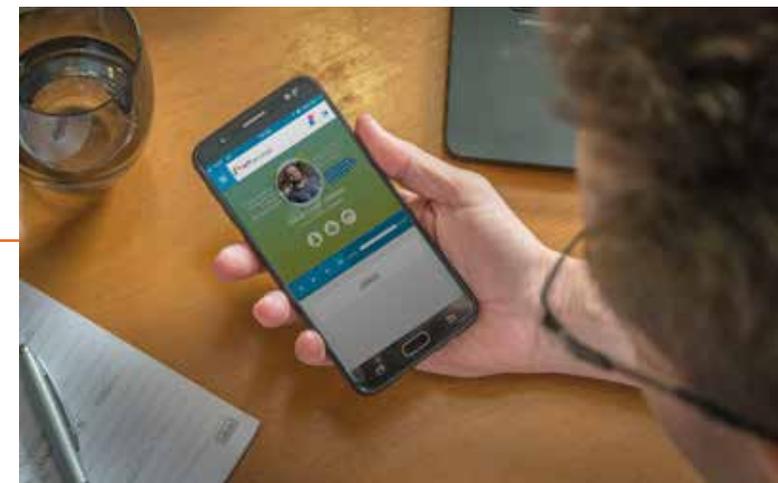
Field and Services MultiApp: a new communication channel that we created in 2017, which is totally mobile, directed exclusively to our operational teams, consisting of exclusive content in video, audio and/or short text notes;

CPFL Informa ("CPFL News"): a vehicle that brings content of interest to all employees (or a large part of them) that serve as support for our internal campaigns;

Executive Channel: addressed to our leaders, strategic in character and brings information of great relevance to this audience;

Vai e Vem ("Come and Go"): keeps our people informed about hiring, promotions and movements of our leaders; and

Meeting with the President: we promote periodic meetings between employees and our President, Andre Dorf. The meetings are held in our units and represent a unique opportunity to exchange information about the main achievements of the period, strategic data and clarification of doubts.



OUR RELATIONSHIPS

COMMUNICATION WITH THE PRESS

We have a close relationship with the press, based on the principles of transparency and ethics. To keep in constant contact with the media, we promote meetings between journalists and our spokespeople, organize visits to the editorial offices of some communication agencies, as well as to conduct workshops on the Power Sector to train journalists. In addition, we seek to respond in a structured manner to requests for interviews, as well as maintain a press service 24 hours a day. In addition, we keep all of our published news updated in an exclusive space on our website, where journalists can find a vast amount of material about our company.

In 2017, we received (for the 3rd time) the “Companies that Best Communicate with the Press” award, organized by the Negócios da Comunicação

magazine, which seeks to recognize the quality of the relationship that companies maintain with journalists and the market.

CONTRIBUTING TO SOCIETY

GRI 102-15 | 413-1 | 413-2

The activity we carry out in our core business is essential and indispensable for society. It is impossible to think of a safer and more comfortable life without access to electrical power, which helps us to keep chilled food, take a hot shower, provide air-conditioned environments, and many other things. In addition, without electricity, industry and commerce would not be able to develop and collaborate for the country's economic and social growth.

Although our rendered service is indispensable to society and represents our driving force, it is part of

our relationship proposal to go beyond the direct and indirect benefits generated by our businesses and find ways to contribute to people's lives.

In order to direct our work to the communities that permeate our operations (or that are impacted in some way by our actions), we have our Sustainability Platform (which can be seen on page 31 of this report) and our Social Investment Policy, a public document, that can be accessed here goo.gl/aY7UN7, which presents how we propose to collaborate for the development of this target audience.

OUR RELATIONSHIPS

Instituto CPFL



Conceived in 2003, the Instituto CPFL has been undergoing a strengthening process since 2015 and today is our social investment platform. In 2017, the Institute centralized most of our social actions and invested R\$ 21.6 million (including incentive amounts). Of this total, R\$ 7.1 million was invested in private social investment initiatives. We estimate that these investments benefited approximately 100,000 people in 96 municipalities, through face-to-face and remote participation.

The CPFL Institute is an OSCIP (Civil Society Organization of Public Interest), with its own governance structure, which includes a Board of Directors and a Fiscal Council.

The social investment initiatives of our Institute are structured on five fronts: Culture, Sports, Education, Public Management and Community Development. All of them have the cross-cutting goal of transforming the communities where we operate, through the management of knowledge. Learn more

about the Institute by watching the video on the link <https://goo.gl/2hofde>.

Next, you can learn about our main culture, arts and sports activities:

Café Filosófico CPFL (“CPFL Philosophical Coffee”): face-to-face meetings with intellectuals from various areas of knowledge, lives on the internet, recorded and broadcasted on TV Cultura, which addresses the concerns and anxieties of contemporary society. In 2017, 30 meetings (with a total audience of 5,000 people) and live broadcasts (with a total reach of 160,000 people) and 80 TV shows were held (with an annual audience of 36 million people).

Contemporary Music: the only regular Brazilian series of concerts dedicated to the music of our time, recorded and made available on the internet and broadcasted on Rádio Cultura FM. In 2017, there were 15 public concerts with 2,600 people and 53 radio programs.

Cine CPFL (“CPFL Movie theater”): a room with high-tech equipment that displays a permanent and free program, as well as international shows. In 2017, there were 86 sessions with an audience of 3,300 people.

Exhibitions: an art gallery that hosts exhibitions in partnerships with renowned institutions and with a focus on art and education through mediated visits. In 2017, two exhibitions were held with a total audience of 6,900 people and 172 mediated visits.

Circuito CPFL (“CPFL Circuit”): a national program that takes cinema activities (Cine Solar and Cine Autorama) to various municipalities in our concession areas, music (concerts with maestro João Carlos Martins) and sports activities (races, walks and cycling tours). In 2017, 166 events were held in 96 cities in six states, with a total audience of 50,000 people. Learn more about the program by watching the video on the link <https://goo.gl/DKVupy>.

¹ According to Ibope of 2017.

OUR RELATIONSHIPS

Main social development initiatives of our Institute GRI 413-1 | 413-2



In 2017, our Institute's private social investment initiatives were structured to strengthen public management and local development, based on seven ongoing major projects and under an investment of approximately R\$ 7.1 million.

Following this line, we carried out two projects of institutional development in the Municipal Councils for the Rights of Children and Adolescents (CMDCA) and Municipal Councils for the Rights of the Elderly (CMDI), which we executed in 17 municipalities in the countryside of the states of São Paulo and Rio Grande do Sul. The total value of the investment was R\$ 1.7 million.

Another initiative to promote local development was the execution of projects using ISE (Social Investments of Companies) resources - social sub-credit of the BNDES. Through these

Projects, approximately R\$ 5.2 million were invested in communities around our areas of activity, in the states of Rio Grande do Sul and São Paulo.

With the projects we carry out in partnership with Geekie, Tamboro and Instituto Ecofuturo, we seek to increase knowledge in public schools, through the use of digital platforms and adaptive learning, in addition to providing more access to reading with the implementation of community libraries. In all, approximately 13,000 students were benefited.

Another project of great local impact that we carried out was the partnership with ToLife, which implemented a system to classify and organize the flow of patients in Emergency Care Units of public hospitals and / or that attend to the Unified Health System - SUS. In addition, we also contributed to the National Oncology Support Program - Pronon, which collaborated with projects for technological expansion of hospitals providing care for people with cancer.

With the aim of multiplying knowledge and adding shared value, our Institute also has the **Semear** volunteer program, an internal initiative involving 850 volunteers, which, in 2017, benefited approximately five thousand people by developing 80 actions in 10 municipalities in the countryside of São Paulo.



INSTITUTO ECOFUTURO LIBRARY | CAMPINAS | SP

OUR RELATIONSHIPS

Other initiatives of Private Social Investment of the CPFL Group GRI 413-1 | 413-2



In addition to the social investments we carry out centrally in our Institute, our plants also contribute directly to the communities that live around our operations and benefit thousands of people.

Among the main social investment initiatives of the plants, we highlight:

Baesa

Pinhal da Serra Archaeological Park: created in partnership with the Pinhal da Serra Municipal Government and IPHAN, the Park located on the São Jorge Line brings together a set of 11 semi-subterranean houses, funeral structures and ceremonial spaces, as well as areas destined to the collection of raw material and workshop of artifacts. The

Park is the result of research done before, during and after the implementation of HPP Barra Grande, revealing a bit of the history of the region's former inhabitants, whose vestiges indicate occupations of the site about 1,400 years ago. To learn more about Baesa initiatives, access: goo.gl/gpdMdw.

HPP Barra Grande Socio-environmental Responsibility Program: supports several projects aimed at income generation, the environment, culture, sports, health, public safety and social development in municipalities within the area of influence of HPP Barra Grande. During the period, 38 projects were received, of which 21 were selected and received investment of R\$ 5.4 million from BAESA and from partners. Of this total, R\$ 883,868.10 comes from our plant.



TEATRANDO GROUP | ÁGUAS DE CHAPECÓ | SC

OUR RELATIONSHIPS

Foz do Chapecó

Social investment: in 2017, HPP Foz do Chapecó invested R\$ 4.5 million, through Fiscal Incentive Laws, in projects that directly serve the communities surrounding the project, with special emphasis on the construction of the Museum of the Balseiros in Chapecó - SC, the maintenance of centers of social inclusion for children and adolescents in the city of Alpestre - RS, sponsorship for theater tours and circus presentations for the public school system, the project for the construction of an athletics track at the Community University of the Region of Chapecó (Unochapecó) and the support to the Brazilian Association of Cancer Patients. To learn more about Foz do Chapecó initiatives, access: goo.gl/bDfZA2.

Enercan

HPP Campos Novos Projects: Enercan's Responsibility Program works collaboratively to improve the quality of life of the communities, stimulating partnerships for the development of the region, investing in safety, health, environment, incentive to sports, culture and education.

During the period, the program promoted 78 projects, of which 45 were selected and received from ENERCAN and partners a total investment of R\$ 7.9 million, of which R\$ 3.5 million from our Plant. In addition, through a partnership with institutions such as the Agribusiness Research and Rural Extension Company - Epagri, National Rural Apprenticeship Service - Senar and Secretaries of Agriculture, free courses are developed with the objective of contributing to the cultivation of fruits, fish, milk among other products, developing the local economy and providing an income alternative for rural producers in the region. To learn more about Enercan initiatives, access: goo.gl/6xuFrF.

Ceran Complex

Social investment: invested in 34 social projects in 2017. In total, R\$ 11.5 million were invested, of which R\$ 1.8 million were invested by incentive from Ceran's enterprises (own resources and tax incentive laws), and the remainder was raised with partners and counterpart of tenderers. To learn more about Ceran Complex initiatives, access: goo.gl/RyBdTk.

CPFL Renováveis

Raízes Program: a private social investment project that aims to increase positive social impact in the communities that live around the operations of CPFL Renováveis, in the social, environmental and economic fields. The program's strategy is to establish a close and trustworthy relationship for the social and environmental development of the territories served. In the last cycle of the Program (2016-2017), R\$ 6.5 million were invested, which indirectly benefited 76,000 people. Since its inception, the Raízes Program has already made a social investment of around R\$ 9.4 million. To learn more about CPFL Renováveis initiatives, access: goo.gl/fjCixP.

STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



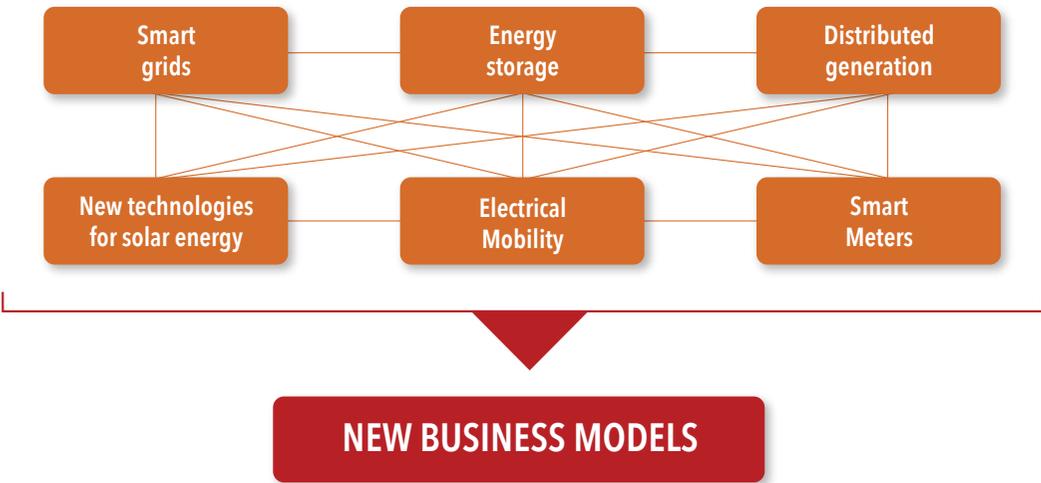
THE POWER SECTOR is undergoing an important transformation process, impacted by the constant technological evolutions of the 21st century, introduced - mainly - by the digitization and automation. In this context, we have opportunities provided by the wide connectivity, artificial intelligence, internet of things (IoT), industry 4.0, and also challenges such as climate change, social inequalities and - in the case of the Power Sector - clean and renewable energy generation, as well as the increasing requirement of customers to have at their disposal new products and services, aligned with conscious consumer practices.

Under this accelerated pace of change, maintaining a clear and well-designed vision for the future is an essential factor for our success in the medium and long term. Thus, we work with a vision for the year 2030, in which we see three major influences and the main trends of innovation for the Power Sector. Check it out next:

2030 VISION - FORCES THAT ARE INFLUENCING THE ENERGY SECTOR



MAIN INNOVATION TRENDS IN THE ENERGY SECTOR



STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



Our 2030 Vision represents an essential driver of our innovation projects, which involve not only the work of our Research & Development (R&D) teams, but also the entire leadership of the Company. You can learn more about our innovation fronts by watching the video available on the link <https://goo.gl/vCgK3h>.

Due to our projects and achievements, in 2017, we have integrated three important innovation rankings: we are among the top five Hitachi Transformation Award finalists - being the only company in Latin America - we are ranked 12th in the Best Innovator ranking, which awards the most innovative companies since 2003 (and since 2010 in Brazil). In addition to these, we were included in the Valor Econômico Brasil 2017 yearbook, a Valor Econômico publication that lists the 150 most innovative companies in Brazil.

