



# ANNUAL REPORT. 2015





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# SUMMARY

- 04. ABOUT THE REPORT
- 06. MESSAGES FROM THE LEADERSHIP
- 12. SECTOR CONTEXT
- 18. MAP OF OPERATIONS
- 20. GOVERNANCE
- 34. SUSTAINABILITY MANAGEMENT
- 40. NATURAL CAPITAL
- 52. HUMAN CAPITAL
- 60. SOCIAL CAPITAL AND RELATIONSHIPS
- 70. INFRASTRUCTURE CAPITAL
- 74. KNOWLEDGE AND SKILLS CAPITAL
- 78. FINANCIAL CAPITAL
- 88. CONTENT INDEX GRI
- 120. CORPORATE INFORMATION

# 1. ABOUT THE REPORT

G4-16

G4-22

G4-23

G4-28

G4-29

G4-30

G4-31

Barra Grande hydroelectric plant - SC and RS

CPFL Energia publishes its Report annually in order to maintain a transparent relationship with all of its stakeholders and provide accounts of the actions, projects and results achieved by the holding company. The information presented in this document refers to the period from 1st January to 31st December 2015 and covers all of the companies controlled by the Group, unless otherwise indicated.

In 2015 CPFL consolidated its Sustainability Platform, built upon the foundation of a robust consultation and research process. This resulted in the material topics with their respective targets and indicators for monitoring, which guide the content of this report.

In the first section of this report you will find a summary of information about our business and governance model and take a look back over the year with messages from our CEO and the Chairman of the Board of Directors.

The second section presents information about our management and performance in the form of an Annual Report, guided by the fourth version of the Global Reporting Initiative (GRI), International Integrated Reporting Framework (IIRC) and the Principles of the United Nations' Global Compact.

Responses to the indicators can be found on page 88 in the Content Index section, which also shows which indicators were submitted for external assurance by the independent auditors PricewaterhouseCoopers.

G4-32

G4-33

For suggestions relating to the content of this report please contact us by email at [sustentabilidade@cpfl.com.br](mailto:sustentabilidade@cpfl.com.br).

G4-32

G4-33



## 2. MESSAGES FROM THE LEADERSHIP

# MESSAGE FROM THE CEO

G4-1

G4-2

At the beginning of the year we already knew that 2015 would provide a challenging scenario for the sector, principally as a result of hydrological risk, the regulatory changes that were needed and the difficult economic situation in the country. It was a year marked by declining industrial production and increased unemployment. For the first time since 2001 we saw a drop in electricity consumption in the residential and commercial segments.

Despite the national electricity sector experiencing immense difficulties, CPFL Energia continued on its growth trajectory – the result of prudent action supported by a solid system of governance and efficient management of resources. Besides contributing to maintain the company's cash balance this careful work also helped us to preserve the excellence of services provided to the population, expand the modernization of operational infrastructure and reaffirm our commitment to socially responsible business practices.

One important point to note was CPFL's active participation in the preparation of proposals to resolve the Generation Scaling Factor (GSF) issue. Provisional Measure MP 688 paved the way to renewing the attractiveness of the sector for investment, decreased sector judicialization and helped to maintain the economic balance of power generators and the sector as a whole. CPFL Energia chose to renegotiate its eligible contracts in the SP100 modality of the Regulated Environment (ACR), protecting themselves from 100% of the GSF until the end of the contract terms. The renegotiation of hydrological risk factors brought back greater predictability and stability of cash flows for the hydroelectric power generators and enabled the recuperation of R\$ 128 million in 2015, with reference to the contracts already renegotiated.

Another important development in 2015 was the completion of the Tariff Readjustment methods for distribution companies, most notably the increase in the regulatory WACC from 7.50% to 8.09%. We should also recognize the even-handed stance shown by the

government in its adoption of a policy of tariff realism, covering a significant portion of the highest costs incurred by distributors for purchased energy and sector charges. Even so, the cash flow mismatch continued and we accumulated a significant CVA balance, almost equivalent to a year's income generation by the distribution companies, requiring careful management of the Company's working capital. The tariff realism combined with the deterioration in the macroeconomic scenario led to a decline in energy sales, with a consolidated fall in sales of 4.0% in the year recorded by the eight distributors of the CPFL Energia group.

The economic and financial results showed EBITDA of R\$ 3.75 billion and net operating revenue of R\$19.16 billion, growth of 17% in relation to 2014 according to the accountancy standards of the International Financial Reporting Standards (IFRS), as well as net income of R\$ 875 million. We also achieved savings of 18.6% in real terms in our management costs compared to 2011, when we began implementing Zero-Based budgeting. It is also worth mentioning the funding in advance of R\$ 2.8 billion in early 2015 to strengthen the Group's cash availability, in accordance with the prefunding strategy that we have adopted since 2011.

We maintained our growth plans and increased investments by 34.5% to R\$ 1.428 billion in 2015 alone, of which R\$ 500 million was intended for electricity generation. We increased investment in Distribution by 24% across our eight utilities companies. R\$ 868 million was employed for expanding and reinforcing the electrical system, for maintenance, for modernization and for research and development programs. This permitted us to move forward with smart grid projects, including opening the Intelligent Dispatch Center in May.

The incorporation of DESA by CPFL Renováveis in 2014 - adding 12 generation assets to our existing

portfolio - has also started to show results in 2015. The Morro dos Ventos II wind farm also deserves attention: it began operating in April, eight months ahead of schedule. Today, CPFL Renováveis is the largest renewable energy platform in Latin America, the first to reach R\$ 1 billion in EBITDA on the continent and the largest Brazilian wind-power generator, also maintaining a presence in the areas of biomass, small hydroelectric and solar power plants.

Also during the year CPFL Eficiência signed its first major multi-solutions energy efficiency contract. Taking advantage of the growing consumer demand for services and solutions that bring about cost reductions, energy security and sustainability, the agreement opened up a new business model. By exploiting synergies between Group companies we are able to offer integrated and comprehensive products to meet the needs of our customers, bringing new opportunities for business expansion.

This strategy, focused on innovation and the development of sustainable solutions, reinforces our long-term commitment to the growth of the energy sector. We are the largest private Group in Brazil in the energy sector and we work together with regulators and the government to resolve key issues with the aim of improving the regulatory environment and the boosting the development of the country.

The continuous pursuit of consolidation of CPFL Energia's corporate and institutional leadership of the Brazilian market encouraged the reorganization of our structure to incorporate three new vice-presidencies in May: Market Operations, Regulated Operations and Corporate Planning & Management. These changes strengthen our growth trajectory in unregulated business such as generation, retail, energy efficiency and services, with increased focus on greater cost efficiency and quality of distribution services.



Tanquinho solar power plant - SP

We also include commitment to continuous improvement of our processes amongst our management principals, with priority for job security among our employees. I'm glad to say that in 2015 we had a rate of seriousness of accidents below the sector average despite the larger number of interventions as a result of our increased participation in the sale of regulated energy. This result is evidence of the efficiency of the Safety Committee and its on-going work to improve our processes.

Today, we are also recognized by the National Electric Energy Agency (Aneel) as the company with the best supply indicators in the country and we are proud to announce the choice of CPFL Santa Cruz as the large utilities concessionaire with the best operating ratios in Brazil, based upon the Overall Continuity of Performance Indicator (DGC). This is the result of prudent investments that we have made over the last five years and that were completed last year through the Tauron Program. With telemetering deployed in 100 % of group A large consumers, the use of tablets by our electricians and the use of self-healing technology - which automatically reconnects the energy supply - we are including advanced technology in our network and increasing our operational efficiency.

We believe in the potential of renewable energy and actively participate in international discussions such as the preparatory forums for Brazil's participation in the last Climate Conference - the COP21 - held in December in Paris. In addition, we are signatories of the United Nations' (UN) Global Compact and coordinate its Energy and Climate working group. We also signed the Open Letter to Brazil on Climate Change 2015, an initiative of the Climate Forum organized by Instituto Ethos that seeks commitments to the growth of solar, wind, hydro and biomass energy sources.

All this work to maintain and continuously improve our performance was once again recognised by the market. For the fourth consecutive year the company's shares were listed on the Dow Jones Sustainability Index - Emerging Markets, an index which measures the performance of the leading companies in sustainability in emerging markets. Also, for the 11th consecutive time our shares were selected in the portfolio of the Corporate Sustainability Index (ISE) of BM&FBovespa, where we have been present ever since its inception. We also maintained a presence on the MSCI Global Sustainability Index Series, an index focused on investors who take into account the environmental and social governance and investment strategies of companies.

Finally, we should state that we are much more optimistic about the scenario for the sector in 2016 and we believe that the electricity sector has left the worst behind it. With the main regulatory challenges having been resolved during 2015 we will enter into a new phase of growth, with the consolidation of assets and opportunities for new investments. We are prepared to work with innovation, excellence, responsibility, transparency and long-term vision.

To all I express my gratitude and reaffirm our commitment to continue contributing to the sustainable development of the country.

Wilson Ferreira Jr.  
*CEO of CPFL Energia*



## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

G4-1

In times of crisis being able to count on a sound and secure corporate governance structure is fundamental. I believe that this was one of the main aspects that helped CPFL Energia to maintain its growth trajectory and good progress in business in 2015. Once again we were able to reaffirm the prominence and leadership of the Group in the Brazilian electricity sector and despite the challenging scenario we achieved good results.

It was a year that required a lot of dedication and in which the whole Board was focused on improving institutional processes and strengthening the management of the company. Our three committees - Management and Risk Processes, Personnel Management and Stakeholders - worked intensely, with the active participation of all members in discussions, striving to find solutions to the main issues facing the Group.

Discussions upon regulatory issues were clearly present throughout the year. This effort was rewarded at the end of 2015 with the publication of Provisional Measure MP 688: a decision that brought relief to all those awaiting a resolution to the Generation Scaling Factor (GSF) issue. This provided regulatory stability and improved the attractiveness of the sector for investors. Another prominent

theme in these meetings was the work surrounding the strengthening of the Succession Plan for CPFL Executives. In addition, our Anti-Corruption Policy, in alignment with Federal Law no. 12,486, materializes our commitment to maintain the integrity and reputation of the company. To ensure that this policy is accessible to all of our employees we revisited our Code of Ethics and Conduct throughout the year, taking care to present it in simple, easy to read language to facilitate the understanding of all of our employees, independent of their area of action. I would also like to highlight the inspiring result of our work to continuously improve our processes and practices with a focus on the occupational safety of employees and the communities in the areas of our concessions. Proof of the efficiency of the Safety Committee can be seen from the seriousness rate of accidents, below the average for the sector despite the many interventions on the grid due to the high intensity of storms. We also managed to create a permanent program for accident prevention in schools and with very close supervision of safety management by the Board of Directors we moved closer to our target of zero accidents.

Despite good results in efficiency management we will continue in 2016 with the Zero-Based Budget strategy implemented in 2011 to optimize costs. We prioritize innovation in the improvement of processes and the use of new technologies. We will seek to maintain our leading position in the sector and continue our work with a focus on growth. In this way we are able preserve our value creation capability for shareholders and society, even with this backdrop of challenges.

Finally, I thank all employees and shareholders for their trust and support, as well as their efforts to build a better and more competitive CPFL Energia. I would also reinforce that we will continue to work in a transparent manner to ensure that all of our stakeholders are fully satisfied.

2016 will definitely not be an easy year, but we march on with confidence in the future and knowing that we have the support of all our stakeholders so that CPFL Energia can remain a reference for quality and pioneering spirit in the electricity sector.

Murilo Passos

*Chairman of the Board of Directors*

# 3. SECTOR CONTEXT

G4-2



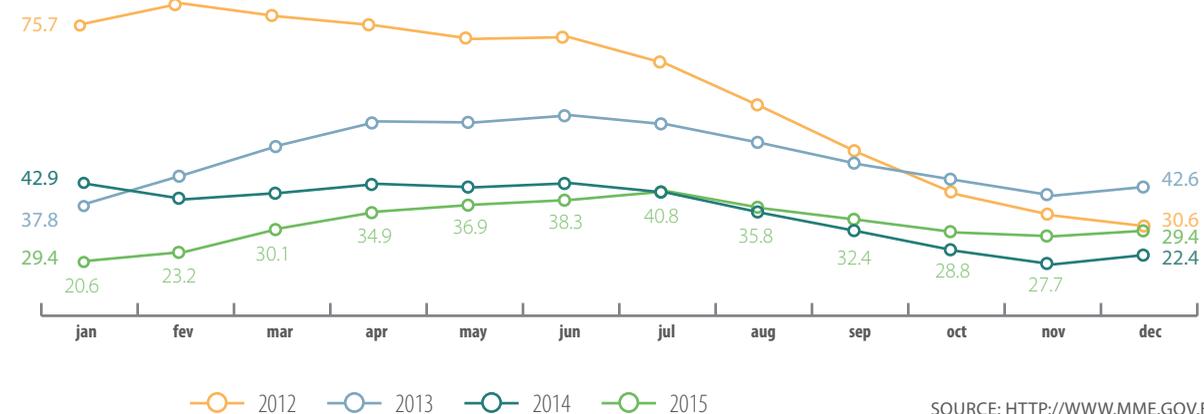
Baldin Biomass Plant - SP

The Brazilian electricity sector faced major challenges in 2015. These included the threat of cash flow imbalance for generators and distributors, the impossibility of transferring resources from the Treasury or other sources to cover the high costs of distributors until they can be passed on to the energy tariff, the unattractiveness of the sector for new investments, the worsening of the macroeconomic environment and even the threat of rationing.

Data from the National System Operator (ONS) shows that the country has passed through one of the worst water crises in its history. The risk of rationing was imminent as a result of very low rainfall and the reservoirs of hydroelectric plants reached their lowest level in recent years. In January 2015, in the Southeast/Center-West region, responsible for 70% of the storage capacity of Brazil, water levels reached 16.8%, compared to 40.3% in the same period of the previous year.

**IN THE GENERATION AREA, THE PUBLICATION OF PROVISIONAL MEASURE MP 688 BROUGHT A SOLUTION TO THE GSF ISSUE, CREATING PROCEDURES TO REDUCE RISKS AND LEADING THE WAY TO RENEWING ATTRACTIVENESS FOR INVESTMENT**

## LEVEL OF RESERVOIRS OF THE NATIONAL INTERCONNECTED SYSTEM (SIN) | %

SOURCE: [HTTP://WWW.MME.GOV.BR](http://www.mme.gov.br)

To avoid the risk of rationing once again it was necessary for the thermo-electric power plants to work at full capacity throughout the year, which ended up increasing the cost of the GSF (Generation Scaling Factor) and forcing contracted hydroelectric generators to buy short term energy supplies to honour their contracts.

In the midst of so many difficulties in the regulatory field progress was significant. The government and energy market agents<sup>1</sup> sought solutions to resolve some of the problems of the sector. In the area of generation, the publication of MP 688 brought a solution to the GSF issue, creating procedures to reduce risks and paving the way to renewing attractiveness for investments and decreasing sector judicialization.

In the case of distributors, a policy of "tariff realism" was adopted and alongside the traditional annual tariff adjustment the government also enforced a tariff flagging system and authorized an extraordinary tariff review in March 2015.

This was a year of progress in the renewable energy field, with the entry into operation of wind farms, the integration of solar plants in auctions and the development of distributed generation. Today, according to data provided by Aneel, the country already has 1025 distributed generation projects. The tendency is for growth in this segment, since the Brazilian government committed to developing a low carbon economy at COP 21, opening the way for the development of solar and wind energy.

Since the regulatory agenda has been addressed the scenario for the sector in 2016 looks more appeal-

ing for investment. However, we need to keep paying attention to the hydrological scenario, following the recovery of the reservoirs, and the macroeconomic scenario, considering that the deterioration in economic activity in Brazil leads to an impact on energy consumption and rings alarm bells with the issue of defaults. The economic crisis has indeed had a direct impact on the market: according to data from the Energy Research Company (EPE), electricity consumption in Brazil in 2015 was reduced by 2.1% over 2014, totalling 464,700 gigawatt-hours (GWh). The decline was mainly driven by the contraction of industrial consumption (-5.3%) due to the unfavourable scenario during the year. Residential consumption also decreased by 0.7% in the year, influenced by high rates, the biggest fall recorded since 2004.

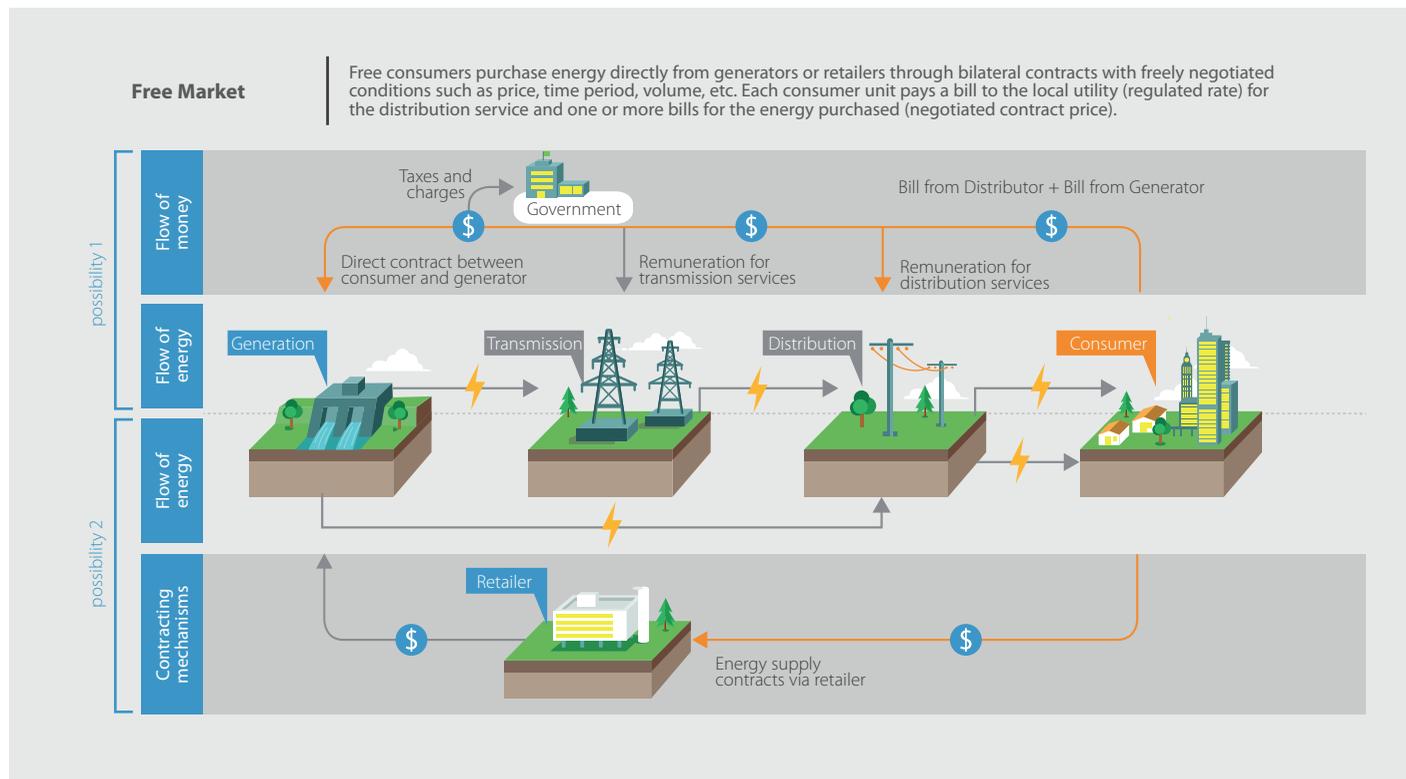
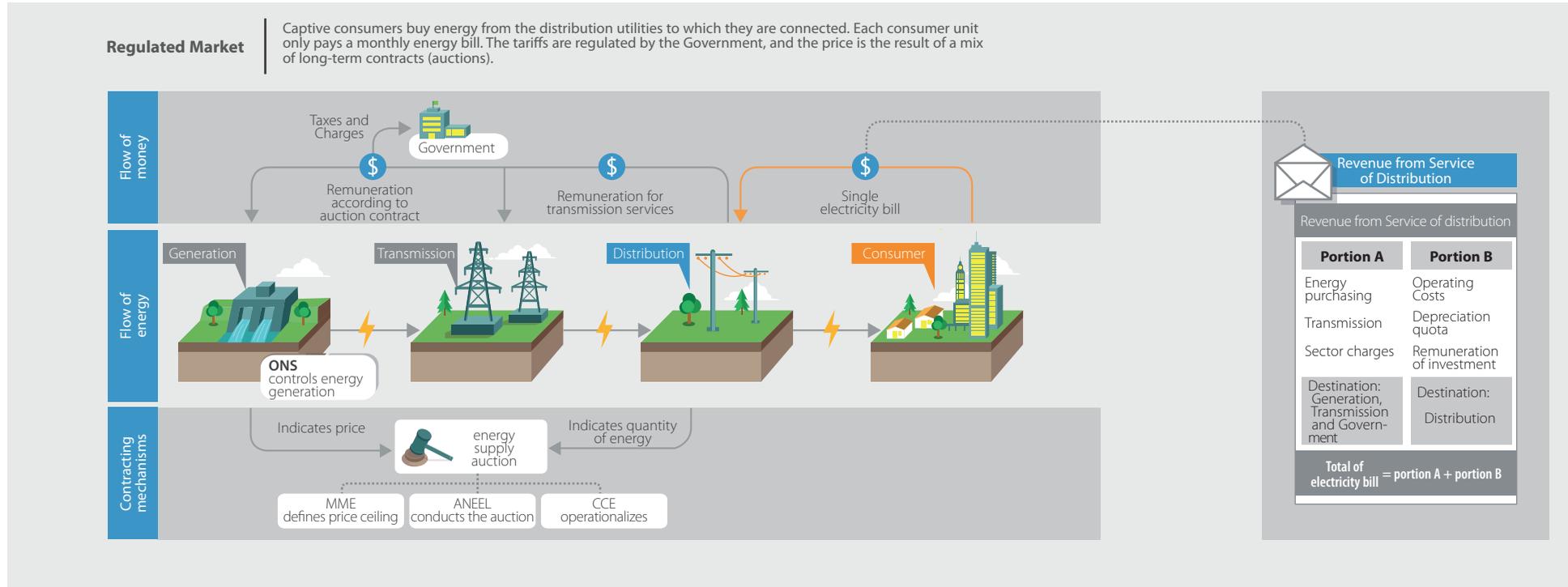
Another highlight is the fact that the energy market is heading towards a transformation as a result of the search for cleaner alternatives and a tendency for the Brazilian energy matrix to become increasingly diversified and decentralised. The present moment calls for the concentration of efforts to development innovative business models that can generate new sources of growth, appropriate to this new political and economic environment.

Without a doubt the search for sustainable solutions through technological advances will transform the electricity sector. The market drives companies to do more with less and create competitiveness in their processes to enhance growth with efficiency and innovation.

<sup>1</sup> Individuals or organizations (or consortia of companies) operating in the electricity sector and free consumers, as described in Law 9074/1995. The agents are divided into the following categories: generation, transmission, distribution, retail, independent power producer (IPP), self-producer, importer/exporter and consumer. (<http://www.anacebrasil.org.br/portal/index.php/faq/1-energia-eletrica/37-quem-sao-os-agentes-do-setor-eletrico>)

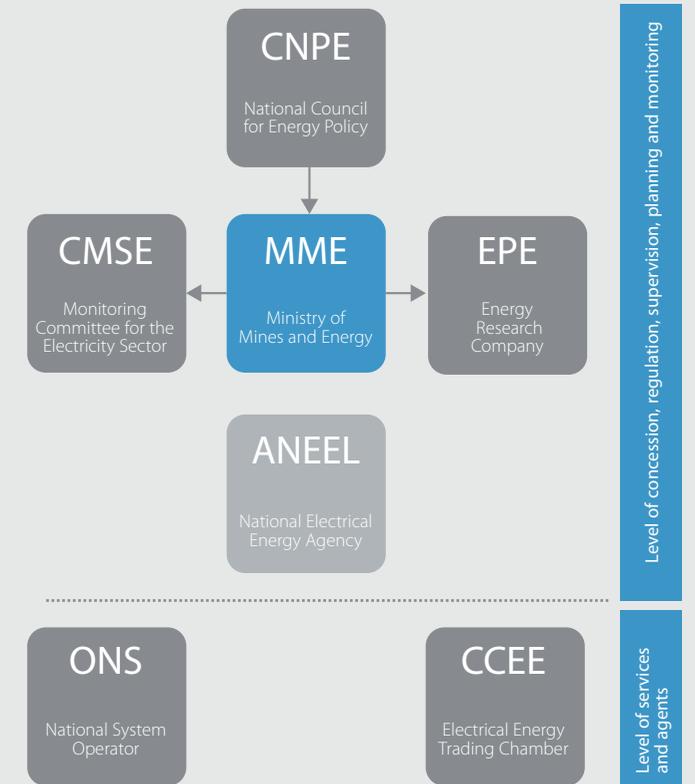
# 4. FUNCTIONING OF THE ELECTRIC SECTOR

## How does the energy supply chain work?



## Players

Who are the main players in the market that interact with CPFL's business



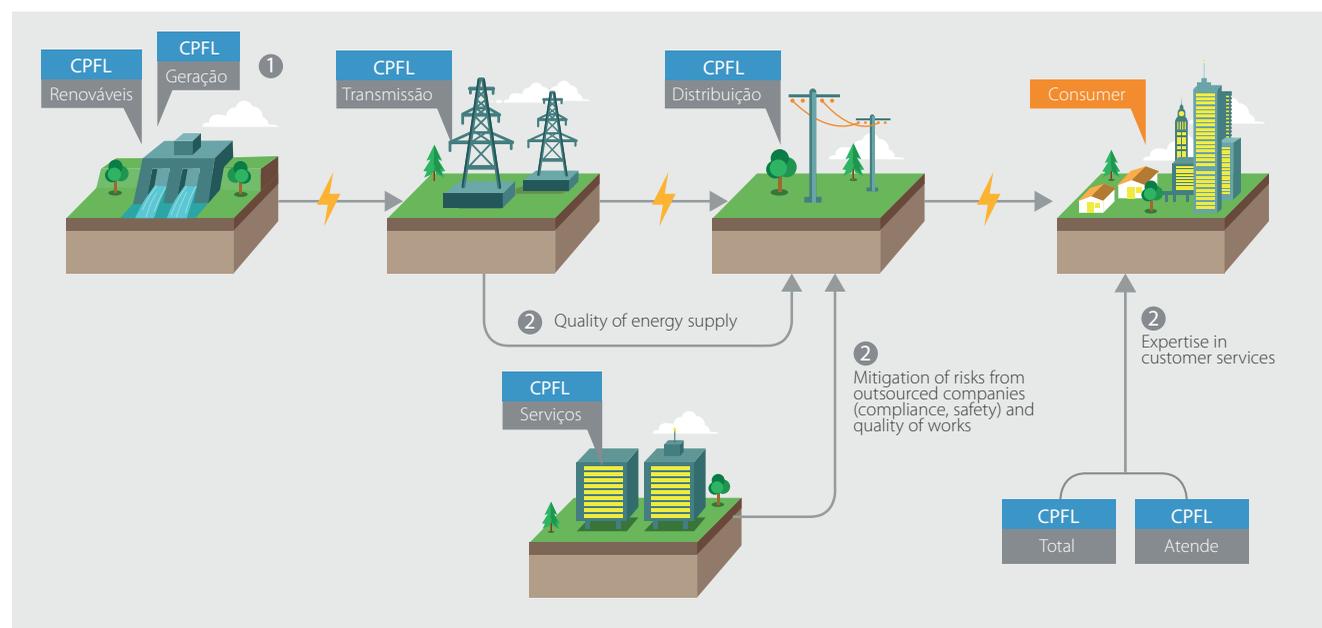
- CNPE** Defines the country's energy policy with the objective of ensuring the stability of energy supply
- MME** Responsible for the planning, management and development of legislation for the sector and the supervision and control of implementation of policy guiding energy development.
- EPE** Conducts planning for the expansion of generation and transmission for the MME, and provides technical support for the auction process
- CMSE** Supervises the continuity and reliability of electrical supply
- ANEEL** Regulates and supervises the generation, transmission, distribution and retail of electricity. Sets transport and consumption tariff rates and ensures the economic and financial balance of utilities companies
- ONS** Controls the operation of the National Interconnected System (SIN) to optimize energy resources
- CCEE** Manages transactions in the energy market and conducts official auctions

# 5. CPFL ENERGIA'S BUSINESS MODEL

## Business Model for the Regulated Market

Revenues from Generation, Transmission and Distribution are regulated by ANEEL. Maintaining a rigid strategy for growth and financial discipline, CPFL Energia generates value through:

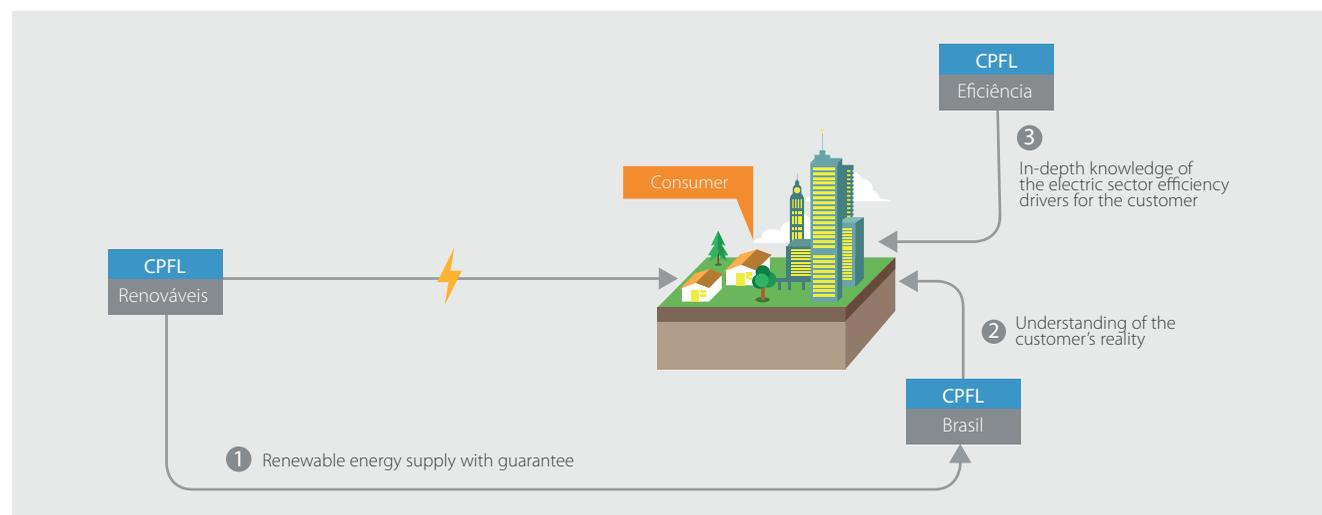
- 1 Efficient management of existing assets
- 2 Complementariness of business activities to mitigate risks from outsourced suppliers



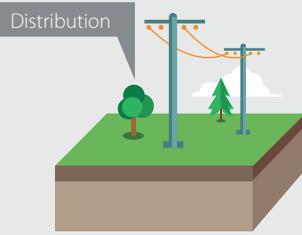
## Business Model for the Non-Regulated Market

Existing and new business platforms focused on final customer service. Generates value through:

- 1 Composition guarantee for the retailer
- 2 Expertise in negotiating with free consumers and other free market agents
- 3 Integrated solutions in energy supply and use

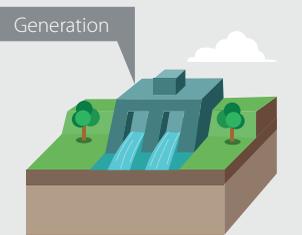


## Group Companies



Distribution companies are the Group companies that deliver energy to the final consumer via distribution lines. In addition to providing transport infrastructure (poles and wires), the distributors provide all network maintenance services (including pruning trees) and network repairs in the case of power outages. Consumers receive electricity bills in the name of the distributors.

