



2012

Annual and
Sustainability Report

Main Indicators

Consolidated financial information



Results (R\$ million)

	2011	2012
Gross revenue	3,268.68	3,173.90
Net revenue	2,900.80	2,818.99
Gross profit	1,577.39	1,568.42
EBITDA	1,454.56	1,471.93
Net income	915.26	843.48
Net value added	2,062.52	2,144.20

Margin (%)

EBITDA margin	50.14	52.21
Net margin	31.55	29.92

Financial indicators

Total assets	8,409.49	9,836.58
Shareholders' equity	4,539.43	5,078.23
Net debt	2,564.10	3,265.25
Net debt/EBITDA (x)	1.76	2.22

Market indicators

Number of shares outstanding (´000)	31,823.90	31,823.90
Financial trading volume (R\$ ´000)	1,795,974	3,589,365
Closing price (preferr./PN) (R\$)	57.99	32.99
Earnings per share (R\$/´000 shares)	6.03	5.53
Market capitalization (R\$ ´000)	8,549,759	5,778,521
Shareholder remuneration (dividends and interest on equity - IOE) (R\$ ´000)	789,020	275,282

Sustainability indicators

Environmental protection expenditures (R\$ ´000)		4.3
Number of injuries		2.00
Average training hours per employee	52.56	68.75
Training hours on sustainability	-	1,240

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Message from Management

In 2012, consolidated investments totaled R\$ 952, 2 million.

GRI 1.1, 1.2

The year 2012 was a particularly challenging period, primarily due to the changes in the Brazilian electric power sector. As such, CTEEP Management exerted considerable efforts in assessing the effects from provisional executive orders 579 and 591, in addition to preparing studies and evaluation reports aimed to support the deliberation to be taken at the Shareholders' Meeting, regarding the extension of the concession agreement 059/2001, while at the same time striving to ensure and enhance both the creation of value and the preservation of business sustainability.

The Brazilian government proposed the extension of the concession agreements scheduled to expire between 2015 and 2017, with a view to bolstering competitiveness within the domestic manufacturing industry and benefiting the population through the cut in electric energy costs. This measure ended up triggering a complex process that brought about a severe financial impact on share prices on the equity market. During the second half, CTEEP's preferred shares (TRPL4) showed historically atypical oscillations and closed the year priced at R\$ 32.99, representing a 43.11% decline year-over-year.

The new rules recently set out by the government, effective as of 2013, has laid down a new regulatory framework for the electric power industry, with a significant impact on our operations. This new arrangement will enable the Company to remain

in charge of managing its transmission assets for a further 30-year term, thus giving way to a broader scope for our operations, in the light of new paradigms, while maintaining our search for operational efficiency and service excellence, as well as our commitment to all stakeholders.

The Company's economic and financial performance results reflect the success of our management geared towards the creation of sustainable value, which is grounded on financial discipline and compliance with our operational strategy. In 2012, our net operating revenue remained stable and amounted to R\$ 2,819.0 million, versus R\$ 2,900.8 million in 2011. EBITDA also remained flat at R\$ 1,471.9 million in 2012, with a 52.2% EBITDA margin, versus R\$ 1,454.6 million in 2011, with a 50.1% margin.

Consistent operational performance is one of CTEEP's remarkable features. In this regard, we may highlight the maintenance of the best index of non-supplied energy in 2012, as well as the higher additional Allowed Annual Revenue (RAP) granted by the Brazilian Electric Power Agency (ANEEL) to companies recording the highest asset availability.

In 2012, consolidated capital expenditures amounted to R\$ 952.2 million, mainly in reinforcement, modernization and improvement in existing assets, as well as in investments in both work-



force and subsidiaries. We have also started up 60 new business ventures, consisting in projects that evidence CTEEP's endeavor to strengthen its operations, while maintaining the credibility and high quality of its electric power transmission services.

Moreover, CTEEP's acquisition of Evrecy has enabled our stronger presence in Minas Gerais State and broadened our footprint to 16 Brazilian states, following our start-up operations in Espírito Santo State.

Notwithstanding the scenario marked by uncertainties in 2012, we have reiterated our belief that the human capital is a determining factor in the achievement of success in an organization, on account of the determination and competence of our team of professionals, who have supported and contributed to our decision-making processes. In the technical area alone, in 2012, CTEEP invested nearly R\$ 1.3 million in training and development of its employees, through programs intended to technical and behavioral development.

Sustainability also consists in a concept embedded amidst the Company's core values, and thus we also place emphasis in investments and long-term initiatives related to social-environmental issues. In 2012, we implemented the environmental management system in all substations, and we consider the ISO 26000 standard guidelines as one of our relationship directives towards the stakeholders. We have also reaffirmed our com-

mitment to the Global Compact, of which we have been signatories since 2011, by promoting practical initiatives in support of Human Rights, Labor Rights, Environmental protection and Anti-Corruption measures.

In 2013, CTEEP shall embark in a new path within the Brazilian electric power transmission industry. We are convinced that our discipline in carrying out investments; our continuous quest for productivity improvement coupled with excellence and steady progress in operational performance; plus our focus on human capital and on financial soundness; should jointly enable us to mitigate the effects from the changes in the sector environment. Thus, we will be able to move forward with our plans for the future growth of the Company, always excelling in our commitment to our stakeholders, with particular emphasis on sustainability at all times, which will pave the way for the perpetuity of our business, along with the attainment of long-term positive results.