¹ Does not include investments by CPFL Renováveis.

PROJECTS AND INVESTMENTS IN R&D

According to the regulation of our Sector, distributors must invest 0.5% of their revenue in R&D projects and another 0.5% in energy efficiency programs. Generators invest 1% of their revenue.

In 2017, we invested R\$ 44.5 million in this activity. Of this amount, R\$ 22.7 million was invested by Distributors - 29% of this amount was allocated to the planning of the electric system and 25% to alternative sources of energy - and R\$ 21.8 million were invested by Generators¹ in which our Company has participation. Check out the following details:

AUTOMATION

In 2017, we made significant progress in process automation. Through the implementation of **Robotic Process Automation - RPA**, we have modernized and optimized the execution of operational activities, such as the issuance of electricity bills. The incorporation of this technology resulted in an increase in productivity, generating savings in the bills printing activity.

In addition to operational gains and cost reduction, the implementation of this robot software allowed an increase in the productivity of our teams, who were able to devote more time on analytical and strategic activities.

STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



Distributors Investment in R&D (in R\$ thousand)

Theme	2015	2016	2017
Energy Efficiency	0	109	2,314
Alternative sources of electric power generation	4,184	942	5,753
Metering, billing and fighting commercial losses	217	0	109
Environment	777	0	0
Operation of Electric Power Systems	3,195	4,936	2,696
Other	2,700	1,674	1,496
Electric Power Systems Planning	8,520	6,903	6,478
Quality and Reliability of Electric Energy Services	2,020	149	52
Safety	2,949	2,639	2,308
Supervision, Control and Protection of Electric Power Systems	2,897	1,926	1,465
Total invested	27,461	19,279	22,671

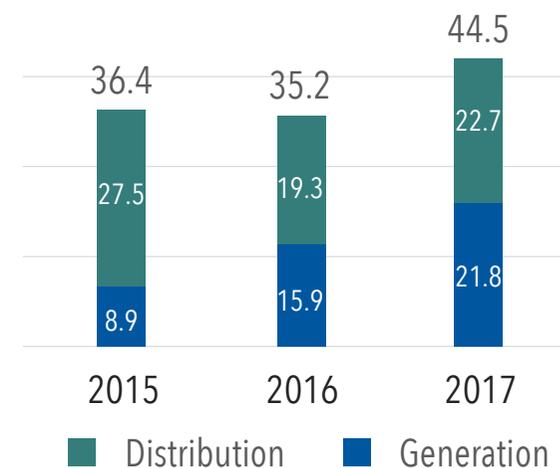
STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



Generators Investment in R&D (in R\$ thousand)

Theme	2015	2016	2017
Energy Efficiency	785	307	4,201
Alternative sources	0	124	0
Alternative sources of electric power generation	3,549	4,012	4,827
Thermoelectric Generation	0.5	1,821	6,200
Basin and Reservoir Management	1,493	2,012	287
Environment	1,738	940	3,337
Operation of Electric Power Systems	0	1,248	1,356
Other	372	493	553
Electric Power Systems Planning	797	4,792	261
Supervision, Control and Protection of Electric Power Systems	197	195	780
Total invested	8,931	15,945	21,801

CPFL Group R&D Investments (in R\$ million)¹



¹ Does not include investments by CPFL Renováveis.

STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



Our innovation projects are classified on two fronts:

Structural: focus on long-term projects targeting on the future of the Power Sector, considering its main trends in technologies and business models. On this front, among the ongoing projects throughout the year, we can mention:

- **Mobilidade Elétrica (“Electric Mobility”):** installation of 26 electric service stations and use of 16 exclusively electric vehicles to evaluate the impacts on the grid;

- **Telhados Solares (“Solar Roofs”):** creation of a real laboratory of distributed generation, from the installation of photovoltaic panels in Campinas - SP. Held in partnership with CPqD and Unicamp, the Project has made it possible to study and deepen the impacts of this type of generation for the Sector;

- **Desagregação de Consumo (“Consumption Breakdown”):** development of different methods of breaking down energy consumption, introducing the concept of Internet of Things. With this technology, customers will have a deep understanding of their consumption, knowing how much energy each item of their residence/store

(refrigerator, stove, electric shower) consumes, so that they can direct their energy efficiency actions with more precision; and

- **Storage:** in 2017, we initiated three R&D projects to analyze the impacts of insertion and use of batteries throughout the electrical system chain, from generation to end customer.

- **Operational Excellence:** focused on the excellence of service delivery and focused on day-to-day activities. On this front, among the projects in progress throughout the year, we can list:

- **Poda mecanizada (“Mechanized Pruning”):** articulated and telescopic arm with cutting tools and land operation with wireless communication that will significantly improve the quality and increase the productivity of pruning activities;

- **Self-healing system:** software tool coupled with the optimized recloser allocation, which allows the automatic and faster restoration of the service in the event of a network shutdown;

- **Ultrasound for inspection of wooden poles:** easy-to-use, with electronic control equipment that significantly increases the reliability of wood poles inspections, allowing for

more robust maintenance plans; and

- **Self-grounded pole:** technological development, manufacturing and installation of self-grounded poles, eliminating the need to install an external grounding system on the poles.

RELATIONSHIP WITH STARTUPS – CPFL INOVA

Developed in partnership with Endeavor, a global NGO to promote entrepreneurship, CPFL Inova is an initiative that aims to identify, approach and cooperate with up to 12 startups and scale-ups that are developing solutions with the potential to transform the Power Sector.

Launched during our Innovation Week in October 2017, the project lasts seven months and will offer to select entrepreneurs a mentoring process led by our executives and the Endeavor network. In addition to the intellectual support, the selected companies will have access to a fund of R\$ 10 million for the development of R&D projects. More information: goo.gl/Do9orX.

STRENGTHENING INNOVATION GRI 102-15 | 201-2 | EU8



NEW BUSINESS MODELS – ENVO GRI 103-2 | 103-3



Far beyond the technological innovations that provide direct benefits to people, the introduction of new technologies has impacted our consumption habits and created new possibilities and business models. In recent years, we have witnessed radical changes in the way we communicate, research information, use transportation, book a hotel, or purchase a product or service. Several sectors had the opportunity to reinvent themselves and create possibilities for their customers.

In the Power Sector, this movement is no different. We have invested in new products and technologies, as well as business models, which aim to meet and even anticipate the demands and expectations of our customers, reinforcing our company's position in the low carbon economy.

In 2017, we launched ENVO - a company focused on the solar distributed generation market for homes and small businesses - which became the first of our retail-focused companies. Through it, customers can generate their own energy - clean and renewable - and acquire credits, which can be used in rebates for future bills or in other consumer units that are in their name.

ENVO's business model provides a complete solution for the customer, which involves from technical design (evaluating items such as: energy consumption, structural conditions of the property, levels of solar radiation and shading on the site), including the sale and installation of the solar panels and all the necessary electrical structure, to the access approval with the local distributor.

Customers interested in developing a solar distributed generation project can use a simulator on the ENVO website (www.envo.com.br) which, using consumption and locality data, will dimension the project, the number of solar panels, the minimum

area required for the placement of the panels, as well as to know more about the production of energy in 12 months and the total investment.

Initially, ENVO has focused its efforts on the concession area of our Distributors, but there are plans to expand the operation to other regions.

ENVO PROMOTES "SUNNY FRIDAY"

To encourage the adoption of solar energy by homes and small businesses, we held, along with ENVO, the Sunny Friday on Black Friday. Through this promotion, we offer a discount of R\$ 5 thousand in the installation of photovoltaic power generation systems of any size to the first 20 clients enrolled in the campaign, located in the regions of Campinas, Jundiaí, Sorocaba and Piracicaba.

This discount makes the acquisition of a distributed solar generation system more affordable, which may reduce the value of the consumer light bill by up to 95%.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

THE MANAGEMENT of our natural capital aims to minimize the negative environmental impacts generated by our operations, seek maximum efficiency in the use and conservation of natural resources and work together with our **stakeholders** to stimulate the generation of clean energy and renewable sources.

In this sense, we have an Environmental Management System, aligned with ISO 14001 certification standard. All our conduct is guided by our Environmental Policy (applied since 1997) and by the Sustainability Policy.

In 2017, we were recognized for our environmental performance by different organizations. We were winners at the **Prêmio Época Empresa Verde (Green Company Award)** in the Services category. We also received, through RGE, the Troféu Onda Verde (Green Wave Trophy) of the **Prêmio Expressão de Ecologia (Expression of Ecology Award)**, offered by Editora Expressão. In addition to these awards, we were recognized by the **Guia EXAME de Sustentabilidade 2017 (2017 Sustainability EXAME Guide)** as one of the companies that made the most progress in sustainable development.

CLIMATE CHANGES GRI 102-12 | 103-2 | 103-3



With great potential for business impact, the issue of climate change has a direct relationship with our strategy and high priority in the agenda of our leaders.

In our market, we have taken a leading role in promoting a low carbon economy and we have been working so that the Power Sector may evolve in issues related to climate change, such as clean and renewable energy generation and carbon pricing in Brazil.

We participate in several corporate initiatives on the subject, such as: Carbon Pricing Leadership Coalition - CPLC, Brazilian Business Council for Sustainable Development - CEBDS, World Business Council for Sustainable Development - WBCSD, Carbon Disclosure Project - CDP, Global Compact Brazil Network, Corporate Climate Initiatives - IECs and FGV's Center for Sustainability Studies - GVCes.



BONS VENTOS WIND FARM | CE

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

In 2017, we worked on several actions on the subject, among which we highlight:

COP 23

We have participated in all the Conferences of Parties - COP since 2009. In the last year we were invited to speak at a COP 23 side event held in Bonn, Germany, on the importance of implementing carbon pricing mechanisms in order to contribute with the Nationally Determined Contribution - NDC¹ by the participating countries in the Paris Agreement.

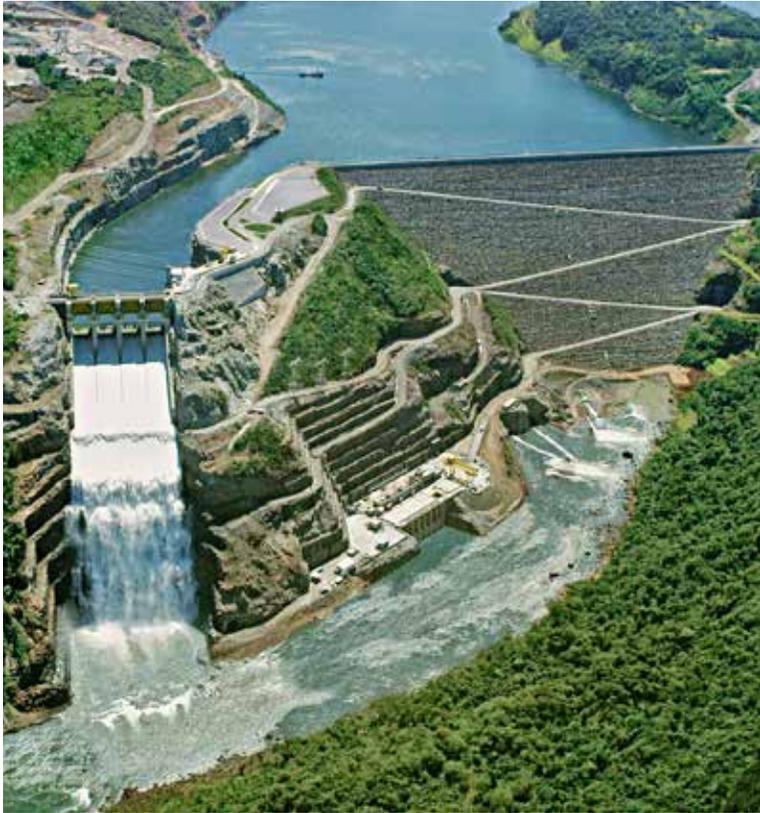
At the end of COP 23, the IEC, formed by CEBDS, CDP, Envolverde, GVces, Instituto Ethos and Global Compact Network in Brazil - with the support of CPLC - published a letter signed by CEOs and CFOs of large companies in Brazil - among them our CEO, Andre Dorf - who discusses possible ways to establish a carbon pricing mechanism appropriate to the country's characteristics.

Global Compact Network in Brazil

In the first half of 2017, we coordinated the Thematic Group on Energy and Climate, which has encouraged companies to be protagonists in the discussion of themes such as: mitigation, adaptation, carbon pricing and financing for climate change.

One of the Group's strategies is the dialogue with other business initiatives for joint actions, such as the development of studies, positions and participation in the United Nations Climate Conferences, among other events. At the international level, the Group is aligned with the Caring for Climate platform.

Among the major projects carried out in 2017, we highlight four workshops on the theme "Climate Financing Dialogues", whose objective was to discuss access to financial resources for climate change, linking financing institutions and companies interested in these resources.



CAMPOS NOVOS HYDROELECTRIC POWER PLANT | SC

¹ The Nationally Determined Contribution (NDC) is the document of each government that records its main commitments and contributions to the future climate agreement that was negotiated after the COP 21.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

Carbon pricing

In 2017, we started an internal pricing project involving several areas of our Group, with the objectives of developing a study and assessing the impacts and opportunities of carbon pricing for the Brazilian Power Sector, by segment (Generation, Distribution, Commercialization and Services).

In addition, with the expectation that global agreements on GHG emissions will become mandatory from 2020, we have participated, with a group of companies, in the Emissions Trading System - a tool developed by the FGV's Center for Sustainability Studies - GVces -, which consists of a simulation of the cap-and-trade¹ system to explain to the private sector regarding the use of this instrument.

¹ Cap-and-trade is an economic tool for pricing GHG emissions (or any other gas that has harmful effects on the environment), whereby regulated entities facing a restriction on their emissions can transact permits to emit gases.

CARBON CREDIT TRADING GRI EU5 

Since 2007, we have been trading carbon credits. Currently, we have 11 projects registered in the Clean Development Mechanism (CDM), an initiative that was born after the Kyoto Protocol (signed in 1997) and was created to assist in the GHG reduction process. It consists of two projects that include two hydroelectric power plants, four projects with 15 small hydroelectric plants and five projects with 19 wind farms. Besides these, we have three projects registered in the Voluntary Carbon Standard - VCS (voluntary market).