CPFL is a leader in this segment with a 12.4% market share and 8 distribution companies: CPFL Paulista, CPFL Sul Paulista, CPFL Leste Paulista, CPFL Piratininga, CPFL Jaguarí, CPFL Mococa, CPFL Santa Cruz and RGE.

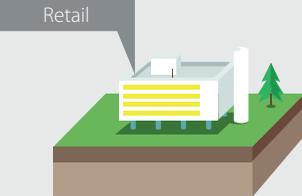


Generation companies are the Group companies that produce energy from various sources. CPFL is the 3rd largest private player and leader in the renewable energy sector in Brazil.

CPFL Geração: operates with a focus on power generation from conventional sources such as hydroelectric power plants (HPPs) and fossil fuel-powered plants (TPPs).

CPFL Renováveis: works exclusively with generation from alternative sources such as wind (wind farms), sun (photovoltaic plants), sugarcane (biomass plants) and rivers (Small hydroelectric plants).

CPFL is looking to expand its installed capacity and diversify the sources used for generation, as well as maintaining the operational efficiency of its generating facilities.



Retailers are companies operating in the Free Contracting Environment (ACL) whose main role is to act in the intermediation of electricity supply contracts. This reduces the so-called transaction costs, creating an efficient bridge between generators and consumers and assisting Free Consumers and Generation companies to contract electricity with conditions that meet their particularities.

At present there is one company in the Group with this mission - CPFL Brazil. It conducts auctions for the purchase or sale of electricity where the proposed sellers or buyers compete for the energy among themselves in a transparent and competitive manner. CPFL Brazil provides an electronic trading environment.



The mission of service companies is to improve the customer experience in the energy sector. They provide solutions that meet the needs of both CPFL Group companies and other companies in the electricity sector: support for implementation of energy transmission lines from design through to construction, and maintenance, manufacturing and recovery of equipment, etc.

Increased productivity and competitiveness through adoption of the efficient use of resources, intelligence in technical evaluation and the search for the best financial framework for project implementation, flexible contractual alternatives for customers, and management of the supply chain are services offered by CPFL Eficiência.

Other services that take advantage of the experience and knowledge of the Group in the sector are offered by CPFL Atende (contact center and customer service) and CPFL Total (Account payment services).



Transmission companies are the Group companies that transport energy via transmission towers and transformers (structures known as the Basic Network) from the plant where it is generated to the distribution substations from where it is distributed to end consumers.

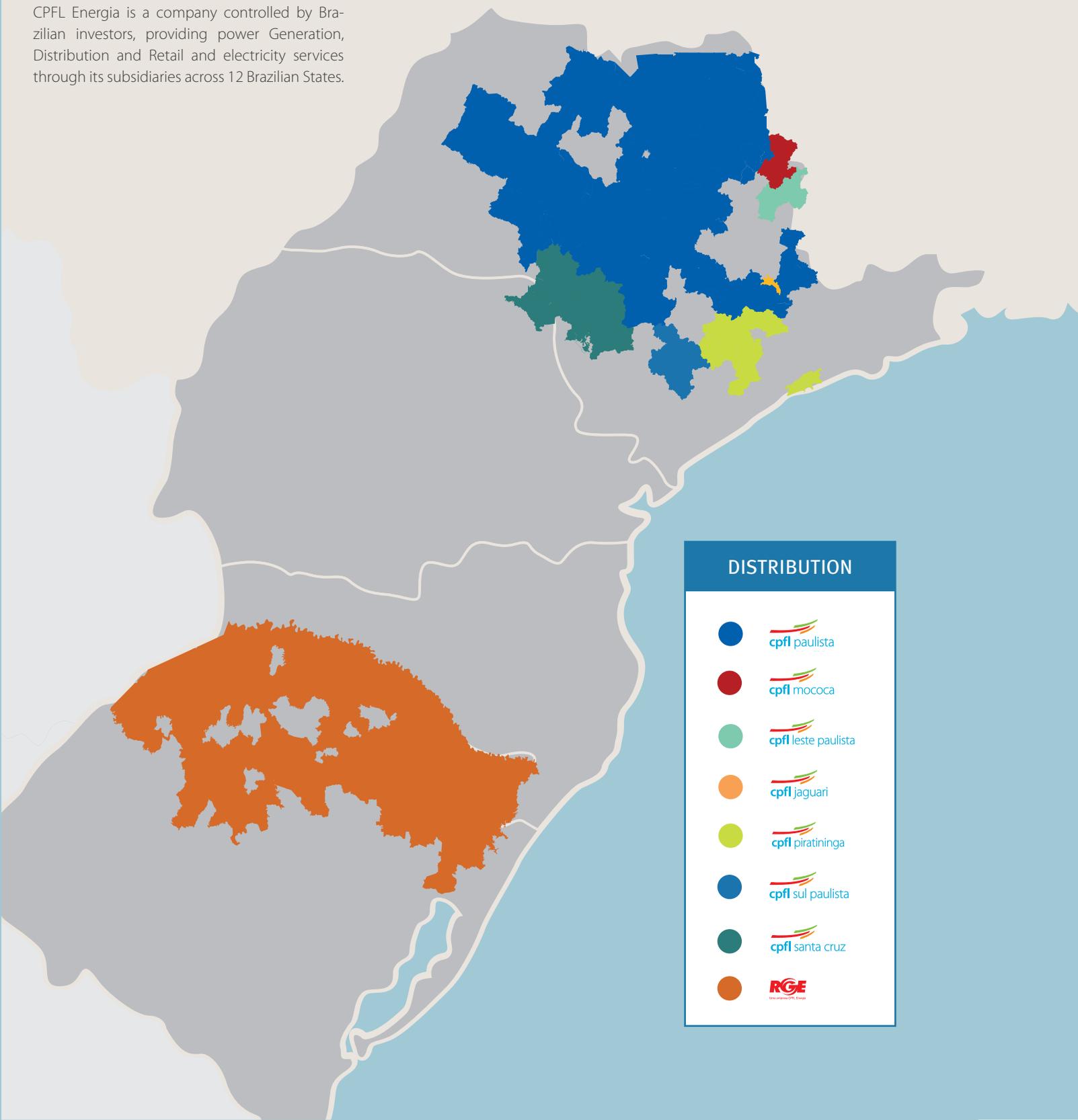
Transmission is a new business for CPFL, still small in scale and born out of synergy with other businesses. Its main function is to ensure a high-quality energy supply to the Group's distributors, acting selectively through complementary assets within the distribution network.

At present there are two transmission companies in the Group: CPFL Transmissão Piracicaba and CPFL Transmissão Morro Agudo.

# 6. MAP OF OPERATIONS

G4-3 G4-5 G4-6 G4-7 G4-8 G4-9

CPFL Energia is a company controlled by Brazilian investors, providing power Generation, Distribution and Retail and electricity services through its subsidiaries across 12 Brazilian States.



### GENERATION

**cpfl geração**

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

**CPFL RENOVÁVEIS**

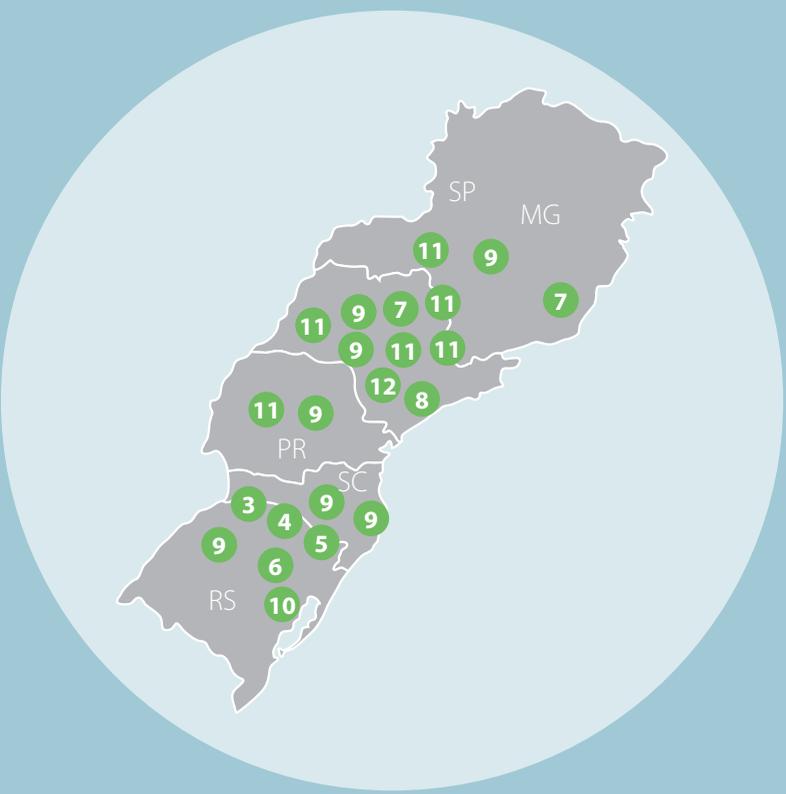
- 9 39 SHPs: 17 (SP), 9 (MG), 2 (MT), 6 (SC), 4 (RS) and 1 (PR)
- 10 41 Wind Farms: 12 (CE), 25 (RN) and 4 (RS)
- 11 8 Biomass: 5 (SP), 1 (RN), 1 (MG) and 1 (PR)
- 12 1 Solar Power Plant (SP)

### DISTRIBUTION

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

### RETAIL

- cpfl brasil**
- cpfl serviços**
- cpfl atende**
- cpfl planalto**
- CPFLTOTAL**...  
FÁCIL PARA AS CONTAS. PERRO DE VOCÊ.
- Nect Serviços**



# 7. GOVERNANCE

G4-34



Wind Farm Complex Rosa dos Ventos – CE

The corporate governance model adopted by CPFL Energia is based on principles of transparency, fairness, accountability and corporate responsibility, always aligned with best practices in Brazil and abroad. The Company's shares are listed on the Novo Mercado (New Market) Index of BM&FBovespa and ADRS Level III, differentiated market segments that bring together companies adopting best practices of corporate governance.

In 2015, CPFL integrated the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets) of the New York Stock Exchange for the fourth consecutive year, placing it among the largest 800 companies in 20 emerging markets, based on long-term economic, environmental and social criteria. The CPFE3 shares have integrated the Corporate Sustainability Index (ISE) of BM&FBovespa since its creation in 2005.

**G4-15**

**PARTICIPATION IN MAJOR INDEXES**

**G4-15**

CPFL Energia integrates the following major market indices:

- DJSI Emerging Markets
- IBOVESPA: Bovespa Index
- IBRX: Brazilian Index of 100 shares with greatest liquidity
- ISE: Corporate Sustainability Index of BM&FBovespa
- ITAG: Special Tag Along Stock Index
- IGC: Special Corporate Governance Stock Index
- IEE: Electric Energy Index
- Dow Jones Brazil Titans 20 ADR Index
- MSCI: Morgan Stanley Capital International
- IBX50 BM&FBovespa\*
- Carbon Efficiency Index (ICO2) of the BM&FBovespa\*

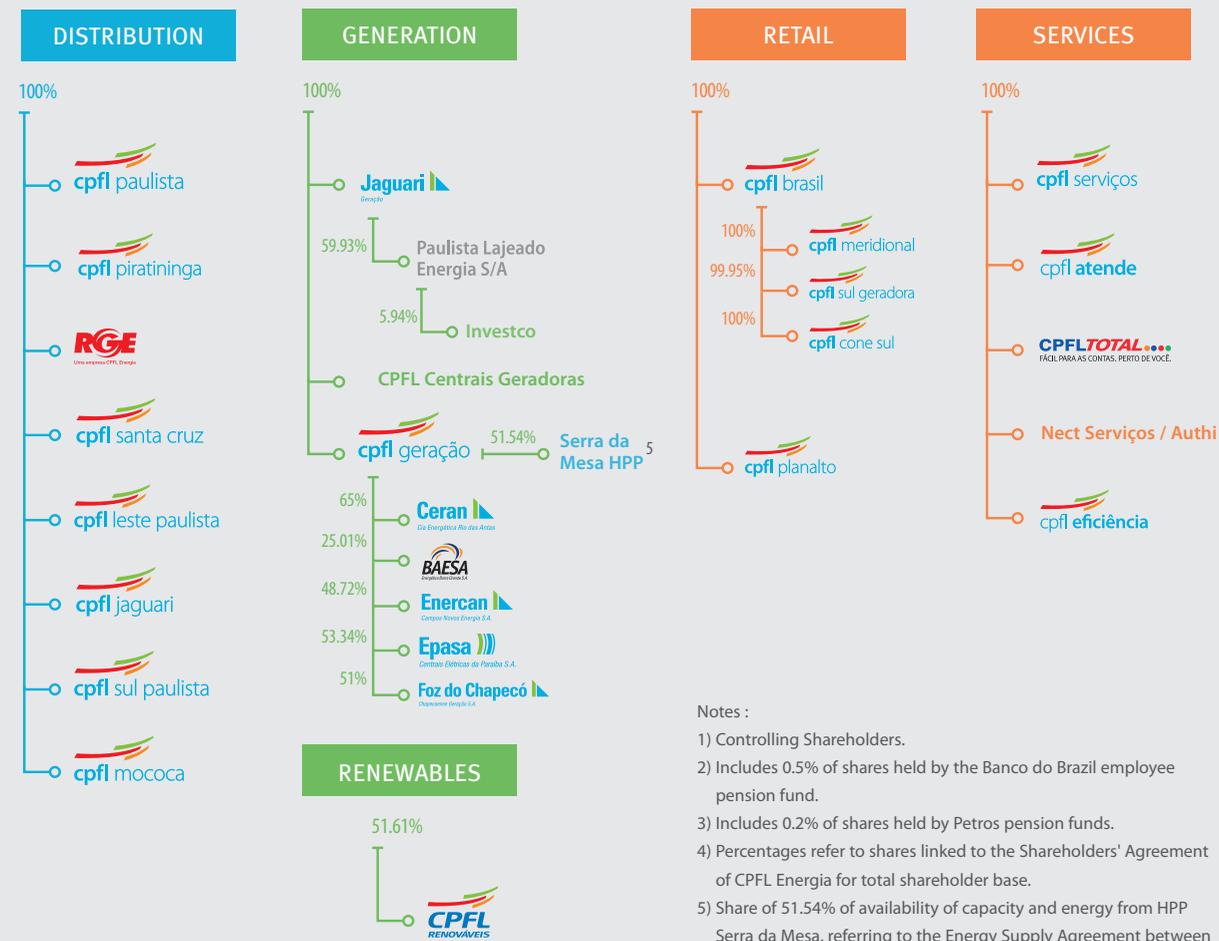
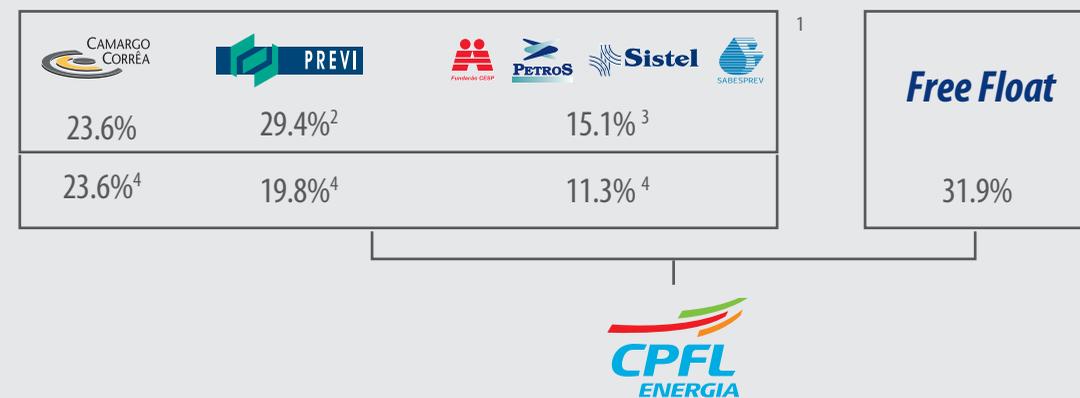
CPFL Energia is part of a select group of 15 companies that make up the Latin American Companies Circle on Corporate Governance, an initiative of the International Finance Corporation (IFC) and the Organization for Economic Cooperation and Development (OECD), with the aim of promotion and encouragement of the improvement of best corporate governance practices in Latin America.

\* From 2016



CPFL Headquarters - SP

ORGANOGRAM OF CONTROLLING SHAREHOLDERS: **G4-4** **G4-17**



Notes :

- 1) Controlling Shareholders.
- 2) Includes 0.5% of shares held by the Banco do Brazil employee pension fund.
- 3) Includes 0.2% of shares held by Petros pension funds.
- 4) Percentages refer to shares linked to the Shareholders' Agreement of CPFL Energia for total shareholder base.
- 5) Share of 51.54% of availability of capacity and energy from HPP Serra da Mesa, referring to the Energy Supply Agreement between CPFL Geração and Furnas.

# GOVERNANCE STRUCTURE

Good governance practices require a continuous process of improvement. One thing that makes CPFL Energia stand out is that its governance structure enables agile strategic decision-making in line with international best practices. The Administration of CPFL Energia is formed by the Board of Directors, the decision-making body, and the Executive Board, the executive body.

G4-39



From left to right: Wilson Ferreira Jr. (CEO), Albrecht Curt Reuter Domenech, Licio da Costa Raimundo, Murilo Cesar Lemos dos Santos Passos (Chairman of the Board of Directors), Deli Soares Pereira, Décio Bottechia Júnior (Vice-President of the Board of Directors), Ana Maria Elorrieta and Francisco Caprino Neto

## BOARD OF DIRECTORS

The Board of Directors of CPFL Energia is attentive to present and future opportunities in the market. Responsible for the strategic direction of the holding company and its subsidiaries/affiliates, it consists of seven external members, one of them an Independent Member. The Board acts in accordance with the responsibilities attributed by the Bylaws and the Corporate Governance Guidelines and defines an Annual Calendar of meetings. Every month it is presented with the topics to be deliberated upon in the following quarter.

G4-47



- CHAIRMAN
- VICE-CHAIRMAN
- ADVISER
- MEMBER
- MEMBER
- ADVISER
- INDEPENDENT MEMBER

The mandate of the Board Members is one year, with the possibility of re-election. The Corporate Governance Guidelines state that those selected should be senior professionals in upper management positions with a proven reputation and experience in the energy sector or in their respective areas of action and should come from diverse backgrounds.

G4-40

The Internal Rules of the Board of Directors establishes the procedures for assessment of the Board Members, under the leadership of the Chairman of the Board of Directors and their replacement by alternates, which can only occur in the case of impediments to the availability of the Board Member with a prior statement to the Company.

G4-44

## MAIN ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2015

G4-47

Restructuring of the Management Processes Committee (decommissioning of the Risk Management Committee and transfer of its duties to the new Committee to be called "Management and Risk Processes Committee")

Review of Corporate Risk Management Policy of June 29th, 2009

Reorganization of the structure of the Executive Board in order to redistribute activities until now under the responsibility of the Vice- Presidencies of Operations and Vice-Presidency of Administration, as well as the Company's initiative to separate regulated and unregulated business activities

Reform and consolidation of the Bylaws (approved in Shareholders' Meeting), to reflect the restructuring of the Executive Board, among other subjects

Approval of the Sustainability Policy and Social Investment Policy

The Board of Directors is assisted by three committees that report directly to it.

G4-35 G4-36

- Management and Risk Processes Committee
- Personnel Management Committee
- Stakeholders Committee

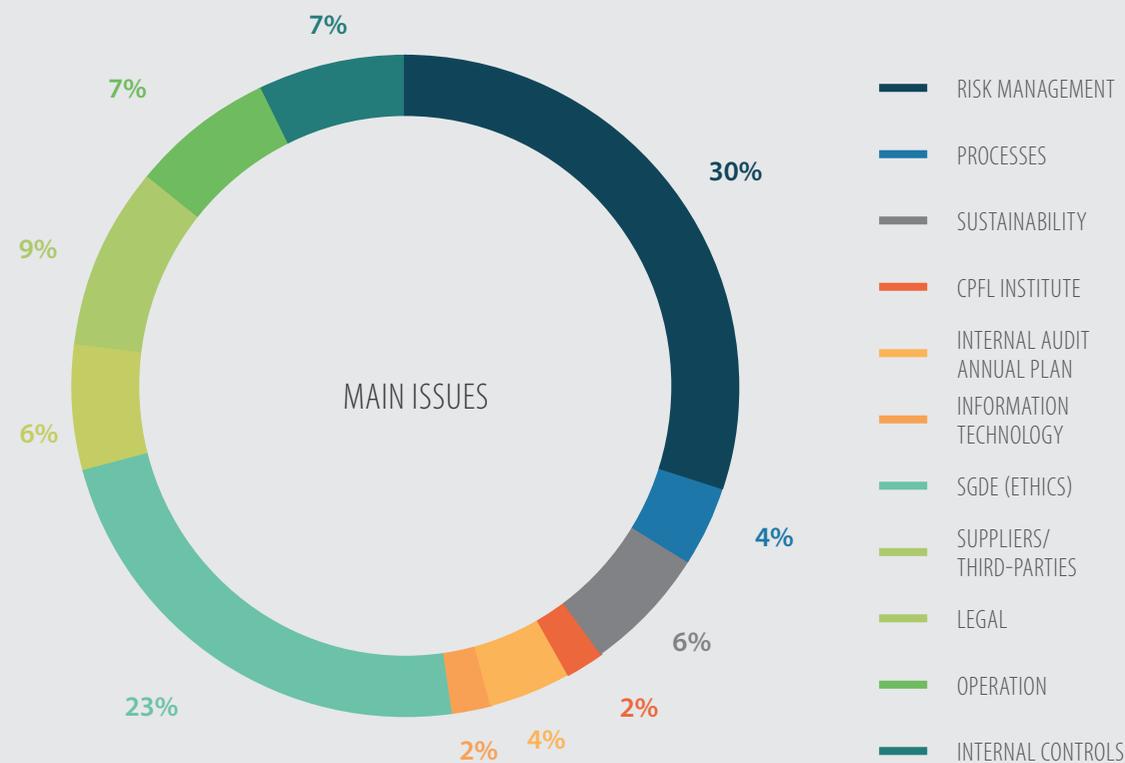
The coordinator of each committee reports its activities at regular meetings of the Board of Directors.

G4-35 G4-36

G4-40

The **Management and Risk Processes Committee** is responsible for supporting the Board of Directors in monitoring risk management processes, internal auditing activities and the Sustainability Platform, in addition to the reporting and ethical conduct channels and improvement of processes.

THE MAIN ISSUES DEALT WITH BY THE MANAGEMENT AND RISK PROCESSES COMMITTEE IN 2015 INCLUDED:



The duties of the **Stakeholders Committee** include evaluation of the selection process for suppliers and service providers for implementation of works and procurement of supplies and services. The Committee also monitors the signature of energy purchase and sale contracts with Parties related to the controlling shareholders when values are equal to or greater than the minimum threshold to fall under responsibility of the Board of Directors according to the Company's Bylaws. This ensures that market conditions are met and that no benefits or advantages of any kind are afforded to Related Parties.

The **Personnel Management Committee** accompanies and regularly reports back to the Board during the year on the development

of the succession plan for the Company's top executives and assessment processes for short and long term corporate and individual targets of the Executive Board, which are defined from the strategic plan and metrics of the Value Generation for Shareholders System. In 2015, the Committee worked with an external consultancy to update the long-term incentive plan and improve the assessment metrics for executives.

Whenever necessary, committees are formed to advise the Board on issues such as strategy, budgeting, new business and financial policies. In the evaluation of the Board of Directors, the solid corporate governance structure is a priority to ensure transparency and accountability to stakeholders.