The Company Management would like to reiterate its sincere gratitude to all customers and suppliers, for their continuous contribution to the quest for excellence; to our employees, for their dedication and competence, essential attributes to allow for the achievement of positive results; to our shareholders and investors, for their trust in our management of operations, in every instance based on the principles of transparency, and to the society in general, for their trust in the public utility services that we provide.



About CTEEP

Headquartered in São Paulo,
CTEEP is present in 16 states.

GRI EU4

CTEEP (Companhia de Transmissão de Energia Elétrica Paulista) is responsible for the transmission of 30% of Brazil's overall annual electric power generation, and 60% of the electric energy consumed in the Southeast region. The Company is one of the leading electric power transmission concessionaires in the country, focusing on innovation and consistent improvement intended to ensure the quality and credibility of its operations. (GRI 2.1, 2.2, 2.5, 2.7)

CTEEP is a publicly-held company, controlled by ISA, which in turn holds, through its investment vehicle ISA Capital do Brasil, a 37.81% stake in the Company's capital stock. The remaining is held by Eletrobrás (35.23%), the São Paulo State Government (6.12%), as well as by over 61,000 shareholders, both individuals and corporate organizations. In 2012, one of CTEEP's shareholders, Vinci Equities Gestora de Recursos Ltda (an asset management company) raised its share in preferred

ISA

ISA is one of the largest electric power transmission groups in Latin America, with 40,665 km of high-tension circuits and installed capacity of 74,040 MVA. The Group operates in Colombia, Chile, Peru, Bolivia, Ecuador, Argentina and Central America, as well as in Brazil, through CTEEP. ISA's segments of operations include electric power transportation, telecommunications, toll road concessions and real-time intelligent vision systems. At the close of FY 2012, ISA's consolidated financial statements reported total assets in the amount of US\$ 14.6 billion, and US\$ 2.4 billion in revenues.

Eletrobras

Eletrobras' operations focus on electric power generation, transmission and distribution. It is controlled by the Brazilian Federal Government, and it is the largest company operating in the electric power sector in Latin America, comprising 162 hydroelectric, thermoelectric, wind farms and thermonuclear plants, in addition to over 50% of the Brazilian transmission lines and six distribution companies.

About CTEEP



stock to 7.22%, accounting for 4.17% of the Company's total capital stock. (GRI 2.6)

CTEEP is headquartered in the city of São Paulo, and it is present in 16 Brazilian states through its own operational assets, subsidiaries and equity interests. The Company holds five Regional Offices located in cities of São Paulo State (Cabreúva, Taubaté, Bauru, Jupiá and São Paulo), one Transmission Operation Center (COT) in Jundiaí, and one Backend Operation Center (COR) in Cabreúva. Furthermore, it has 106 substations located in the state of São Paulo, with voltage of up to 550 kV and 30,273 transmission towers. (GRI 2.3, 2.4, 2.8)

In 2012, a total of 143,473 GWh of energy was carried along CTEEP's assets, a network made up of 13,723 km of transmission lines, 19,189 km of circuits, 2,488 km of fiber optic cables and 106 substations with voltage of up to 550 kV, with a total installed capacity of 45,317 MVA. This network interlinks connection points of both power-generating companies and other transmission companies, feeding into free clients and electric power distributors' network, which are in charge of delivering electricity to end consumers. (GRI 2.8)