In 2017, through two companies of the Group (Baesa and Foz do Chapecó), we traded 100,132 VCUs (certified emission reductions).

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

Risk management related to climate change GRI 201-2

In recent decades, climate change has been a factor of attention for companies in all segments of the economy. In the Power Sector, it is no different. Aware of these impacts, during the reporting period we performed a mapping of the physical and operational risks to which we are subject due to changes in the climate, which will be deepened during 2018. Among those already mapped, we can mention:

Distribution and Transmission

-  • Increased frequency of interruption in power supply due to the increase in extreme weather events, such as storms, wind gusts, lightning and vegetation fall on the power grid; and
- Increased energy demand for the use of air conditioning (in summer) and irrigation.

Generation

-  **Hydroelectric**
 - Reduction in total and seasonal water availability;
 - Increased drought;
 - Increased evaporation of reservoirs; and
 - Potential conflicts over water use
-  **Thermoelectric**
 - Quantity and quality of cooling water; and
 - Cooling and operational efficiency of the turbine.



- Biomass**
- Availability and distribution of land with adequate edaphoclimatic¹ conditions (agricultural zoning);
 - Desertification; and
 - Changes in crop productivity.



- Solar**
- Changes in sunshine (cloud formation); and
 - Reduced energy production efficiency due to reduced radiation or environmental conditions



- Wind**
- Changes in intensity, duration, direction and wind speed; and
 - Damage to equipment due to extreme weather conditions.

¹ Edaphoclimatic condition is a term that refers to the soil and climate environment.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

All these risks can generate a series of impacts for our Company, such as financial losses in Distribution and network maintenance services, payment of fines for interruption of power supply, reduction of hydroelectric power generation - and consequent deficits in Generation Scaling Factor - GSF and higher free market price volatility.

Because of this, we have made several investments. In the Generation segment, we have invested in dam safety, which encompasses improvements in maintenance processes, such as the review of Emergency Action Plans (PAEs). In Distribution, we have been investing in preventive maintenance projects (more information on page 85, in the Arborização + Segura (Safer Tree Planting) Program (page 79) and in innovation initiatives, such as a Self-healing system, which allows the network to automatically reestablish itself in case of power interruption (page 65).



BARÃO GERALDO SUBSTATION | CAMPINAS | SP

In 2017, we also started a Research & Development (R&D) project that also aims to minimize climate risks. The “Forecast Contingency” project is developing a tool to anticipate the impacts of climate change in different regions of

our concession area, allowing better allocation and preparation of teams during contingency periods, as well as the reduction of operational indicators such as the System Average Interruption Duration Index indicator - SAIDI.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

Management of our GHG emissions

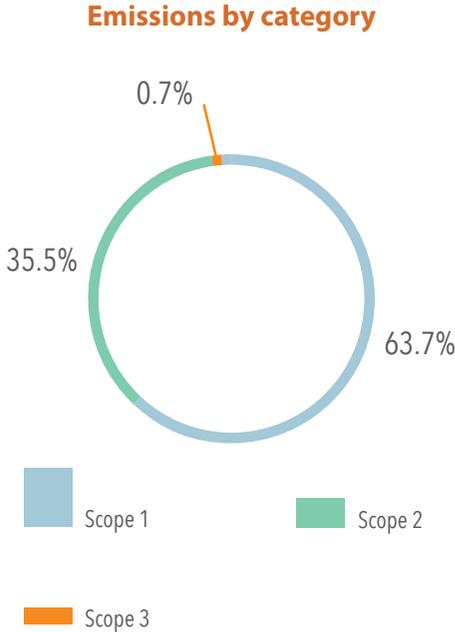
GRI 305-1 | 305-2 | 305-3 | 305-4 | 305-5

We have produced an inventory of our Greenhouse Gas emissions - GHG - since 2007 and, as a benefit of this practice, we have acquired a more precise knowledge of the emissions associated with our activities, identified processes with potential for improvement and even became capable of estimating future emissions, due to new investments and growth.

In 2011, we joined the Brazilian GHG Protocol - PBGHGP Program and increased the level of transparency of our emissions reporting. The PBGHGP inventory includes all gases internationally recognized as GHG (regulated by the Kyoto Protocol) and is in line with national and international methodologies.

In 2017, we have chosen to present in this report the inventory results by ownership interest, in other words, we account for GHG emissions according to our stake in the share capital of a certain operation, which allows us to include the emissions of generation plants in which we do not maintain operational control, but which are in our corporate structure¹.

In the reporting² period, we emitted 1,192,116 tCO₂e. Analyzing our emissions, we observed that 759,900 tCO₂e come from scope 1, 423,348 tCO₂e of scope 2 and 8,867 tCO₂e from scope 3. Also, we generated 8,107 tCO₂e of biogenic emissions, as shown in the following graph:



¹ In the 2016 Annual Report, we disclose in two forms (ownership interest and operational control). However, for the 2017 Annual Report, we opted to report only by ownership interest. It's possible to see the complete result of both inventories (ownership interest and control) in the public emission register (link goo.gl/H2WhV3).

² Unlike in recent years, to present a more accurate picture of our operations, starting in 2017, we start using the base year 2016 (before, we used the base year 2012).

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

Within Scope 1, the main source of emissions was the combustion of fossil fuel at EPASA (69%) - the only thermoelectric generation company in our Group - followed by the suppression of vegetation (27%) and emissions of biomass at CPFL Renováveis (7%). In 2017, there was an increase in these categories, due to the need for higher dispatch for thermal, by decision of the National System Operator - ONS, as well as a more complete monitoring of GHG emissions from CPFL Renováveis.

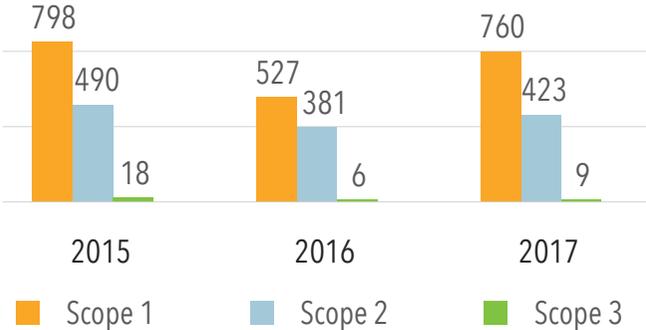
In Scope 2, most emissions were due to technical losses¹ of energy from Distribution companies, totaling 419,920 tCO₂e (99%). We have been able to reduce our loss ratio. However, the emission factor of the National Interconnected System² - SIN has increased by 13.5%, which has a direct impact on the way in which GHG emissions are accounted for.

In Scope 3, the main source of emission was outsourced transportation for the purchase of goods and services (45%), followed by the waste generated in operations (41%), business travel (12%) and by our employees' trips (1%).

Efficiency monitoring

In 2017, we began to monitor emission intensity indicators for Generation, Distribution and the CPFL Group. By means of these criteria, we can measure our efficiency in GHG emissions, that is, how our performance on this theme is, regardless of the growth or decrease of our operations.

Emissions by category (thousand tCO₂e)³



³The 2015 emissions do not include the RGE Sul, which was acquired by the CPFL Group in the last quarter of 2016. Emissions by Shareholding.

Intensity rate 2017

Emissions (scope 1 + 2) per energy generated (tCO ₂ e/GWh)	136.17 ⁴
Emissions (Scope 1 + 2) per Energy distributed (tCO ₂ e/GWh)	17.9
Emissions (scope 1 + 2) by Net Operating Revenue (tCO ₂ e/ million R\$)	44.24

⁴ Considering the equity interest of CPFL Renováveis.

¹ As explained on page 11, the Distributors acquire power from generators and resell it to final customers through a Transmission and Distribution system (T & D). Part of the energy being acquired is, however, lost during its transmission - which is called "technical loss." According to the GHG Protocol methodology, emissions resulting from this loss must be reported in Scope 2 (indirect emissions) by the company that owns or controls the T&D operation. To make this calculation, the emission factor of the National Interconnected System - SIN of Brazil is used.
² The National Interconnected System - SIN is a group that controls the energy generated in the five regions of Brazil. The SIN has its own GHG emission factor, which should be considered by all the companies that make up the System.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

WASTE GRI 306-2 | 103-2 | 103-3



We have a waste management program that identifies and classifies the main residues generated in our operations. For each type of material - mainly for hazardous waste (class I) - the program provides for storage and transport standards, as well as determining appropriate methods, in accordance with current legislation.

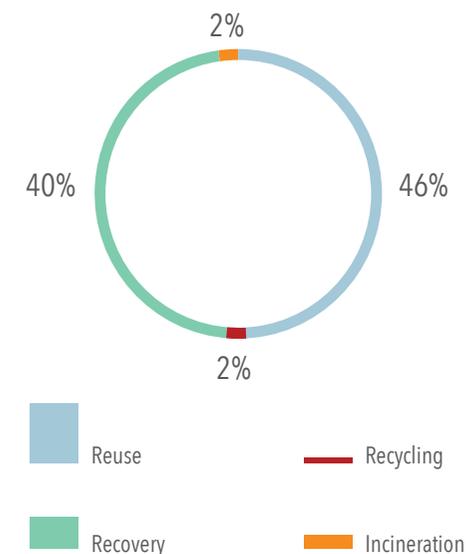
Non-hazardous waste (class II), which corresponds to material removed from the grid (cables, posts, insulators, etc.), are collected in a reverse logistics process and reused. Materials that cannot be reused are sent to a specialized company, disassembling and assuring proper disposal. Electronic waste is destined for a company that separates its various components and turns them into raw material.

In 2017, we generated 631 tons of waste. Of this total, 91% were hazardous and 9% non-hazardous.

Waste by destination (in t)¹

	2015	2016	2017
Hazardous			
Reuse	184	373	290
Recycling	12	10	13
Recovery	73	106	254
Incineration	10	20	15
Subtotal	278	509	572
Non-hazardous			
Landfill	5	6	59
Subtotal	5	6	59²
TOTAL	283	514	631

Disposal of hazardous waste in 2017



¹ Consider the business 100% controlled by CPFL Energia.

² The significant increase in the production of non-hazardous waste is mainly due to the increase in the disposal of Personal Protective Equipment - PPE.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

NEW LAYOUT OF OUR EQUIPMENT REFURBISHER



In 2017, through CPFL Serviços, we launched the new layout of our equipment refurbisher's facilities. Located in São José do Rio Pardo – SP, the unit carries out the refurbishing of transformers, voltage regulators, reclosers, among other equipment that, at the end of their useful life, are collected after being removed from distribution grids and brought to be recovered.

The implementation of this new layout resulted from an investment of approximately R\$6 million, and provided a new organization to our refurbisher, which started working under a production line design. This brought more safety, productivity and quality, and also ensured that we would be awarded the Inmetro Seal.

During the reporting period, we recovered more than 8,000 transformers and removed, from different equipment, more than 3,400 tons of scrap iron, aluminum, copper, plastic and other materials.



CPFL SERVIÇOS EQUIPMENT REFURBISHER | SÃO JOSÉ DO RIO PARDO | SP

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

BIODIVERSITY MANAGEMENT GRI 304-1 | 304-2 | 304-3 | 304-4 | 103-2 | 103-3 | 413-1 | EU13



Generation

The energy generating process may impact local biodiversity, which are identified during the environmental licensing processes, being defined in the environmental studies elaborated prior to the implementation of each project.

Among the impacts normally identified in this type of project, we highlight: change in water and soil quality; change in fauna; change in water availability; etc. In order to minimize these impacts, the monitoring and conservation of Permanent Preservation Areas (PPA), fauna and flora, ichthyofauna (fish species), surface water quality and erosion are part of our activities.

During the reporting period, we maintained 393 km² (67% are flooded) of our own land, leased and/or managed within or adjacent to protected areas and/or with high biodiversity value located outside protected areas. Our projects and their respective protected or areas of high biodiversity are as follows¹:

Barra Grande HPP -----	126 km ²
Campos Novos HPP -----	51 km ²
Monte Claro HPP -----	4 km ²
14 de Julho HPP -----	8 km ²
Castro Alves HPP -----	10 km ²
Foz do Chapecó HPP -----	135 km ²
CPFL Renováveis (Wind Farms, SHPP and TPP) -----	59 km ²

In all of the listed projects, we maintain the administrative and operational area of a hydroelectric plant (reservoir and engine room), and none of them are in protected areas or buffer zones². However, in Foz do Chapecó HPP, there are two areas that breach the reservoir PPA, and these areas are considered important for the region’s biodiversity – according to fauna monitoring carried out by the project and, as required by IBAMA – are in the process of being acquired.

During our fauna monitoring process, in the area of Foz do Chapecó HPP, species classified as “endangered” were identified, two of which being herpetofauna (reptiles and amphibians), five avifauna (birds) and three mammals.

¹ The location of these projects can be analyzed on page 12.
² Buffer zones are areas located around a conservation unit, with the objective of filtering the negative impacts of activities carried out outside it, such as noise, pollution, invasive species, etc.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

In the areas of CPFL Renováveis' projects in Rio Grande do Norte, a vulnerable bird species – pintassilgo-do-nordeste (*Spinus yarrellii*) – and a species of endangered reptile – cobra-de-duas cabeças (*Amphisbaena heathi*) – were identified. In Rio Grande do Sul, the following species were classified as vulnerable: tuco-tuco (*Ctenomys minutus*), ema (*Rhea americana*), gavião cinza (*Circus cinereus*), noivinha do rabo preto (*Xolmis dominicanus*) and jaguatirica (*Leopardus pardalis*).

In Santa Catarina, we monitor the morcego falso-vampiro (*Chrotopterus auritus*) and the lontra (*Lontra longicaudis*), which are threatened, in addition to gato-do-mato-pequeno (*Leopardus guttulus*) and the veado-mão-curta (*Mazama nana*), which are both in a state of vulnerability.

In Minas Gerais, there are records of the morceguinho-do-cerrado (*Lonchophylla dekeyseri*), the lontra (*Lontra longicaudis*) and the arara canindé (*Ara ararauna*) – all of which are almost considered endangered species.