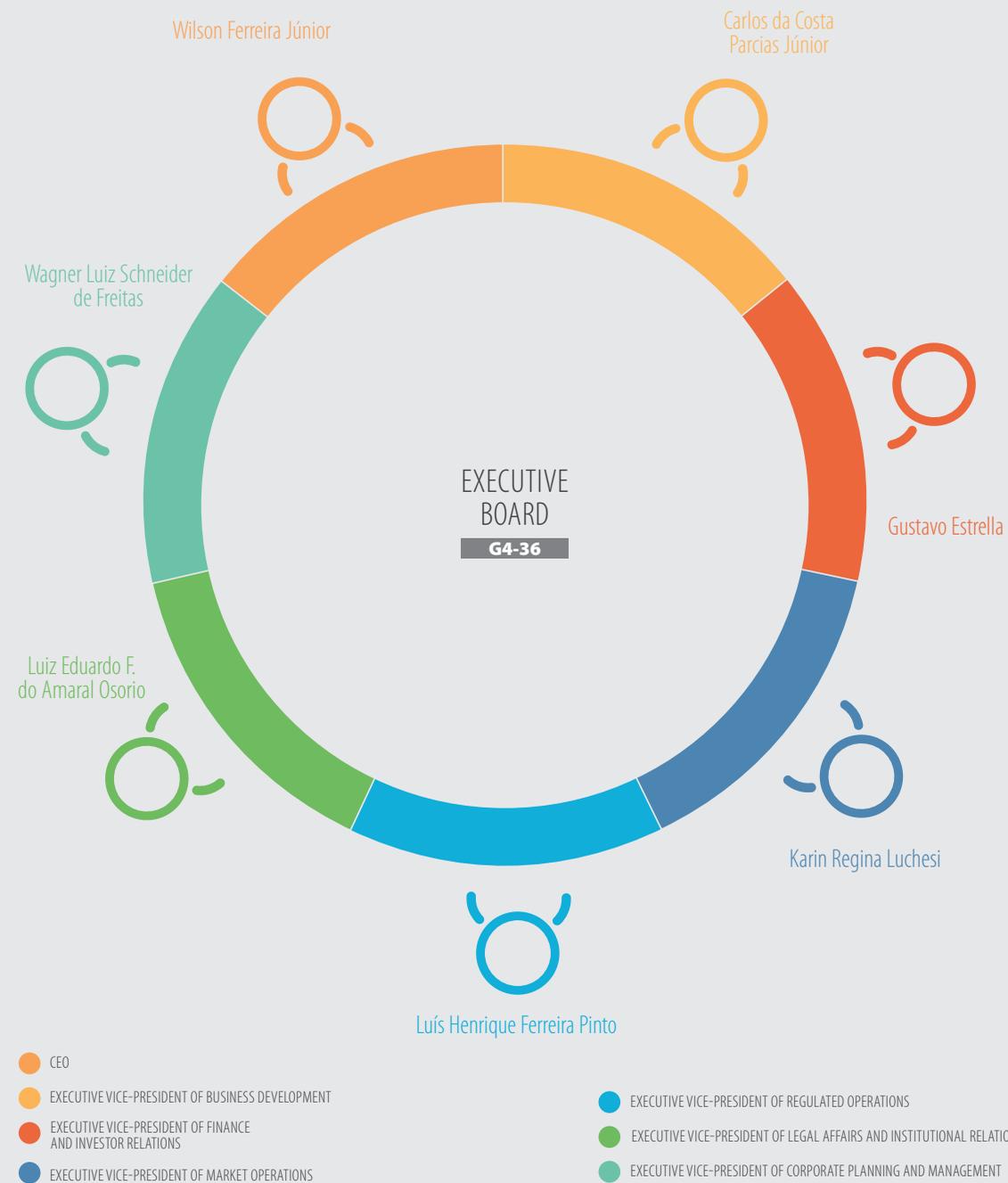
**EXECUTIVE BOARD G4-36**

In order to ensure alignment in governance practices the Executive Directors hold positions on the Boards of Directors of the companies that compose the CPFL Group and nominate their respective statutory directors.

In May 2015, as part of the process of adjustment of the organizational structure and to maintain and consolidate the business and institutional leadership

of the Group in the domestic market CPFL Energia announced three new directorships: Market Operations, Regulated Operations and Corporate Planning and Management. The Executive Board is now composed of the Chief Executive Officer (President) and six executive vice-presidents, all with a two-year mandate.

**G4-38**



Among the main topics discussed by the Board in 2015 were: the GSF issue, cost discipline, expansion of renewable energy generation and the development of a new strategy for free consumers.

**G4-45**

Established by the General Meeting of Shareholders, the remuneration of the Administration (Executive Board and Board of Directors) is based on market research conducted by a specialized company and submitted for prior consideration by the Personnel Management Committee. This remuneration consists of a monthly fee.

**G4-52**

Variable remuneration is established based on criteria defined in an Annual Goals Plan and a Long-Term Incentive Plan. The definition of targets and the assessment of the performance of executive officers, as well as the Company's Succession Plan, are accompanied by the Personnel Management Committee.

**G4-51 G4-52**

**SUPERVISORY BOARD G4-36**

The company's Supervisory Board is a collegiate body elected by the General Meeting of Shareholders, with a unified term of one year. Composed of five members, it has the responsibility of overseeing the actions of the Administration and verifying com-

pliance with their legal and statutory duties. It has a permanent operational status and a basic calendar of activities that includes periodic meetings with External Auditors and the main executives of the company.

The Supervisory Board performs the activities of an Audit Committee, in compliance with the rules of the Sarbanes Oxley Act (SOX) applicable to foreign companies listed on US stock exchanges and meets periodically with the Internal Auditors, the Risk Management and Compliance Department and the Accountancy Department. One of the supervisory board members qualifies as a Financial Expert, as defined in the SOX.

**COMPOSITION OF THE SUPERVISORY BOARD G4-38**

- William Bezerra Cavalcanti Filho (Chairman)
- Adalgiso Fragoso de Faria
- Carlos Alberto Cardoso Moreira
- Celene Carvalho de Jesus
- Marcelo de Andrade

To find out more about the powers and responsibilities and see the résumés of Members of the Board of Directors and Supervisory Board and Executive Directors of CPFL Energia, visit the Investor Relations/Governance website: [www.cpfl.com.br](http://www.cpfl.com.br) Investidores



Barão Geraldo Substation – SP

**ETHICS MANAGEMENT AND DEVELOPMENT SYSTEM (SGDE) G4-57 G4-58**



- 1 ETHICS COMMITTEE
- 2 MAPPING OF ETHICAL RISKS
- 3 SYSTEM OF ENCULTURATION
- 4 CPFL ENERGIA CODE OF ETHICS AND BUSINESS CONDUCT
- 5 LOCAL ETHICS COMMITTEES
- 6 ACCESS CHANNELS
- 7 DISSEMINATION OF ACTIONS

In 2015, there were 10 meetings of the Ethics Committee to improve the SGDE and deal with demands received through the Ethics Channel. The Committee has published 17 Guidance Precedents in order to guide decisions, attitudes and the behaviour of all employees. The new Code of Ethics was approved by the Board of Directors and will be implemented in 2016 for the entire CPFL Energia Group.



System Operation Center (COS) at CPFL Headquarters - SP

## ETHICAL CONDUCT

G4-57 G4-58

Ethics is seen as an essential value and should be a guiding principle in all business conducted by CPFL Energia Group. At a company, ethics are manifested through the daily fulfilment of concrete tasks. At CPFL Energia, the Code of Ethics is primarily a map of values, a set of major guidelines and a benchmark for moral and ethical conduct to guide the actions and decisions of all employees, regardless of their hierarchical level.

### CODE OF ETHICS AND BUSINESS CONDUCT

✓ FORMALIZATION OF CORPORATE COMMITMENTS

✓ EXPLANATION OF RESPONSIBILITIES WITH PARTNERS

✓ GUIDE FOR DECISION-MAKING

✓ MARKERS FOR GUIDING THE ACTIONS OF EMPLOYEES

### ETHICS COMMITTEE

Composed of ten members, it is the principal instrument of the Ethics Management and Development System (SGDE). Participants are chosen for their professional respectability. Members include the Directors of Risk Management and Compliance, Communication and Institutional Relations, Human Resources, Legal Affairs, Internal Auditing, the Executive Board and representatives of employees and civil society.

In 2015, 69 grievances were presented to the CPFL Ethics Committee. The Committee also received eight requests to issue professional opinions/positioning.

G4-50

The main topics investigated and analysed by the Committee included:

G4-50

- **Moral harassment:** Of the 17 grievances received, 14 were analysed with seven considered well-founded and seven found to be unfounded. Another three grievances are still under investigation.
- **Misconduct:** Of the 19 grievances received, 17 were examined, with seven considered well-founded and 10 considered unfounded. Another two grievances are still under investigation.
- **Favouritism:** Of the 11 grievances received, nine were examined, with four considered well-founded and five considered unfounded. Another two grievances are still under investigation.

- **Bribery:** Of the six grievances received, two were considered well-founded and four unfounded.
- **Misuse of CPFL Resources:** All four complaints received were considered well-founded.
- **Queries:** Eight queries were analysed and responded to.

### LOCAL COMMITTEES

Currently we possess two Local Committees (RGE and CPFL Paulista/Piratininga). CPFL Renováveis is no longer part of the CPFL Ethics Committee due to governance issues.

The committees possess Internal Rules, approved by the Ethics Committee of CPFL Energia, in which their working dynamics and reporting mechanisms are established. Existing communication channels were maintained to receive possible complaints of transgressions.

### OPEN COMMUNICATION

#### • Ethical Conduct Channel (transgressions of the code of ethics)

The channel is accessible via phone (0800 77 02050), email (etica@cpfl.com.br) or letters to the Ombudsman, using the mailbox 13088-900.

#### • Channel for reporting fraud and tax and accountancy issues

The channel is accessible by phone (0800 77 38422), email (denuncia@cpfl.com.br) or letters to the Ombudsman, using the mailbox 13084-970.

#### • "Talk to the CEO" Channel

Receives demands from CPFL staff addressed directly to the CEO through the intranet desktop

### PROGRAM FOR REFLECTION UPON BUSINESS ETHICS

The program is of great importance for the spread of ethics at CPFL Energia and also its business partners. It consists of the following steps:

- expanding awareness of actions in business and society.
- ethical dimension of professional practices, through its relationship with the imposition of a new reality in the business world.
- presence of ethical values in organization of work and the relationship with customers.
- Contributions to the improvement of the Code of Ethics.

Access [www.cpfl.com.br](http://www.cpfl.com.br) > Governança > Ética em Rede to learn more about the Policies, the Code of Ethics and Business Conduct of CPFL Energia and the duties of the Ethics and Corporate Conduct Committee.

# RISK MANAGEMENT AND COMPLIANCE

G4-14 G4-45

## RISK MANAGEMENT FRAMEWORK AT CPFL ENERGIA

In the established risk management model it is up to the Board of Directors of CPFL Energia to deliberate on the risk limit methodologies recommended by the Executive Board and become familiar with exposures and mitigation plans in the event of exceeding these limits.

The Advisory Committees to the Board of Directors should understand the risk models, exposure to risk and control levels (including their effectiveness), supporting the Board of Directors in risk monitoring

G4-46

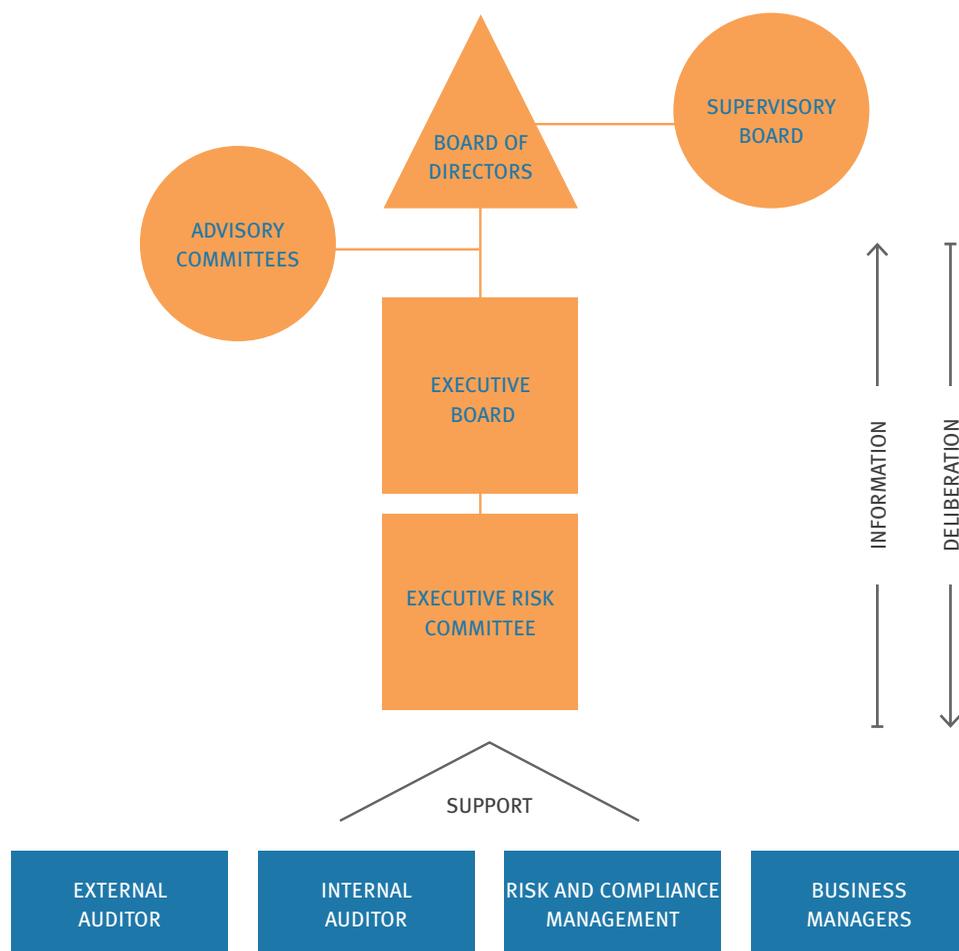
The Executive Board of CPFL Energia is responsible for conducting the CPFL Group's business within the risk limits set and taking the necessary measures to

prevent risk exposure from exceeding these limits. In the case that risk limits are exceeded this should be reported to the Board of Directors, alongside possible mitigation actions.

G4-46

The Executive Board of CPFL Energia is assisted in this function by **the Management Processes and Risks Committee**. The Committee, after receiving information provided by the control areas and business units, undertakes technical and in-depth discussions of the exposures to business risks and reports the points of greatest relevance to the Executive Board with its recommendations.

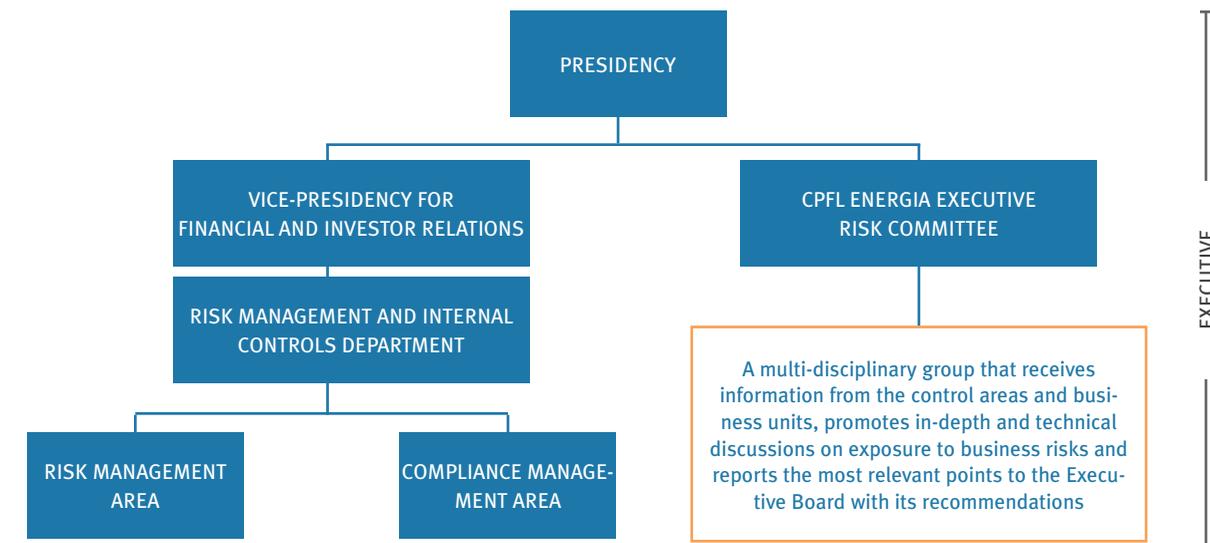
G4-46



## ORGANIZATIONAL STRUCTURE (EXECUTIVE LEVEL): RISK MANAGEMENT AND COMPLIANCE DEPARTMENT

The Risk Management and Compliance Department reports to the Vice-Presidency of Finance and Investor Relations and is responsible for coordinating risk management and ensuring the adherence of CPFL Energia's processes to

national and international standards, as well as the alignment of policies with the Company's corporate planning. The company established two management areas to conduct these activities: Compliance and Risk Management.



In addition to identifying, measuring and monitoring business risks, this department works as a supporting body for the decision-making of the Executive Board and the Board of Directors, playing a key part in maintaining the company's strategy.

To achieve this, the area works with a Risk Map divided into categories (Financial, Energy Market, Operational, Legal, Sector Regulation, Environmental, Image and Sustainability), which consolidates the set of events that can affect the strategy and operations of the Company, which in turn are regularly monitored by indicators/models and exposure limits (risk appetite).

Fighting corruption is an essential part of the way business is conducted at CPFL Energia and it seeks to ensure that people who act on its behalf perform their activities with honesty, integrity and transparency. The Company states this position in the Code of Ethics and Business Conduct and has an effective Integrity Program, structured, implemented and updated according to the current characteristics and risks of its activities.

In 2015, no well-founded cases of corruption were identified involving employees or third parties related to CPFL Energia's business activities.

G4-S05

The CPFL Group performs risk assessments related to corruption for the organizational units of CPFL and its suppliers. The main risks identified relate to active corruption by employees, joint and several liabilities for acts of suppliers and risks to image and reputation. As a result, assessments particularly consider the need for relationships with public officials during the conduction of business processes.

## ANTI-CORRUPTION MEASURES

G4-S03 G4-S04

Law 12,846/13, known as the Brazilian Anti-Corruption Law, brought important advances by providing objective accountability for companies that practice harmful acts, committed in their interest or for their benefit against national or foreign governments.

# 8. SUSTAINABILITY MANAGEMENT



Hydroelectric Power Plant Castro Alves - RS

**SUSTAINABILITY PLATFORM**

G4-37

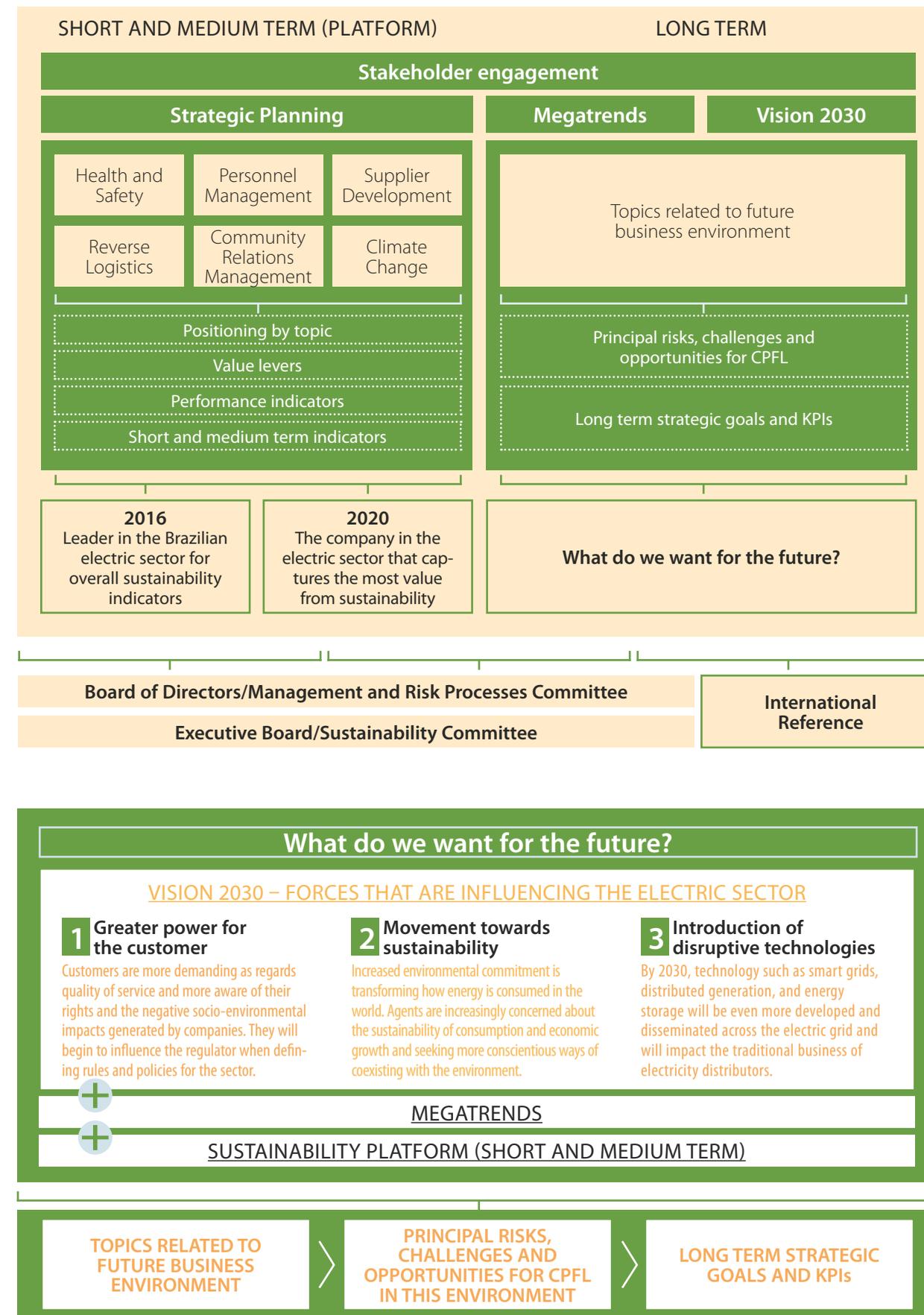
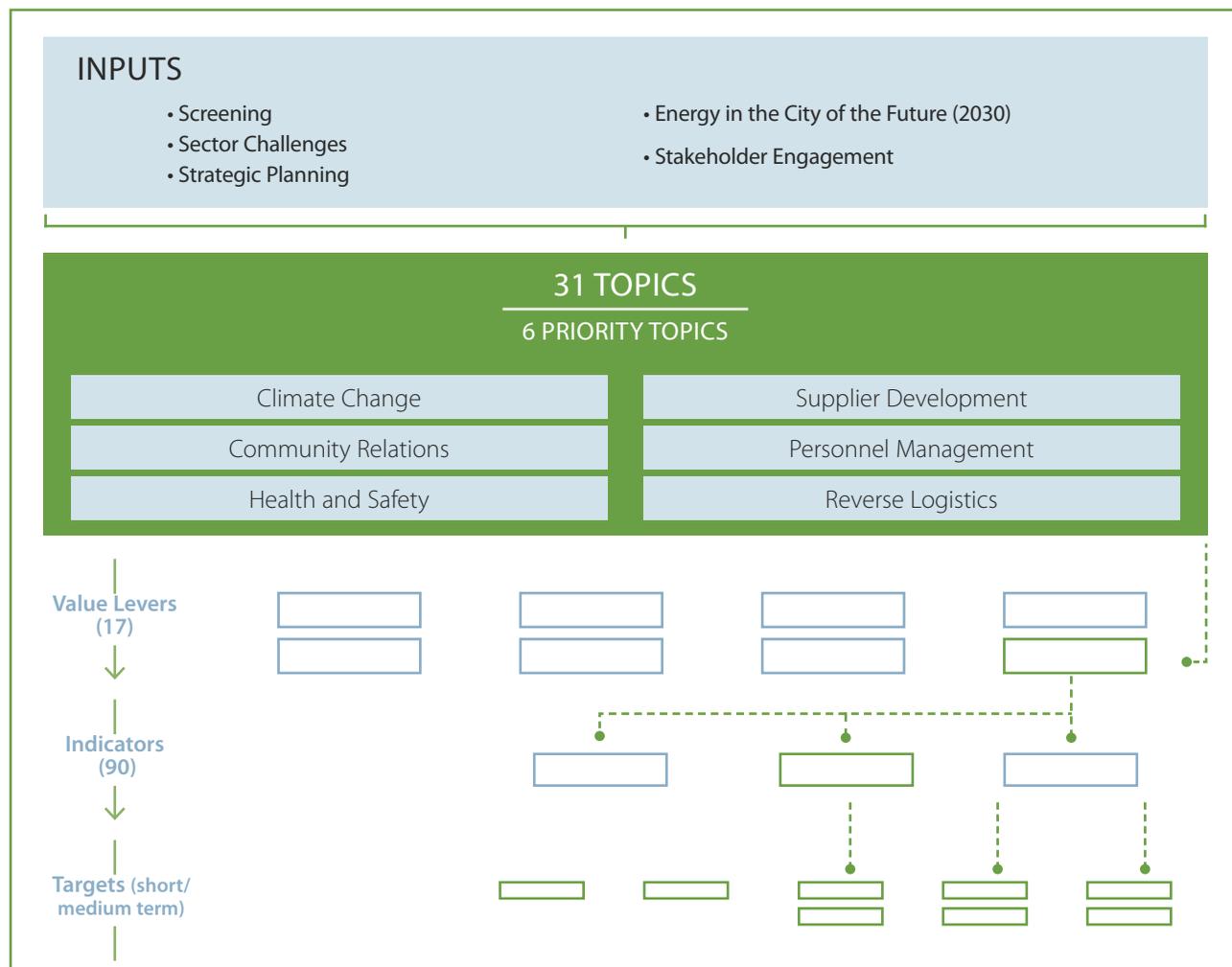
Seeking excellence in the management of issues of relevance to the business in the short, medium and long term, CPFL Energia has adopted the Sustainability Platform since 2014. This sustainability tool is integrated into the strategic planning of the Group and its performance is directed and monitored by the Executive Board, the Sustainability Committee and the Management and Risk Processes Committee and reported to the Board of Directors.

The Sustainability Platform is currently in use and being constantly improved. A robust process of consultation of internal and external

stakeholders was undertaken in 2013-2014 to identify relevant topics for short-term management, as well as benchmarking important topics for the sector. In 2015 CPFL sought to align these short-term priorities with visions for the sector and medium and long term trends.

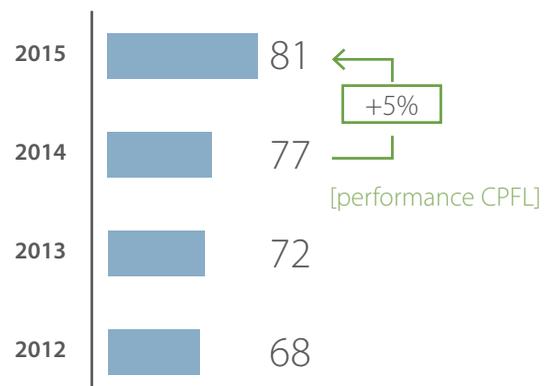
Therefore, the Group examined the topics that had been mapped according to the results of the Vision 2030 program and megatrends in the sector, using as criteria the current importance of management. The process resulted in six topics, 17 value levers and 90 monitoring indicators.

**SUSTAINABILITY PLATFORM** G4-19

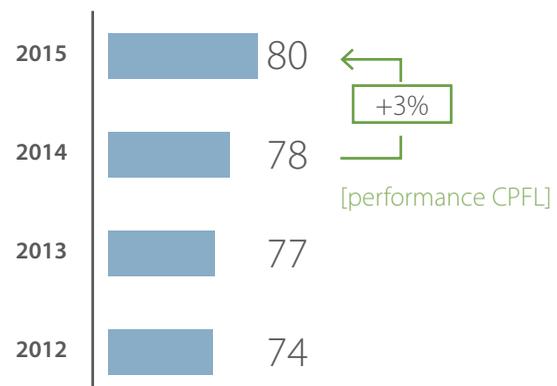


Corporate sustainability is essential for the Group and the DJSI performance is one of the targets of the company's Upper Management. CPFL believes that the Sustainability Assessment conducted by RobecoSAM is a strong driver for management and all new questions are closely monitored. Continuous analysis of performance results permits the implementation of action plans to improve the company's management system. The same reasoning also applies to the ISE and CDP management assessment processes.

ISE BM&FBOVESPA



DOW JONES SUSTAINABILITY INDEX



The Sustainability Platform consists of a series of indicators used for the management of material themes through targets, with one part for internal use and the other made publicly available.