Length of transmission lines by voltage category

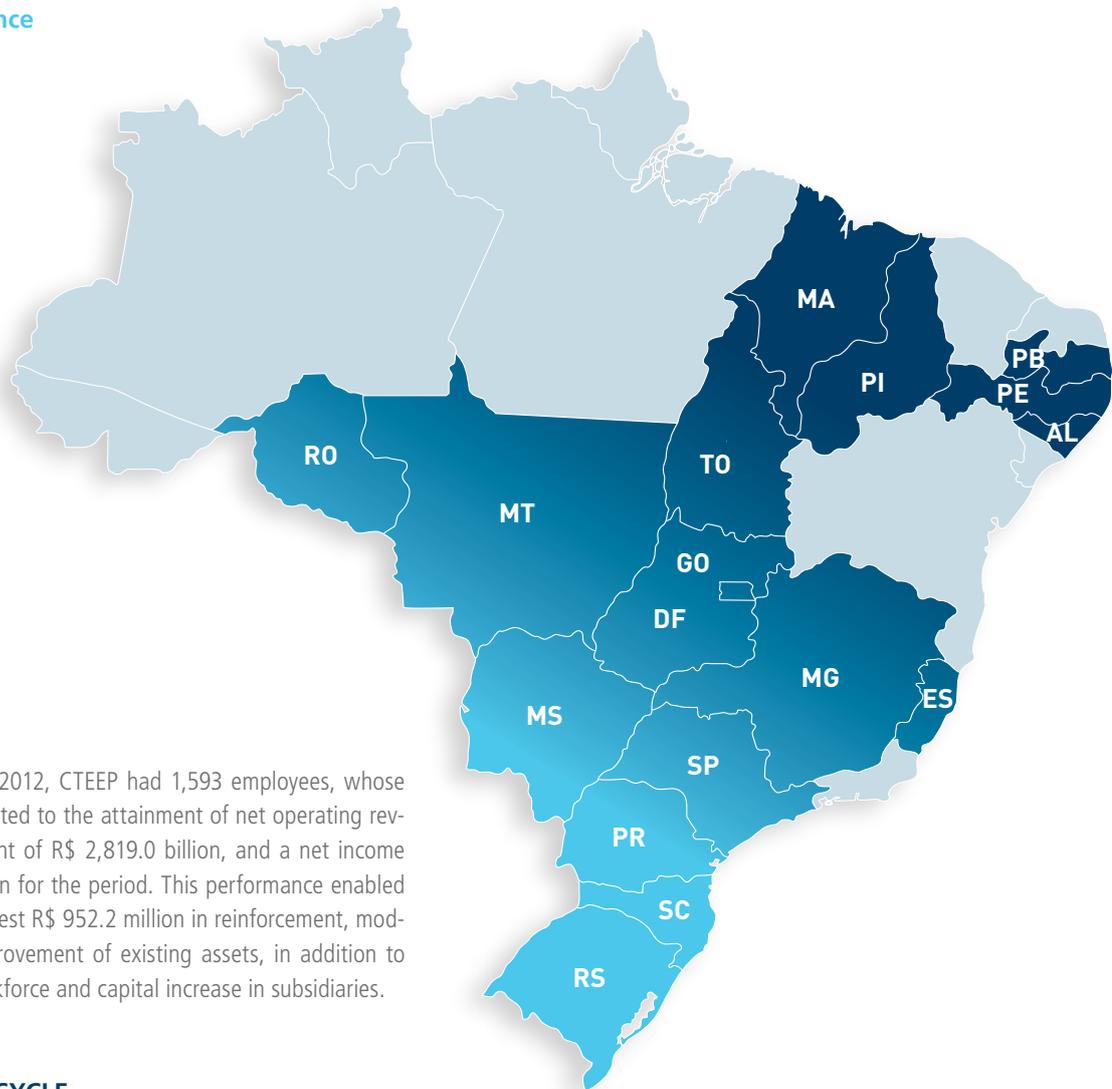
	km
440 kV	6,504.32
345 kV	725.75
230 kV	1,452.36
138 kV	9,023.84
88 kV	1,480.71
69 kV	2.03
TOTAL	19,189.01

Length of transmission lines by construction type

	km
Overhead	13,690.00
Underground	33.00
TOTAL	13,723.00



National presence



At the close of FY 2012, CTEEP had 1,593 employees, whose joint effort contributed to the attainment of net operating revenues in the amount of R\$ 2,819.0 billion, and a net income of R\$ 843.54 million for the period. This performance enabled the Company to invest R\$ 952.2 million in reinforcement, modernization and improvement of existing assets, in addition to investments in workforce and capital increase in subsidiaries.

NEW 30-YEAR CYCLE

GRI 1.2

In December 2012, CTEEP signed the extension of the term for the Concession Agreement No 059/2001 with ANEEL (the Brazilian Electric Power Agency), leading the Company to start a new cycle for its operations.

The new rules set out in 2012 by the Brazilian Federal Government have impacted the regulatory framework for the electric power industry in the country, giving way to a broader scope for the Company's operations. The existing remunera-

tion scheme for electric power transmission companies remain the same, subject to ANEEL's periodic review of revenue. The Allowed Annual Revenue (RAP), as of January 2013, will remunerate administrative, operation and maintenance services. Within this scenario, CTEEP reiterates its purpose of keeping ahead of the electric power transmission segment, by excelling as an outstanding service provider to the society, alongside a sound economic and financial condition that ensures a suitable return to the shareholders, in addition to providing a safe and trustworthy operational environment.

In order to provide support to its decision, the Company hired independent experts to conduct an economic and financial assessment, which involved a study of the economic and financial model, by taking into account a number of parameters, such as financial leverage, capital expenditures, contractual obligations and personnel planning, in addition to probable future scenarios. During the same period, two other consulting companies carried out analyses considering corporate, regulatory and legal aspects.

At the Extraordinary General Meeting held on December 3, 2012, the Company's shareholders unanimously approved extension of the concession agreement No. 059/2001, based on the results of studies conducted and in the light of the growth potential of the Brazilian economy, as well as on the ability of the Company's professional team to become engaged in processes of change, with commitment and dedication.

With the purpose of keeping its stakeholders abreast of the unfolding events related to the question of concessions, during 2012, CTEEP maintained a communication taskforce aimed to publish notices and material announcements throughout the different stages of the negotiation process. Thus, the Company has reinforced its commitment to a transparent, ethical and responsible management.

In light of this new scenario, CTEEP has been seeking to adapt to the changing requirements, while at the same time maintaining both the high level of quality and effectiveness of its operations, as well as preserving its commitment to all its stakeholders.