In addition to the constant monitoring of the biodiversity at the areas in which we operate, we work to raise awareness among local communities about the importance of environmental protection and invest in social and environmental programs and initiatives that aim to conserve vegetation around reservoirs and preserve biodiversity of the region. Among the initiatives, we highlight:

Baesa: third year of the Experimental Program that has released 141,500 native species 'fingerlings' in the Barra Grande HPP reservoir. In 2017, Baesa maintained its Social and Environmental Responsibility Program, which selected 21 projects to support and direct a financial contribution of R\$5.4 million, and also delivered the 6th Program for the Conservation of the Permanent Preservation Area of the reservoir, awarding ten local residents in the region who developed the best practices of conservation and environmental preservation.

Ceran: promotes training meetings for institutions in the region, aimed at promoting, preparing and attracting projects focused on areas supported by the Company. The impacts resulting from the project operation are monitored by an environmental licensing process and by periodic environmental audits – performed by third parties – to assess compliance with the requirements and the Integrated Management System, which is certified by ISO 9001, ISO 14.001 and OHSAS 18.001.

Enercan: released 55,000 native species fingerlings in the Campos Novos HPP reservoir. In the period, the project developed, for the 6th consecutive year, the Conservation Program for Permanent Preservation Areas (APP), which awards the five best initiatives from local residents living in the Plant's reservoir region.

Foz do Chapecó: carried out the release of more than 270,000 fingerlings in the Plant's reservoir, formalized an agreement with fishing associations to pass on resources to support fishing.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

Transmission and Distribution

The construction of transmission and distribution lines often requires suppression of vegetation, which may generate environmental impacts related to the alteration of landscape, alteration of flora and fauna, among others. In the construction of projects considered as potentially polluting, the environmental agency is required to carry out studies to obtain installation and operating licenses, which aim to monitor the local flora and fauna in order to minimize the impacts generated during the work.

To minimize them, we work with well-defined rules that guide the choice of routes for the construction of new energy grids and determine that lines deviate from forest fragments and isolated trees. In places where it is not possible to change the grid's routes, as standard, we elevate the structures and posts.

In addition, we maintain our tree plantings and the so-called "service strips", which are the areas on which our transmission lines are located. Because of these measures, we have significantly reduced our impact on biodiversity.

PRESERVA PROGRAM GRI EU13



The Preserva Program is a reforestation initiative that arose from the need for forest replenishment, in proportion to the expansion of our electric system. Previously, these offsets were promoted in small and dispersed areas. Under the new model, we approved with CETESB (environmental protection agency for the State of São Paulo) a methodology in which we can combine the environmental recovery commitment agreements, directing planting schemes to sites of ecological interest defined in a mutual agreement with the environmental agency.

In addition to providing more robustness and

efficiency to reforestation, these new models promoted a significant cost reduction, as well as greater environmental significance to mandatory reforestation. Considering the contractual values, in comparison to the reforestation costs applied in the previous model, in eight years we saved about R\$1.79 million, reducing our cost by 60% with implementation and maintenance of reforestation in dispersed areas.

This program extends the protection and conservation of water resources and also biodiversity – it is part of the *Programa Nascentes* ("Headwaters Program"), which is promoted by the government of the state of São Paulo.

RESPONSIBILITY TOWARDS THE ENVIRONMENT GRI 102-15

In 2017, we delivered a 42 km transmission line to enable the operation of a new Sabesp plant – the São Lourenço Production System (SP) – for water supply in the state of São Paulo, substantially preserving local vegetation. Learn more about the building of this line on page 89.

There are, however, situations that do not allow us to adopt these measures. In these cases, we request authorization by environmental agencies to carry out the suppression of vegetation, which always includes the offsetting of impacts by means of heterogeneous plantations or preservation of areas proportional to the damages caused.

Another impact of energy distribution activities is the reduction of plant cover in the urban environment through pruning, which is justified by the maintenance of the networks for the supply of energy with quality and safety to our customers. These prunings are performed by professionals trained according to technical standards and relevant legislation. To minimize this impact, CPFL carries out an afforestation program with partner municipalities and donations of forest seedlings to recompose the urban greening throughout the municipalities.

ARBORIZAÇÃO + SEGURA ("SAFER TREE PLANTING")



In 2017, we continued the Arborização + Segura Project, created to replace unsuitable trees by species adapted to the urban environment. The project is present in 15 cities in our concession areas, listed according to the interference in the power grid, water and sewage, and accessibility of people.

In the reporting period, we replaced about 400 trees and donated more than 9,000 seedlings to the municipalities that welcomed the initiative. In addition to reducing the number of interruptions in the power grid due to poor tree planting in the

urban environment, the substitution by adequate seedlings and monitoring the growth of the plants reduces the need for pruning and contributes to harmonious coexistence between urban facilities and population in the cities.

The Arborização + Segura Project is carried out jointly with municipal governments and contributed to our Company being highlighted in the 2017 Exame Sustainability Guide. As well as replacing trees, the Program also leverages an environmental education project in the city's schools. You can watch a Project video here: goo.gl/ke3gjjg.

OPERATIONAL PERFORMANCE



GENERATION GRI 102-7 | EU1 | EU2

In the reporting period, we continued to expand our Generation and increased our installed capacity by 0.8%, from 3,259 MW to 3,283 MW¹, mainly due to the opening of the Pedra Cheirosa Wind Farm by CPFL Renováveis, with 23 wind turbines and 48.3 MW of total capacity (enough to supply a city of 120,000 inhabitants). The complex came on stream with almost a year of anticipation and within the expected budget.

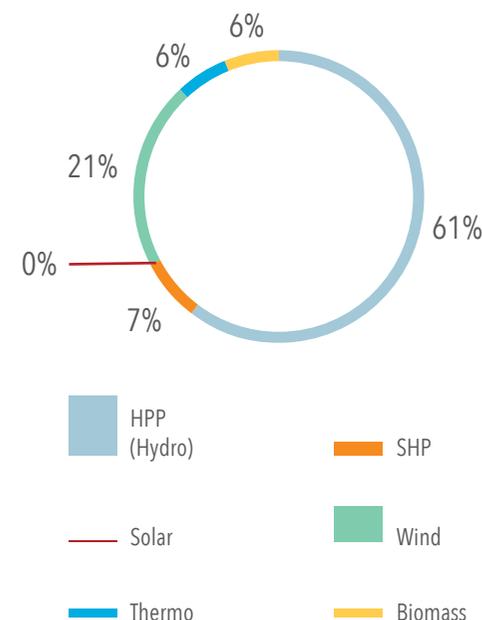
At the end of 2017, CPFL Renováveis' total portfolio totaled 2,103 MW of installed capacity in operation, comprising 39 SHPs (423 MW), 45 wind farms (1,309 MW), 8 thermal biomass plants (370 MW) and 1 solar plant (1 MW). In addition, the Company is building a new SHP (29.9 MW), which is expected to start operating in 2020. The table below shows the installed capacity, considering our ownership interest in generation projects:

Total Installed Capacity (in MW)²

Power Source	2015	2016	2017	% Var. 2016 – 2017
HPP (Hydro)	2,017	2,015	2,015	0.0%
SHP (Small Hydro) and CHG (Central Hydraulic Generator)	206	218	218	0.0%
Solar	1	1	1	0.0%
Wind	533	650	675	3.8%
Thermo	182	182	182	0.0%
Biomass	191	191	191	0.0%
Total	3,129	3,258	3,283	0.8%

² The number considers CPFL Energia's stake in the Group companies (see corporate structure on page 20).

CPFL Energia Installed Capacity in 2017

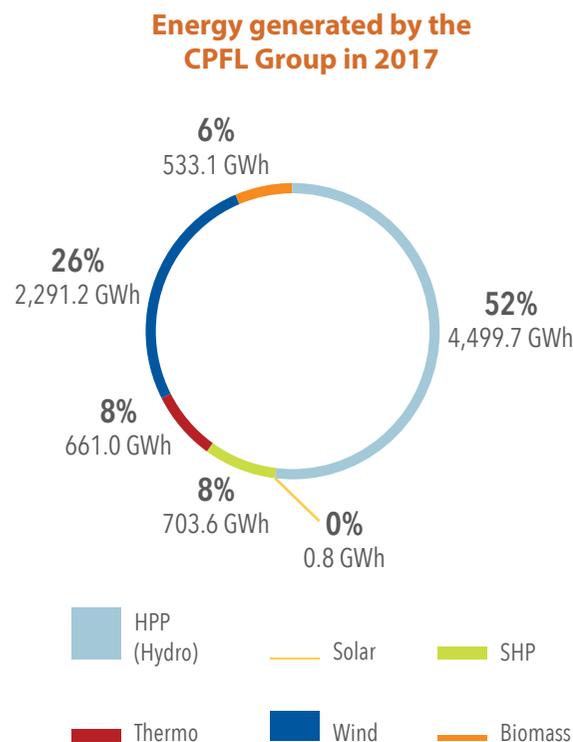


¹ The number considers CPFL Energia's stake in the Group companies (see corporate structure on page 20).

OPERATIONAL PERFORMANCE



In 2017, we generated 8,689.36 GWh of energy, from different sources, as shown in the following graph:



ISSUANCE OF GREEN BONDS BY CPFL RENOVÁVEIS

In March 2017, CPFL Renováveis became the first company in South America to issue an internationally certified green bond. Our Company, 100% dedicated to the generation of renewable energy, obtained the Climate Bond, certified in the criterion of Wind Energy (green bond) by the Standard Board of the Climate Bonds Initiative, and issued debentures in the amount of R\$200 million.

The green bond is a debt bond that requires the funds raised to be invested in environmentally sustainable projects. The Climate Bonds Initiative is an international non-profit organization that works exclusively to promote large-scale investments in the low carbon economy.

The funds were liquidated and used for the construction of the Campos dos Ventos and São Benedito wind farms, with 231 MW of installed capacity, both located in the state of Rio Grande do Norte.

OPERATIONAL PERFORMANCE

DISTRIBUTION GRI 102-7 | 103-2 | 103-3 | EU3

Through our Group Distribution companies, in 2017, we provided electricity to 9,377,044 customers, 1.6% more than in 2016. Among our customers, 89% are residential, 6% are commercial and 4% are in rural areas. The total energy distributed in the period was 66,086.60 GWh.

Number of CPFL customers GRI EU3

	2015 ¹	2016	2017	Var. 2016 – 2017
Residential	6,906,580	8,174,700	8,330,237	1.90%
Industrial	55,586	61,297	59,825	-2.40%
Commercial	473,333	551,202	545,095	-1.11%
Rural	245,238	355,586	359,106	1.00%
Government	51,359	61,208	60,639	-0.93%
Public Service	8,402	9,649	9,790	1.50%
Public Lighting	10,362	11,073	11,230	1.40%
Own Consumption	845	939	958	2.02%
Other	0	3	164	5,366.7%
Total	7,751,705	9,225,657	9,377,044	1.60%

Energy delivered by Distribution companies in 2017 (in GWh)

Company	Distributed energy
CPFL Paulista	30,232.1
CPFL Piratininga	13,905.2
RGE	10,304.6
RGE Sul	8,871.6
CPFL Santa Cruz	1,128.2
CPFL Jaguari	561.1
CPFL Sul Paulista	482.7
CPFL Leste Paulista	358.8
CPFL Mococa	238.3
Total	66,086.6

¹ Data from 2015 does not consider RGE.

OPERATIONAL PERFORMANCE

In 2017, we improved our grid maintenance service performance and achieved results superior to those of the previous year in the ANEEL Collective Continuity Indicators. Compared to 2016, all our Distribution companies reduced the System Average Interruption Duration Index indicator (SAIDI) per Consumer Unit, and six of them reduced the System Average Interruption Frequency Index (SAIFI) per Consumer Unit.

Considering all our Distribution companies, we had a reduction of 11.4% in SAIDI and 3.9% in SAIFI. We note that CPFL Piratininga had the best SAIDI and SAIFI in Brazil in 2017, while CPFL Paulista had the second best SAIDI and third best SAIFI. In addition, we highlight the results of CPFL Sul Paulista, which had a reduction of 46% in SAIDI and 42% in SAIFI, RGE, which presented its best result for the SAIDI of the last 16 years and CPFL Santa Cruz, which obtained its best results for SAIDI and SAIFI throughout its history.

It should also be mentioned that the new CPFL Santa Cruz – the result of the unification of CPFL Santa Cruz, CPFL Mococa, CPFL Jaguari, CPFL Leste Paulista and CPFL Sul Paulista – as well as CPFL Piratininga and CPFL Paulista, present the best SAIDI results in Brasil among distribution companies with more than 400,000 customers.

GRI EU28 | EU29

	CPFL Paulista	CPFL Piratininga	CPFL Santa Cruz ³	CPFL Jaguari ³	CPFL Mococa ³	CPFL Leste Paulista ³	CPFL Sul Paulista ³	RGE	RGE Sul	Consolidated CPFL Group ⁴
SAIFI ¹	4.94	4.45	3.68	5.64	6.05	6.19	6.77	7.74	7.62	5.69
SAIDI ²	7.14	6.97	4.76	6.31	5.93	7.91	8.20	14.16	15.58	9.40

¹ System Average Interruption Frequency Index per Consumer Unit (SAIFI): indicates the average number of interruptions per customer during the year.

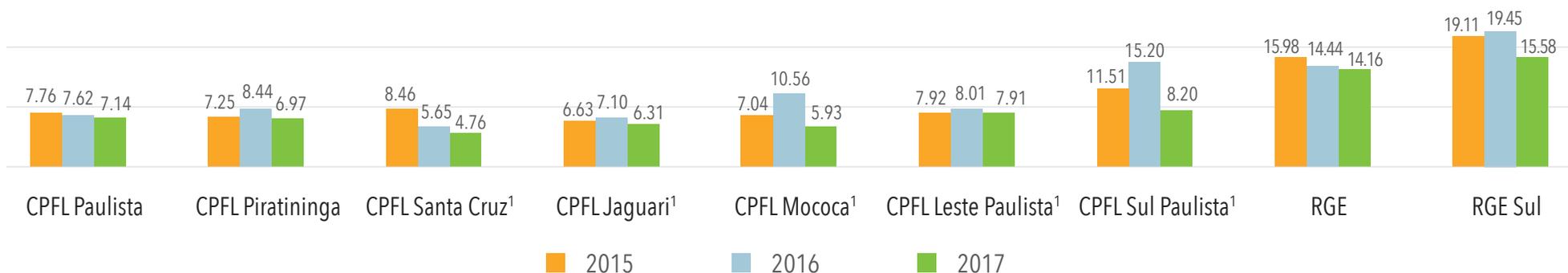
² System Average Interruption Duration Index per Consumer Unit (SAIDI): measures the average duration (in hours) of interruptions per customer during the year.