Examples of indicators and targets are shown in the table below and details of the [Sustainability Platform](#) can be found on the website

THEME	INDICATOR	CONDUCTED IN 2015	TARGET 2016
Climate Change	% Business plans for Generation modelled with carbon pricing scenario	0%	100%
	Size of carbon credits portfolio (tCO2)	1,215,405.00 tCO2e	Previous year + 100% of eligible generation projects
Personnel Management	Hours of training per employee	59.06	equal to or above the energy market
Health and safety	Cultural Evolution (Bradley Curve)	76	80
Management of Community Relations	% Employees with volunteering commitments / total of Group employees	5%	7%
Supplier Development	Overall Average of critical suppliers monitored by SBM	65.5%	72.6%
Reverse Logistics	Destinated hazardous solid waste	77%	80%



Wind Farm Complex Rosa dos Ventos - CE

# 9. NATURAL CAPITAL



Small Hydroelectric Power Plant Salto Grande - SP

In all of its businesses activities the CPFL Energia Group works to minimize environmental impacts, promote intelligent use of natural resources and contribute to environmental preservation through projects and diverse awareness-raising initiatives with the range of stakeholders that make up the value chain. The management of natural capital, integrated with the sustainable growth strategy, is supported by the Environmental Management System with ISO 14001 certification and also by the Environmental Policy (applied since 1997) and the Group's Sustainability Policy.

In 2015, CPFL received 13 infraction notices arising from non-compliance with environmental laws and regulations. The total figure for fines paid in the year was R \$ 62,907.09, related to pruning, removal of vegetation and collection of waste from the management of vegetation for its transmission and distribution networks. The environmental management mechanisms adopted by the company allow identification of opportunities for improvement in various operational processes, from the planning of construction work with the participation of the Environmental area through to environmental licensing and the reuse of materials.

**G4-EN29**

In 2015, environmental investments totalled R\$ 87.38 million, of which R\$ 27.48 million was related to the production/operations of the company and R\$ 59.9 million was for external programs/projects .

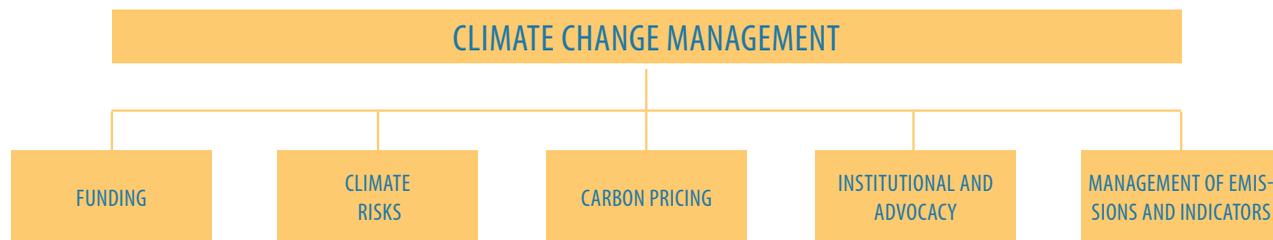
**G4-EN31**

## CLIMATE CHANGE MANAGEMENT

**G4-EC2**



CPFL Energia has continuously improved its management in relation to sustainability and has acted prominently in the discussion on climate change. In line with its **Position Statement on Climate Change**, the company worked hard to consolidate and systematize management relating to the issue of climate change, developing a Climate Panorama and a Climate Change Management Program composed of five fronts of action:



All these areas will be further detailed during the year 2016 and CPFL plans to publish its commitments in the form of Sustainable Development Goals (SDGs) on the UN platform [www.sustainabledevelopment.un.org].

This engagement has led the Company to participate in business forums on the topic and as CPFL leads the Energy and Climate Group of the Brazilian Network of the Global Compact it also participates in the Corporate Climate Initiative (IEC), which brings together the Climate Forum, CEBDS, CFP, FGV/CES and Envolverde.

**CPFL ENERGIA WORKS TO MINIMIZE ITS IMPACT , PROMOTING INTELLIGENT USE OF NATURAL RESOURCES AND CONTRIBUTING TO ENVIRONMENTAL PRESERVATION.**

### ENERGY AND CLIMATE GROUP OF THE GLOBAL COMPACT

With the aim of being a hub of influence in society and a proactive group in the search for knowledge, the Thematic Group "Energy and Climate" coordinated by CPFL, has encouraged companies to become protagonists in the discussion of issues such as mitigation, adaptation and carbon pricing. One of its strategies is to articulate with other corporate initiatives relating to climate to promote joint actions such as events, documentaries and participation in COP events. At the international level, it is aligned to the Caring for Climate platform. The Group seeks to foster partnerships and projects focused on issues such as energy efficiency and the increase of renewable energy sources in the country.



**Hydroelectric Power Plant Monte Claro - RS**

#### Position Statement of the CPFL Energia Group on Climate Change

- Develops Inventories of Greenhouse Gases (GHG) and publicly discloses the report after external assurance.
- Invests in and develops projects for electricity generation from clean, renewable sources such as hydro, wind, solar and biomass.
- Invests in efficiency and raising awareness of electricity use at its facilities.
- Participates in corporate and sector movements for discussion, learning and collaboration on climate change, as well as on international agreements, public policy, and GHG emissions management methodologies.
- Believes that carbon pricing is a tendency and that being prepared for this new model could be advantageous for the company. Therefore it considers the price of carbon in its projects.
- Invests in and provides distributed energy and energy efficiency solutions through ESCO.
- Analyzes new technologies for reducing technical losses from its electricity distribution system.
- Invests in R & D and energy efficiency projects that contribute to climate change mitigation.
- Analyzes the risks of climate change to Energy Generation and Distribution businesses, as well as existing vulnerability.

Since 2008, CPFL has participated in COPs representing the Brazilian and international business position at the conferences. At COP 21 it presented a paper on climate produced by the CPFL Institute in partnership with the IEC's, launched the "Climate Heroes" ("Heróis do Clima") comic book (Planeta Sustentável) and participated in corporate and governmental events.

CPFL Energia's Schedule at COP 21:

- Participation in an event held by the Environment Department of the State of São Paulo to present the Climate Protocol for the State
- Release of a documentary on Climate Change (consolidation of the "contemporary Invention" programs) - in partnership with the IEC's
- Launch of the workbook of the Energy and Climate Working Group of the Global Compact (in which CPFL participates)
- Launch of the French language version of the "Climate Heroes" comic ("Heróis do Clima")(Planeta Sustentável)
- Participation in the Business Forum (Caring for Climate)

In 2015, in a joint effort with the Risk Management and Compliance Department, a single vision for the company on climate change and related risks was constructed, including Operational Risks, Financial Risks and Reputational Risks.

**PARTNERSHIPS**

Significant partnerships - such as those developed with the CDP (Carbon Disclosure Project) and the Municipal Government of Campinas - were the subject of discussions on the environment and new energy in the country presented through the Contemporary Invention program. These and other meetings were recorded, edited and published on social networks and the website [www.cpfllcultura.com.br](http://www.cpfllcultura.com.br) and will be shown on TV Cultura. In addition to the debates - with free admission and a live broadcast - the CPFL Culture Institute (Instituto CPFL Cultura) also organized free movie screenings in 2015 in honour of established directors such as Spike Jonze, Wes Anderson and Richard Linklater and classical music concerts. The Institute also brought the CPFL Art and Culture Circuit to the interior of the state of São Paulo, with screenings of Brazilian films and documentaries and sustainability workshops in partnership with the Cinesolar project, a solar-powered traveling cinema;

**PERFORMANCE IN GHG EMISSIONS MANAGEMENT**

To track its performance on greenhouse gas emissions (GHGs), CPFL Energia has carried out GHG inventories since 2007, the year that it started its carbon credit projects.

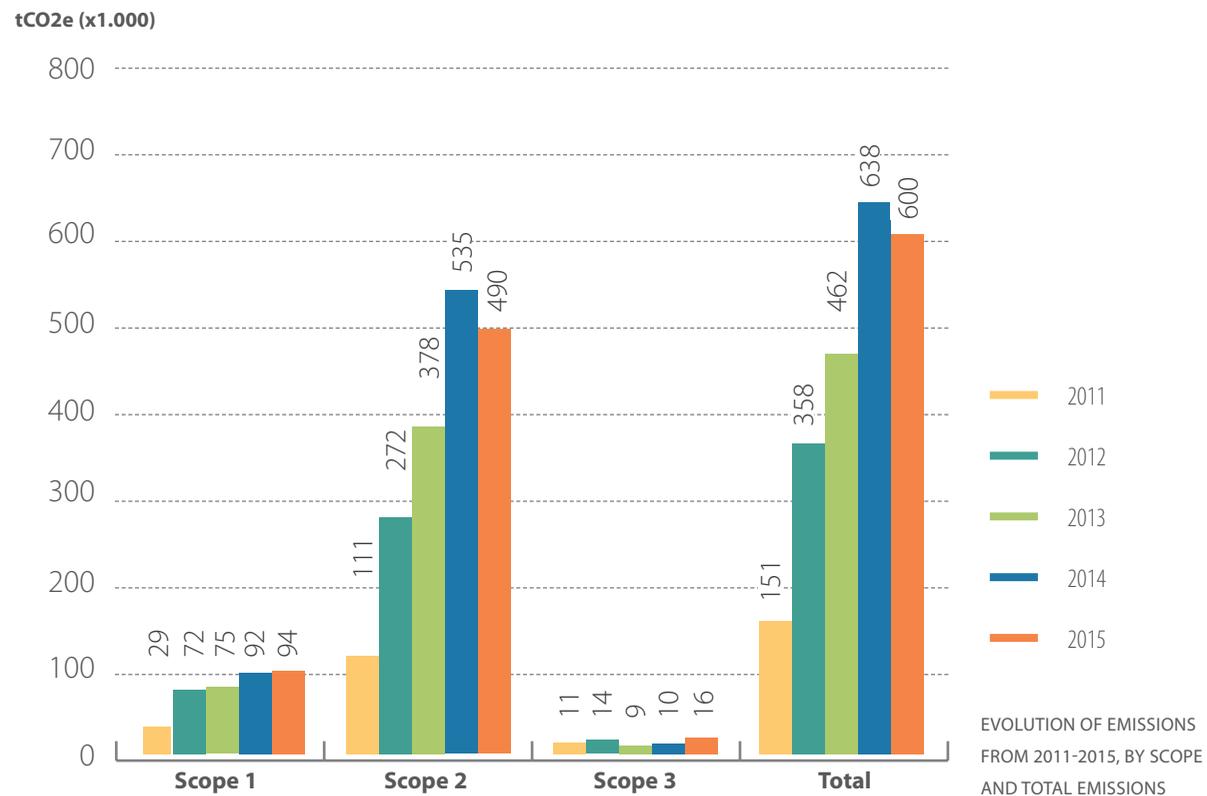
Using the operational control approach the group emitted 599,864.41 tons of carbon dioxide equivalents (CO<sub>2</sub>e), alternatively, considering the equity share approach total emissions were 1,307,254.70 tCO<sub>2</sub>e.

Total emissions from the company fell 5.92% over the previous year according to the operational control approach and grew 6.67% according to the equity share approach. The decrease in the operational control approach is directly associated with the reduction of emissions from technical losses (8.4%) due to both the reduction in energy losses (-1.0%) and reduction in the annual average of the national interconnected system's emissions factor (-8.1%).

**G4-EN19**

The increase in the equity share approach stems mainly from emissions from increased energy generation by EPASA with the consequent increase in fuel oil consumption (23.5%).

**TOTAL EMISSIONS AND EMISSIONS BY SCOPE (TCO<sub>2</sub>E) – OPERATIONAL CONTROL** **G4-EN15** **G4-EN16** **G4-EN17**



**CPFL Eficiência**

In 2015 CPFL Eficiência signed its first multi-solutions contract with Algar Tech, a Brazilian multinational that integrates ICT and BPO solutions. In partnership with CPFL Brazil the company will upgrade lighting and air conditioning systems, finance two solar energy projects and also encourage the migration of customers to the free market. The contract foresees investments of approximately R\$ 6 million in data centers located in the cities of Campinas (SP) and Uberlândia (MG), which will be financed with CPFL Eficiência's own resources.

This agreement involves the construction of a solar energy plant at the data center in Campinas, the expansion of the solar plant at the

Uberlândia center and activities such as replacing 18,000 conventional light bulbs with LEDs, switching to lighter and cheaper cooling gases and energy consulting solutions to help the company with the planning of its energy needs and negotiations with suppliers.

These projects will provide reductions of 3,500 MWh per year in Algar Tech's energy consumption, of which 73% corresponds to the energy efficiency actions and 27% will come from the self-production of energy from solar power plants. The energy savings from the project represent a 435 tCO<sub>2</sub>e emissions reduction considering the emission factor of the electricity GRID in 2015.

**CARBON PRICING** **G4-EU5**

One of the focus areas of the CPFL Group's Change Management Program is carbon pricing, with the aim of setting a price for consideration in its business plans. CPFL is a C4C's Carbon Pricing Champion and is part of the Carbon Pricing Leadership Coalition <http://www.carbonpricingleadership.org/>

The company considers the assessment of the economic impacts of compensation, considering the value of carbon credits in the voluntary market and the value of compensation from planting trees as a way to size the risks and outline its strategies.

Most of the projects eligible to obtain carbon credits through both the Clean Development Mechanism (CDM) and the voluntary standards of the market belong to CPFL Renováveis. There are nine registered CDM projects, four of which are small hydropower plants and five are wind farms, totalling annual potential of 1,215,405.00 tCO<sub>2</sub>e. By

applying the hypothetical market value of US\$ 1 per ton of CO<sub>2</sub>e this equates to R\$ 4,557,768.75 in potential carbon credits for trading. Projects include: the Santa Clara, Macacos, Morro dos Ventos, Eurus I and III, and Campo dos Ventos II Wind Farms and the Salto Goes SHP, Arvoredo e Varginha SHP; Barra da Paciência, Ninho da Águia, Corrente Grande, Paiol, São Gonçalo and Várzea Alegre SHPs; and São Joaquim, Dourados, Esmeril, Gavião Peixoto, Capão Preto and Chibarro SHPs. However, due to the current market situation CPFL Renováveis has not sold carbon credits in 2015 but should return to doing so in due course.

**G4-EU5**

In 2015, two companies from the Group traded certified emission reductions (both within the Verified Carbon Standard - VCS). BAESA sold a total of 148,681 VCUs, generating revenue of R\$ 444,201.27, and Foz do Chapecó sold 20,000 VCS, raising R\$ 61,593.75.



Equipment Refurbishment at CPFL Serviços – SP

**HAZARDOUS WASTE (CLASS I) - OTHERS 2015**

TYPE OF WASTE	GENERATED AND DISPOSED OF(T)
Used oil	8.91
Contaminated gravel	3.78
Batteries	3.40
Mixed contaminated waste	41.37
Oil emulsion	14,35
Contaminated PPE	0.91
<b>Total</b>	<b>72.72</b>

(T) Metric Ton

**Sustainable durability**

Up until 2010 100% of the crosspieces used in CPFL's primary distribution networks were made from native wood and their useful life was approximately 10 years. From 2011 onwards, CPFL began introducing pilot batches of crosspieces manufactured from other materials, including lightweight concrete, polymers and fiberglass. The new crosspieces do not use forest materials in their composition and have an expected useful lifetime of at least 20 years. This initiative has led to a gradual reduction in the use of wooden crosspieces between 2011 and 2015, with only 3% of acquisition of wooden crosspieces in 2015, alongside 48% of lightweight concrete and 48% polymer. By 2019, CPFL's purchasing planning considers zero participation of wooden crosspieces in the purchase mix, with 50% made of lightweight concrete, 30% polymer and 20% fiberglass. This initiative has the potential of saving CPFL R\$ 66 million by 2032\*.

\* The analysis period considered the end of the useful lifetime of the first polymer crosspieces installed and the cash flow method discounted.

**MANAGEMENT OF REVERSE LOGISTICS** G4-EN27



RECYCLING AND REUSE, WASTE DISPOSAL

**WASTE MANAGEMENT** G4-EN27

**Reverse Value Chain**

In the process of replacing equipment used in the electrical systems that it manages the CPFL Energia Group has adopted a methodology to avoid environmental risks while promoting value generation, in line with its business strategy.

CPFL Serviços has facilities in São José do Rio Pardo from where it provides services of maintenance, refurbishment, logistics and transport of electrical equipment throughout Brazil. It has more than 700 of its own highly trained and specialized technicians and engineers with market experience and who receive constant training to develop the best solutions for companies. It operates from eight operational centers, strategically located and with cutting-edge equipment and modern operational processes.

CPFL has already implemented an internal reverse supply chain program for materials selected for reverse logistics, in which used materials removed from the network, such as metals, cables, insulators and bulbs are reused, recycled or sent for treatment.

The scrap resulting from dismantling, such as steel, copper and other materials, is sold to the market. Equipment which is reusable is reintroduced into CPFL systems or auctioned off to other companies.

The difference with this management model implemented by the Group is the monitoring of the entire process, with the maximum utilization of materials, identification and proper disposal of substances and assessment of scrap dealers to verify licenses for the purchase of scrap metal, among other measures.

The waste management program identifies and classifies the main waste materials generated by the different processes of transmission and distribution of energy. For each of the different waste materials identified - especially for hazardous waste (class I) - the CPFL Energia Group has established storage and transportation standards and determined appropriate forms of disposal, taking into account the current legislation.

**G4-EN23**

Since 2006, CPFL has carried out management and monitoring of all equipment identified as contaminated with Ascarel (PCB), contained in a disposal plan duly submitted to environmental agencies to meet the applicable legal requirements. The Company is progressively replacing and disposing of such waste in an environmentally appropriate manner. In 2015, 193.3 tons were disposed of.

CPFL is committed to disposing of 100% of its PCB liabilities by 2020 and annually disposing of at least 80% of other Class I waste generated during operation and maintenance of its assets.

**HAZARDOUS WASTE (CLASS I) - PCBs 2015**

TYPE OF WASTE	DISPOSED OF (T)
PCBs	193.3

(T) Metric Ton

## BIODIVERSITY MANAGEMENT

G4-EN12

G4-EN13

G4-EU13

### GENERATION PROJECTS

G4-EN27

The generation projects in which the CPFL Energia Group has interests include investments in socio-environmental programs and actions aimed at conserving the vegetation surrounding reservoirs and regenerating and preserving biodiversity in protected areas close to the plants, as well as conducting studies and systematic monitoring of native fauna and flora. The Company also encourages the development of initiatives aimed at raising awareness in the local community of the importance of proper use of natural resources and environmental protection.

In the case of conventional generation - hydro and thermal - the Group has no new projects, with all plants currently in the operating phase. As a result there was no significant environmental impact.

The main activities related to the theme in conventional generation plants include various types of monitoring, including monitoring of permanent preservation areas (APPs), fish populations (ictiofauna), surface water and erosion, among others activities including maintenance of tree plantings and service strips. The implementation of hydroelectric projects can require the formation of reservoirs. In the areas belonging to hydroelectric plants in which CPFL has an interest there are a total of 121.9 square kilometers of permanent preservation areas, representing 41% of the total land area and 76% of the total flooded area.

G4-EN11



Hydroelectric Power Plant 14 de Julho - RS

### SOCIO-ENVIRONMENTAL PROGRAMS AT THE POWER PLANTS

G4-EN13

G4-EU13

#### Foz do Chapecó HPP

In 2015, 148,000 juvenile *curimatá* and *dourado* fish were released with the aim of repopulating the Uruguai River. The fingerlings were reared at the Águas de Chapecó Fish Farm Station through an agreement between the company and Instituto Goio-En. The fishermen's associations benefitting from the Fishermen Support Program (*Programa de Apoio aos Pescadores*) participated in technical visits to learn new fish farming and processing techniques. Sponsored by Foz do Chapecó Energia, the visitors received technical support from SEBRAE and Emater. In addition, in November 2015 the certification body BSI conducted an external audit of the certification of the Integrated Management System FCE (ISO 9001, ISO 14001 and OHSAS 18001), with a recommendation for maintaining the certifications obtained by the company

#### Rio das Antas Energy Company (Companhia Energética Rio das Antas - Ceran)

The company operates an Integrated Management System at its headquarters and power plants (Monte Claro, Castro Alves and 14 de Julho). The system meets the requirements of ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 and its certificates are valid until January 2018.

#### Campos Novos HPP (Enercan)

In 2015, ENERCAN supported several actions for the cultural, environmental and economic development of the region, providing support for 31 projects, generating 500 direct, indirect or temporary jobs and benefiting over 36,000 people. One of these projects *Protetores Ambientais* "Environmental Protectors" is developed in partnership with the Environmental Police and trains students to act as multipliers for environmental preservation. Enercan developed a Conservation Program for Permanent Preservation Areas (APP) with the local residents of the HPP Campos Novos reservoir for the fourth consecutive year, with rewards for the top five initiatives and, in partnership with Epagri, Senar and local Agriculture Departments, supported fruit and fish farming projects with the aim of contributing to the development of the local economy and providing alternative income for farmers in the region. In addition to financial support from Enercan, participants receive free courses in cooperativism, associativism, farm man-

agement, entrepreneurship, and specific skills such as production and management techniques.

#### Barra Grande HPP (BAESA)

The Socio-environmental Responsibility Program is an initiative created by BAESA and ENERCAN with the function of supporting projects that help to improve the quality of life and promote the development of institutions and communities in the municipalities of the area covered by the Barra Grande and Campos Novos power plants. It includes six lines of action to support social projects with a mission to manage social initiatives that contribute to the sustainable development of municipalities located within the states of Santa Catarina and Rio Grande do Sul with the aim of improving the quality of life for people and reducing social inequality through social engagement strategies and stimulating development of partnerships.

In 2015, the Socio-environmental Responsibility Program supported 40 projects in municipalities in the area of influence of HPP Barra Grande. Focused on income generation, the environment, culture, sport, public safety and social development, the projects received investment of R\$ 424,000 from the company and more than R\$ 1.2 million from shareholders and local partners. The 4th edition of the Incentive Program for the Conservation of the reservoir's Permanent Preservation Area was also conducted, recognizing the actions of local residents to preserve vegetation. In 2015, ten residents were awarded prizes at a ceremony held during BAESA's 8th Sustainability Week, an event that annually highlights environmental projects developed in the municipalities of the area covered by the HPP Barra Grande. ISO 14001 and OHSAS 18001 certifications were maintained after an external audit, which verified the functioning of the Integrated Management System. BAESA created a Community Advisory Council to strengthen dialogue with the community in the areas surrounding HPP Barra Grande. The intention is that the institutions promote debates to define investments in health, education, security and environmental protection in the municipalities of the region. Another highlight was being awarded the Gold Seal of the GHG Protocol, the highest recognition awarded by the Program, which attests to the transparency of information in BAESA's 2014 GHG inventory.



## TRANSMISSION AND DISTRIBUTION LINES G4-EN12 G4-EN27

One of the concerns of the environmental management of the CPFL Group is with the impact of its electricity lines on the rural environment. As a result, procedures have been defined to develop projects that guide the choice of routes for construction of new energy networks. Priority is given to avoiding forest fragments and isolated trees to avoid the need for removal of individual trees. In some specific locations with high ecological interest where it is not possible to change the layout of the networks the practice of raising the height of structures and poles has been established. As a result of the measures adopted the need for removal of vegetation has been significantly reduced.

In situations that do not permit the adoption of these measures and also in cases where there is a need for vegetation management under the existing lines, the suppression of vegetation is authorised by environmental agencies, under the condition of offsetting the impacts of this suppression through heterogeneous plantations proportional to the impact caused.

The Urban Roads Tree Planting Program continued with the donation of saplings to municipal governments. Advanced Stations are regu-

larly assessed for environmental risks and legal requirements, establishing a ranking and a plan of action for improvements. For situations of environmental emergency the distributors have contracts with specialized companies, as well as environmental insurance. For smaller-scale occurrences, the Advanced Stations and vehicles with hydraulic equipment have environmental emergency kits for immediate use. CPFL Paulista started the *Arborização + Segura* (Safer Tree Planting) Program, an initiative to revitalize urban tree planting in partnership with municipalities in its concession area.

The urban tree planting projects of the Group's utilities concessionaires not only consider the tree species most suitable for each site but also monitor the growth of the plants in partnership with local governments. In addition to the typical benefits of well-treed towns and cities with this type of program, another advantage is also reflected by the decreased need for pruning, with reduced environmental impacts and contribution to the beautification of cities. In 2015, 134,334 tree saplings were planted through offsetting compensation programs.

## Preserva Program G4-EN13 G4-EU13

The Preserva Program (*Programa Preserva*) arose from the need to provide greater robustness and efficiency in mandatory reforestation related to the expansion of CPFL's Electric Power System, previously conducted in small and dispersed areas. As a way to not only mitigate environmental impacts but also to reduce costs and give greater environmental significance to mandatory reforestation, CPFL approved a methodology with CETESB (environmental protection agency for the State of São Paulo) to allow the unification of environmental recovery commitment terms, directing planting schemes to sites of ecological interest defined in a mutual agreement with the environmental agency.

It was concluded that the most interesting scenario would be to create "Seedling Banks" for planting larger areas. This new model promotes a significant reduction in costs for the Company: the reforestation of 100 hectares through the Preserva Program economizes about R\$ 1.79 million in eight years - considering the contractual values - or R\$ 223,748 per year compared to reforestation costs for the previous model.

The CPFL Energia Group also obtained approval for its offer of offsetting through the conservation of existing forest fragments, ensuring the registration of the excess legal reserve in an area equivalent to the deforested area, with the same ecological characteristics and within the same watershed. This compensation mechanism contributes to the maintenance of forest remnants and their biodiversity and preserves large amount of carbon stored in mature forests with vegetation in medium and advanced stages of growth.

Even if reforestation is carried out with rigorous adoption of best practices it will take a long time for biodiversity richness to reach the same level existing in the original forest. Therefore, this mechanism enables efficient compliance with environmental laws and provides a financial contribution to rural landowners who already protect the natural vegetation, ensuring the preservation of forests, biodiversity and water resources, as well as acting as a tool for implementing public policies for the environment and sustainable development.

**Environmental pillar:** increased ecological significance of larger areas of tree planting, greater diversity of species planted due to the size of the areas; generation of greater awareness of environmental improvement in society; increased resilience of areas of tree planting and minimization of the risk of irreversible biodiversity loss, etc.

**Social Pillar:** important role in changing the current scenario of national biodiversity through learning from critical analysis and appropriation of actions that can change the way companies mitigate their impacts. Leads the transition to new business models so that society can enjoy the benefits provided by the Management presented and replicate such initiatives in any other compensation/offsetting schemes.

Moreover, it contributes directly to reducing climate change effects, permits the use of the areas by society and encourages research into the restoration of the country's most degraded biomes: the *Cerrado* (Savanna) and *Mata Atlântica* (Atlantic Forest).

**Financial pillar:** contributes to the establishment and consolidation of larger areas, achieving economies of scale with suppliers and approximately 40% reduction in costs.

**Expandability:** any company that is required to reforest an area can adopt the CPFL methodology. All actions can be replicated, requiring only an ideal, an alignment of the organizational strategy and the company's commitment. The good results obtained in the two seedlings banks encouraged CPFL to expand the initiative, seeking to build new partnerships in other regions of São Paulo, such as Baixada Santista (Santos lowland area), where it contributes to the conservation of Atlantic rain forest.

In 2016, the CPFL Energia Group will seek to consolidate the new mode of environmental compensation through registration of the terms of the Environmental Recovery Commitment (TCRA), in the form of excess legal reserve. The company is also awaiting the approval of a new environmental compensation methodology, based on the management of exotic species. This methodology is necessary as a result of the large number of areas covered with these species, including Pine (*Pinus*), *Eucalyptus* and *Braquiária* grass species within the limits of the conservation units. These areas prevent the spread and growth of native species, hindering the full performance of ecological functions and preservation of the biodiversity of flora and fauna.

Also in 2016, CPFL will adhere to the state government of São Paulo's *Programa Nascentes* (Springs Program), formerly known as the *Programa Mata Ciliar* (Riparian Forest Program). It aims to extend the protection and conservation of water resources and biodiversity. With the publication of Decree No. 61137 of February 2015, another important factor was also included, considering public security with the aim of ensuring the multiple use of water sources and prioritizing the public supply.