SUBSIDIARIES AND JOINT VENTURES

GRI 2.2, 2.3, 2.7, 2.8, 2.9, EU4

At present, CTEEP owns shareholding control or holds equity investments in eight electric power transmission companies, whose purpose is to exploit the utility concession for electric power transmission in Brazil, by means of construction, operation and maintenance of both substations and transmission lines.

Such subsidiaries and joint ventures (or affiliates) are privately-held companies and operate in line with the growth strategies set out by the Company.

Interligação Elétrica de Minas Gerais (IEMG)

Location: state of Minas Gerais

Transmission lines: LT 500 kV Neves 1 – Mesquita

Length: 172.5 km

Interligação Elétrica Norte e Nordeste (IENNE)

Locations: states of Tocantins, Maranhão and Piauí

Transmission lines: LT 500 kV Colinas – Ribeiro Gonçalves C2 and LT 500 kV Ribeiro Gonçalves – São João do Piauí C2

Length: 720 km

Interligação Elétrica Pinheiros (Pinheiros)

Location: state of São Paulo

Substations: SE 345/138-88 kV Piratininga II, SE 440/138 kV Mirassol II, SE 440/138 kV Getulina, SE 440/138 kV Araras and SE 345/138 kV Atibaia II and SE 345/88 kV Itapeti

Transmission lines: LT 345 kV Interlagos – Piratininga II (1.5 km)

Section Switches: LT Araraquara – Santo Angelo 440 kV (2km); LT Jupia – Bauru 440 kV (0.5 km); LT Poços de Caldas – Mogi das Cruzes 345 kV (1 km) and LT Jupia – Araraquara 440 kV (0.5 km)

Transforming capacity: 3,100 MVA

Length: 5.9 km

Interligação Elétrica Sul (IESul)

Locations: states of Rio Grande do Sul, Santa Catarina and Paraná

Substations: SE 230/138 kV Scharlau and SE 230/69 kV Forquilha

Transmission lines: LT 230 kV Nova Santa Rita – Scharlau (23 km), LT 230 kV Joinville Norte – Curitiba (100 km) (start-up operations expected for June 2013) and LT 230 kV Jorge Lacerda B – Siderópolis (50 km)

Section Switches: LT 230 kV Siderópolis – Lajeado Grande (12 km)

Transforming capacity: 750 MVA

Length: 185 km

Interligação Elétrica Serra do Japi (Serra do Japi)

Location: state of São Paulo

Substations: SE 440/138-88 kV Salto and SE 440/138-88 kV Jandira

Section Switches: LT Embu Guaçu – Gerdau 440 kV (10.9 km) and LT Bauru - Cabreúva 440 kV (0.9 km)

Transforming capacity: 1,600 MVA

Length: 10.9 km

Interligação Elétrica Garanhuns (IEGaranhuns)

Locations: states of Pernambuco, Paraíba and Alagoas
 SE Garanhuns 500/230 kV (600 MVA) and SE Pau Ferro 500/230 kV (1,500 MVA)
 Transmission lines: 500 kV Luis Gonzaga – Garanhuns (224 km), LT 500 kV Garanhuns - Pau Ferro (239 km), LT 500 kV Garanhuns - Campina Grande III (190 km), LT 230 kV Garanhuns - Angelim I (13 km)
 Section Switches: LT 230 kV Paulo Afonso III C4 - Angelim I (0.7 km), LT 230 kV Paulo Afonso III C2 and C3 - Angelim I (0.7 km), T 500 kV Luiz Gonzaga - Angelim II (0.7 km) and LT 500 kV Angelim II - Recife II (83 km)
 Transforming capacity: 2,100 MVA
 Length: 751.1 km

Interligação Elétrica do Madeira (IEMadeira)

(Start-up operations expected for December 2013)
 Location: states of Roraima, Mato Grosso, Goiás, Minas Gerais and São Paulo
 Transmission line: ±600k VCC - Coletora Porto Velho–Araquara-2

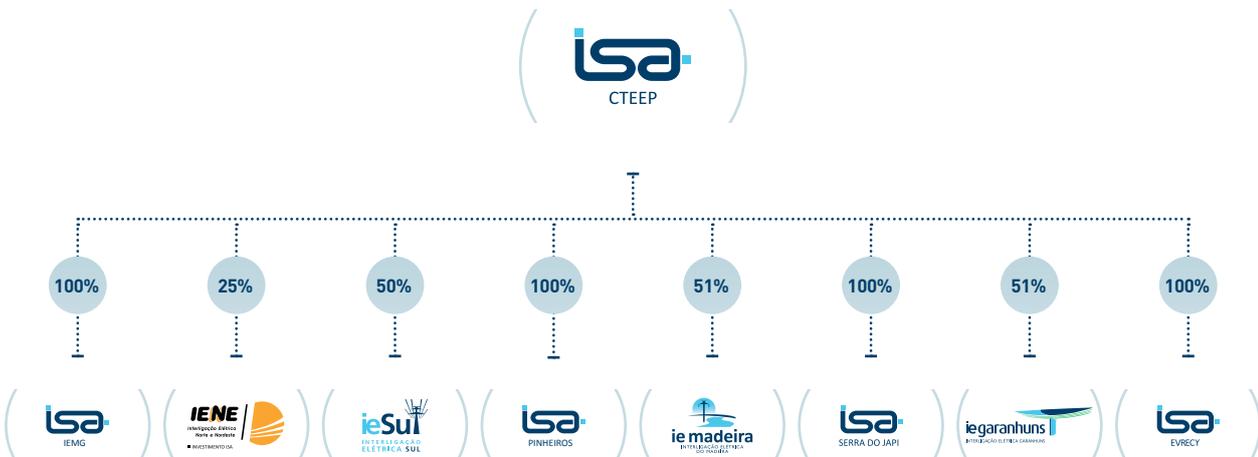
Rectifier Station: Porto Velho No. 2, 500k VCA/±600k VCC – 3,150 MW
 Inverter Station: Araraquara No. 2, ±600k VCC/500k VCA – 2,950 MW
 Transforming capacity: 6,100 MVA
 Length: 2,375 km