³ On January 1st, 2018, all these Distribution companies were merged into the new CPFL Santa Cruz.

⁴ Calculated based on the weighted average number of customers of each Distribution companies and the value calculated for SAIFI and SAIDI.

OPERATIONAL PERFORMANCE

System Average Interruption Duration Index per Consumer Unit (SAIDI)



System Average Interruption Frequency Index per Consumer Unit (SAIFI)



¹ On January 1st, 2018, all these Distribution companies were merged into the new CPFL Santa Cruz.

OPERATIONAL PERFORMANCE

AVAILABILITY AND RELIABILITY OF POWER SUPPLY

GRI EU6 

Our preventive maintenance process aims to ensure the useful lives of the assets, improve the quality of energy supply, correct irregularities and provide more safety to the population and our employees. In addition, our emergency maintenance team acts directly on defects and accidental causes, which can affect the operation of the electrical system and the continuity of the power supply.

In this context, we make continuous efforts in the exploration and implementation of Smart Grids. Among the technologies already implemented, we highlight:

- Implementation of own communications infrastructure to support the mobility of field teams and supervision of substations;
- Expansion of the RF Mesh communication network for the automated reclosing of the distribution network;

- Satellite media implementation for telemetry of consumers located in remote regions;
- Maximization of the fiber optic infrastructure to service bases and substations of CPFL Paulista and CPFL Piratininga; and
- Replacement of the satellite solution for the dispatch of the RGE field teams.

Investments in items related to the reliability and availability of energy in 2017

Distribution	Amount invested (in R\$ million)	% of total
Customer Service ¹	314	20.1%
Market Growth Support	398	25.4%
Electrical System Maintenance and Improvements ²	851	54.5%
Total	1,563	100%

¹ Includes recovery of commercial losses.
² Includes special projects.

OPERATIONAL PERFORMANCE

Loss reduction

In 2017, we intensified our work to fight losses, which tend to increase in periods of economic instability.

To this end, we have increased the number of inspections and invested in new technologies, such as the introduction of the SAP Hana system, a high-performance platform that incorporates a

large database and allows us to exploit an important volume of information. In addition, through Hana, we are making more accurate analytical forecasts and gaining more speed in decision-making processes related to revenue and energy recovery.

As a result of this work, we have reduced our overall losses by 0.3 p.p., representing a recovery in revenue of approximately R\$19.1 million.



CAXIAS DO SUL | RS

BALANCE OF LOSSES GRI EU12

Type Of Losses	2015	2016	2017
Overall	8.55%	9.42%	9.12%
Technical	6.47%	6.40%	6.28%
Non-technical	2.07%	3.01%	2.84%

OPERATIONAL PERFORMANCE



Km of Distribution Lines GRI EU4

In 2017, we operated 330,218 km of Distribution Lines, 0.9% higher than in the previous year. Of this total, 319,141km are low and medium voltage lines and only 11,077 km are high voltage lines, as shown in the table below:

Km of Distribution of low, medium and high voltage Lines

	2015 ¹			2016			2017		
	Above	Underground	Total	Above	Underground	Total	Above	Underground	Total
Low voltage (<1 KV)	87,593	478	88,071	110,039	593	110,632	110,901	650	111,551
Medium-voltage (≥ 1 KV and < 69 KV)	159,428	291	159,719	205,295	338	205,633	207,225	365	207,590
High-voltage (≥ 69 kv)	10,685	25	10,710	10,820	25	10,845	11,052	25	11,077
Total	257,706	794	258,500	326,154	956	327,110	329,178	1,040	330,218

¹ Does not consider RGE Sul.

OPERATIONAL PERFORMANCE

TRANSMISSION

Our Transmission operations focus on niche projects in areas close to major consumer centers and/or our renewable generation plants. In 2017, our operations in this segment were made through CPFL Transmissão Piracicaba and CPFL Transmissão Morro Agudo.

CPFL Transmissão Piracicaba

With a total area of 95,000 m², the Piracicaba Substation was the first project of our Group in the Transmission segment and received an investment of approximately R\$100 million. The source of the energy that passes through our Substation originates from a 440 kV transmission system of large Paraná river power plants, such as Jupia, Ilha Solteira and Porto Primavera, among others.

Our Substation serves mainly the industrial and residential area of Piracicaba – SP, covering the municipalities of Piracicaba, Charqueada, São Pedro and Saltinho (all in the state of São Paulo), with a population of around 441,000 inhabitants. In 2017, it generated a

Permitted Annual Revenue (RAP) of R\$10.6 million for our company.

CPFL Transmissão Morro Agudo

Through the Morro Agudo Substation – SP, we collaborate with the supply of energy to the region of Ribeirão Preto – SP, strengthening the quality of service provided by CPFL Paulista and facilitating the flow of biomass energy generation.

Composed of seven autotransformers and a total power output of 800 MVA, the Morro Agudo Substation serves mainly the industrial and sugar and alcohol producing area of the region of Ribeirão Preto – SP, directly benefiting 700,000 inhabitants of 15 municipalities. At 150,000 m² and an infrastructure that was made in preparation for future expansions, our Substation works with advanced technology and has a fully automated operation – and can be operated from a distance by our Operation Center in Campinas. In 2017, CPFL Transmissão Morro Agudo generated a Permitted Annual Revenue (RAP) of R\$10.8 million.



PIRACICABA SUBSTATION | CPFL TRANSMISSÃO

OPERATIONAL PERFORMANCE

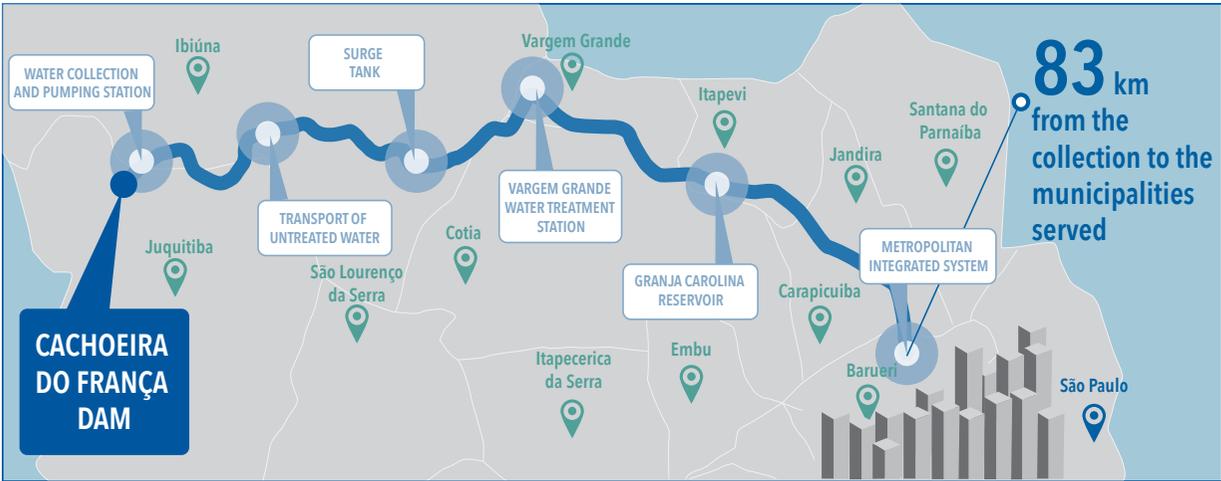
MORE ENERGY FOR SABESP IN SÃO LOURENÇO PRODUCTION SYSTEM

In August 2015, we were contracted by SABESP to build and deploy a Subtransmission line. The objective was to provide electricity to the São Paulo water and sanitation company to operate a hydraulic system capable of withdrawing water from the Cachoeira do França Dam, conducting it for 83 km to the Barueri region, benefiting 1.5 million people.

We were able to build the 42 km of this 138 kV line within budget, 11 months ahead of schedule, and with essential respect for the environment.

In order to reduce environmental impacts, we use a variety of resources, such as taking advantage of local topography to increase the span between towers, using drones for cabling, raising the height of structures (to distance them from vegetation), and reduction of access widths.

As a result of this effort to preserve the environment, the deforested area was significantly smaller than had been predicted at the beginning of the project.



OPERATIONAL PERFORMANCE

COMMERCIALIZATION GRI 102-7

Through CPFL Brasil, we have a consolidated operation in the Energy Commercialization segment that offers companies both the purchase and sale of energy, as well as consulting and technical assistance at the Electrical Energy Trading Chamber – CCEE. At the end of 2017, we had a portfolio of 1,055 free clients, 418 consumer units and 6 generating units.

The focus is the companies that are already in the Free Market and also those that have the potential to enter, according to the current regulations. Our services range from migration to monthly customer follow-up, covering customized reporting, feasibility studies, alternatives to maximize profits, and energy contracting assistance, among others.

We also have a team specializing in Generating agents which, in addition to the aforementioned services, also offers energy balance management services and portfolio analyzes, always aiming at maximizing gains for the Generator.

SERVICES

Through CPFL Serviços, we work with our customers to assist them in their Medium and High Voltage needs. During 15 years in the Infrastructure segment, we installed 2,300 MVA, have built 600 Km of Transmission Lines and more than 500 Km of distribution networks. We currently have 25 operating bases in the state of São Paulo and our own fleet with 500 vehicles.



CPFL SERVIÇOS OPERATING BASE | CAMPINAS | SP

FINANCIAL PERFORMANCE

OPERATING REVENUE GRI 102-7

In 2017, our gross operating revenue was R\$ 40,053 million, representing an increase of 30.1% (R\$ 9,269 million) when compared to 2016. Excluding RGE Sul consolidation effects, acquired in October 2016, gross operating revenue increased to R\$ 34,596 million, an increase of 15.7% (R\$ 4,685 million) when compared to 2016. The consolidated balance sheet includes the result of the RGE Sul of 12 months in 2017 versus 2 months in 2016. The increase in gross operating revenue is mainly due to the variation in sectorial financial assets and liabilities – which, in 2016, generated an expense of R\$ 2,095 million and, in 2017, started to generate revenue of R\$ 1,901 million, and also to the following increases:

- 74.2% (R\$ 2,594 million) from the supply of electricity to other agents in the Sector;
- 6.9% (R\$ 1,648 million) from the supply of electricity to final consumers;
- 53.1% (R\$ 719 million) from revenue from construction of concession infrastructure;
- 7.7% (R\$ 287 million) from other operating revenue; and

- 9.8% (R\$ 18 million) from updating the financial assets of the concession.



From gross operating revenue, R\$ 13,309 million was deducted, or 14.0% (R\$ 1,636 million) more than the amount registered in 2016. Net operating revenue for the period was R\$ 26,745 million, representing an increase of 39.9% (R\$ 7,633 million) in relation to the previous year.

COST OF ELECTRIC ENERGY

Electricity purchased for resale

In the reporting period, our cost of electricity purchased for resale increased 58.6% (or R\$ 5,768 million) and reached R\$ 15,617 million, which represented 65.8% of our total operations operating costs and expenses in 2017. This is due to the following increases:

- 3.4% in the average price of electricity purchased (in R\$) from Itaipu, caused by an 11.4% tariff increase (established annually by ANEEL in US\$/kW) and 8.3% reduction in the average rate of the Real against the US dollar in 2017 compared to 2016, offset by a 12.2% increase in the volume of electricity purchased;
- 107.6% (or R\$ 290 million) in the cost of electricity purchased in the cash market, mainly driven by a 59.6% increase in purchased volume;
- 67.1% (or R\$ 5,728 million) in the cost of electricity purchased in the Regulated Market, reflecting a 22.2% increase in the volume of electricity purchased and a 36.7% increase in average purchase prices; and
- 58.2% (or R\$ 575 million) in PIS/Cofins tax credit related to electricity purchases, which represents a decrease in the cost of electric energy.

FINANCIAL PERFORMANCE

Charges for the use of the Transmission and Distribution system

Charges for the use of our Transmission and Distribution system decreased by 5.0% (or R\$67 million), closing the year at R\$ 1,284 million. This decrease is mainly due to:

- Reduction of R\$ 816 million in System Service Usage Charges – ESS, referring to the higher spot price (PLD) on reserve energy, passed on to consumers, which reduced costs with the ESS; and
- Reduction of R\$107 million in the Reserve Energy Charges – EER. These reductions were partially offset by increases of R\$ 707 million in Basic Network Charges, of R\$ 107 million in Itaipu Transmission Charges; and R\$ 38 million in Connection Charges.

OPERATING COSTS AND EXPENSES

In 2017, our operating costs were R\$ 6,822 million, an increase of 26.6% (or R\$ 1,432 million) when compared to 2016 mainly due to the following events:

- Increase of 53.2% (or R\$ 719 million) in construction costs for concession infrastructure, resulting from investments in improvement and expansion of the Distribution and Transmission System;
- Increase of 25.9% (or R\$ 283 million) in our personnel expenses, reflecting the increase in costs from our collective bargaining agreements;
- Increase of 11.7% (or R\$ 76 million) in expenses related to outsourced services;
- Increase of 19.9% (or R\$ 207 million) in depreciation and amortization expenses; and
- Increase of 31.6% (or R\$ 60 million) in material consumption.

These events were partially offset by a 12.1% (or R\$ 21 million) decrease in the provision for doubtful accounts.

FINANCIAL PERFORMANCE

EBITDA

Our operating cash flow, measured as EBITDA¹, reached R\$ 4,864 million, an increase of 17.9% (R\$ 738 million) compared to 2016, mainly due to the increase in net operating revenue. EBITDA growth was impacted by increases of 50.9% (R\$ 5,701 million) in electricity costs and charges, and by 29.1% (R\$ 1,194 million) in operating costs and expenses – which include expenses with private pension and concession infrastructure construction costs.

Reconciliation of net profit and EBITDA (in R\$ million)

	2016	2017
Net profit	879	1,243
Depreciation and Amortization	1,291	1,529
Assets Surplus Value Amortization	0.6	0.6
Financial Result	1,453	1,488
Social Contributions	151	169
Income Tax	351	435
EBITDA	4,126	4,864

¹ EBITDA is a non-accounting measure calculated from the sum of net income, taxes, financial result, depreciation/amortization. This measure serves as an indicator of management performance and is usually accompanied by the market. The EBITDA calculation complied with the provisions of CVM Instruction No. 527, of October 4, 2012.