# 10. HUMAN CAPITAL



Electrician of CPFL

## PERSONNEL MANAGEMENT

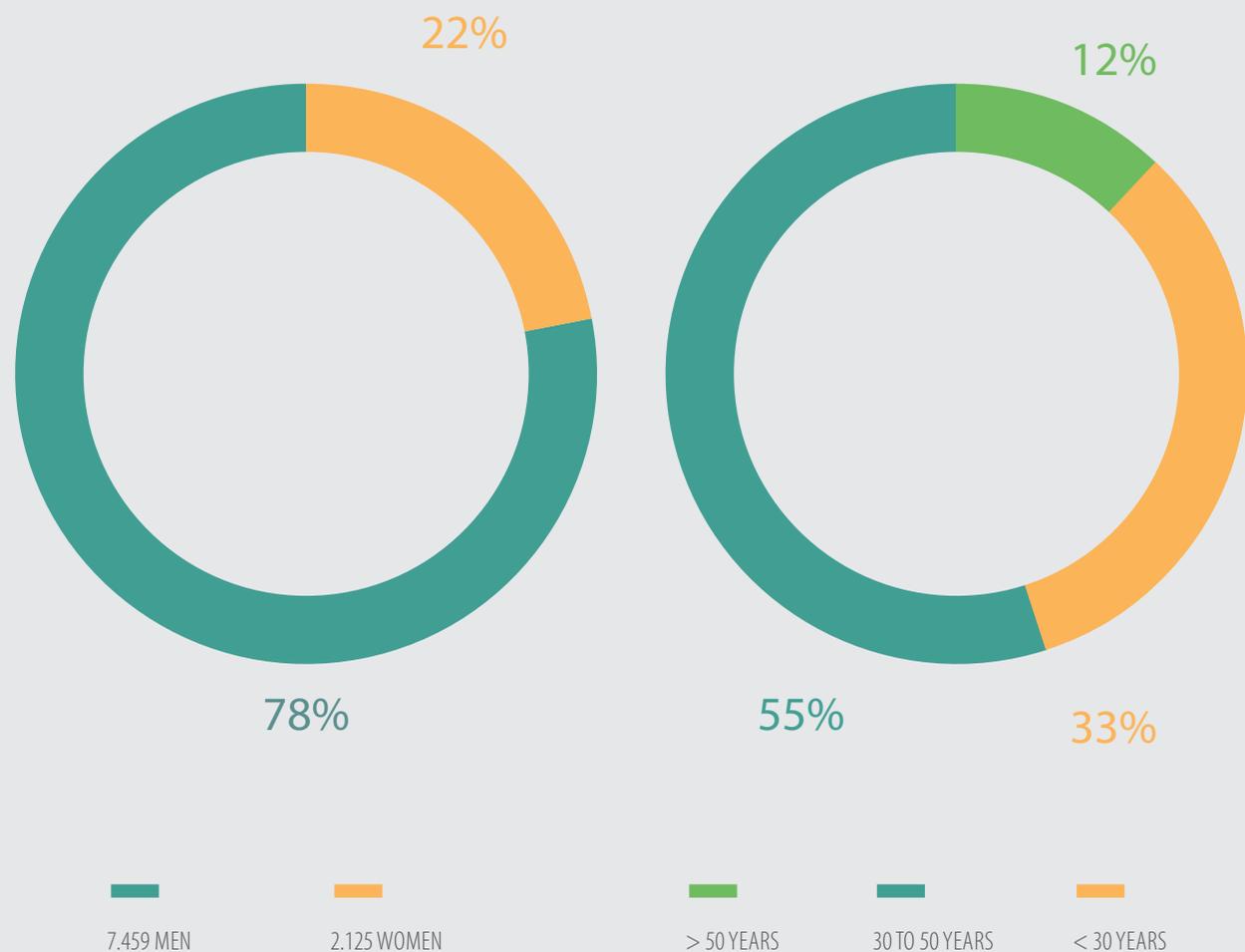


ORGANIZATIONAL CLIMATE, DEVELOPMENT AND SUCCESSION, ATTRACTION AND RETENTION

### PROFILE OF CPFL EMPLOYEES

23% are employees contracted in 2015

G4-10 G4-LA1



- The total figure invested in training in 2015 was R\$ 12 million, representing R\$ 152.24 per FTE (full-time equivalent – measurement method for the degree of involvement of an employee in the activities of the company or a particular project), with an average of 59.06 hours of training per employee (78.4 in 2014), above the average of the Sextante Survey – of 53 hours in 2015.

G4-LA9

- Turnover of 19.9% in 2015, down from 23.4% in 2014.

G4-LA1

- Strikes and Stoppages: The Group considers permanent mutual respect between the parties and fairness in procedures as essential for the development of healthy relations with the unions, ensuring total impartiality whichever the labour union. The Group believes in maintaining good relations with the unions representing its employees, evidenced by the fact that there have never been any strikes that have materially affected the Group's operations in the last 27 years.

G4-HR4

### TALENT MANAGEMENT

G4-LA10

Aware of providing opportunities for the professional growth of all employees, the CPFL Energia Group provides its employees with a structured program that encourages each individual to be the protagonist of their own development.

In the Career Management Program, CPFL laid out a catalogue of requirements and qualifications so that employees know the skills required to occupy different positions in the company. The Career Portal provides access to this catalogue, as well as an overview of all the processes in the company and descriptions of the activities and responsibilities of each position, allowing for comparison of the individual's professional profile with any existing positions at CPFL and permitting them to express their interest in a desired career. All leaders of the organization are trained and qualified to guide the career development of their teams.

CPFL also developed a Career Primer that communicates concepts, tools and success stories from the company. All expressions of interest are stored in a database, which feeds the internal recruitment process for the positions available. The company also has a Talent Management Program, which internally identifies professionals with potential and aspirations for leadership positions. The program promotes accelerated development activities for the employee to be better prepared when an opportunity arises. In



Electricians of CPFL

2015, 34 employees took part in the program. The Company also invests in an internship program that presents opportunities and challenges for students from different areas.

Another important program for the development of talent at CPFL is the Succession Plan. Tied to the Calibration Committee and in operation for four years, it maps potential successors with the guarantee of fairness in the process and approval by the Board of Directors. This model of assessment and management of succession is focused on the sustainability of the CPFL Group's business, as well as providing career development opportunities for its talent pool. In 2015, two vice-presidencies were occupied by internal professionals, alongside other managerial positions.

In this system, the Calibration Committee is responsible for collectively assessing the performance of managers and enables the optimization of human capital. The Committee holds a structured meeting annually, conducted by a mediator, in which it reflects upon and analyses professional potential and performance objectively and effectively. At the end of the process a realistic analysis is obtained regarding the current performance level and the future capacity observed amongst the professionals. In 2015, CPFL held eight Committee meetings.

G4-LA11

## PERFORMANCE MANAGEMENT

The Group adopts an assessment system to analyse the overall performance of its employees at different hierarchical levels. This process covers 100% of eligible professionals and includes stages of evaluation of skills and targets, feedback, Individual Development Plans and development of targets for the next cycle. Called Personal Value, the system allows the creation of Individual Development Plans (IDPs) in which personal goals are established and areas for improvement are identified to be overcome with training sessions and other forms of learning.

In addition, the Group has a technical and behavioural assessment system aimed at identifying the match-up between of the employee's profile and the technical and behavioural requirements for the position occupied. This evaluation is performed by the immediate superior and feeds the professional profile in the Career Portal, helping to identify gaps for development and also to guide the development of the employee's IDP. In the participating companies, 100% of employees were assessed through the Personal Value program. CPFL Serviços, CPFL Atende, CPFL Total and EPASA did not participate in assessments of the Personal Value Programme, representing 24% of the workforce of the CPFL Energia Group.

## HUMAN CAPITAL DEVELOPMENT

Another important point for CPFL is the training of its employees. Therefore, the **Corporate University** conducts training in the classroom or through an online platform linked to strategic planning, through which employees are invited or summoned to participate in initiatives to develop their positions and careers. Its focus is on employees, but may extend to the entire value chain with a focus on business results. In addition, the university acts in the

direction of each of the Company's business activities through its schools of Leadership, Specializations and Customer and the Market, as well as supporting all other areas with common and supporting processes through Training Support and Corporate Qualification.

G4-EU14

To train the professionals who have taken up leadership positions (managerial, coordination and supervisory functions) the **Basic Leadership Qualification program** was formed in 2015, with courses that aim to help support people in leadership roles, including: Corporate Education System and Knowledge Management, CLT in the day-to-day, Safety at Work, Organizational Climate Management, Performance Management, Career Management and Remuneration I and II, Management of Third Parties, Recruitment, Selection and Dismissal of Employees and the Calibration Committee and Succession Model, among others.

G4-LA10

For all employees - including those at the management level - technical tracks in 2015 were focused on business skills: Energy Management Track and Regulatory Affairs Track. With an excellent turnout, this work facilitated the management and expansion of critical knowledge. The tracks relied on the work of internal educators who are specialists in the referenced issues with the aim of ensuring the continuity of this knowledge within the organization, in line with the **Knowledge Management Program** and the development of professionals in the critical issues for the organization's business.

Talks were also held on Communication at CPFL, Volunteering, the Integrated Management System and "Our Way of Being and Doing" (*Nosso Jeito de Ser e de Fazer*), all given by internal experts on the subjects, bringing a lot of credibility to the processes conducted by them. The company also offered courses via e-learning, as preparatory activities for classroom courses or complementary to them.

G4-LA10

### School for Electricians

CPFL's traditional process of hiring electricians considers a period of 30 days for selection and hiring and another 90 days for practical and theoretical training, totalling a minimum of 120 days between identifying the need for an electrician and their starting work in the field. In 2012 CPFL began to implement the School for Electricians program, in partnership with recognized training centers. The project aims to train people from the communities in CPFL's concession area to work as network electricians, contributing to increase the supply of skilled labour. Students are prepared before the vacancies open, eliminating the time of the selection and training processes. Therefore, the vacancy replacement period only covers the admission and Service Center tests, reducing the time between the vacancy appearing and the electrician entering into the field to 20 days.

Between 2012 and 2014, 17% of the 482 electricians hired by CPFL were admitted via the School for Electricians. Last year was atypical and 390 electricians were hired using the traditional process of internal training and only 15 came via the School for Electricians. Considering a projected 20% contraction in demand for electricians via the School for Electricians by 2020, this initiative provides potential annual savings of R\$ 850,000 on contracting, representing total savings of R\$ 3.6 million by 2020.

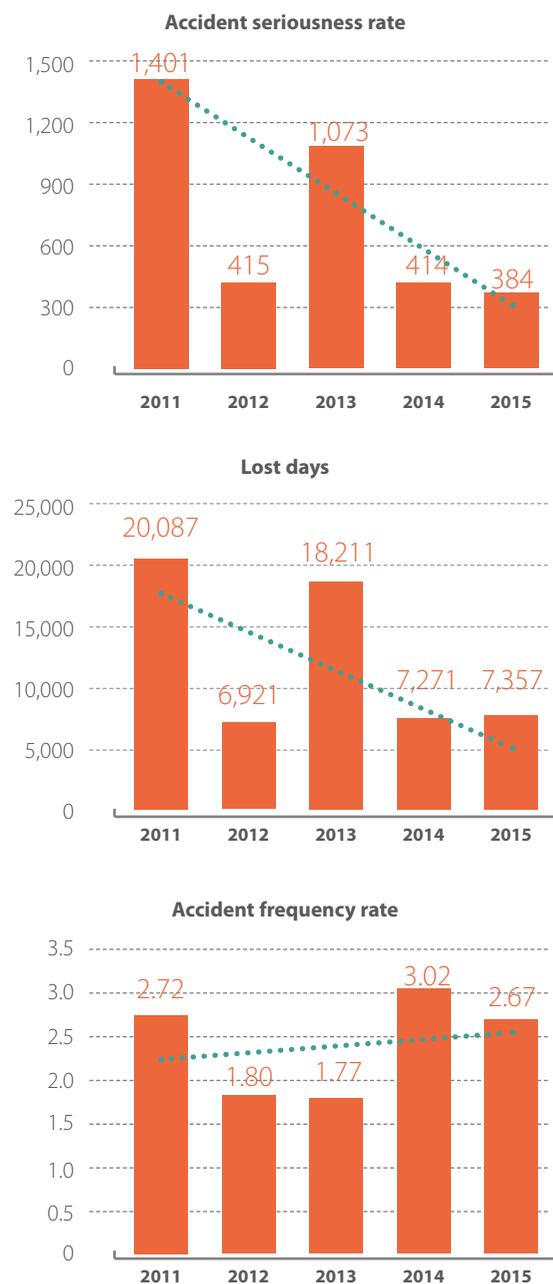
CPFL also works with the **SENAI Young Apprentice** (*Jovem Aprendiz SENAI*) program. With a workload of 800 hours, the program has helped train young people aged between 18 and 24 to work as electricians since 2012. By last year 89 young people had been trained and 41 of them had been hired by CPFL.

Also in 2015 CPFL initiated a new partnership with SENAI to train 32 students from the community in Cutting off and Reconnecting activities, with a duration of 240 hours and 50% of students hired.

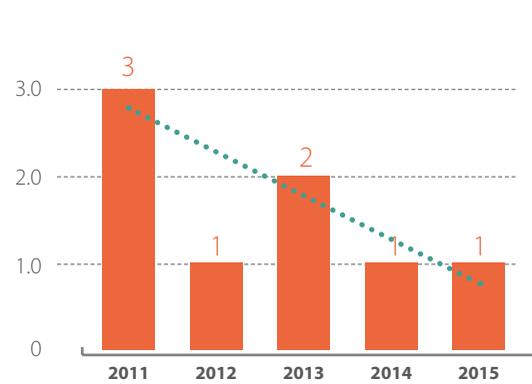
## HEALTH AND SAFETY



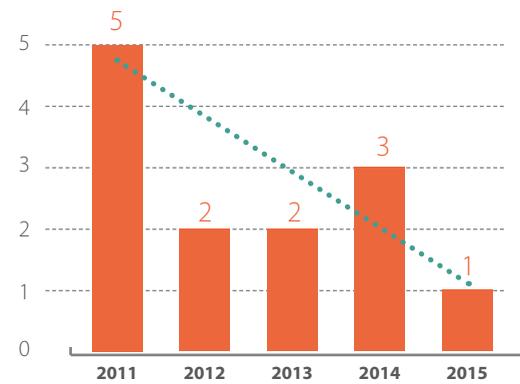
REDUCTION IN ACCIDENTS, SAFETY CULTURE AND BEHAVIOUR, HEALTH

Principal performance indicators **G4-LA6**

Fatalities involving own employees



Fatalities involving independent contractors



CPFL Energia considers the health and safety of its workers as a core value of the organization. Since 2013, as a facilitator for accident prevention and health promotion actions, the "People First" (*Primeiro as Pessoas*) program works with various actions related to the Health, Safety and Quality of Life of employees, partners and customers.

Last year, Phase 1 of the Behavioural Program "Sinto de Segurança" (Feeling Safe) was implemented, among other actions. In addition to strengthening and spreading a Safety Culture throughout the organization the program seeks excellence in the management process through concepts such as operational discipline, a sense of ownership of the area and visible and perceived leadership.

This methodology, developed by DuPont, permits the raising of awareness and commitment of different members of the institution as regards the importance of their participation for the consolidation of the culture and the proper functioning of the integrated management system. The main stages of the program involved interviews with executives, workshops with senior leadership and managers and coaching for behavioural observers. Behavioural observation tools and a safe practices index (IPS) were also implemented. In addition, a survey of the cultural perception of safety was conducted and used as a base to establish a target for the organization, indices and evolution of measures in this area.

The commitment to the five Basic Safety Steps was renewed throughout the company, with a strong awareness-raising and communication campaign, and the preparation of the new project for the Safety, Health and Quality of Life operating system, with a focus on functionality, agility and assertive management.

There were advances in preventive internal communication and all accidents, incidents, preventive actions and lessons learned were disclosed and discussed in Daily and Weekly Safety Dialogues with all teams. This change in communication directly generated advances in reporting which resulted in the increase in the injury frequency rate reported over the last two years. The increase is viewed positively, however, as providing the opportunity for preventive measures can be robust and definitive.

To provide greater assertiveness in prevention and correction the development of Safety professionals in methodologies for investigation and analysis of accidents has been strengthened.

Safety audits are carried out in partner companies on a quarterly basis in order to develop a culture of prevention and corrective actions in necessary Health and Safety processes.

Safety inspections were improved throughout the year and now include behaviour, conditions and automated reports. Another highlight was the training of over 460 of our leaders in daily actions and essential actions for Safety, Health and Quality of Life.

With regards to the Safety of the population, alongside various mass communication efforts CPFL has promoted the External Campaign for Prevention of Electrical Accidents (CEPAE) throughout 2015 through lectures, informative booklets and actions in schools, construction companies, sugarcane mills, etc. Through our Internal Accident Prevention Committees (CIPAs) and their members we took the message of preventive safety with the electrical grid to more than 40,000 people during these events, which were promoted on a voluntary basis by our employees.

#### G4-EU24

It is also important to note that since the launch of the "People First" (*Primeiro as Pessoas*) program, the Executive Health and Safety Committee has been formed, with the role of deliberating on and promoting strategic actions and operational directions to be introduced to the CPFL Group.

○ Executive Health and Safety Committee is officially composed of:

#### G4-LA5

- Vice-President of Regulated Operations;
- Vice-President of Market Operations;
- CEO of CPFL Paulista and Piratininga;
- CEO of RGE;
- CEO of CPFL Santa Cruz and Jaguariúna;
- CEO of CPFL Serviços;
- CEO of CPFL Geração;
- Director of Strategic HR;

- Director of Distribution Operations;
- Director of Engineering;
- Director of Procurement and Infrastructure;
- Director of Corporate Communications and Institutional Relations;
- Safety, Health and Quality of Life Manager;
- Personnel Development Manager.

#### SAFETY AT THE POWER PLANTS G4-LA6

**CERAN:** in 2015 one accident at work with lost time was reported at the 14 de Julho HPP. The Monte Claro and Castro Alves HPPs closed the year 2015 with 995 and 2858 days without lost-time accidents, respectively.

**Barra Grande HPP:** on 26th November 2015 an accident occurred which required medical treatment but without lost-time and of low severity.

**Foz do Chapecó HPP:** ended the year 2015 with 1130 days without accidents. The frequency and severity rate for 2015 was zero. One significant event was the acquisition of an automatic defibrillator and equipment for rescue at height with appropriate training.

**Campos Novos HPP:** in 2015 there were no accidents with or without lost time. The last lost-time accident occurred at the plant in 2006, a total of 2,590,004 hours without accidents.



# 11.

## SOCIAL CAPITAL AND RELATIONSHIPS



CPFL Employee

# MANAGEMENT OF RELATIONSHIPS WITH STAKEHOLDERS

G4-EU19



SERVICE QUALITY, RELATIONSHIPS AND COMMUNICATION, REPUTATION

The Relationship of the CPFL Energia Group with its different stakeholders boosts its business and generates value for the Company. Good quality service and education campaigns targeted at customers and consumers, strengthening of partnerships with suppliers focused on promoting respect for human rights and good management practices, investments in projects that benefit the communities of the municipalities in the concession areas and support for governmental and regulatory bodies for the development of public policies and improvements to the electricity sector are examples of how CPFL contributes to socio-environmental development throughout its value chain. The company has a stakeholder engagement policy that aims to create, maintain and strengthen relationships based on ethics, trust and transparency. The company also developed a detailed matrix of its relationships with each of the stakeholder groups.

G4-26 G4-27

## RELATIONSHIP WITH CONSUMERS

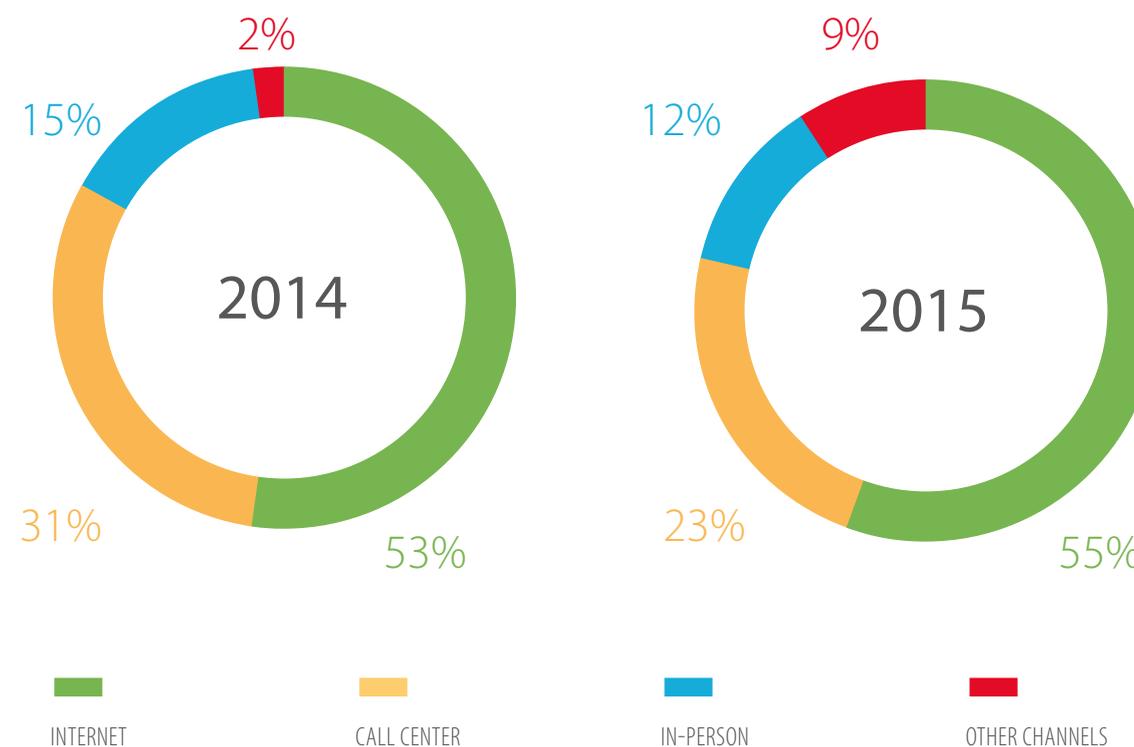
Providing a positive experience for the consumer is a major challenge and CPFL Energia has been implementing tools and new service platforms that offer flexibility, quality, safety, comfort and agility for all. Amongst the new procedures is the sending of electricity bills via email. CPFL is the first company in Latin America to use the system and in 2015 has already reached the significant milestone of one million bills sent via digital means across its eight electricity distribution companies. The advance brings multiple benefits to consumers, the environment and the Group.

The convenience provides the customer with access to bills through tablets, laptops and smartphones. Registering to receive bills online also provides access to the billing history for the last 60 invoices from the date of registration with the service, allowing customers to monitor their energy consumption in the period. Another relationship channel is provided through the free smartphone app for mobile devices, available for Android OS and iOS/iOS/Apple. Through the application the customer can quickly access 12 services relating to the electricity supply to their consumer unit.

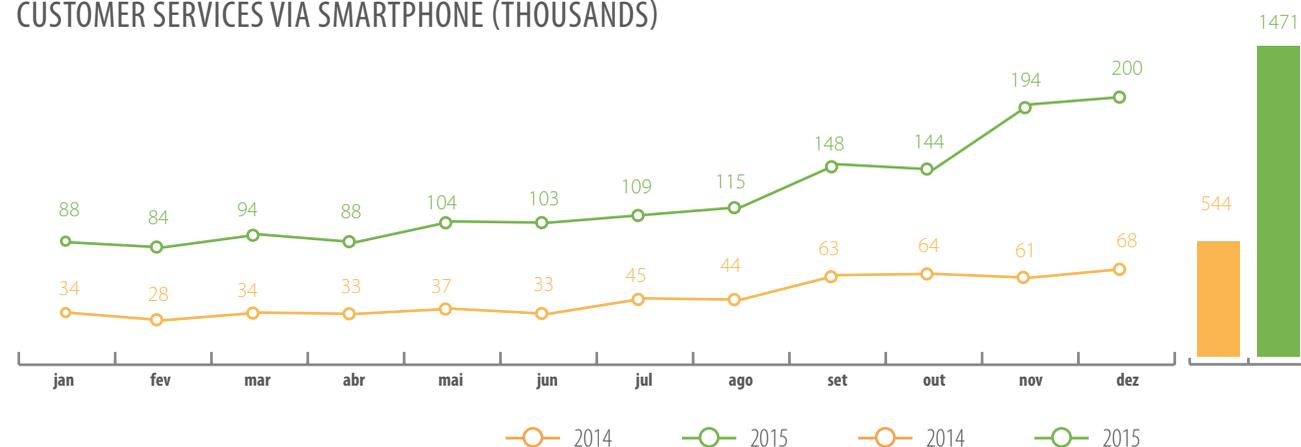
G4-EU24

In 2015 there were about 45 million customer services provided, an increase of 27% over the previous year. Internet services represented 55% of the total while call center and in-person attendances fell.

## REPRESENTATIVENESS OF THE USE OF CUSTOMER SERVICE CHANNELS



## CUSTOMER SERVICES VIA SMARTPHONE (THOUSANDS)



## SATISFACTION SURVEY

G4-PR5

CPFL conducts a series of customer satisfaction surveys, including the ABRADÉE survey of residential customers, Survey of large consumers and the Image and Branding Survey, as well as participating in the satisfaction survey conducted by ANEEL. The ABRADÉE Survey of residential customers is the largest one and serves as a basis for comparison between companies in the sector, with the participation of the largest companies in the country.

In the most recent survey there was a general decline in the evaluation of companies but the CPFL Energia Group had the best results for quality indicators when compared to other corporate groups that participated in the survey in 2015. The exception was the price valuation index, which may be associated with the tariff review conducted during the survey period.

83% of respondents considered the services of CPFL's electricity distribution companies to be of good or excellent quality. This figure is higher than for services provided by water distributors, banks and mobile telephony. In addition, 51% of the Group's residential customers said that distribution services have improved in recent years.

In 2015, two Group companies received the Abradee Award: CPFL Paulista in the "Customer Evaluation" category and RGE in the "Social Responsibility" category. RGE also won the IASC Award, granted by ANEEL, as the best electric utility company in the South Region with a market of over 400,000 consumers.

## ENERGY EFFICIENCY PROGRAM

In order to disseminate smart energy consumption and energy efficiency, the CPFL Group annually develops its Energy Efficiency Program for its customers: residential, commercial and

services, industrial, government and public agencies, hospitals and charities, rural, etc. CPFL Energia implements projects aimed at replacing obsolete equipment with more efficient models, promoting technological innovation. It also implements projects related to sustainability and cultural and educational changes to reduce waste and encourage safe and legal energy use.

In 2015 the Company invested more than R\$ 59.8 million in this area, with R\$ 39.3 million for projects aimed at residential customers with low purchasing power. This resulted in the regularization of 1,503 customers, the exchange of 8,412 refrigerators and 134,754 light bulbs for more efficient models (LED) and the installation of 3,582 solar water heaters, 3500 heat exchangers and 7376 E-Power electronic controllers to reduce energy consumption by electric showers. The initiative also avoided the emission of 4.22 million tons of CO<sub>2</sub>.

G4-PR3

G4-EN7

## CPFL in Schools

The CPFL in Schools project has the principal objective of empowering educators from municipal and state public schools in the concession area of CPFL Paulista to disseminate basic concepts of smart and safe use of electricity among the students of 2nd to 9th grade. It involves families and the community, through entertaining and interactive actions, contributing to changing habits and behaviour.

Implemented in 2015, the CPFL in Schools Project involved 235 state and municipal schools, reaching 23,940 students and 1,039 teachers in 87 municipalities with investment of more than R\$ 5.4 million. 36 public buildings, 39 schools and 13 hospitals also received energy efficiency makeovers, with an investment of over R\$ 7.3 million, alongside three water supply utilities and four industries, with an investment of R\$ 2.3 million.

G4-PR3

G4-EN7



## Social Inclusion: Efficient Communities Program

With the objective of promoting smart energy consumption and replacing obsolete domestic equipment with efficient new models CPFL Energia developed the Efficient Communities Program (*Comunidades Eficientes*) involving a set of projects for residential customers with low purchasing power.

One of the projects implemented involves eliminating illegal hook-ups, generating new customers and promoting citizenship amongst the beneficiaries. In 2015, 1,500 low income customers were regularized through the Energy Efficiency Program (PEE).

The selection of beneficiary customers is achieved through a diagnostic/prospecting process and to receive the benefits consumers must possess an NIS document (Social Identification Number), be registered for the Social Electricity Tariff and have their bill payments up to date.