Evrecy Participações Ltda

In 2012, CTEEP acquired 100% of the capital stock of Evrecy Participações Ltda., a subsidiary of EDP – Energias do Brasil S.A. that provides electric power transmission services. This transaction involved investments of R\$ 63 million and RAP of R\$ 9.4 million.

This business organization comprises the transmission lines: 230 kV Aimorés – Mascarenhas (circuit 1), 230 kV Governador Valadares – Conselheiro Pena and 230 kV Conselheiro Pena – Aimorés, which together total 154 km, plus the substation 230/138 kV Mascarenhas (450 MVA). CTEEP’s acquisition of Evrecy will enable the Company to start operating also in the state of Espírito Santo, thus expanding its geographical coverage in the country.

CTEEP’s participation in subsidiaries



MISSION AND VALUES

GRI 4.8

Mission

To expand, operate and maintain electric power transmission systems, with excellence in the rendering of services, customer satisfaction, environmental sustainability, while seeking to deliver a suitable return to shareholders and contributing to the communities' economic and social development.

Values:

Ethics

To seek consistency between words and actions, by expressing transparent attitudes and initiatives, which are fundamental practices to pave the way towards building long-lasting relationships with all stakeholders.

Social Responsibility

To continuously pursue sustainable development, in line with the commitment undertaken towards the stakeholders.

Innovation

To create and incorporate new practices or improvements that contribute to achieving the Organization's goals.

Excellence

To assure quality standards throughout the Organization, with a view to be acknowledged by the market and to add value to the business.





About this Report

This is the fifth consecutive year that the company has been using the GRI guidelines.

GRI 3.5

This report covers financial, operational and socio-environmental results for the operations performed by CTEEP and its subsidiaries during the period from January 1 to December 31, 2012. For the fifth year running, the Company has prepared its Annual Sustainability Report in accordance with the guidelines of the Global Reporting Initiative (GRI) reporting framework. Moreover, for the first time, we have compiled the report so as to meet the criteria set out in the GRI Application Level Check methodology, which certifies whether the application of the GRI guidelines have been complied with, in addition to assuring coverage of the set of disclosure items required for the application level adopted and self-declared by the report preparer (Level B). The application of GRI guidelines aims at enhancing the quality and transparency of the Company's reporting practices as regards its performance and management approach, in its quest for a positive and comprehensive impact on its operations, in addition to reinforcing the consistent approach to transparency most valued by the Company. (GRI 3.1, 3.2, 3.3)

Performance indicators presented in this report concern data for CTEEP and its regional offices, and do not include those of subsidiaries and joint ventures, except where indicated otherwise. There are no specific limitations on the scope or boundary applied to this report. Throughout the course of this document, wherever appropriate, there shall be information concerning changes as to the scope, boundary or the measurement meth-

odology applied to any performance indicators, as well as on the effect of any re-statement of data provided in the 2011 Report. (GRI 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11)

For the preparation of this report, Management has also taken into account the applicable GRI Sector Supplement indicators for the electric power sector, coupled with the recommendations laid down by ANEEL (the Brazilian Electric Power Agency) to assist the report preparers operating in the electric power industry to compile an annual sustainability report. The definition of the set of topics covered herein was based on the survey conducted in 2011 that compiled the input from a wide range of stakeholders. Moreover, the preparation of this report also considered the criteria laid down by ABRASCA (the Brazilian Publicly-Held Companies' Association), the Communication Policy established by the United Nations Global Compact – of which CTEEP has been a signatory since 2011, as well as the Social Balance Statement of IBASE (the Brazilian Social and Economic Analyses Institute). (GRI 4.12)

The data presented herein have been recorded and monitored by means of integrated software platform that provides support to the planning of corporate and human resources, in addition to other tools, analyses of internal documents, as well as the conduction of interviews with the Organization's executive officers.



The consolidated financial statements are presented in local currency (R\$) and have been audited by the external company Ernst & Young Auditores Independentes S.S., in accordance with both the accounting practices adopted in Brazil and those laid down by the IFRS (International Financial Accounting Standards). (GRI 3.13)

The process of development and content definition of this report have been supervised by the areas of Communication and Strategic Management, as well as by the Financial and Investor Relations Division. The final version is subject to validation by the CEO, as well as by other officers, directors and managers. The compilation of information also relies on the participation of employees from different areas and positions.