TANQUINHO SUBSTATION AND SOLAR POWER PLANT | CAMPINAS | SP

FINANCIAL PERFORMANCE

FINANCIAL RESULT

The financial result recorded net expenditure of R\$ 1,488 million in 2017, an increase of 2.3% (R\$ 35 million) compared to the previous year. We present the items that explain this variation of the Financial Result in the following table:

Financial result (in R\$ million)

	2015	2016	2017	Var. 2017 vs. 2016
Revenues				
Income from Financial Investments	472.7	667.4	457.3	-31.5%
Additions and Late Payment Fines	215.9	246.0	265.5	7.9%
Fiscal Credits Update	57.6	32.4	19.6	-39.4%
Judicial Deposits Update	84.7	35.2	49.5	40.5%
Monetary and Foreign Exchange Updates	121.6	147.8	61.0	-58.7%
Discount on Purchase of ICMS Credit	13.0	16.2	16.4	1.2%
Sectoral Financial Assets Update	162.8	32.7	-	-100.0%
PIS and COFINS - over Other Financial Revenues	-52.8	-63.2	-48.3	-23.6%
PIS and COFINS - over Interest on Own Capital	-6.9	-2.3	-27.8	1,096.1%
Others	74.7	88.2	87.2	-1.1%
Total	1,143.2	1,200.5	880.3	-26.7%
Expenses				
Debt Charges	-1,725.3	-1,811.3	-1,661.1	-8.3%
Monetary and Foreign Exchange Updates	-686.6	-703.1	-540.1	-23.2%
(-) Capitalized Interest	45.6	68.1	50.5	-25.8%
Sectoral Financial Liabilities Update	-1.6	-25.1	-82.3	228.3%
Use of Public Asset	-16.0	-15.0	-8.0	-46.2%
Others	-167.3	-167.6	-126.9	-24.3%
Total	-2,551.1	-2,654.0	-2,367.9	-10.8%
Financial Result	-1,407.9	-1,453.5	-1,487.6	2.3%

FINANCIAL PERFORMANCE

NET INCOME

In 2017, we achieved net income of R\$ 1,243 million, which represents an increase of 41.4% (R\$ 364 million) when compared to 2016, mainly reflecting the 17.9% increase (R\$ 738 million) in EBITDA. Net income was also impacted by an increase of 18.4% (R\$ 238 million) in depreciation and amortization, R\$ 102 million in Income Tax and Social Contributions and 2.3% (R\$ 34 million) in net financial expenses.

DEBT

At the end of the reporting period, our gross financial debt (including derivatives) was R\$ 19,615 million, a reduction of 8.2% compared to 2016. Cash and cash equivalents totaled R\$ 3,250 million, a decrease of 47.3% compared to the previous year and, therefore, our net financial debt was R\$ 16,366 million, an increase of 7.7% on the same basis of comparison.

The increase in financial debt is intended to support the Group's business expansion strategy, such as the financing of CPFL Renováveis' new projects. It is also worth noting that we anticipated funding debts that will mature within 18 to 24 months.



CAMPINAS | SP

FINANCIAL PERFORMANCE

TARIFF ADJUSTMENTS

The following Distribution companies had their rates adjusted (see table):

Tariff Adjustments (RTA) in 2017

	CPFL Paulista	CPFL Piratininga	RGE	RGE Sul	CPFL Santa Cruz ¹	CPFL Leste Paulista ¹	CPFL Jaguari ¹	CPFL Sul Paulista ¹	CPFL Mococa ¹
Ratifying Resolution	2,217	2,314	2,252	2,218	2,211	2,210	2,213	2,209	2,212
Adjustment	-0.80%	7.69%	3.57%	-0.20%	-1.28%	0.77%	2.05%	1.63%	1.65%
Parcel A	1.37%	6.78%	2.17%	2.32%	0.88%	1.26%	3.26%	0.44%	2.78%
Parcel B	0.76%	-0.45%	0.20%	0.63%	0.48%	1.92%	0.62%	0.53%	0.67%
Financial Components	-2.93%	1.37%	1.21%	-3.15%	-2.65%	-2.41%	-1.83%	0.66%	-1.80%
Effect on consumer billings	-10.50%	17.28%	5.00%	-6.43%	-10.37%	-3.28%	-8.41%	-4.15%	-2.56%
Valid since	04/08/2017	10/23/2017	06/19/2017	04/19/2017	03/22/2017	03/22/2017	03/22/2017	03/22/2017	03/22/2017

¹ On January 1st, 2018, these Distribution companies were merged into the new CPFL Santa Cruz.

FINANCIAL PERFORMANCE

DIVIDENDS

According to our Bylaws, we distribute a minimum of 25% of our adjusted net income in dividends to our shareholders. Following this assumption, in 2017, we distributed R\$ 280 million (25% of adjusted net income) in dividends to the holders of our common shares, which corresponds to R\$ 0.275259517 per share. More details on the following table:

Distribution of dividends in 2017 (in R\$ thousand)	
Net income of the fiscal year - Individual	1,179,750
Realization of comprehensive income	25,873
Prescribed dividend	3,768
Net income base for allocation	1,209,391
Legal reserve	-58,988
Statutory reserve - concession financial asset	-123,673
Statutory reserve - working capital reinforcement	-746,541
Additional proposed dividend	-
Minimum mandatory dividend	-280,191

FINANCIAL PERFORMANCE

DISTRIBUTION OF ADDED VALUE (DVA) GRI 201-1

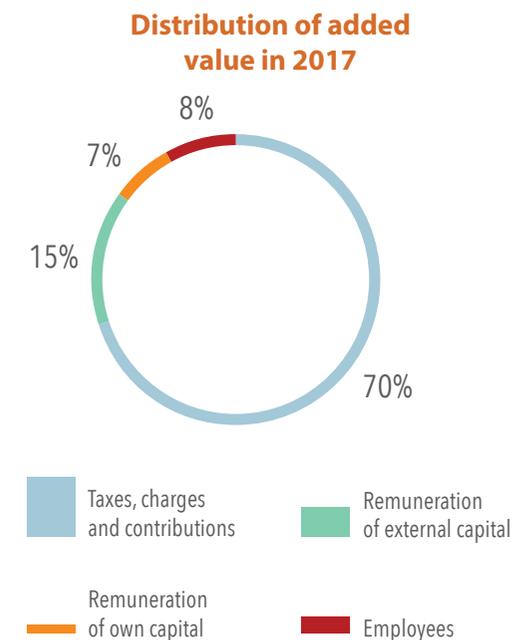
In 2017, we distributed R\$ 17,313 million in added value to our stakeholders, an increase of 9.4% over the previous year. Of this total, 70% was earmarked for taxes, fees and contributions, and 8% for the remuneration and benefits of our employees. You can find out more in the table below:

Value Added Statement (in R\$ thousand)

	2016	2017
Revenues	31,664,675	40,687,927
Revenue from energy sales and services	29,430,560	37,980,073
Revenue relative to the construction of own assets	1,056,442	789,529
Revenue related to the construction of concession infrastructure	1,354,023	2,073,423
Provision for doubtful receivables	-176,349	-155,097
Inputs acquired from third parties	-16,150,083	-23,119,553
Cost with electric energy	-12,452,018	-18,772,477
Material	-1,711,064	-1,895,728
Outsourced services	-1,352,299	-1,716,068
Other	-634,701	-735,280
Gross value added (revenue + inputs purchased from third parties)	15,514,592	17,568,374
Retentions	-1,293,924	-1,534,034
Depreciation and amortization	-1,038,814	-1,247,819
Amortization of intangible assets - concession	-255,110	-286,215

FINANCIAL PERFORMANCE

Net value added (gross value added + retentions)	14,220,668	16,034,341
Added value received by transfer	1,609,777	1,279,055
Financial revenues	1,298,363	966,664
Equity	311,414	312,390
Net added value to be distributed (Net added value generated + Added value received by transfer)	15,830,445	17,313,396
Distribution of added value		
Employees	1,073,118	1,397,454
Direct remuneration	660,138	813,004
Benefits	359,604	516,208
F.G.T.S	53,376	68,242
Taxes, charges and contributions	11,066,274	12,181,755
Federal	6,109,701	6,696,508
State	4,938,832	5,460,674
Municipal	17,742	24,572
Remuneration of external capital	2,811,995	2,491,145
Interest	2,743,600	2,418,119
Rentals	68,394	73,026
Remuneration of own capital	879,057	1,243,042
Dividend (including additional proposed)	143,379	272,294
Retained earnings	735,678	970,748
Added Value Distributed	15,830,445	17,313,396



Check our Financial Statements in full at:
<https://bit.ly/2H5szGO>.



4.

OUR REPORT

ABOUT OUR REPORT

GUIDELINES AND SCOPE DEFINITION

GRI 102-44 | 102-46 | 102-47 | 102-50 | 102-55 | 103-1

CPFL Energia's 2017 Annual Report is a publication directed to all our stakeholders addressing the main achievements, challenges and impacts of our operations in the economic, social and environmental fields. The document covers all companies controlled by the CPFL Group, from January 1st to December 31st, 2017.

In order to build a document that fulfills these goals, we voluntarily use the GRI Standards guidelines (more information on the link goo.gl/Jpnpc) and the integrated reporting framework (more information on goo.gl/ef5Gbv), both widely used by the market and internationally recognized.

¹ We plan to start a new stakeholder consultation in 2018.

To demonstrate the integration of our strategy with the Sustainable Development Goals (SDG) of the United Nations Organizations, we insert SDG references on the pages of the document at all times when our initiatives contribute to achieving one or more of these goals. This report is also a Communication on Progress – COP of the Global Compact.

The content scope definition of the report followed:

- The material topics of our Sustainability Platform (page 31);
- The topics pointed out as relevant by our stakeholders, according to the online¹ consultation we held with 221 people for the 2014 Annual Report (link: <https://goo.gl/ba3dfP>, pages 30 to 35 and 126, item 14.6);

- The annual updates on the topics found via online consultation through global references via Rep: Risk (national and international press), Robeco: SAM and SASB (investors and financial public); and
- The topics identified as relevant to the stakeholders of the Brazilian and international Power Sector, according to a sector benchmark study conducted in December 2017.



ABOUT OUR REPORT

The material topics guiding the construction of this report were as follows:

Material topics	Topic boundaries	Impacted stakeholders
Efficient Services	All businesses, except CPFL Geração	Customers and Society
Sustainable and Efficient Energy Use	CPFL Eficiência and ENVO	Customers and Society
Biodiversity	New Generation business (CPFL Geração and CPFL Renováveis), and Distributed Generation (ENVO)	Local communities and Society
Effluent and Waste	Transmission, Distribution and Services	Society
Emissions	All businesses	Society
Occupational Health and Safety	All businesses 100% controlled by CPFL Energia	Employees, Third parties, Customers and Communities
Human Capital Development - Training and Education	All businesses 100% controlled by CPFL Energia	Employees, Third parties and Suppliers
Employment - Attraction and Retention	All businesses 100% controlled by CPFL Energia	Employees and Third parties
Efficient Supplier Management	All regulated businesses	Suppliers
Customer Health and Safety	All businesses 100% controlled by CPFL Energia	Customers
Customer Privacy	All businesses 100% controlled by CPFL Energia	Customers

Based on these topics of interest (or “Material Issues”), we selected the GRI disclosures that could best support us in reporting our sustainability. All GRI disclosures are flagged in the text through the GRI ticker and can be understood in detail in the GRI Content Index (page 103).

For questions, criticisms and/or suggestions regarding the content of the report, please contact us by e-mail sustentabilidade@cpfl.com.br.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Organizational Profile		
102-1	Name of the organization	Page 9.
102-2	Activities, brands, products, and services	Pages 9, 12, 13, 14, 15 and 16.
102-3	Location of headquarters	Page 133.
102-4	Location of operations	Pages 12 to 16.
102-5	Ownership and legal form	Business Corporation (S.A).
102-6	Markets served	Pages 9, 12, 13, 14, 15 and 16.
102-7	Scale of the organization	Pages 9, 12, 13, 14, 15, 16, 45, 80, 82 and 91.
102-8	Information on employees and other workers	Page 45.
102-9	Description of the organization's supply chain	Page 53.
102-10	Significant changes to the organization and its supply chain	Pages 14 and 19.
102-11	Whether and how the organization applies the Precautionary Principle or approach	We adopt the precautionary principle through preventive initiatives such as online and face-to-face training for our employees, structured and periodic communication for our strategic audiences, annual internal controls tests, dissemination and adherence to the Code of Ethical Conduct for all employees and compliance and ethics advisory service for several business areas.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Organizational Profile		
102-12	List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	<p>We participate in the following external associations and initiatives:</p> <ol style="list-style-type: none"> 1. Brazil Network of the Global Compact (Member of the Board, Brazilian Committee, Thematic Group on Energy and Climate and SDG WorkGroup); 2. Brazilian Business Council for Sustainable Development – CEBDS (Climate Thematic Chamber); 3. World Business Council for Sustainable Development – WBCSD (highlight to the CEO Guide on SDG signed by our CEO, page 68); 4. FGV’s Center for Sustainability Studies – Gvces; Business for the Climate - EPC; Local Development - Local ID (Brazilian Program GHG Protocol, GHG Public Emissions Registry, Emissions Trading System); and 5. Corporate Climate Initiatives – IECs (highlight to the Open Letter on Carbon Pricing signed by our CEO in 2017, link https://goo.gl/HPMWwB). <p>More details about our participation in these associations on page 67.</p>

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Strategy		
102-13	List of the main memberships of industry or other associations, and national or international advocacy organizations, in which the Company provides substantive funding beyond routine membership dues	<p>Main associations in which we have significant participation:</p> <ul style="list-style-type: none"> • Associação Comercial e Industrial de Frederico (Frederico Commercial and Industrial Association) – ACIFW; • Associação Comercial Industrial e Serviços de Serafina Corrêa (Commercial, Industrial and Services Association of Serafina Corrêa) – ACISCO; • Associação Brasileira de Anunciantes (Brazilian Advertisers Association) – ABA; • Comitê de Geração ABNT – ABDIB Generation Committee; • Associação Brasileira de Gerência de Risco (Brazilian Association of Risk Management) – ABGR; • Associação Brasileira de Comunicação Empresarial (Brazilian Association of Business Communication) – ABERJE; • Associação Brasileira de Veículo Elétrico (Brazilian Association of Electric Vehicle) – ABVE; • Associação Brasileira de Qualidade de Vida (Brazilian Association of Quality of Life) – ABQV; • Associação Brasileira dos Contadores (Brazilian Association of Accountants) – ABRACONEE; • Associação Brasileira de Distribuidores de Energia Elétrica (The Brazilian Association of Electricity Distributors) – ABRADEE; • Associação Brasileira das Companhias Abertas (Brazilian Association of Publicly-Held Companies) – ABRASCA; • Instituto Acende Brasil; • Fundação Nacional da Qualidade (National Quality Foundation) – FNQ; • Centro de Pesquisas de Energia Elétrica (Electrical Energy Research Center) –CEPEL; • Comitê Nacional de Produção e Transmissão de Energia Elétrica (National Committee for the Production and Transmission of Electric Energy) – CIGRÉ; • FUNDAÇÃO COGE (Comitê de Gestão Empresarial - Business Management Committee); • Comitê Brasileiro de Barragens (Brazilian Committee on Dams) – CBDB; • Conselho Empresarial Brasil-China (Brazil-China Business Council) – CEBC; • Operador Nacional do Sistema (National System Operator) – ONS (associate members); • Conselho Regional de Engenharia (Regional Engineering Council) – CREA; • Instituto Abradee; • Fundação Getúlio Vargas; • Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute for the Environment and Natural Resources) – IBAMA; • Instituto Brasileiro de Governança Corporativa (Brazilian Institute of Corporate Governance) – IBGC; • Instituto Brasileiro de Relações com Investidores (Brazilian Institute of Investor Relations) – IBRI (associative participation); • Movimento Brasil Competitivo – NOVO MBC; and • Sindicato da Indústria da Energia (Union of the Energy Industry) – SINDIENERGIA.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Strategy		
102-14	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	Pages 4 and 5.
102-15	Description of key impacts, risks, and opportunities	Pages 28, 53 and 56.