The program also includes the replacement of obsolete light bulbs with efficient LED models, repla-

cement of old refrigerators with new, efficient models and replacement of electric showers for efficient technologies and the installation of solar heaters.

Public awareness actions are also carried out to promote the smart, safe and lawful use of energy through talks, courses and educational activities. With the adoption of these measures, rates of return to irregularity are low and the company's presence in poor communities creates a special relationship with gains for all parties involved.

Engagement is undertaken in a structured manner by community agents, who act as a go-between for the community and CPFL Energia. They are trained and equipped with uniforms and tablets and able to negotiate the correction of illegal connections and outstanding debts, together with the company. This is alongside the principal objective of teaching everyone how to use energy correctly and safely.

## Tauron Program

### G4-EU6

The overall objective of the Tauron program is to increase the productivity of the company and improve the quality of services provided through the insertion of technology into its processes. The program comprises three major Smart Grid projects: Operation and Mobility, Telemetry of Group A and Automation of Distribution Networks.

The "Operation and Mobility" project has implemented an interruptions management system and the intelligent management of the workforce. The field teams began using smartphones and cars with wireless devices. Work orders were previously sent by voice via radio but through the project began to be sent via data messages. This project has improved the logistics of field teams by using geo-referenced maps, expediting the restoration of electricity and reducing travel time by optimizing routes, as well as allowing online progress updates during field work. These changes have been made for 100% of the teams that respond to emergency and commercial orders for the eight distributors of the CPFL group.

The "Telemetry" project replaced conventional electronic meters with smart meters for Group A customers, which are those served by medium and high voltage. The consumption information is automatically collected via CPFL's own telecommunications network, thus eliminating the need for teams to travel to the location to take a reading. This project, in addition to allowing remote readings, also permits the analysis of the load curve, fraud detection, measurement malfunctions and energy supply interruptions in real time. More than 26,600 meters had been replaced by December 2015.

The "Automation of Distribution Networks" project enables the remote control from distance of 4,866 medium voltage reclosers installed across the distribution network of the eight CPFL Group companies, thereby increasing the supervision and visibility of the network and allowing field teams to act to re-establish supply with greater assertiveness, reducing the time required to normalize the situation.

## RELATIONSHIP WITH LOCAL COMMUNITIES

CPFL Energia's Sustainability and Social Investment guidelines are intended to ensure the continuity of the business and create and share value with all of its stakeholders. They are based on the material issues identified and prioritized by the company and its stakeholders. All programs and activities to promote the development of the communities where CPFL operates are designed through programs that strengthen public policy and promote social protagonism, as defined in its [Social Investment Policy](#) approved in 2015. Social investment activities are divided into five areas: Culture, Sport, Education, Public Management and Community Development. All of CPFL Energia's operations, for which the communities theme is relevant, they implemented programs with communities and follows the guidelines established in the Social Investment Policy.

All of CPFL Energia's operations for which the issue of communities is important implemented programs with the communities and follow the guidelines established in the Social Investment Policy.

### G4-SO1

### Revitalization Program for Philanthropic Hospitals

Running since 2005, this program helps to raise the administrative performance of philanthropic hospitals and improve the services provided to the community. In 2015, the program continued with hospital management training, serving 20 hospitals in the regions of Barretos and Marília and reinforcing activities with the Ribeirão Preto Regional Committee, formed by Philanthropic Hospitals trained in earlier phases. R\$ 750,000 was invested in 2015.

### G4-EC8

**Support for Municipal Councils for the Rights of Children and Adolescents** – CMD-CA (1% Income Tax). In 2015 the Group companies allocated R\$ 261,000 to the Municipal Fund for Children and Adolescents. The transfer serves to support Action Plans that result from situational diagnosis performed in 2015.

### G4-SO1

### G4-EC8

**Support for Municipal Councils for the Rights of the Elderly** – IDMC (1% Income Tax). In 2015 a contribution of R\$ 261,000 was made to the Veranópolis (RS) Senior Citizen Fund to support the continuation of diagnosis for stage 2 of the "City for All Ages" (*Cidade para Todas as Idades*) project, started in 2015.

### G4-SO1

### National Support Plan for Oncology Care

– PRONON (1% Income Tax) Last year, CPFL supported the Boldrini Childrens Center with R\$ 261,000. PRONON aims to capture and channel resources to prevent and fight cancer.

### G4-SO1

### G4-EC8

### National Support Program for the Health Care of People with Disabilities (PRONAS/PCD)

In 2015, CPFL supported the SORRI-BA-URU Specialized Rehabilitation Center to the value of R\$ 261,000.

### G4-SO1

### CPFL Energia Volunteer Program (*Programa Semear*)

Involved the participation of 5% of employees in activities that directly benefited 13 entities. Furthermore, independent actions and emergency campaigns were conducted that benefited about 64,000 people overall through 72 voluntary actions. In 2015 an online platform

was introduced with the challenge of promoting the integration of the management processes of *Programa Semear* and to promote the mobilization of volunteers and the interaction between them. CPFL made available a budget of R\$ 150,000 for the program, as well as the number of working hours assigned for planning activities and participation of volunteers in training sessions - totalling 300 hours. The program reached some important milestones, including the training module applied to the Leadership Track and the launch of the *Semear* social network (V2V – *De Voluntário para Voluntário* – "from volunteer to volunteer").

### G4-SO1



## CPFL INSTITUTO

Formalized in 2015, Instituto CPFL incorporated the traditional cultural programs of CPFL Energia, including *Café Filosófico* CPFL, Cine CPFL and the Contemporary Music program, and expanded its functioning to include activities related to Sport, quality of life and social responsibility.

### G4-S01

In this first year Instituto CPFL has organized major events such as the Campinas leg of the Night Run – Water Stage, continued to support the training project for high performance athletes at Orcampi - and was able to strengthen the commitment to take the best in art and culture in Brazil to a growing audience through the CPFL Art and Culture Circuit.

### G4-S01

Publicity for events, highlighted in the main regional and national media outlets, has been leveraged by a communication strategy using social networks: there are about 6,000 followers on Facebook and 28,000 on Twitter.



Café Filosófico - CPFL Institute | Culture

These numbers help turn Instituto CPFL into a reference for organizing high quality events for the general public and as a center for reflection and organization of contemporary thought, in addition to strengthening the Company's image as one of the main supporters of the arts and culture in Brazil.

#### ONLINE DEBATES:

AUDIENCE OF  
**11,888**  
PEOPLE

#### EVENTS

PARTICIPATION OF  
**10,290**  
PEOPLE

#### CULTURAL AND SPORTS CIRCUITS: MORE THAN

**24,000**  
PEOPLE

EXHIBITION: "TOMIE OHTAKE: CORES GRAVADAS, LINHAS NO ESPAÇO" ("TOMIE OHTAKE: RECORDED COLORS, LINES IN SPACE") AND "LINHA D'ÁGUA" ("WATER LINE") BY THE YACHTSMAN AMYR KLINK:

**4,362** PEOPLE

#### PROGRAMS ON TV CULTURA:

104 PROGRAMS AND  
AN AUDIENCE OF  
**47 million**  
PEOPLE

## SUPPLIER MANAGEMENT



THIRD-PARTY RISK, PERFORMANCE, DEVELOPMENT

### G4-12

CPFL Energia ended 2015 with 3,785 suppliers registered for centralized purchasing (over R\$ 20,000). Of this total, 114 are strategic (representing over 80% of CPFL Group of supplier costs) and 98 are critical (in addition to being strategic, they also represent an operational and/or reputational risk). In its interaction with these partners the company attempts to spread the adoption of sustainable management best practices and share its values in order to create an environment suitable for conducting ethical business and generating shared value. In the actions it develops with its suppliers CPFL Energia assesses quality and efficiency in the delivery of goods and services and aims to encourage its supply chain to adopt socio-environmental responsibility practices such as adhering to occupational safety standards and social responsibility initiatives, respecting environmental and labour laws and committing to contribute to social development.

CPFL considers these 2.5% (98) as critical due to the operational or reputational risks they present. These suppliers are monitored via SBM (Supply Base Management). The criteria used for the monitoring of these suppliers include financial analysis, safety, the environment, technical performance and legal risks. For suppliers not monitored by the SBM, monitoring is conducted following registration maintenance criteria according to the supplier rating. In 2014 the SBM tool was integrated into the SAP. The tool has been improved

in 2015 by bringing it into line with the Risk Management area through calibration of the weighting of the tools items and risk score increases. Based on this model we started to use supplier risks for decision making: contracting, contract renewals, disqualifications, and management of actions with suppliers, contract managers and risk committees.

In 2015 there were no identified cases of suppliers that had caused significant environmental or social impacts.

### G4-EN33 G4-LA15

In the past year CPFL has not identified any cases amongst its suppliers of the rights of employees to freedom of association or collective bargaining being put at risk. This was ascertained after conducting periodic assessment visits in which the social responsibility requirements are analysed, according to the regulations.

### G4-11

**Value Network:** this program seeks to contribute to development of suppliers in relation to corporate sustainability through sharing practices and management tools. In 2015, 81 suppliers participated and five bimonthly meetings were held to address the Value Network objectives for 2015, supplier management, strategies for sustainability, the challenges for the energy sector, plans for outsourcing, the BRR 2015/2016 investment plans, the "Energy in Cities of the Future" project ("A Energia nas Cidades do Futuro"), electric mobility, solar roofs and innovation and overcoming challenges, with a lecture by Amyr Klink.

# 12.

## INFRASTRUCTURE CAPITAL



CPFL's transmission tower

## GENERATION

In 2015, CPFL Energia continued its expansion in the Generation segment, with a 0.1% increase in installed capacity from 3,127 MW to 3,129 MW, considering the 51.6% share in CPFL Renováveis. This increase resulted from the growth of CPFL Renováveis.

### G4-EU1

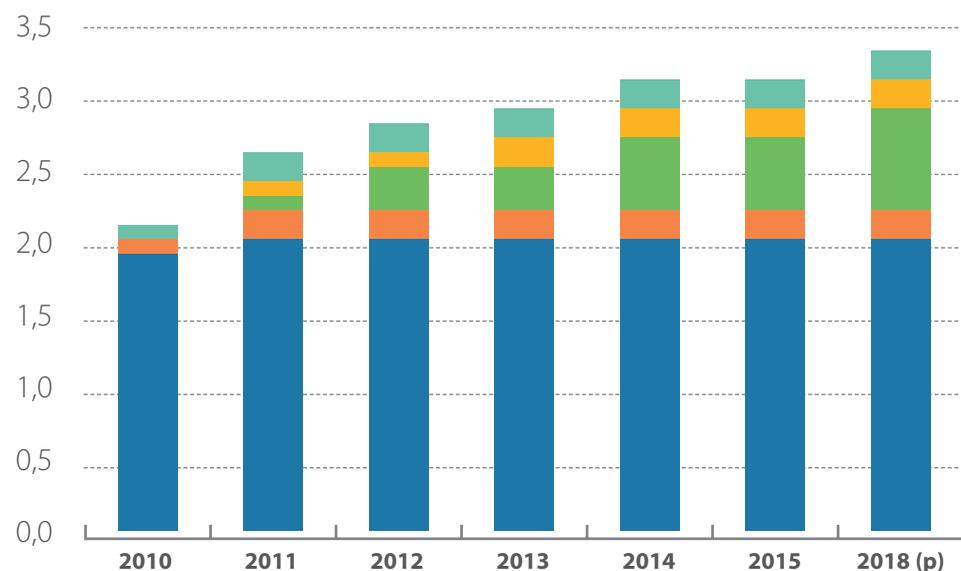
On December 31st 2015, the portfolio of CPFL Renováveis totalled 1,802 MW of installed capacity in operation, comprising 38 small hydroelectric power plants - SHPs (399 MW), 34 wind farms (1,032 MW), 8 thermal biomass plants (370 MW) and 1 solar plant (1 MW). There are currently 11 wind farms (282

MW) and 2 SHPs (51 MW) under construction, with the following schedule for beginning operations: 255 MW in 2016, 51.3 MW in 2018 and 26.5 MW in 2020.

In April 2015 the Morro dos Ventos II wind farm located in the municipality of João Câmara/RN began operations with 29.2 MW of installed capacity, eight months ahead of schedule.

Investments were mainly allocated to the Morro dos Ventos II Wind Farm, a development that began operation in April 2015, and the Campo dos Ventos, São Benedito and Pedra Cheirosa Wind Farms and the Mata Velha SHP, projects still under construction.

## INSTALLED CAPACITY/GW



## DISTRIBUTION

On December 31st 2015 our distribution companies had 7.8 million customers (an increase of 166,000) and our distribution network consisted of 247,422 kilometers of distribution lines (a 6478 km increase in lines) including 369,526 distribution transformers (increase of 15,804 transformers). Our eight distribution subsidiaries had 9,986 high-voltage distribution lines of between 34.5 kV and 138 kV (105 km increase in lines).

### G4-EU4

On this date we had 453 high voltage to medium voltage transformer substations for subsequent distribution (increase of 8 substations), with a total processing capacity of 14,865 (an increase of 294 MVA).

Investments were made in the expansion, maintenance, improvement, automation, modernization and strengthening of the electrical system to meet the growth in the market, in operational infrastructure and in customer services, alongside other areas.

The Group continued its strategy of stimulating the dissemination and sharing of best management practices and operations within the distribution companies, in order to increase operational efficiency and improve the quality of services provided to customers.

### G4-EU6

The following results were achieved by the distributors for the main indicators measuring

quality and reliability of electricity supply. The System Average Interruption Duration Index (SAIDI) measures the average duration (in hours) of interruptions per customer during the year and the System Average Interruption Frequency Index (SAIFI) indicates the average number of interruptions per customer during the year.

The distributors of CPFL Energia ended 2015 with an increase of approximately 20% in the number of inspections carried out to identify irregular or illegal connections. There were more than 300,000 inspections carried out over the last 12 months, resulting in the recovery of 330 GWh of electricity diverted from the CPFL Energia system. By way of comparison, this quantity of energy would be enough to power about 130,000 homes for a month.

## SAIDI AND SAIFI INDICATORS 2015 (ANNUALISED VALUES) G4-EU28 G4-EU29

	CPFL PAULISTA	CPFL PIRATININGA	RGE	CPFL SANTA CRUZ	CPFL LESTE PAULISTA	CPFL JAGUARI	CPFL SUL PAULISTA	CPFL MOCOCA
SAIDI <sup>1</sup>	7.76	7.24	15.98	8.46	6.93	7.04	7.92	11.51
SAIFI <sup>2</sup>	4.89	4.31	8.33	6.34	4.61	5.92	5.67	9.47

(1) measures the average duration in hours of interruptions per consumer in the year

(2) average number of interruptions per customer in the year

Although irregular connections (commercial losses) represent less than 2% of total energy losses from CPFL Energia's distributors the company is working to further lower this index and create a fairer and safer relationship with customers. The CPFL companies are among the major electricity distributors in Brazil with the lowest levels of total losses (technical and commercial losses), according to the Brazilian Association of Electricity Distributors (ABRADEE).

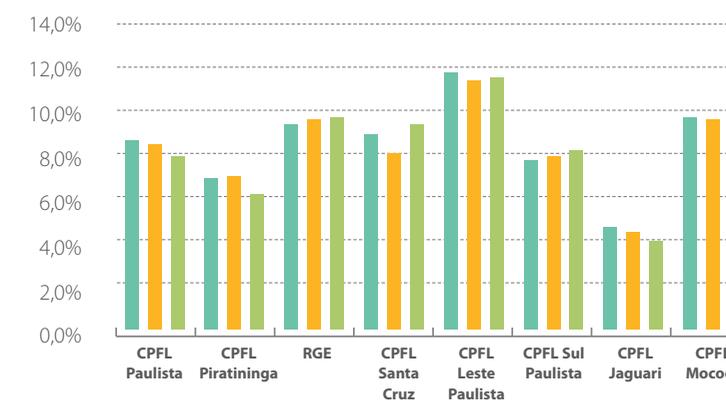
Commercial losses contribute to making electricity bills more expensive for all consumers. The value of stolen energy and cost of identifying and curbing irregularities are taken into consideration by the National Electric Energy Agency (Aneel) to establish how much energy will cost in each concession area.



## BALANCE OF LOSSES G4-EU12

TYPE OF LOSSES	PERFORMANCE	
	%	GWH
Total	8.33	5,154
Technical	6.31	3,904
Non-Technical	2.02	1,251

## EVOLUTION OF OVERALL LOSSES G4-EU12



# 13.

## KNOWLEDGE AND SKILLS CAPITAL

G4- EU8



CPFL Employee

One of the goals of the CPFL Group is the continuous pursuit of innovation in processes, products, services and business models, with the clear objective of maintaining competitiveness and excellence in its service to the market. To continue as a reference in the market as an innovative company we must continually invest in Research and Development (R&D).

Brazilian regulations for the electricity sector require companies operating in distribution, generation and transmission of energy to invest 1% of their net operating revenue annually in research and development and energy efficiency programs. The distributors invested 0.5% of revenue in research and development (R&D) projects and 0.5% in energy efficiency programs. The Generation companies invest 1% of their revenue in R&D.

With these resources it is possible to improve current technology and CPFL's expertise in the already consolidated segments and lead the development of energy sources, with the principal focus being on the Company's operating region. In 2015, CPFL's investments in

Technological and Scientific Research and Development reached approximately R\$ 25.1 million. Of this total, it is worth noting a significant increase of 153% in safety investments.

It is the responsibility of the company's innovation area to establish a culture that stimulates the development of actions and projects of this nature. To achieve this, its work is divided into two fronts of action: management of innovation projects and financial and regulatory management. As a result projects are now classified as structural or operational excellence:

- **Structural:** those long-term projects that prepare CPFL and the electricity sector for the future, including for example the Tanquinho Solar Power Plant, *Mobilidade Elétrica* (Electric Mobility), *A Energia na Cidade do Futuro – Visão 2030* (Energy in the City of the Future - Vision 2030) and *Telhados Solares* (Solar Roofs).

- **Operational Excellence:** related to the day-to-day activities of the company, such as *Trafo Verde* (Green Transformer), Virtual Training and Lightweight Concrete Crosspieces.



Electric Car of CPFL

One of the highlights is the *Mobilidade Elétrica* (Electric Mobility) project, which aims to establish a real Electric Mobility laboratory in the metropolitan region of Campinas to collect real data on the various applications and implications of this technology, permitting study and deepening of knowledge of the impacts of electric vehicles for the sector.

The Study began in 2013 and will receive approximately R\$ 21.2 million in investments by the year of its completion in 2018. The studies undertaken have a global and systemic vision of how the issue is addressed in different parts of the world which allows opportunities to identify the barriers to be overcome in Brazil and achieve the objectives of the project.

Among the topics studied are the impact on the electrical network in the planning for system expansion, use of electric vehicles as a source of distributed generation, regulatory and legal improvements, the life cycle and recycling of batteries, study of tariffs rates and billing, the proposition of a business model for electric mobility in Brazil and other related issues.

Last year new partnerships brought greater robustness to the project and also provided a breakthrough in the study of the business model. Today, users of electric cars have five operating charging points but the goal is to increase this number to 25, including public, private

and semi-public charging points. The charging points will be placed in locations such as shopping centers, service stations and the City Hall.

The research concluded that electric vehicles are an excellent choice for people seeking economy. The data collected by the project shows that the cost of running a conventional combustion vehicle is approximately R\$ 0.31 per kilometer, while the cost for an electric vehicle is R\$ 0.11, just over a third of the cost of a conventional car.

Another conclusion from the first phase is that the expansion of the electric vehicle fleet would have little impact on energy demand. CPFL Energia's Initial projections point out that the use of this technology would increase electricity consumption from the National Interconnected System (SIN) by between 0.6% and 1.6% by 2030 when forecasts indicate that the fleet of electric cars could reach between five and 10.1 million units.

The project currently involves various types of partnerships. The main ones are:

- The entities carrying out the studies: CPQD, Unicamp and Daimon, besides the Portuguese CEiiA.
- The companies using the vehicles: Natura, 3M, Instituto CCR, Unicamp and other partnerships in closing phase.
- Companies with charging stations in their establishments: Rede Graal and Shopping Iguatemi.

#### FUNDS INVESTED IN SCIENTIFIC AND TECHNOLOGICAL RESEARCH AND DEVELOPMENT (R\$)

	2014	2015
Alternative electricity generation sources	7,578,556	4,222,356
The Environment	401,442	777,064
Safety	877,466	2,223,876
Energy efficiency	117,703	0
Planning of Electrical Systems	4,535,237	8,016,378
Operation of Electrical System	5,350,879	2,764,191
Supervision, Control and Protection of Electrical Systems	2,564,430	2,896,023
Quality and Reliability of Electricity Services	1,034,803	1,449,377
Metering, billing and prevention of commercial losses	256,592	116,263
Other	7,691,700	2,678,915

# 14.

## FINANCIAL CAPITAL

G4-EC1



Tanquinho solar power plant - SP



Consumption Meter

Net operating revenue grew 17.1% (R\$ 2.798 billion) - excluding revenue from construction of the concession infrastructure - to reach R\$ 19.159 billion, mainly as a result of: (i) an increase of 21.6% in the Distribution segment (R\$ 2.76 billion), mainly due to the tariff increases applied throughout the year and the increase in sector financial assets; and (ii) an increase of 28.5% in Generation from Renewable Sources (R\$ 280 million) due to new projects beginning operations. This was partially offset by reductions of 20.8% (R\$ 150 million) and 4.9% (R\$ 92 million) observed in the segments of Conventional Generation and Marketing and Services respectively, mainly as a result to the lower prices observed in the short term (spot) market.

**EBITDA.** Operational cash generation, measured by EBITDA, totalled R\$ 3.75 billion, a decrease of 0.3% (R\$ 11 million), mainly reflecting a 25.1% increase in electricity costs and charges (R\$ 22.67 billion) and the variation of 14.7% in operating costs, including spending on private pensions (R\$ 296 million). These effects were offset by the 17.1% growth in net revenue - excluding revenue from construction of the concession infrastructure - which amounted to a total of R\$ 2.8 billion. The variation in sector financial assets (R\$ 1.6 billion), and increase in equity balance (R\$ 157 million) are especially notable.

**NET PROFIT.** In 2015, Net Profit reached R\$ 875 million, down 1.3% (R\$ 11 million), mainly reflecting the increase in depreciation and amortization (R\$ 120 million), particularly as a result of CPFL Renováveis' generation projects beginning operation and the reduction of 0.3% in EBITDA (R\$ 11 mil-

lion). These effects were partially offset by a reduction in net financial expenses (R\$ 75 million) and Income Tax and Social Contribution (R\$ 45 million).

#### EBITDA (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	3,760,903	3,750,012
MANAGERIAL	3,901,084	3,947,766

#### NET REVENUE (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	16,360,945	19,159,200
MANAGERIAL	15,724,038	18,914,808

#### NET PROFIT (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	886,444	875,277
MANAGERIAL	1,161,966	1,124,379

**DEBT.** At the end of 2015 the company's gross financial debt (including derivatives) reached R\$ 19.49 billion, an increase of 5.0%. Cash and cash equivalents totalled R\$ 5.68 billion, an increase of 30.4%. As a result net debt decreased 2.8% to R\$ 13.8 billion.

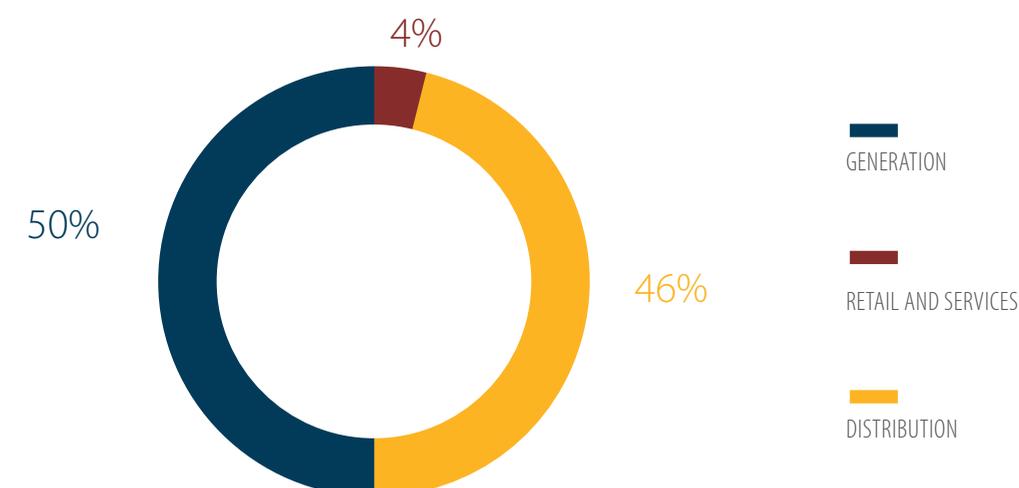
The increase in financial debt is intended to support the Group's business expansion strategy, including financing CPFL Renováveis' Greenfield projects. In addition, CPFL Energia adopts a strategy of pre-funding in anticipation of funding debt due to mature within 18 to 24 months.

The nominal cost of debt increased by approximately 2.4 percentage points to 12.6% per year as a result of the increase in the Selic rate and the relation to the profile of its debt. The average debt maturity is 3.61 years.

For the criterion adopted to ascertain financial covenants for loan agreements with financial institutions, which considers CPFL Energia's participation in each generation project, net debt reached R\$ 12.21 billion at the end of 2015, a decrease of 6.3% compared to the net debt position at the end of 2014, which was of R\$ 13.04 billion.

For the ascertainment of covenants, the effects of CVA - "Variation Compensation Account of Portion A" - are also included in the calculation of adjusted EBITDA and as such adjusted EBITDA for the last 12 months was R\$ 3.58 billion. Therefore, the ratio of adjusted Net Debt to adjusted EBITDA at the end of 2015 was 3.41x.

#### PARTICIPATION OF THE SEGMENTS IN MANAGERIAL EBITDA OF CPFL ENERGIA



## PERFORMANCE OF CPFL ENERGIA'S BUSINESSES

### DISTRIBUTION

There was an increase of 21.6% in Net Revenue in the Distribution segment (R\$ 2.76 billion), mainly as a result of the tariff increases applied throughout the year and an increase in sector financial assets.

In 2015, sales to the captive market totalled 41,730 GWh, a decrease of 3.3% compared to 2014, while energy transported to free customers, billed through the Tariff for Use of the Distribution System (TUSD), fell 5.8% to 15,829 GWh. These reductions are a reflection of the adverse macroeconomic environment, which has resulted in a drop in industrial production, lower sales volume to the retail trade and reductions in real income.

Sales in the concession areas by the distribution segment totalled 57,558 GWh, down 4.0%.

Also of note is the performance of the residential and commercial classes, which together represent 60.4% of total consumption in the concession area of the Group's distributors:

- Residential and commercial classes: falls of 2.0% and 1.0%, respectively. This performance reflects the deterioration in the labour market, with rising unemployment and decreased real income, as well as the increase in electricity tariffs. Lower temperatures and fewer billing days also contributed negatively to the performance of these classes.
- Industrial class: down 6.9%, reflecting the slow-down in economic activity, the falling level of

business confidence in industry, smaller quantities of exports and excessive stockpiles observed in industry in recent months.

Sales from retail and generation (excluding related parties) amounted to 17,033 GWh, representing an increase of 3.7%. This is mainly due to increased sales for the retail company through bilateral contracts. In recent years, CPFL Brasil has been focusing its efforts on the sale of electricity to special customers who purchase energy from alternative sources. The number of free and special customers in the portfolio reached 246 in December 2015.