MATERIALITY MATRIX

GRI 4.14, 4.15, 4.16, 4.17

The topics addressed in this report were based on the materiality matrix, which was defined and disclosed in the 2011 Annual Report.

The matrix was initially developed by considering four major groups of stakeholders: customers, suppliers, employees and shareholders, who were requested to answer a questionnaire consisting of nine questions, which tackled relevant issues, such as social, economic, environmental and corporate governance aspects.

The topics considered to be of utmost relevance were:

- Strategy
- Information related to the market, sector and operations
- Stakeholders' engagement in decision-making processes and management of impacts and displacements
- Remuneration and benefits
- Career management

Other aspects also considered to be of high relevance:

- Corporate governance model
- Risk management
- Economic & financial performance and financial indicators
- Investments in the business
- Investments and expenditures on environmental protection
- Training and development
- Management of outsourced workforce
- Impact on communities
- Fight against corruption
- System efficiency
- Service quality and customer satisfaction
- Emergency measures

Over the next years, the Company plans to move forward in building up the Materiality Matrix, by targeting other groups of stakeholders.



Corporate Governance

CTEEP was the first electric power company, in the State of São Paulo, to join the Level 1 of Corporate Governance of BM & F Bovespa.

In line with the best market practices, the Company has always invested in the enhancement of its management processes and control systems. In September 2002, CTEEP was the first company of the electric power sector in the state of São Paulo to join BM&FBOVESPA's Level 1 of Corporate Governance.

Furthermore, the Company meets higher criteria set up by the stock exchange, such as the formation of its Board of Directors, which is made up of ten members, of which one is the employees' representative. The financial statements are translated into English and made available in the Company's website, which consists in a requirement only entailed by the rules set out by the listing segments of Level 2 and Novo Mercado.

CTEEP's preferred shares (TRPL4) take part in the formation of Ibovespa, the most important stock exchange index that measures the average performance of stock prices in the Brazilian market. Moreover, the Company stock also makes up the BM&FBOVESPA's Corporate Governance Index (IGC), which encompasses the companies that enjoy distinguished corporate governance standards and outstanding relationship with stakeholders; in addition to composing the IBrX – Índice Brasil, an index that gathers the most actively traded

stocks at BM&FBOVESPA. Furthermore, CTEEP has ADRs Rule 144 listed in the United States.

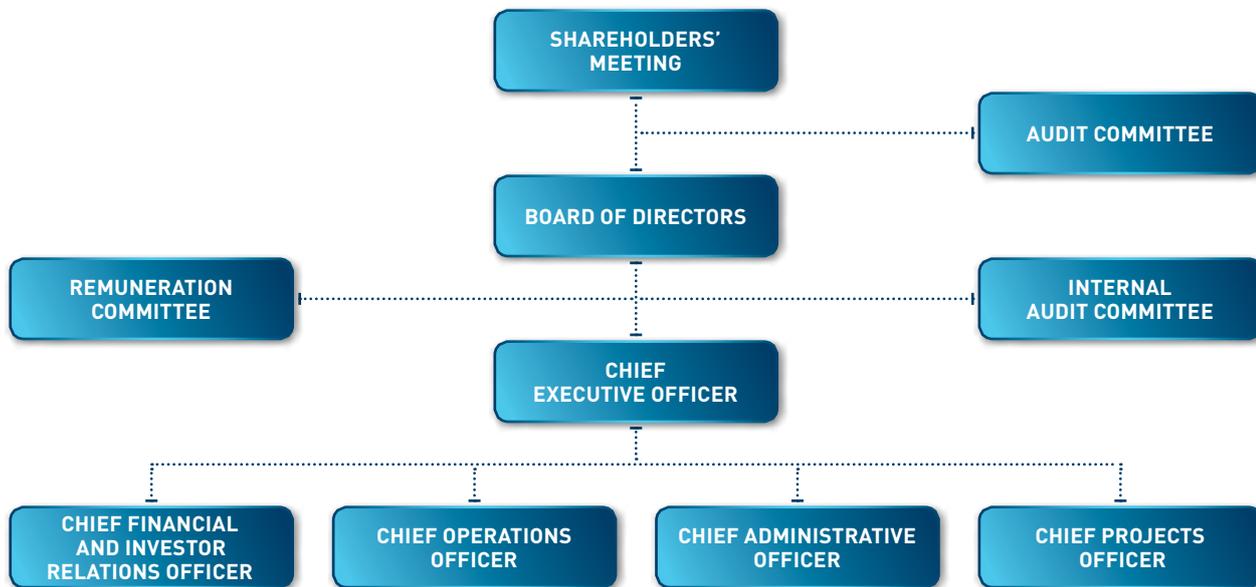
The Material Act or Fact Disclosure Policy establishes rules for disclosing material information and keeping confidentiality over relevant insider information. Along with the Securities Trading Policy, the Code of Corporate Governance lays down guidelines that govern the relationship between shareholders, the Board of Directors, the Audit Committee and the Executive Board. (GRI 4.6)

All the aforementioned efforts exerted by the Company to meet the best market practices reflect CTEEP's commitment to an efficient and transparent corporate governance.