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Ethics and Integrity		
102-16	Description of the organization's values, principles, standards, and norms of behavior	Pages 9, 24 and 25.
102-17	Description of internal and external mechanisms seeking advice about ethical and lawful behavior and reporting concerns about unethical or unlawful behavior	Pages 24 and 25.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-18	Governance structure of the organization, including committees	Pages 21 and 22.
102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	Page 23.
102-20	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics and whether post holders report directly to the highest governance body	Page 23.
102-21	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	The stakeholder consultation process on economic, social and environmental topics is assigned to our Sustainability Board that reports the results to the Sustainability Committee, Board of Executive Officers, Committee of Management and Risk Processes and Board of Directors through our Sustainability Platform (page 31). On December 6, 2017, we held the 10th Investor Meeting, in which our main leaders had the opportunity to interact face-to-face with our stakeholders. Also, our Strategic Planning process involves consulting external experts, who subsidize the strategic plan, subsequently approved by the Board of Directors.
102-22	Composition of the highest governance body and its committees	Page 21.
102-23	Whether the chair of the highest governance body is also an executive officer in the organization	The Chairman of our Board of Directors has no executive position at CPFL Energia.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-24	Nomination and selection processes for the highest governance body and its committees (including criteria used for nominating and selecting such as diversity, independence, expertise and experience and also whether stakeholders (including shareholders) are involved)	Boards of Directors' members are elected by the shareholders at the General Meeting, as provided by our Bylaws. Independence factors and knowledge about the business are considered.
102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	According to our Code of Ethics and Board of Directors' Internal Regulations, any Director who has an actual or potential conflict of interest shall refrain from attending the part of the Board meeting in which the matter in question is analyzed.
102-26	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	The Board of Executive Officers is responsible for approving and updating our strategic drivers (Vision, Mission and Principles), as well as defining strategies, policies and goals related to sustainability. It is incumbent upon the Board of Directors to approve the Sustainability Policy as well as other Group's Corporate Governance Guidelines.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	<p>We provide Board of Directors' members the Certification with the Brazilian Institute of Corporate Governance (IBGC), encouraging continuing education and permanent updating, as well as stimulating their participation in governance events or business in which it operates.</p> <p>The last IBGC training took place in 2016 and will be applied again in 2018 as part of the biennial training process.</p> <p>During the strategic planning cycle, our Board Members were invited to participate in a series of lectures with market experts covering the following topics:</p> <ul style="list-style-type: none"> • Discussing market trends and competitive scenarios in the Electrical sector • Market trends - Mario Veiga (PSR), Luiz Barroso (EPE) and Carlos Batlle (MIT) • Competitiveness - Miguel Rodrigues (Morgan Stanley) • Understanding how the digital universe is changing the prospects for the future - Arlindo Eira (Mckinsey) • Understanding the current changes in the macroeconomic scenario and its impacts in the Country - Fernando Honorato Barbosa (Bradesco)
102-28	Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics	Board of Directors' members conduct an annual self-assessment addressing issues related to the Board operation. The process is conducted by the Corporate Governance team, based on the practices adopted by the Brazilian Institute of Corporate Governance - IBGC.
102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities	Impacts, risks and opportunities identification and management relating to economic, social and environmental issues are conducted by the Boards responsible and brought to the appreciation of the Board of Directors.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	Pages 28 to 30.
102-31	Frequency of the highest governance body's review of economic, environmental, and social topics	Our Board of Directors must meet at least 12 times a year. In all meetings, the Company's monthly results, health and safety reports, business development follow-up, among other topics are presented.
102-33	Process for communicating critical concerns to the highest governance body	The items that make up the agenda in Board of Directors meetings are recommended by our Board of Executive Officers. From time to time, our Chief Executive Officer meets with the Vice President of the Board of Directors to communicate critical concerns, among other issues. In addition, every six months the internal audit presents the corporate risk map to the Board of Directors.
102-34	Total number and nature of critical concerns that were communicated to the highest governance body and mechanism(s) used to address and resolve critical concerns	CPFL Energia's Corporate Risk Map is composed of strategic risks classified into seven categories: financial, market, operational, legal, reputation, environment and regulatory (more information on page 28). The internal audit area surveys critical concerns through the corporate risk map and addresses the points identified for the Board of Directors.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-35	Remuneration policies for the highest governance body and senior executives	<p>Pursuant to the Brazilian Corporation Law, our General Meeting sets the total remuneration amount of the members of the Board of Directors (BD) and the Board of Executive Officers. After our shareholders define the total amount of remuneration, the BD sets the individual remuneration levels.</p> <p>Under our Bylaws, our shareholders may grant profit sharing to our directors and officers in the fiscal years in which mandatory dividends are distributed. The amount distributed, as profit sharing, may not exceed the annual remuneration of Administration, or 10% of profits, whichever is less.</p> <p>Board of Directors compensation is composed of fees (fixed annually by the General Meeting). Board members receive no additional compensation for participation in Committees and/or Commissions. If an Alternate Member attends the ordinary monthly meeting of the BD (due to the absence of the Board member), he/she shall be entitled to 50% of the remuneration to which the Board member is entitled.</p> <p>The Board of Executive Officers receives variable remuneration, based on criteria defined in an Annual Targets Plan and a Long-Term Incentive Plan. We also work with two complementary private pension plans for high executives:</p> <ul style="list-style-type: none"> • PGBL Bradesco • PGBL Banco do Brasil <p>In addition, Executive Officers receive hiring bonuses at the moment of their hiring.</p>

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Governance		
102-36	Process for determining remuneration	The compensation of the Administration (Executive Board and Board of Directors) is established by the General Shareholders' Meeting, based on a survey of the market carried out by a specialized company and submitted for prior appraisal by the Human Resources Management Committee. This payment consists of a monthly fee.

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Stakeholder Engagement		
102-40	List of stakeholder groups engaged by the organization	<ul style="list-style-type: none"> • Governments (federal, state and municipal); • Parliamentary Regulatory Agencies (National Congress / Legislative Assemblies SP and RS); • Press Professionals; • Intellectuals and opinion makers; • Associations of the Brazilian Electrical System; • Class entities; • CPFL Energia Group - Executives Holding, Directors and Leaders; • CPFL Energia Group - Public Power and Large Clients Relationship Managers; • Employees; • Third-parties; • Suppliers; • Communities; • Shareholders; • Customers; • Civil society; and • NGOs.

GRI CONTENT INDEX GRI 102-55

PROFILE		
Disclosure	Information to be obtained	Reference or Direct Answer
Stakeholder Engagement		
102-41	Percentage of total employees covered by collective bargaining agreements	100% of our employees are covered by collective bargaining agreements.
102-42	The basis for identifying and selecting stakeholders	The basis for identifying and selecting stakeholders for engagement is the entire political map in the Group's areas of activity and the main players in the Power Sector. After selecting the themes and their respective leaders, meetings with the working groups are held to create a list with the main stakeholders for each theme, the management of their data, their influence power and degree of decision. We have a Rule of Engagement for Public Interest establishing guidelines and the stakeholders' engagement processes. This document is available on the link goo.gl/KkftQh .
102-43	The organization's approach to stakeholder engagement, including frequency of engagement	CPFL stakeholders' engagement is governed by an Internal Rule that establishes the principles, commitments and description of the identification, prioritization, relationship levels and engagement processes method. In 2013/2014, an online consultation was conducted with CPFL's stakeholders (link: https://goo.gl/ba3dfp , pages 30 to 35 and 126, item 14.6), when we obtained a return from 221 people, including the following stakeholders' groups: <ul style="list-style-type: none"> • Employees; • CPFL Energia Group - Holding Executives, Directors and Leaders; • Suppliers and third parties; • Local communities; • Customers; • Civil Society (Institutions and NGOs); • Shareholders; • Class Entities; and • Others (Governments, regulatory agencies, press professionals, among others). Besides, we hold frequent consultations (with no fixed periodicity), through meetings, participation in associations and meetings with the communities in which we are present.

GRI CONTENT INDEX GRI 102-55

PROFILE

Disclosure	Information to be obtained	Reference or Direct Answer
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Stakeholder Engagement

102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organization has responded to those key topics and concerns, including through its reporting	All the concerns raised together with stakeholders in the consultation process carried out in 2013/14 are considered in the result of materiality and are addressed throughout this report.
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PROFILE

Disclosure	Information to be obtained	Reference or Direct Answer
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Reporting Practice

102-45	List of all entities included in the organization's consolidated financial statements or equivalent documents	Page 20.
102-46	Explanation of the process for defining the report content and the topic boundaries	Pages 101 and 102.
102-47	List of the material topics identified in the process for defining report content	Pages 101 and 102.
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	There were no restatements of information given in previous reports.
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Since it was acquired at the end of 2016, RGE Sul was not included in several disclosures in the previous Annual Report - except when indicated. In the 2017 Annual Report, RGE Sul results are incorporated in the disclosures - except when indicated.
102-50	Reporting period for the information provided	Page 101.
102-51	If applicable, the date of the most recent previous report	The annual report we previously published was for the year 2016.
102-52	Reporting cycle	Annual.
102-53	Contact point for questions regarding the report or its contents	Page 133.
102-54	The claim made by the organization, if it has prepared a report in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option

GRI CONTENT INDEX GRI 102-55

PROFILE

Disclosure	Information to be obtained	Reference or Direct Answer
Reporting Practice		
102-55	GRI content index	Pages 103 to 129.
102-56	Description of the organization's policy and current practice with regard to seeking external assurance for the report	According to GRI recommendations and best market practices, we externally assure the annual report.

PROFILE

Disclosure	Information to be obtained	Reference or Direct Answer
Management Approach		
103-1	Explanation of why the topic is material and boundaries	Pages 102 and 103.
103-2	Explanation of how the organization manages the topic	Pages 37, 42, 45, 50, 52, 53, 66, 67, 74, 76 and 82.
103-3	Explanation of how the organization evaluates the management approach	Pages 37, 42, 45, 50, 52, 53, 66, 67, 74, 76 and 82.

PERFORMANCE

Disclosure	Information to be obtained	Reference or Direct Answer
Economic Performance		
Aspect: Economic Performance		
201-1	Direct economic value generated and distributed	Pages 98 and 99.
201-2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure	Pages 70 and 71.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
201-3	Defined benefit plan obligations and other retirement plans	<p>We work with 13 complementary private pension plans, six of which are in insurance companies and seven in multi-sponsored entities. Modalities of Plans are:</p> <ul style="list-style-type: none"> • BD Defined Benefit Plans; • CD Defined Contribution; and • CV Variable Contribution.