### SALES IN CONCESSION AREA (GWH)

	2014	2015
Residential	16,501	16,164
Industrial	24,565	22,874
Commercial	10,043	9,945
Others	8,853	8,575
<b>Total</b>	<b>59,962</b>	<b>57,558</b>

### INDICATORS FOR THE DISTRIBUTION SEGMENT

#### EBITDA (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	2,180,272	1,750,485
MANAGERIAL	1,984,873	1,830,297

#### NET REVENUES (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	12,787,990	15,550,533
MANAGERIAL	12,010,838	15,580,533

#### NET INCOME (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	947,958	709,355
MANAGERIAL	866,748	762,031



Electricians of CPFL

### ANNUAL TARIFF ADJUSTMENTS (RTA) 2015

The tariffs of the CPFL Group distributors were re-adjusted in 2015 in accordance with ANEEL's resolutions, as follows:

#### ANNUAL TARIFF ADJUSTMENTS (RTA)/PERIODIC TARIFF REVIEW (RTP)

	CPFL PIRATININGA (RTP)	RGE (RTA)	CPFL PAULISTA (RTA)	CPFL MOCOCA (RTA)	CPFL SUL PAULISTA (RTA)	CPFL JAGUARI (RTA)	CPFLLESTE PAULISTA (RTA)	CPFL SANTA CRUZ (RTA)
Ratifying Resolution	1,972	1,896	1,871	1,849	1,851	1,853	1,852	1,850
Economic IRT*	40.1%	25.0%	37.3%	28.9%	30.2%	40.1%	28.8%	22.0%
Financial componentes	16.2%	8.5%	4.1%	-5.6%	-5.4%	-1.6%	-8.0%	12.7%
Total IRT*	56.3%	33.5%	41.5%	23.3%	24.9%	38.5%	20.8%	34.7%
Average effect	21.1%	-3.8%	4.7%	29, 2%	28.4%	45.7%	24.9%	28.0%

\* IRT: Tariff Adjustment Index

### EXTRAORDINARY TARIFF REVIEW (RTE) 2015

Through its Resolutions ANEEL approved Extraordinary Tariff Reviews - RTE for electricity distributors who had requested the reviews, including the distributors of the CPFL Group. This RTE was necessary to restore the economic and financial balance of these utilities concessionaires as a result of the following factors: (i) increase in the exchange rate and the tariff rate to R\$ 2.80/US\$ adopted in the energy purchase contracts for the Itaipu Power Plant in 2015; (ii) increase in energy purchase costs at the 2015 Adjustment Auction and the 2014 Existing Energy Auction; (iii) significant

increase in the CDE quota in 2015; and (iv) recalculation of the research and development charge (R&D). For the distributors CPFL Santa Cruz, CPFL Jaguar, CPFL Mococa, CPFL Leste Paulista and CPFL Sul Paulista the RTE was necessary to reflect the new 2015 CDE quota, adjust the exchange rate for payment of energy purchased from the Itaipu Power Plant and exclude the financial component predicted for exposure/overcontracting. The remaining items had already been included in the Annual Tariff Adjustment - RTA on February 3rd.

#### EXTRAORDINARY TARIFF REVIEW (RTE)

	CPFL PIRATININGA	RGE	CPFL PAULISTA	CPFL MOCOCA	CPFL SUL PAULISTA	CPFL JAGUARI	CPFLLESTE PAULISTA	CPFL SANTA CRUZ
Energy	3.3%	17.1%	7.7%	1.2%	0.8%	2.6%	1.7%	-4.1%
Charges	26.0%	18.4%	24.0%	15.0%	20.5%	20.2%	17.4%	13.2%
Average effect on Consumer	29.8%	37.2%	32.3%	16.6%	22.0%	23.0%	19.5%	10.0%

### GENERATION

In 2015, net operating revenue from the Conventional Generation segment was R\$ 984 million, a decrease of 17.4% (R\$ 207 million) from R\$ 1.19 billion in 2014, mainly due to a reduction of 13.2% in short-term sales (aggregate effect of a reduction of 13.0% in quantity of energy sold and 90.8% in the average sale price). Meanwhile, Generation from Renewable Sources saw net operating revenues increase by 15.8% (R\$ 218 million) over the same period, totaling R\$ 1.6 billion. This is mainly attributable to an 11.7% increase in revenues from energy sold to licensees and utilities concessionaires (R\$ 162 million) and an increase in Other Revenue (R\$ 32 million) due to the recognition of loss of earnings from CPFL Bio Pedra, CPFL Coopcana and CPFL Alvorada.

### INDICATORS FOR THE GENERATION SEGMENT

#### EBITDA (IN THOUSANDS OF REAIS)

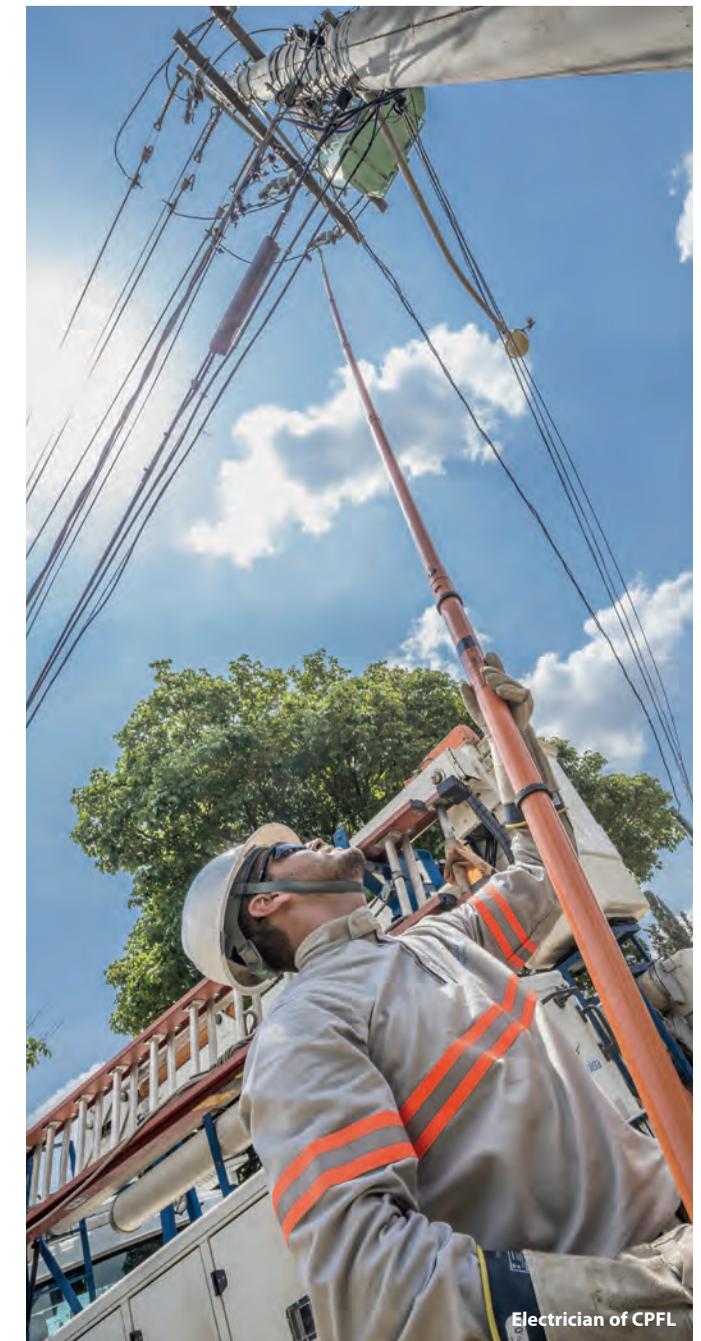
	2014	2015
IFRS	1,343,058	1,894,078
MANAGERIAL	1,679,762	1,971,212

#### NET REVENUE (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	2,436,766	2,481,682
MANAGERIAL	3,163,812	2,780,016

#### NET PROFIT (IN THOUSANDS OF REAIS)

	2014	2015
IFRS	(48,233)	254,144
MANAGERIAL	309,274	423,007



Electrician of CPFL



Energy Commercialization Desk of CPFL Brasil

## RETAIL AND SERVICES

### RETAIL

Compared to the year ending December 31st 2014, net operating revenues from the Energy Retail segment decreased 17.4% (R\$ 380 million) to R\$ 1.8 billion in 2015. This decrease was due to a 77.5% (R\$ 547 million) fall in revenue from sales through the CCEE, as well as a fall of 6.6% (R\$ 54 million) in revenue from sales to other utilities concessionaires and licensees. These reductions were partially offset by an increase of 22.2% (R\$ 193 million) in revenue from free industrial customers.

### SERVICES

Compared with the previous year, net operating revenue from the Services segment fell 14.5% (R\$ 50 million) to R\$ 295 million in 2015. This is mainly attributable to a reduction of R\$ 68 million in revenue from construction contracts, driven by the reclassification of two transmission assets as other activities in 2015. In addition, rental revenue showed a fall of 80.6% (R\$ 10 million) but was offset by a 7.0% increase (R\$ 20 million) in the sale of goods and services.

### DISTRIBUTION OF DIVIDENDS

The **Company Bylaws** foresee the distribution in dividends of at least 25% of adjusted net income to its shareholders, as provided for in law. The proposed allocation of net income is shown in the following table:

	THOUSANDS OF REAIS
<b>Net income for the year – Individual</b>	864,940
Realization of comprehensive income	26,119
Prescribed dividends	5,597
<b>Basic net income for distribution</b>	896,656
Legal reserve	(43,247)
Statutory reserve - financial assets of the concession	(255,013)
Statutory reserve - working capital increase	(392,972)
<b>Minimum mandatory dividend</b>	(205,423)

### MINIMUM MANDATORY DIVIDEND (25%)

The Administration is proposing the distribution of R\$ 205 million in dividends to holders of common shares traded on the BM&FBovespa - Securities, Commodities and Futures Exchange (BM&FBOVESPA). The proposed amount corresponds to R\$ 0.206868475 per share for the year 2015.

### STATUTORY RESERVE - WORKING CAPITAL INCREASE

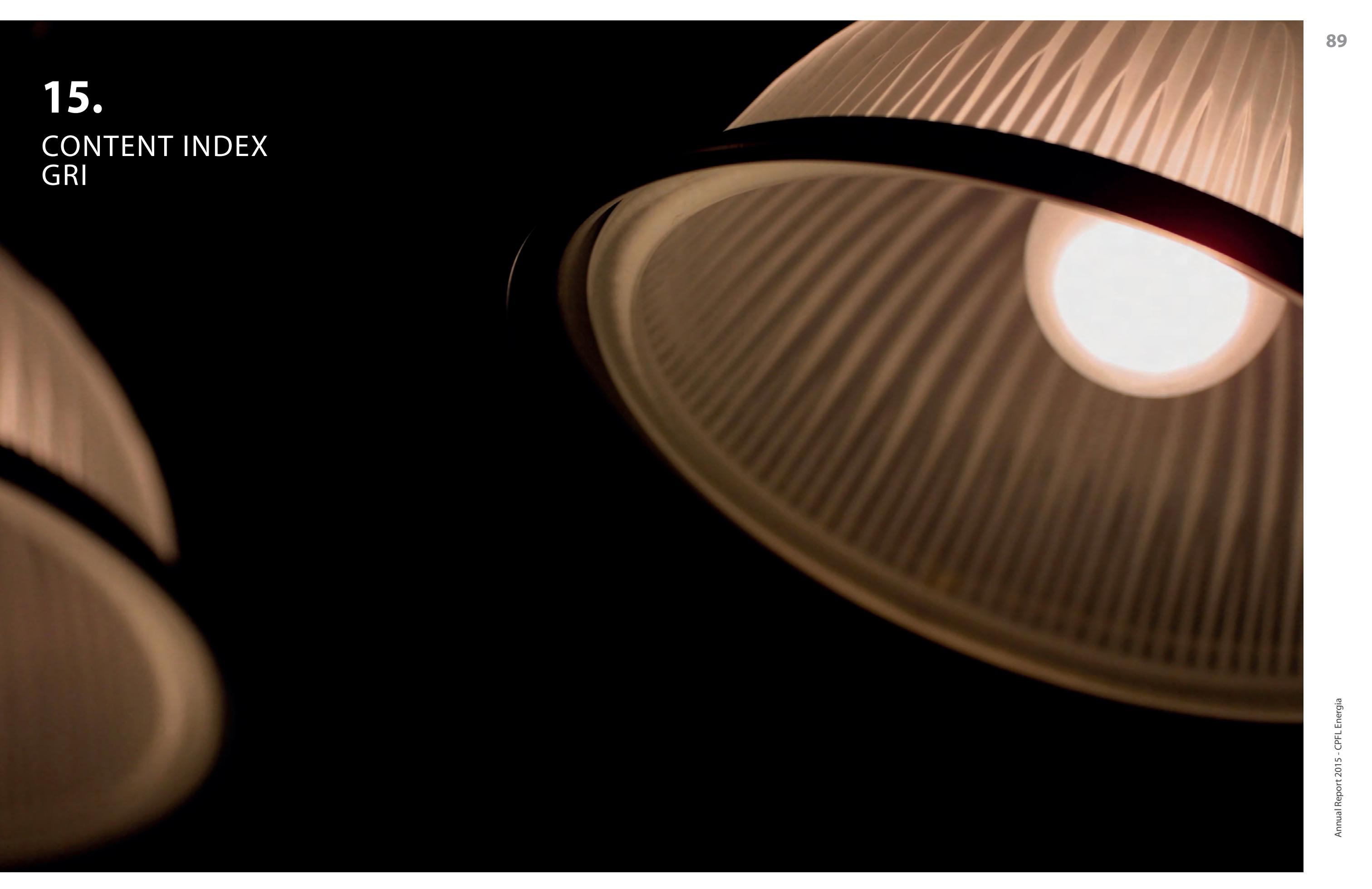
For this financial year, considering the current adverse economic situation and the uncertainty surrounding projections for distribution due to energy efficiency campaigns and the extraordinary tariff increases during 2015, the Company's Administration is proposing the allocation of R\$ 393 million to the statutory reserve - working capital increase.

### SHARE BONUSES FOR SHAREHOLDERS

To strengthen the Company's capital structure, the Executive Board, at its meeting on March 7th 2016, recommended to the Board of Directors to propose to the General Meeting the capitalization of the balance of the statutory reserve - working capital increase, with the issue of new shares, in favour of shareholders. This proposal will be submitted for the approval to the Extraordinary General Meeting convened for 29 April 2016.

# 15.

## CONTENT INDEX GRI



ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE																																																																								
<b>STRATEGY AND ANALYSIS</b>																																																																													
G4-1	Message from the President.		Yes	7, 11 and 10																																																																									
G4-2	Description of key impacts, risks and opportunities.			7 and 12																																																																									
<b>ORGANIZATIONAL PROFILE</b>																																																																													
G4-3	Name of the Organization.			18																																																																									
G4-4	Primary brands, products and/or services.		Yes	23																																																																									
G4-5	Location of Organization's headquarters.			18																																																																									
G4-6	Countries in which the organization operates and where its main operations are located.			18																																																																									
G4-7	Nature of ownership and legal form.			18																																																																									
G4-8	Markets served.			18																																																																									
G4-9	Scale of the organization.			18																																																																									
G4-10	Total workforce by employment type, employment contract and region.			54	<table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr><td>AGE GROUP: UNDER 30 YEARS - MEN</td><td>0</td><td>2213</td></tr> <tr><td>AGE GROUP: UNDER 30 YEARS - WOMEN</td><td>0</td><td>956</td></tr> <tr><td>AGE GROUP: 30 TO 50 YEARS - MEN</td><td>0</td><td>4216</td></tr> <tr><td>AGE GROUP: 30 TO 50 YEARS - WOMEN</td><td>0</td><td>1006</td></tr> <tr><td>AGE GROUP: 50 YEARS OR OLDER - MEN</td><td>0</td><td>1030</td></tr> <tr><td>AGE GROUP: 50 YEARS OR OLDER - WOMEN</td><td>0</td><td>163</td></tr> <tr><td>FUNCIONAL CATEGORY EXECUTIVOS - MEN</td><td>0</td><td>18</td></tr> <tr><td>FUNCIONAL CATEGORY EXECUTIVOS - WOMEN</td><td>0</td><td>1</td></tr> <tr><td>NORTHEAST REGION- WOMEN</td><td>0</td><td>7</td></tr> <tr><td>NORTHEAST REGION - MEN</td><td>0</td><td>109</td></tr> <tr><td>MID-WEST REGION - WOMEN</td><td>0</td><td>2</td></tr> <tr><td>MID-WEST REGION - MEN</td><td>0</td><td>1</td></tr> <tr><td>SOUTHEAST REGION - WOMEN</td><td>0</td><td>1837</td></tr> <tr><td>SOUTHEAST REGION - MEN</td><td>0</td><td>5943</td></tr> <tr><td>SOUTH REGION - WOMEN</td><td>0</td><td>279</td></tr> <tr><td>SOUTH REGION - MEN</td><td>0</td><td>1406</td></tr> <tr><td>EMPLOYMENT TYPE: PART-TIME - WOMEN</td><td>0</td><td>42</td></tr> <tr><td>EMPLOYMENT TYPE: PART-TIME - MEN</td><td>0</td><td>32</td></tr> <tr><td>EMPLOYMENT TYPE: FULL-TIME - WOMEN</td><td>1911</td><td>2083</td></tr> <tr><td>EMPLOYMENT TYPE: FULL-TIME - MEN</td><td>6710</td><td>7427</td></tr> <tr><td>EMPLOYMENT CONTRACT: INDEFINITE OR PERMANENT - WOMEN</td><td>2019</td><td>2121</td></tr> <tr><td>EMPLOYMENT CONTRACT: INDEFINITE OR PERMANENT - MEN</td><td>6748</td><td>7459</td></tr> <tr><td>EMPLOYMENT CONTRACT : FIXED-TERM OR TEMPORARY - WOMEN</td><td>34</td><td>4</td></tr> </tbody> </table>		2014	2015	AGE GROUP: UNDER 30 YEARS - MEN	0	2213	AGE GROUP: UNDER 30 YEARS - WOMEN	0	956	AGE GROUP: 30 TO 50 YEARS - MEN	0	4216	AGE GROUP: 30 TO 50 YEARS - WOMEN	0	1006	AGE GROUP: 50 YEARS OR OLDER - MEN	0	1030	AGE GROUP: 50 YEARS OR OLDER - WOMEN	0	163	FUNCIONAL CATEGORY EXECUTIVOS - MEN	0	18	FUNCIONAL CATEGORY EXECUTIVOS - WOMEN	0	1	NORTHEAST REGION- WOMEN	0	7	NORTHEAST REGION - MEN	0	109	MID-WEST REGION - WOMEN	0	2	MID-WEST REGION - MEN	0	1	SOUTHEAST REGION - WOMEN	0	1837	SOUTHEAST REGION - MEN	0	5943	SOUTH REGION - WOMEN	0	279	SOUTH REGION - MEN	0	1406	EMPLOYMENT TYPE: PART-TIME - WOMEN	0	42	EMPLOYMENT TYPE: PART-TIME - MEN	0	32	EMPLOYMENT TYPE: FULL-TIME - WOMEN	1911	2083	EMPLOYMENT TYPE: FULL-TIME - MEN	6710	7427	EMPLOYMENT CONTRACT: INDEFINITE OR PERMANENT - WOMEN	2019	2121	EMPLOYMENT CONTRACT: INDEFINITE OR PERMANENT - MEN	6748	7459	EMPLOYMENT CONTRACT : FIXED-TERM OR TEMPORARY - WOMEN	34	4
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G4-11	Percentage of employees covered by collective bargaining agreements.			69	All of the Group's employees are covered by collective bargaining agreements, excluding the CEO, Executive Directors, Employers and Statutory Directors.																																																																								

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<b>ORGANIZATIONAL PROFILE</b>																																									
G4-12	Describe the organization's supply chain.		Yes	69																																					
G4-13	Significant changes during the reporting period.			9	There were no significant changes.																																				
<b>COMMITMENTS TO EXTERNAL INITIATIVES</b>																																									
G4-14	Explanation of whether and how the organization applies the precautionary principle.			32																																					
G4-15	Charters, principles or other externally developed initiatives.		Yes	22																																					
G4-16	Participation in associations and/or national/international organizations.			5																																					
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>																																									
G4-17	Entities included in the consolidated financial statements and entities not covered by the report		Yes	23																																					
G4-18	Process for definition of report content.				The Report contents are based on the material Aspects of the CPFL Sustainability Platform, as well as the issues identified as relevant by stakeholders consulted for the 2013-2014 cycle.																																				
G4-19	List of material Aspects.			36																																					
G4-20	Materiality and limits of each aspect within the organization.				<table border="1"> <thead> <tr> <th>Aspect</th> <th>Impact within CPFL Energia</th> <th>Impact outside CPFL Energia</th> </tr> </thead> <tbody> <tr> <td>HEALTH AND SAFETY (MATERIAL)</td> <td>All business</td> <td>Employees, communities and customers</td> </tr> <tr> <td>PERSONNEL MANAGEMENT (MATERIAL)</td> <td>All business</td> <td>Employees and third parties</td> </tr> <tr> <td>SUPPLIER DEVELOPMENT (MATERIAL)</td> <td>All business</td> <td>Customers and society</td> </tr> <tr> <td>REVERSE LOGISTICS (MATERIAL)</td> <td>Distribution</td> <td>Society</td> </tr> <tr> <td>MANAGEMENT OF COMMUNITY RELATIONS (MATERIAL)</td> <td>All business</td> <td>Customers and communities</td> </tr> <tr> <td>CLIMATE CHANGE (MATERIAL)</td> <td>All business</td> <td>All stakeholders</td> </tr> <tr> <td>COMPLIANCE (RELEVANT TO STAKEHOLDERS)</td> <td>All business</td> <td>All stakeholders</td> </tr> <tr> <td>CORRUPTION (RELEVANT TO STAKEHOLDERS)</td> <td>All business</td> <td>Communities, employees, government</td> </tr> <tr> <td>RELIABILITY OF ENERGY (RELEVANT TO STAKEHOLDERS)</td> <td>All business</td> <td>Customers and society</td> </tr> <tr> <td>BIODIVERSITY (RELEVANT TO STAKEHOLDERS)</td> <td>Generation and Distribution</td> <td>Society</td> </tr> <tr> <td>WATER (RELEVANT TO STAKEHOLDERS)</td> <td>Generation</td> <td>All stakeholders</td> </tr> </tbody> </table>	Aspect	Impact within CPFL Energia	Impact outside CPFL Energia	HEALTH AND SAFETY (MATERIAL)	All business	Employees, communities and customers	PERSONNEL MANAGEMENT (MATERIAL)	All business	Employees and third parties	SUPPLIER DEVELOPMENT (MATERIAL)	All business	Customers and society	REVERSE LOGISTICS (MATERIAL)	Distribution	Society	MANAGEMENT OF COMMUNITY RELATIONS (MATERIAL)	All business	Customers and communities	CLIMATE CHANGE (MATERIAL)	All business	All stakeholders	COMPLIANCE (RELEVANT TO STAKEHOLDERS)	All business	All stakeholders	CORRUPTION (RELEVANT TO STAKEHOLDERS)	All business	Communities, employees, government	RELIABILITY OF ENERGY (RELEVANT TO STAKEHOLDERS)	All business	Customers and society	BIODIVERSITY (RELEVANT TO STAKEHOLDERS)	Generation and Distribution	Society	WATER (RELEVANT TO STAKEHOLDERS)	Generation	All stakeholders
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G4-21	Materiality and boundaries of each Aspect outside the organization.			14	See indicator G4-20.																																				
G4-22	Restatements of information provided in previous reports.			5																																					
G4-23	Significant changes in Scope.			5																																					

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE
<b>STAKEHOLDER ENGAGEMENT</b>					
G4-24	List of stakeholder groups engaged by the organization.				Description of the process performed for the 2013-2014 cycle appears in the CPFL Energia Annual Report 2014, pages 30-35.
G4-25	Basis for identification and selection of stakeholders with whom to engage.				Description of the process performed for the 2013-2014 cycle appears in the CPFL Energia Annual Report 2014, pages 30-35.
G4-26	Approach to stakeholder engagement.			62	Description of the process performed for the 2013-2014 cycle appears in the CPFL Energia Annual Report 2014, pages 30-35.
G4-27	Key topics and concerns raised through stakeholder engagement.			62	Description of the process performed for the 2013-2014 cycle appears in the CPFL Energia Annual Report 2014, pages 30-35.
<b>REPORT PROFILE</b>					
G4-28	Reporting period for information provided.		Yes	5	
G4-29	Date of most recent previous report.			5	
G4-30	Reporting cycle.		Yes	5	
G4-31	Point of contact in case of questions regarding the report or its contents.			5	
G4-32	Table identifying the location of information in the report.			5	
G4-33	Policy and current practice with regard to seeking external assurance for the report.			5	
<b>GOVERNANCE</b>					
G4-34	Governance structure of the organization, including committees of the highest governance body.		Yes	20	
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.			25	
G4-36	Report 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.		Yes	25 and 28	
G4-37	Report consultation processes between the stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.			36	
G4-38	Independent or non-executive members of the highest governance body.		Yes	25, 27 and 28	
G4-39	Chair of the highest governance body.			24	
<b>MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS</b>					
G4-40	Qualifications of the members of the highest governance body.		Yes	25 and 27	
G4-41	Processes to ensure that conflicts of interest are avoided.				It is a duty of the board of directors to prevent and manage situations of conflict of interests or differences of opinion to ensure that the interests of the company and its subsidiaries and affiliate companies always take precedence over any other interests. The member of an advisory committee to the Board of Directors who has actual or potential conflict of interests concerning a particular matter will withdraw from the room and not participate in the meeting during the period in which the matter is being considered but may be asked to provide information. Any Board Member who has actual or potential conflict of interest or who is linked to a Related party whose main activities imply the existence, actual or potential, of conflict of interests with a particular matter to be examined by the Board should abstain from participating in the part of the meeting in which this matter is analyzed. More information is available at <a href="http://www.cpfl.com.br">www.cpfl.com.br</a>

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE
<b>MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS</b>					
<b>G4-42</b>	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.				The Executive Board is responsible for approving and updating CPFL's strategic directives (Vision, Mission and Principles) and the definition of political strategies and targets as well as the definition of strategies, policies and targets related to the organization's economic, environmental and social impacts. The Management Processes Committee of the Board of Directors is responsible for monitoring initiatives related to the sustainability of the company and its subsidiaries.
<b>G4-43</b>	Report the measures taken to develop and improve the highest governance body's collective knowledge of economic, environmental and social topics.				The company provides the Board Members with Certification from the Brazilian Institute of Corporate Governance (IBGC) to encourage continued and permanently updated education, as well as encourage their participation in events related to governance issues or related to the businesses in which it is involved.
<b>G4-44</b>	Processes for self-evaluation of the highest governance body.			25	
<b>G4-45</b>	Responsibilities for implementation of economic, environmental and social policies.	Yes		24, 28 and 32	
<b>G4-46</b>	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics..	Yes		24 and 32	
<b>G4-47</b>	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Yes		24 and 25	
<b>G4-49</b>	Report the process to communicate critical concerns to the highest governance body.	Yes			In order to foster the participation of shareholders in the company's relevant decisions, CPFL Energia prepares the Manual for Participation in the General Shareholders' Meetings which clearly and objectively presents the themes on the agenda for the Meeting and makes it possible to freely indicate professionals to be constituted by proxy as shareholder representatives in the Assemblies.
<b>G4-50</b>	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them..			30	
<b>G4-51</b>	Relation between remuneration and the organization's performance (including social and environmental).			28	
<b>G4-52</b>	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.			28	
<b>ETHICS AND INTEGRITY</b>					
<b>G4-56</b>	Statements of mission and values, codes of conduct and relevant principles				Available online: <a href="http://www.cpfl.com.br/institucional/quem-somos/visao-missao-principios/Paginas/default.aspx">http://www.cpfl.com.br/institucional/quem-somos/visao-missao-principios/Paginas/default.aspx</a> <a href="http://www.cpfl.com.br/institucional/etica-na-rede/o-codigo-de-etica/Paginas/default.aspx">http://www.cpfl.com.br/institucional/etica-na-rede/o-codigo-de-etica/Paginas/default.aspx</a>
<b>G4-57</b>	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice line.	Yes		29 and 30	
<b>G4-58</b>	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Yes		29 and 30	

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE																					
<b>ECONOMIC PERFORMANCE</b>																										
<b>G4-EC1</b>	Direct economic value generated and distributed.			42	<table border="1"> <thead> <tr> <th colspan="3">Distribution of added value (DVA)</th> </tr> <tr> <th></th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>GOVERNMENT</td> <td>74.3%</td> <td>57.5%</td> </tr> <tr> <td>EMPLOYEES</td> <td>5.2%</td> <td>9.3%</td> </tr> <tr> <td>SHAREHOLDERS</td> <td>1.0%</td> <td>8.7%</td> </tr> <tr> <td>THIRD PARTIES</td> <td>15.4%</td> <td>23.1%</td> </tr> <tr> <td>RETAINED</td> <td>4.1%</td> <td>1.4%</td> </tr> </tbody> </table>	Distribution of added value (DVA)				2014	2015	GOVERNMENT	74.3%	57.5%	EMPLOYEES	5.2%	9.3%	SHAREHOLDERS	1.0%	8.7%	THIRD PARTIES	15.4%	23.1%	RETAINED	4.1%	1.4%
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RETAINED	4.1%	1.4%																								
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organization's activities due to climate change.		Yes	42																						
<b>INDIRECT ECONOMIC IMPACTS</b>																										
<b>G4-EC8</b>	Description of significant indirect economic impacts.			66 and 67																						
<b>ENERGY</b>																										
<b>G4-EN3</b>	Power consumption within the organization.				<table border="1"> <caption>ENERGY (MWh)</caption> <thead> <tr> <th>Year</th> <th>Energy (MWh)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>34774</td> </tr> <tr> <td>2015</td> <td>35255</td> </tr> </tbody> </table>	Year	Energy (MWh)	2014	34774	2015	35255															
Year	Energy (MWh)																									
2014	34774																									
2015	35255																									
<b>G4-EN6</b>	Reduction of energy consumption.	7, 8			Energy consumption increased by 481 MWh in 2015.																					
<b>G4-EN7</b>	Reductions in energy requirements of products and services.			64																						
<b>WATER</b>																										
<b>G4-EN8</b>	Total water withdrawal by source.		Yes		<p>To promote eco-efficiency actions at its facilities CPFL runs the <i>Consumo Inteligente</i> (Smart Consumption) program, with initiatives to raise the awareness of employees at the headquarters and regional offices with the aim of reducing water and energy consumption. The consumption targets considered for 2015 included 140.058 cubic meters of water and 38.654 MWh of energy.</p> <p>Actions in progress:</p> <ol style="list-style-type: none"> <li>1. Energy Diagnostics conducted at the Headquarters, Regional Offices and EAs aiming to identify project opportunities with focus on replacing equipment;</li> <li>2. Modernization project for the Air-conditioning system at the Campinas headquarters;</li> <li>3. Creation of exclusive Primer for the <i>Consumo Inteligente</i> Program;</li> <li>4. Encouraging the participation Floor Administrators.</li> </ol>																					
<b>G4-EN10</b>	Percentage and total volume of water recycled and reused.	8			<table border="1"> <caption>PERFORMANCE</caption> <thead> <tr> <th>Year</th> <th>Performance (thousands of cubic meters)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>126</td> </tr> <tr> <td>2015</td> <td>151</td> </tr> </tbody> </table> <p>Data in thousands of cubic meters</p>	Year	Performance (thousands of cubic meters)	2014	126	2015	151															
					Year	Performance (thousands of cubic meters)																				
2014	126																									
2015	151																									
					In the case of power plants that have significant water use (biomass plants of CPFL Renováveis), the resource passes through a closed loop for cooling processes.																					