ORGANIZATION CHART

GRI 4.1

The corporate governance structure adopted by CTEEP includes a Board of Directors, an Audit Committee, as well as a Remuneration Committee and an Internal Audit Committee, as shown in the organization chart below.



Résumés for the members of the Board of Directors, Committees, and the Executive Board, as well as their experience in relation to socio-environmental issues, can be found in the Reference Form that is available on the Brazilian Securities and Exchange Commission (CVM) website (www.cvm.gov.br), as well as on the Company's Investor Relations website (www.cteep.com.br/ri).

The selection of the members of both the Board of Directors and the Audit Committee complies with the rules laid down in Law 6404/76. Those professionals are appointed by shareholders and elected at a General Shareholders' Meeting. (GRI 4.7)

BOARD OF DIRECTORS

CTEEP's Board of Directors is composed of ten members with a one-year mandate each, who are elected at the Shareholders' Meeting, being one Chairman, one Deputy Chairman, one independent member, one representative from the minority shareholders and another representative from the team of employees.

The Board of Directors is the central forum for decision making and determination of the general directives that shall guide the conduction of the Company's operations. The Board is responsible

for electing the officers of the Executive Board, and monitoring the business management; evaluating the Management's Report, the Financial Statements and the Executive Board accounts; approving business plans, financial and project execution budgets; as well as selecting and dismissing Independent Auditors. The Board does not have any self-evaluation model, and the Chairman does not take part in the Company's Executive Board. (GRI 4.2, 4.10)

International standards and corporate principles, such as the Code of Ethics, Global Compact, as well as the best operational procedure practices, are also followed by the Board, which relies on the support provided by the Audit Committee, whose makeup also includes some of the Board members.

The Company's economic and financial performance is evaluated by the Board on a regular basis (six times a year), whose members conduct the assessment of the main financial indicators used in the Balanced Scorecard and in other strategic analysis tools, in addition to the evaluation of intrinsic risks and market opportunities, as well as the preparation of reports that may tackle the Company's socio-environmental performance. (GRI 4.9)

Board of Directors meetings are held on a regular basis, on dates set out in an annual agenda that is approved at the first meeting of each fiscal year, and may be held extraordinarily whenever

called by the Chairman, or upon request by the majority of its members. In 2012, the Board met 18 times, of which seven were in-person meetings and the remainder through electronic communication media.

Composition of the Board of Directors

As at December 31, 2012, the Board of Directors was composed as follows:

Chairman

Luis Fernando Alarcón Mantilla

Deputy Chairman

Fernando Augusto Rojas Pinto

Members

Fernando Maida Dall'Acqua (independent); Isaac Yanovich Farbaiarz, Juan Ricardo Ortega López, Julián Darío Cadavid Velásquez, Luisa Fernanda Lafaurie Rivera, Orlando José Cabrales Martínez e Sinval Zaidan Gama (minority shareholders' representative) e Valdivino Ferreira dos Anjos (employees' representative). (GRI 4.3, 4.4)

AUDIT COMMITTEE

CTEEP's Audit Committee comprises from three to five sitting members, with an equal number of alternates, appointed for a one-year mandate each, who are elected the General Shareholders' Meeting, with re-election being permitted, from whom two members are appointed by minority shareholders.

The Audit Committee, of a permanent status, is responsible for monitoring the management of the Company's business by the Executive Officers and ensuring compliance with their legal and statutory duties; providing their opinion on the management's annual report; evaluating the interim financial statements that are regularly prepared by the Company; in addition to examining and providing their opinion on the financial statements for the fiscal year.

Chairman

Manuel Domingos de Jesus e Pinho

Members

Antonio Luiz de Campos Gurgel, Celso Clemente Giacometti, Egidio Schoenberger, and Rosangela da Silva

Alternates

Jean Jacques Salim, João Vicente Amato Torres, Josino de Almeida Fonseca, Luís Carlos Guedes Pinto, and Luiz Flávio Cordeiro da Silva

In 2012, eight Audit Committee meetings were held, of which four were in-person meetings and four were conducted through electronic communication.

BOARD OF EXECUTIVE OFFICERS

GRI 2.9

CTEEP's Board of Executive Officers is composed of five members, being one CEO and four officers, who are elected by the Board of Directors for a 3-year term of office. The Executive Board is responsible for the management of the business and the performance of the activities required assuring the smooth functioning and operational daily routine of the Organization, in addition to acting as an important channel of recommendations to the Board of Directors.

Among other assignments, it is also the Executive Board's responsibility to: submit proposals of capital increase and changes in the Company's Bylaws to the Board of Directors; recommend acquisition, sale or encumbrance of assets, raising of additional funding or financing, whenever the transaction exceeds 2% of the Company's capital stock; present the financial statements for the fiscal year to the Board as well as annual and multi-annual financial and project execution plans and budgets.