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer

Economic Performance

Aspect: Procurement Practices

204-1	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally)	In 2017, the percentage of the procurement budget with local suppliers in significant operating units was 99.8%. We consider national suppliers as "local".
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Aspect: Anti-corruption

205-1	Total number and percentage of operations assessed for risks related to corruption and significant risks related to corruption identified through the risk assessment	100% of our operations (Distribution, Generation, Commercialization, Services and Renewables) are subject to risk assessments related to corruption. Main risks identified are: ethical or legal deviations in our operations, suppliers and in companies that become part of our group through mergers and acquisitions. To mitigate these risks we have compliance mechanisms and the Ethics Management and Development System – SGDE – further information on the page 24 and an ongoing supplier evaluation process - more information on page 53. In addition, as a way to mitigate corruption-related risks, we do not make donations to candidates and political parties.
205-2	Communication and training about anti-corruption policies and procedures	Pages 26 and 27.
205-3	Confirmed incidents of corruption and actions taken	In 2017, no confirmed incidents of corruption were identified in our operations.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Environmental		
Aspect: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Pages 76 to 79.
304-2	Significant impacts of activities, products, and services on biodiversity	Pages 76 to 79.
304-3	Habitats protected or restored	Pages 76 to 79.
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	Pages 76 to 79.
Aspect: Emissions		
305-1	Direct (Scope 1) GHG emissions	Pages 72 and 73.
305-2	Energy indirect (Scope 2) GHG emissions	Pages 72 and 73.
305-3	Other indirect (Scope 3) GHG emissions	Pages 72 and 73.
305-4	GHG emissions intensity ratio for the organization	Pages 72 and 73.
305-5	Reduction of GHG emissions	Pages 72 and 73.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Environmental		
Aspect: Emissions		
305-6	Emissions of ozone-depleting substances (ODS)	In 2017, our ODS emissions of R-22 refrigerant gas were insignificant.
Aspect: Effluents and Waste		
306-1	Water discharge by quality and destination	Distribution and Transmission operations do not generate significant water disposal. As for Generation, the only operation that performs water disposal is EPASA (which operates a thermoelectric plant), whose disposal complies with current legislation. In 2017, EPASA generated 28,116.56 m ³ of industrial effluents; such volume was treated according to prevailing legislation, partially directed to the rainwater system. The sludge generated by the treatment was sent to the destination by specialized companies and duly registered with the environmental agencies.
306-2	Waste by type and disposal method	Page 74.
306-3	Total number and total volume of recorded significant spills	There were no significant spills in the reporting period.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Environmental		
Aspect: Effluents and Waste		
306-4	Transport of hazardous waste and percentage of hazardous waste shipped internationally	In 2017, 572 tons of hazardous waste generated as a result of our operations were transported nationally, of which 290 were sent for reuse and 282 for recycling, energy recovery or incineration in properly licensed national companies. There was no international transport of hazardous waste. The transportation of hazardous waste is not carried out by CPFL Energia, it's done by a third-party company, which holds all the applicable licenses and authorizations.
306-5	Water bodies and related habitats that are significantly affected by water discharges and/or runoff	We did not dispose of effluents directly into bodies of water, as described in indicator 306-1.
Aspect: Environmental Compliance		
307-1	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations	In 2017, the monetary value spent on environmental fines was R\$ 45,722.69. This value, however, is not considered significant. In the same period, there were no non-monetary sanctions resulting from non-compliance with environmental laws and / or regulations.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Environmental		
Aspect: Supplier Environmental Assessment		
308-1	Percentage of new suppliers that were screened using environmental criteria	In 2017, 37% of our new suppliers were screened based on environmental criteria. You can find more information about supplier management on page 53.
308-2	Negative environmental impacts in the supply chain and actions taken	All suppliers considered as “critical” were evaluated from an environmental perspective - in 2017, this group corresponded to 67 companies. In none of them risks of significant environmental impacts were found. More information about this process is on page 53.
Social		
Aspect: Employment		
401-1	Total number and rate of new employee hires and employee turnover during the reporting period, by age group, gender and region	Pages 45 and 46.
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees	Page 42.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Employment		
401-3	Total number of employees that took parental leave, and total number of employees that returned to work in the reporting period after parental leave ended, by gender	In 2017, 144 employees took maternity leave and, out of this total, 90 employees returned to work. At the end of the reporting period, 35 employees were still on leave and 19 employees had been terminated, generating a retention rate of 86.8%. Although men are entitled to the same parental leave as women, we do not manage this indicator.
Aspect: Occupational Health and Safety		
403-1	Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees	100% of our employees are represented by formal health and safety committees. The main committees are: <ul style="list-style-type: none"> • Executive Health and Safety Committee – CSS: composed by several members of the high leadership of our Group, has the role of deliberating and promoting strategic actions and directives for operational safety; • Operational Safety Committee – COS: composed by a multidisciplinary team with representatives from all areas involved. Its purpose is to reinforce the prevention of accidents during the execution of operational activities, identifying and promoting solutions with greater speed; and • Internal Accident Prevention Committees – CIPA: in 2017, our employees had 89 committees, whose meetings addressed proposals and suggestions for improvements on health and safety issues.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and gender	Pages 42 and 44.
403-3	Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases	We did not identify risks related to occupational diseases in our operations.
403-4	Health and safety topics covered in formal agreements with trade unions	100% of agreements with trade unions address health and safety topics, among them: <ul style="list-style-type: none"> • Actions related to CIPAs; • Issues related to occupational health (ASO); • Safety inspections in contractors; • Communication of work accidents (CAT); and • Meetings addressing the theme of Health and Safety with trade unions (CPFL Paulista, CPFL Piratininga, Brasil and CPFL Geração).
Aspect: Training and Education		
404-1	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	Page 38.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Training and Education		
404-2	Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment	<p>Within competence management and continuous learning, our people have a Requalification Program that subsidizes undergraduate, postgraduate, extension, language, computer and other courses. The Program reimburses 80% of the monthly fee – up to R\$ 600.00 - and, in some cases, contributes to the travel expenses of the employee until the desired course location. In 2017, we invested approximately R\$ 2.7 million in the Program and benefited more than 520 people.</p> <p>We do not have a formal retirement preparation program.</p>
404-3	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	Pages 38 and 39.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Local Communities		
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	Pages 58, 59 and 77.
413-2	Operations with significant actual and potential negative impacts on local communities	<p>We have tools to evaluate our projects' positive and negative impacts and we constantly invest in actions for community engagement and local development. The initiatives are promoted through the company's own funds and others by means of tax incentive laws.</p> <p>Our significant impacts can be classified into two more relevant dimensions within the business:</p> <ul style="list-style-type: none"> • Conventional generation: the construction of large plants generates impacts on the surrounding community, such as families' relocation, also affecting the environment. In 2017, we did not have new deployments, and all the plants are in the operational phase. Therefore, there were no significant environmental impacts in the reporting year. Negative impacts of the operation were mapped when obtaining the environmental licenses of these enterprises and were mitigated. • Distribution: impact on the area of operation and power supply, mainly with accidents related to the power grid; this issue is daily monitored and managed by our Health and Safety team.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Supplier Social Assessment		
414-1	Percentage of new suppliers that were screened using social criteria	In 2017, 37% of our new suppliers were screened on the basis of human rights criteria. You can find more information about supplier management on page 53.
414-2	Negative social impacts in the supply chain and actions taken	To manage possible social impacts in our supply chain, we conduct annual visits to our strategic and critical suppliers (more information about this practice on page 53). In 2017, we evaluated 67 companies with respect to their social impacts; in none of them actual or potential negative social impacts were identified.
Aspect: Customer Health and Safety		
416-2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period	The Health and Safety Management System evaluation process is carried out through internal and external audits, under the OHSAS 18001 standard. During the last external audit, three non-compliances were reported regarding the absence of recycling training from a member of our Fire Brigade. This non-conformity was remedied shortly after the audit report.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Social		
Aspect: Customer Privacy		
418-1	Total number of substantiated complaints concerning breaches of customer privacy and losses of customer data	In the reporting period, no substantiated complaints concerning breaches of customer privacy and losses of customer data were reported.
Aspect: Socioeconomic Compliance		
419-1	Total number of non-compliance with laws and regulations in the social and economic area	<p>The Regulatory Affairs Directorate aims at disseminating, to our business areas, the legislation of the Power Sector, seeking the compliance of the distributors' processes with the current regulations. Regulatory non-compliance is subject to administrative sanctions by the Regulatory Agent that may include warnings or monetary fines as punishment for deviations committed. The actions' success takes into account the penalties already drawn by the Regulatory Agent and has as a metric to evaluate the reduction of the monetary penalty, after final instance trial compared with the value originally established.</p> <p>Regarding the penalties applied by ANEEL in 2017, the CPFL Energia Group distributors received monetary fines totaling the amount of R\$ 41,756,166.32 which, in final instance, were reduced to an amount of R\$ 10,052,839.63 (24% of the original amount).</p>

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Sector Supplement (Electric Utilities)		
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	Pages 80 and 81.
EU2	Net energy output broken down by primary energy source and by regulatory regimen	Pages 80 and 81.
EU3	Number of residential, industrial, institutional and commercial customer accounts	Page 82.
EU4	Length of above and underground transmission and distribution lines by regulatory regime	Page 87.
EU5	Allocation of CO ₂ e emissions allowances or equivalent, broken down by carbon trading framework	Page 69.
EU6	Management approach to ensure short and long-term electricity availability and reliability (DMA)	Page 85.
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Pages 61 to 66.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Sector Supplement (Electric Utilities)		
EU12	Transmission and distribution losses as a percentage of total energy	Page 86.
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas	Pages 76 to 79.
EU14	Programs and processes to ensure the availability of a skilled workforce	Within our Corporate University (more information on page 37), we have the School for Electricians, responsible for the development of our electricians (page 41). In 2017, we launched the School of Training of Electricians project in the Community, which seeks to identify, select and qualify people with a profile to act as a professional in the energy Distribution Sector around the Group companies.
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	Every year, we provide training and recycling for fire brigade members. Also, we have the Emergency Response Plans (PASEs), which simulate an emergency situation to evaluate the effectiveness of emergency procedures and opportunities for improvement.
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services	Pages 52 and 53.

GRI CONTENT INDEX GRI 102-55

PERFORMANCE		
Disclosure	Information to be obtained	Reference or Direct Answer
Sector Supplement (Electric Utilities)		
EU25	Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases	The number of injuries and fatalities to the public can be seen on the page 52. In 2017, 73 cases related to health and safety were settled in court; 539 are still pending.
EU28	Power outage frequency	Pages 83 and 84.
EU29	Average power outage duration	Pages 83 and 84.

ASSURANCE STATEMENT



STATEMENT BY SGS ICS CERTIFICADORA LTDA. (SGS) REGARDING THE SUSTAINABILITY ACTIVITIES PROVIDED IN “SUSTAINABILITY REPORT 2017” GIVEN TO CPFL ENERGIA.

ASSURANCE NATURE AND SCOPE

SGS was hired by CPFL Energia. to render independent assurance of its Sustainability Report 2017. Based on assurance methodology of SGS Sustainability report, the certification scope includes the text and data related to GRI standard indicators for 2017 provided herein.

The responsibility for information of “SUSTAINABILITY REPORT 2017” and its presentation lies on board and management of CPFL. SGS does not take part of presentation in any material, including the “SUSTAINABILITY REPORT 2017”. We are responsible for giving our opinion of the text, data, charts and statement within the certification scope, detailing the intention of informing the stakeholders of CPFL.

The SGS group has developed a set of Assurance protocols for communicating the sustainability based on the best practices provided in GRI Sustainability Reporting Standards guide and the ISAE3000 assurance standard. These protocols give different options of assurance level depending on context and capacity of applicant organization – the CPFL.

This report was assured through our protocol for assessing the content legitimacy and its alignment with aspects of requirements of GRI Sustainability Reporting Standards, (Universal Standards 101, 102 and 103), as well as the requirements of Topic-specific Standards (GRI 200, GRI 300 and GRI 400) according to the subject matters identified by CPFL. through the process detailed in the said report. Furthermore, the GRI G4 sectorial appendix – Electric Utilities. Based on such context, “THE SUSTAINABILITY REPORT 2017” is deemed as Core Option.

The assurance process covered (i) the review of indicators, information and data provided in preliminary sustainability report, (ii) interview with key personnel both to understand data from report and to understand the pertinent management process to subject matters and (iii) review of supplementary documents submitted by CPFL to SGS. The CPFL accounting information and/or information provided in “SUSTAINABILITY REPORT 2017” were not assessed as part of this assurance process.

INDEPENDENCE AND COMPETENCE STATEMENT

The SGS group is a worldwide leader in inspections, analysis and verifications which operates in more than 140 countries rendering services that includes management system certification, audits and training on quality, environment, social and ethic areas, as well as assurance of sustainability reports and verification of greenhouse gases. SGS reinforce its Independence from CPFL becoming cleared from any interest conflict against the organization, its subsidiaries and stakeholders.

ASSURANCE STATEMENT

The assurance team was nominated based on knowledge, expertise and skills for this service and was composed of:

- Lead Auditor on Assurance of Sustainability Report, a Lead Assessor of Greenhouse Gases (GHG), Lead Auditor on Socioenvironmental Programs, Lead Auditor on ISO 26.001, Lead Auditor on Ecuador Principles.
- An Auditor on Assurance of Sustainability Report, Lead Assessor of Greenhouse Gases (GHG), Lead Auditor on Socioenvironmental programs, Lead Auditor on Environmental, Quality and Sustainable Events Management System
- An Auditor on Sustainability Report Assurance, Lead Assessor on Greenhouse Gas Effect (GHG) and Climate Change Program.

ASSURANCE OPINION

A wide assurance was applied for and the work performed was sufficient and adequate for a solid assurance. Regarding the verification performed against the methodology, process and data provided by CPFL, we attest the information and data provided in SUSTAINABILITY REPORT 2017" are reliable and a true and balanced representation of the sustainability activities performed by CPFL in 2017. The assurance team has the opinion the report can be used by stakeholders of company as part of its assessment processes. The organization has elected the core option, which meets its needs.

In our opinion, based on what was found in company office in Campinas and on documents provided by CPFL, the report content meets fully the GRI standard requirements, including the one in Sectorial Appendix for Electric Utilities

RECOMMENDATIONS, FINDINGS AND CONCLUSIONS OF ASSURANCE

The CPFL "SUSTAINABILITY REPORT 2017" is aligned with Sustainability Reporting Standards, (Universal Standards 101, 102 and 103) as well as the requirements of Topic-specific Standards (GRI 200, GRI 300 and GRI 400), Core Opinion. It is important to highlight the subject matters and its limits were dully set in accordance with the Reporting Principles and indicated over the report and/or reference list

ASSURANCE STATEMENT

Concerning to contribution to improvement to development of sustainability reports in future and more effectiveness in assurance process, we recommend to CPFL that:

1. Despite of having an exclusive report of sustainability, they should not be considered the main mean to communicate the audience of its practices against this matter. We understand the best way is to use the report as reposition tool of sustainability information, which shall be addressed specifically with each stakeholder, depending on the substantiality related to each stakeholder and on communication channels the company uses with them.

2. Develops a continuous process for this matter and prevent to perform this activities in certain periods of the year only. The best practices indicate the subject matters shall be taken from interfacing programs with the stakeholders that are already in place and that are performed over the year. To do

so, CPFL shall encourage the company interaction means with the different stakeholders take advantage of the subject matters whenever they are related to external stakeholders and place the interface results on an appropriate section of the new company sustainability platform.

3. Promotes a better understanding on importance of GRI indicator management. During the interview with the CPFL teams, SGS has found a certain development level against the reasons for assessing the indicators, as a result a lot of interviewees considered this process as additional task to their activities. We understand that, even with the awareness rendered by company, this shall be enhanced.

Finally, SGS congratulates CPFL for the initiative of assuring its report and for the historical commitment to sustainability and expects the significant development on this field the company has been reaching over the past years are kept.

Executed by and on behalf of SGS



Fabian Peres Gonçalves

Business Manager - Sustainability
SGS ICS Certificadora Ltda.



Marcelo Abrantes Linguitte

Lead Auditor on Sustainability Report
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CORPORATE INFORMATION AND CREDITS GRI 102-3 | 102-53

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