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BIODIVERSITY					
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			48	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Yes	48 to 50	

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE						
					HPP Barra Grande	HPP Campos Novos	HPP Foz do Chapecó	HPP Monte Claro	HPP 14 de Julho	HPP Castro Alves	
G4-EN13	Habitats protected or restored.	7, 8		48, 49 and 51	TOTAL PLOT AREA (KM <sup>2</sup> )	125.8	50.5	95.7	4.49	7.97	10.21
					FLOODED AREA (KM <sup>2</sup> )	82.6	25.6	46	0.69	2.77	3.05
					AREA WITH PRIMARY VEGETATION (KM <sup>2</sup> )	20.8	-	-	-	-	-
					AREA WITH SECONDARY VEGETATION IN MEDIUM AND ADVANCED STAGES OF REGENERATION (KM <sup>2</sup> )	45.7	9.9	14.6	3.76	5.17	7.1
					PERMANENT PRESERVATION AREA (KM <sup>2</sup> )	42.4	20.7	44.6	3.02	4.31	6.87
					INSTALLED POWER/FLOODED AREA (MW / KM <sup>2</sup> )	8,35	34.38	18.58	189.5	36.15	42.61

EPASA has a reforestation program in the area surrounding the power plant (degraded area recovery). The Epasa area covers a total 79.24 hectares, subdivided into an Internal area of 29.13 hectares (36.74% of the total) and External area of 50.11 hectares (63.25% of total), and separated by a masonry wall. Five reforestation nuclei of one hectare each were implanted in the inner area, which is maintained by a specialized contractor. Native vegetation in the growth stage predominates in this area. In the external area the characteristic vegetation consists of grasses and sedges, until recently used for grazing animals. The herbaceous layer is punctuated by isolated trees of common native species and a variety of exotic plants. Close to the project there is a forest reserve of approximately 80 hectares containing remnants of the original vegetation of the region with plant composition of shrub and subshrub layers, complemented by a sparse herbaceous layer.

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE																												
<b>EMISSIONS</b>																																	
<b>G4-EN15</b>	Total direct greenhouse gas (GHG) emissions (Scope 1) by weight.			44																													
<b>G4-EN16</b>	Energy indirect greenhouse gases (GHG) emissions (Scope 2) by weight.			44																													
<b>G4-EN17</b>	Other relevant indirect greenhouse gas (GHG) emissions (Scope 3) by weight.			44																													
<b>G4-EN18</b>	Intensity of greenhouse gas emissions.	7, 8			48.3 tCO2e/GWh considering corporate interest and 5.50 tCO2e/GWh considering operational control.																												
<b>G4-EN19</b>	Reduction of greenhouse gas (GHGs) emissions.	7, 8		44																													
<b>G4-EN21</b>	NOx, SOx and other significant air emissions by type and weight.				<p>In 2015, mobile sources at CPFL Energia produced estimated total emission of 47.85 tons of NOx gas for operational control and 53.21 tons in the corporate interest.</p> <p>Emissions from diesel consumption by mobile sources at CPFL Energia resulted in an estimated total of 13.10 tons of SOx gas following the operational control approach and 14.31 tons by the corporate interest approach.</p> <p>NOx emissions from consumption of fossil fuels for power generation in thermal power plants were 2,569.94 tons following the operational control approach and 3296.64 tons following the corporate interest approach.</p> <p>Estimates SOx emissions were 1.02 tons by operational control and 4580.91 tons by corporate interest.</p>																												
<b>EFFLUENTS AND WASTE</b>																																	
<b>G4-EN23</b>	Total weight of waste by type and disposal method.			47																													
<b>G4-EN24</b>	Total number and volume of significant spills.				<table border="1"> <thead> <tr> <th>Unit</th> <th>Local</th> <th>Volume (L)</th> <th>Material</th> </tr> </thead> <tbody> <tr> <td>SE PAINEIRAS</td> <td>Campinas, sp</td> <td>150</td> <td></td> </tr> <tr> <td>SE OVA APARECIDA</td> <td>Sumaré, SP</td> <td>80</td> <td></td> </tr> <tr> <td>SE IPÊ</td> <td>Americana, SP</td> <td>60</td> <td>Oil</td> </tr> <tr> <td>CPFL SERVIÇOS</td> <td>Rodovia SP 207, Km 25 São José do Rio Pardo, SP</td> <td>300</td> <td></td> </tr> <tr> <td>PIRACICABA</td> <td>Piracicaba</td> <td>80</td> <td></td> </tr> <tr> <td>SE COLONIAL</td> <td>Itatiba</td> <td>763</td> <td>Oil mixed with water</td> </tr> </tbody> </table> <p>There were eight events of larger proportions, in six of which a company specializing in emergencies was called in. In two event (EA Itapira and Taquara), the company's own team resolved the issue.</p>	Unit	Local	Volume (L)	Material	SE PAINEIRAS	Campinas, sp	150		SE OVA APARECIDA	Sumaré, SP	80		SE IPÊ	Americana, SP	60	Oil	CPFL SERVIÇOS	Rodovia SP 207, Km 25 São José do Rio Pardo, SP	300		PIRACICABA	Piracicaba	80		SE COLONIAL	Itatiba	763	Oil mixed with water
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SE COLONIAL	Itatiba	763	Oil mixed with water																														
<b>PRODUCTS AND SERVICES</b>																																	
<b>G4-EN27</b>	Extent of mitigation of environmental impacts of products and services.	7	Yes	46, 48, 50 and 64																													
<b>CONFORMITY</b>																																	
<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		Yes	42																													
<b>GENERAL</b>																																	
<b>G4-EN31</b>	Total environmental protection expenditures and investments by type.			42																													

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE
	ENVIRONMENTAL ASSESSMENT OF SUPPLIERS				
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	7	Yes	69	

EMPLOYMENT

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	New employees and the turnover rate of employees.	
					2015	
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender and region.			54 and 55	TURNOVER (%) - BY AGE GROUP: FROM 30 TO 50 YEARS – MEN	12.6
					TURNOVER (%) - BY AGE GROUP: FROM 30 TO 50 YEARS – WOMEN	17.42
					TURNOVER (%) - BY AGE GROUP: 50 YEARS OR OLDER – MEN	9.28
					TURNOVER (%) - BY AGE GROUP: UNDER 30 YEARS - WOMEN	38.28
					TURNOVER (%) - BY AGE GROUP: UNDER 30 YEARS - MEN	32.68
					TURNOVER (%) - WOMEN	26.55
					TURNOVER (%) - MEN	18.01
					OVERALL TURNOVER (%)	19.9
					NEW HIRES - NORTH REGION - WOMEN	0
					NEW HIRES - NORTH REGION - MEN	0
					NEW HIRES - NORTHEAST REGION - WOMEN	3
					NEW HIRES - NORTHEAST REGION - MEN	39
					NEW HIRES – CENTER-WEST REGION - WOMEN	0
					NEW HIRES – CENTER-WEST REGION - MEN	0
					NEW HIRES - SOUTHEAST REGION - WOMEN	508
					NEW HIRES - SOUTHEAST REGION - MEN	1299
					NEW HIRES - SOUTH REGION - WOMEN	97
					NEW HIRES - SOUTH REGION - MEN	275
					NEW HIRES - BY AGE GROUP: 50 YEARS OR OLDER - WOMEN	15
					NEW HIRES - BY AGE GROUP: 50 YEARS OR OLDER - MEN	34
					NEW HIRES - BY AGE GROUP: FROM 30 TO 50 YEARS - WOMEN	173
					NEW HIRES - BY AGE GROUP: FROM 30 TO 50 YEARS – MEN	606
					NEW HIRES - BY AGE GROUP: UNDER 30 YEARS - WOMEN	420
					NEW HIRES - BY AGE GROUP: UNDER 30 YEARS - MEN	80
					NEW HIRES - WOMEN	60
					NEW HIRES - MEN	300
					TOTAL NEW HIRES	300
					TURNOVER (%) - BY AGE GROUP: 50 YEARS OR OLDER – WOMEN	60
					TURNOVER (%) - SOUTH REGION – MEN	300
					TURNOVER (%) - SOUTH REGION – WOMEN	80
TURNOVER (%) - SOUTHEAST REGION – MEN	60					
TURNOVER (%) - SOUTHEAST REGION - WOMEN	300					
TURNOVER (%) – CENTER-WEST REGION - MEN	300					
TURNOVER (%) – CENTER-WEST REGION - WOMEN	60					
TURNOVER (%) - NORTHEAST REGION – MEN	300					
TURNOVER (%) - NORTHEAST REGION - WOMEN	80					

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE
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EMPLOYMENT																																	
G4-LA2	Benefits granted to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation				<table border="1"> <thead> <tr> <th>Employees</th> <th>Benefits</th> </tr> </thead> <tbody> <tr> <td>PAULISTA, PIRATININGA, BRASIL, GERAÇÃO E ENERGIA</td> <td>Employees of CPFL Paulista, CPFL Piratininga, CPFL Geração and CPFL Brasil, linked to Fundação CESP, are entitled to benefits in line with best practices in the labor market, with access to pension plans and healthcare plans, meals and food expenses paid, transportation and day care assistance. For the same group of employees, the company also offers participation in profit sharing, payroll loans, retraining program, vacation bonus, in addition to specific reimbursements for healthcare services. Benefits such as life insurance, house insurance and vehicle insurance are offered with 100% employee participation.</td> </tr> <tr> <td>RGE</td> <td>RGE employees are granted various benefits, such as pension plans, health and dental care, food stamps, meals vouchers, day care assistance, personal/payroll loans, life insurance, agreement with pharmacy, school kits, reimbursement for Driving Licence, post-return bonus vacation and assistance for persons with disabilities. RGE also offers annual scholarships to aid employees for technical, undergraduate, graduate, MBA and master's degrees.</td> </tr> <tr> <td>JAGUARIÚNAS</td> <td>At the distributors CPFL Jaguari, CPFL Mococa, CPFL Leste Paulista and CPFL Sul Paulista, employees are entitled to pension plans, medical and dental assistance, food stamps, meals vouchers, pharmaceutical aid, daycare, payroll loan, vacation bonus, retraining programs, holiday loan and life insurance. 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Yes

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<b>HEALTH AND SAFETY AT WORK</b>																			
G4-LA5	Percentage of employees represented in formal health and safety committees.			59															
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.		Yes	57 and 59															
<b>TRAINING AND EDUCATION</b>																			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.			55															
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.		Yes	55 and 56															
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender.		Yes	56															
<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>																			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minorities and other diversity indicators.	10			<p>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minorities and other diversity indicators.</p> <table border="1"> <thead> <tr> <th>Race</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>ASIAN</td> <td>1.04</td> </tr> <tr> <td>WHITE</td> <td>76.29</td> </tr> <tr> <td>INDIGENOUS</td> <td>0.14</td> </tr> <tr> <td>NOT INFORMED</td> <td>1.23</td> </tr> <tr> <td>BLACK</td> <td>5.68</td> </tr> <tr> <td>MIXED-RACE</td> <td>15.62</td> </tr> </tbody> </table>	Race	%	ASIAN	1.04	WHITE	76.29	INDIGENOUS	0.14	NOT INFORMED	1.23	BLACK	5.68	MIXED-RACE	15.62
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<b>SUPPLIER ASSESSMENT FOR LABOR PRACTICES</b>																			
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.		Yes	69															
<b>NON-DISCRIMINATION</b>																			
G4 - HR3	Total number of incidents of discrimination and corrective measures taken.	2, 6			CPFL Energia does not carry out management of this indicator.														

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE
<b>FREEDOM OF ASSOCIATION</b>					
<b>G4 - HR4</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	2, 3		55	CPFL Energia does not carry out management of this indicator.
<b>CHILD LABOR</b>					
<b>G4 - HR5</b>	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	2, 5			CPFL Energia does not carry out management of this indicator.
<b>FORCED OR COMPULSORY LABOR</b>					
<b>G4 - HR6</b>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	2, 4			CPFL Energia does not carry out management of this indicator.
<b>LOCAL COMMUNITIES</b>					
<b>G4 - SO1</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	1	Yes	66 to 68	
<b>ANTI-CORRUPTION</b>					
<b>G4 - SO3</b>	Percentage and total number of business units submitted to evaluation of risks related to corruption.	10		33	
<b>G4 - SO4</b>	Communication and training on anti-corruption policies and procedures.	10	Yes	33	
<b>G4 - SO5</b>	Confirmed incidents of corruption and actions taken.	10	Yes	33	
<b>G4 - SO6</b>	Total value of political contributions by country and recipient/beneficiary	10			No donations were made to politicians or political parties as CPFL Energia's Code of Ethics and Anti-corruption policy prohibits making donations of any party-political character on behalf of any of the CPFL Group companies.
<b>PRODUCT AND SERVICE LABELLING</b>					
<b>G4 - PR3</b>	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	1	Yes	64	
<b>G4 - PR5</b>	Results of customer satisfaction surveys.	10	Yes	64	
<b>COMPLIANCE</b>					
<b>G4 - PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	10	Yes		In 2015, processes of inspection of the distributors CPFL Group conducted by the Agencies ANEEL, ARSESP and AGERGS resulted in six significant fines of a commercial-technical nature, amounting to the total payment of R\$ 1.77 million.

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE																																								
<b>ORGANIZATIONAL PROFILE</b>																																													
G4-EU1	Installed capacity broken down by primary energy source and by regulatory regime.			72																																									
G4-EU3	Number of residential, industrial, institutional and commercial customer accounts.				<table border="1"> <thead> <tr> <th>Customers of CPFL Energia distributors</th> <th>2015</th> <th>2014</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>RESIDENTIAL</td> <td>6,906,580</td> <td>6,750,758</td> <td>6,523,533</td> </tr> <tr> <td>INDUSTRIAL</td> <td>55,586</td> <td>57,397</td> <td>58,565</td> </tr> <tr> <td>COMMERCIAL</td> <td>473,333</td> <td>484,937</td> <td>491,057</td> </tr> <tr> <td>RURAL</td> <td>245,238</td> <td>243,998</td> <td>245,687</td> </tr> <tr> <td>GOVERNMENT</td> <td>51,359</td> <td>50,931</td> <td>49,443</td> </tr> <tr> <td>PUBLIC LIGHTING</td> <td>10,362</td> <td>9,92</td> <td>9,596</td> </tr> <tr> <td>PUBLIC SERVICE</td> <td>8,402</td> <td>8,251</td> <td>7,961</td> </tr> <tr> <td>OWN CONSUMPTION</td> <td>845</td> <td>851</td> <td>843</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>7,751,705</b></td> <td><b>7,607,043</b></td> <td><b>7,386,705</b></td> </tr> </tbody> </table>	Customers of CPFL Energia distributors	2015	2014	2013	RESIDENTIAL	6,906,580	6,750,758	6,523,533	INDUSTRIAL	55,586	57,397	58,565	COMMERCIAL	473,333	484,937	491,057	RURAL	245,238	243,998	245,687	GOVERNMENT	51,359	50,931	49,443	PUBLIC LIGHTING	10,362	9,92	9,596	PUBLIC SERVICE	8,402	8,251	7,961	OWN CONSUMPTION	845	851	843	<b>TOTAL</b>	<b>7,751,705</b>	<b>7,607,043</b>	<b>7,386,705</b>
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PUBLIC SERVICE	8,402	8,251	7,961																																										
OWN CONSUMPTION	845	851	843																																										
<b>TOTAL</b>	<b>7,751,705</b>	<b>7,607,043</b>	<b>7,386,705</b>																																										
G4-EU4	Length of above and underground transmission and distribution lines, by regulatory system.			72																																									
G4-EU5	Allocation of CO2 emissions allowances or equivalent, broken down by trading framework.			45																																									
G4-EU6	Management approach to ensure short and long-term electricity availability and reliability.	10		66, 68 and 73	<p>The hydroelectric power plants have multi-year plans (5 years) that include preventive (machine stops) and corrective maintenance and an estimate of failures for each generating unit. The management of this plan is carried out weekly at operation and maintenance programming meetings. There is also management software for all maintenance activities, including a schedule of all preventive and predictive maintenance necessary.</p> <p>At EPASA, guidelines of the manufacturers' manuals for the maintenance of the engines are followed. Plans for periodic inspections of the electrical parts are also implemented, as well as the implementation of the asset management system, which is being tested to improve the database system for records of occurrences and maintenance.</p> <p>At CPFL Renováveis, short-term preventive maintenance practices are scheduled with the aim of preserving the equipment, extending its useful life, reducing the need for major interventions with the equipment in the long term and corrective interventions.</p> <p>Short-term maintenance activities are scheduled for the seasons with lowest water levels in the case of hydroelectric plants, less wind in the case of wind farms and the off-season for sugarcane for thermal biomass plants. The scheduling of this maintenance aims to reduce or prevent loss of generation as a result of outages caused by the maintenance.</p>																																								
<b>RESEARCH AND DEVELOPMENT</b>																																													
G4-EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	9	Yes	74 to 77																																									

ITEM	DESCRIPTION	GLOBAL COMPACT	EXTERNAL ASSURANCE	PAGE	RESPONSE																																																																								
SYSTEM EFFICIENCY																																																																													
G4-EU12	Transmission and distribution losses as a percentage of total energy.			73	<table border="1"> <thead> <tr> <th>Company</th> <th>Total Losses 2015</th> <th>Technical Losses 2015</th> <th>Non-Technical Losses 2015</th> <th>Total Losses 2014</th> <th>Technical Losses 2014</th> <th>Non-Technical Losses 2014</th> <th>Total Losses</th> </tr> </thead> <tbody> <tr> <td>CPFL PAULISTA</td> <td>8.66%</td> <td>6.57%</td> <td>2.09%</td> <td>8,42%</td> <td>5,77%</td> <td>2,65%</td> <td>7.80%</td> </tr> <tr> <td>CPFL PIRATININGA</td> <td>6.92%</td> <td>4.52%</td> <td>2.40%</td> <td>6,95%</td> <td>4,45%</td> <td>2,50%</td> <td>6.20%</td> </tr> <tr> <td>RGE</td> <td>9.31%</td> <td>7.71%</td> <td>1.60%</td> <td>9,61%</td> <td>8,08%</td> <td>1,52%</td> <td>9.70%</td> </tr> <tr> <td>CPFL SANTA CRUZ</td> <td>8.86%</td> <td>8.38%</td> <td>0.48%</td> <td>7,93%</td> <td>7,76%</td> <td>0,17%</td> <td>9.30%</td> </tr> <tr> <td>CPFL LESTE PAULISTA</td> <td>11.76%</td> <td>8.64%</td> <td>3.13%</td> <td>11,33%</td> <td>8,61%</td> <td>2,72%</td> <td>11.50%</td> </tr> <tr> <td>CPFL SUL PAULISTA</td> <td>7.64%</td> <td>7.42%</td> <td>0.22%</td> <td>7,81%</td> <td>7,16%</td> <td>0,65%</td> <td>8.20%</td> </tr> <tr> <td>CPFL JAGUARI</td> <td>4.35%</td> <td>3.48%</td> <td>0.90%</td> <td>4,19%</td> <td>3,70%</td> <td>0,49%</td> <td>3.80%</td> </tr> <tr> <td>CPFL MOCOCA</td> <td>9.58%</td> <td>7.69%</td> <td>1.90%</td> <td>9,56%</td> <td>7,69%</td> <td>1,87%</td> <td>9.20%</td> </tr> </tbody> </table>	Company	Total Losses 2015	Technical Losses 2015	Non-Technical Losses 2015	Total Losses 2014	Technical Losses 2014	Non-Technical Losses 2014	Total Losses	CPFL PAULISTA	8.66%	6.57%	2.09%	8,42%	5,77%	2,65%	7.80%	CPFL PIRATININGA	6.92%	4.52%	2.40%	6,95%	4,45%	2,50%	6.20%	RGE	9.31%	7.71%	1.60%	9,61%	8,08%	1,52%	9.70%	CPFL SANTA CRUZ	8.86%	8.38%	0.48%	7,93%	7,76%	0,17%	9.30%	CPFL LESTE PAULISTA	11.76%	8.64%	3.13%	11,33%	8,61%	2,72%	11.50%	CPFL SUL PAULISTA	7.64%	7.42%	0.22%	7,81%	7,16%	0,65%	8.20%	CPFL JAGUARI	4.35%	3.48%	0.90%	4,19%	3,70%	0,49%	3.80%	CPFL MOCOCA	9.58%	7.69%	1.90%	9,56%	7,69%	1,87%	9.20%
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BIODIVERSIDADE																																																																													
G4-EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.		Yes	48, 49 and 51																																																																									
EMPLOYMENT																																																																													
G4-EU14	Programs and processes to ensure the availability of a skilled workforce.		Yes	56																																																																									
LOCAL COMMUNITIES																																																																													
G4-EU19	Stakeholder participation in decision making processes related to energy planning and infrastructure development.			62																																																																									
DISASTER/EMERGENCY PLANNING AND RESPONSE																																																																													
G4-EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.		Yes		Training is provided for fire brigade members and the Emergency Response Plan, with simulations according to the annual calendar. The Emergency Response Plan involves a simulation of an emergency situation, verifying the functionality of the procedure and possible improvements that could be made. At the CPFL Group's Campinas headquarters we have a Civil Fire Brigade, trained and qualified in accordance with legislation to respond to any emergency situations that may arise.																																																																								
PROVISION OF INFORMATION																																																																													
G4-EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.			59 and 62																																																																									
CUSTOMER HEALTH AND SAFETY																																																																													
G4-EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.		Yes		In 2015 there were 74 accidents involving the population, with 11 fatalities.																																																																								
ACCESS																																																																													
G4-EU28	Power outage frequency.			73																																																																									
G4-EU29	Average power outage duration.			73																																																																									

# AUDITORS' LIMITED ASSURANCE

## INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON INFORMATION RELATED TO SUSTAINABILITY INCLUDED IN THE ANNUAL REPORT FOR 2015

To the Board of Directors  
CPFL Energia S.A.  
Campinas- SP

### INTRODUCTION

We have been engaged by CPFL Energia S.A. ("CPFL Energia") to present our limited assurance report on the compilation and fair presentation of the information related to sustainability included in the 2015 Annual Report of CPFL Energia S.A., for the year ended December 31, 2015 ("Annual Report for 2015").

### MANAGEMENT'S RESPONSIBILITY FOR THE ANNUAL REPORT FOR 2015

The management of CPFL Energia is responsible for the compilation and fair presentation of the sustainability information included in the Annual Report for 2015, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

### INDEPENDENT AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the compilation and fair presentation of the information related to sustainability included in the Annual Report for 2015, based on our limited assurance engagement carried out in accordance with the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", issued by the Brazilian Federal Accounting Council (CFC), which is equivalent to the international standard ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information related to sustainability included in the Annual Report for 2015, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information related to sustainability included in the Annual Report for 2015, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

(a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information related to sustainability included in the Annual Report for 2015;

(b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;

(c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the Annual Report for 2015; and

(d) obtaining evidence about the more material GRI-G4 indicators included in the Annual Report for 2015 and presented in the GRI Index of the mentioned Report.

The limited assurance engagement also included the application of procedures to assess compliance with the guidelines of the Global Reporting Initiative (GRI-G4) applied in the preparation of the information related to sustainability included in the Annual Report for 2015.

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

#### SCOPE AND LIMITATIONS

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the compilation and fair presentation of the information related to sustainability included in the Annual Report for 2015. Consequently, we are not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion. Had we performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in the Annual Report for 2015. Therefore, we do not express an opinion.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate such data. Qualitative interpretations of the materiality, relevance, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.

#### CONCLUSION

Based on the procedures performed, as described herein, no matter has come to our attention that causes us to believe that the information related to sustainability included in the Annual Report for 2015 of CPFL Energia S.A. has not been compiled and fairly presented, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4).

#### OTHER MATTERS

##### AUDIT OF THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015

The financial statements of CPFL Energia for the year ended December 31, 2015 were audited by other auditors, who issued an unqualified audit opinion dated March 7, 2016. The social and environmental performance indicators based on accounting information and presented in the Annual Report for 2015 of CPFL Energia were extracted from these financial statements, which were not subject to assurance procedures by us for the purposes of this review.

Campinas, April 8, 2016

PricewaterhouseCoopers  
Contadores Públicos Ltda.  
CRC 2SP023173/O-4 "F"

Edmilson Monutti  
CRC 1SP258388/O-0

## CORPORATE INFORMATION

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NIRE 35.300.186.133  
Rua Gomes de Carvalho, 1510 – 14o andar – Cj 142 – Sala 02  
Vila Olímpia  
São Paulo – SP  
CEP: 04547-005

## CREDITS

### GENERAL DIRECTION

Vice Presidency of Legal Affairs and Institutional Relations  
Sustainability Department

### CONTENT GUIDANCE

Rodolfo Nardez Sirol | Carlo Linkevieius Pereira | Natalia Tadokoro

### GATHERING OF INFORMATION

Employees of the CPFL Energia Group (subsidiaries and affiliates)

### EDITORIAL COORDINATION

Carlo Linkevieius Pereira | Natalia Tadokoro

## EXTERNAL PARTNERS

### CONTENT, TEXT AND GRAPHIC DESIGN

Keyassociados – [www.keyassociados.com.br](http://www.keyassociados.com.br)

### PHOTOGRAPHY

CPFL Energia Image Bank

### CONTACT

Sustainability Department - [sustentabilidade@cpfl.com.br](mailto:sustentabilidade@cpfl.com.br)

We thank the professionals of the CPFL Energia Group who provided the information necessary for the preparation of the Annual Report 2015, including the teams at the generation projects (Foz do Chapecó, Enercan, Baesa, Ceran Complex and CPFL Renováveis) and the people who participated in our survey of relevant issues and contributed important observations, as well as all external partners.



Tanquinho solar power plant - SP