Chief Executive Officer

César Augusto Ramírez Rojas

Chief Projects Officer

Jorge Rodriguez Ortiz

Chief Financial and Investor Relations Officer

Marcio Almeida up to 05/25/2012, and Reynaldo Passanezi Filho as of 07/23/2012

Chief Administrative Officer

Pío Adolfo Bárcena Villarreal

Chief Operations Officer

Celso Sebastião Cerchiari

COMMITTEES

GRI 2.9

Internal Audit Committee

The Internal Audit Committee is made up of four members of the Board of Directors and one corporate auditor from ISA Group. The purpose of this Committee is to strengthen the internal control system, risk management and corporate governance practices.

The committee is also assigned to increase the effectiveness of internal auditing, to monitor and evaluate the work of independent auditors, to approve the Annual Internal Audit Plan, to supervise the enforcement and ensure implementation of the improvements recommended by both internal and external auditors.

CTEEP has an Internal Audit Plan for a three-year cycle, during which 100% of the units (regional units and headquarters) are audited. This plan covers the assessment of risks in processes, including the risk of corruption. (GRI SO2)

Composition:

Fernando Maida Dall'aqua, Sinval Zaidan Gama, Isaac Yanovich Farbaiarz, Julián Darío Cadavid Velásquez, and John Jairo Vásquez López

Remuneration Committee

This committee, composed of three members from the Board of Directors, is responsible for monitoring, analyzing and presenting proposals related to the remuneration of officers and Board members, in addition to appointing Executive Board members, positions and salaries, remuneration policy, variable remuneration, profit sharing and collective bargaining agreements.

Composition:

Remuneration Committee

Luis Fernando Alarcón Mantilla, Luisa Fernanda Lafaurie Rivera,

Orlando José Cabrales (up to 05/21/2012), and Isaac Yanovich Farbaiarz (as of 05/21/2012)

OUR CORPORATE GUIDELINES

GRI 4.6

Since 2002, CTEEP has adopted an "Act or Material Fact Disclosure Policy", approved by the Board of Directors, aimed at assuring security and confidentiality over internal relevant information. In 2010, the Company had strengthened its corporate approach by adopting the Code of Ethics and the Code of Corporate Governance, both having also been approved by the Board. This set of corporate practices aim to reinforce management transparency, add value to the Company's institutional image and enhance the investors' access to its capital stock.

DIRECTIVES

GRI 4.12, 4.13

In line with market requirements, and based on a responsible approach, CTEEP follows, on a voluntary basis, a set of directives related to both national and international reference guiding principles, such as:

Global Compact

CTEEP has been a signatory to the United Nations Global Compact since 2011. This decision reflects the Company's commitment to support and disseminate within its sphere of influence the Ten Principles of the Global Compact, which encompass the areas of Human Rights, Labor Relations, Environment, and Corruption Combat, under all aspects.

A fundamental requirement for a company to keep its status as a participant of the Global Compact network consists in meeting the commitment to issue an annual public accountability report named Communication on Progress (COP). In this sense, CTEEP published, in 2012, its 2011 Annual and Sustainability Report, which has also been made available on the Global Compact's website (<http://www.unglobalcompact.org/participant/14976>).

Furthermore, in 2012, CTEEP signed an agreement of "Corporate Contribution to Promoting a Green and Inclusive Economy", which

consists in the formal collective commitment undertaken by the Global Compact's signatories in Brazil, in respect to the sustainability challenging issues during the Rio+20 Summit. The agreement was signed by over 200 organizations and it consists of ten commitments aimed to support green economy, in addition to underlining the key role played by corporations with regard to sustainability.

In line with such commitments, in May 2012, CTEEP attended SMARS – V, the Brazilian Environmental and Social Responsibility Seminar for the Electric Power Sector, during which the Company addressed themes related to the "Environmental Education for Sustainability Program", as well as to CTEEP's commitment to human rights.

International Standard ISO 26000

International Standard ISO 26000 guidelines on social responsibility have been a key reference for CTEEP as regards its management approach to this theme. The Company started following such directives in 2011, when ISA Group proposed an action plan based on the alignment between Corporate Social Responsibility (CSR) and standard ISO 26000, beginning with the conduction of a self-diagnosis procedure. Following the evaluation of the results from that first step thereafter, we created an action plan based on the identification of major potentials and frailties, which was performed during the course of 2012.

This action plan was further discussed during a CSR Workshop hosted by ISA with the companies belonging to the Group. The results from both the ongoing action plan and from a new self-diagnosis procedure (covering a broader scope containing 336 questions) were presented and discussed, with emphasis on the core themes laid down in the international standard in question.

Following the compilation of the results and due to the importance of this issue for the Organization, CTEEP has reviewed the action plan for 2013, which is expected to bolster even further advances in the management of the matters considered by the Company while exercising the social- and environmental-related actions.

Ethos Corporate Social Responsibility Indicators

Since 2007, CTEEP has been using the Ethos Corporate Social Responsibility Indicators to assess its management capacity from the perspective of sustainability and social responsibility.

This tool enables the company to carry out a self-diagnosis procedure, by means of the application of a questionnaire focused on seven themes: 1) Values, Transparency and Governance; 2) Internal Public; 3) Environment; 4) Suppliers; 5) Consumers and customers; 6) Community; and 7) Government and Society.

This system enables the company to prepare a Diagnosis Report, whose resulting insights help structure the action planning with emphasis on sustainability. This report shows the company's performance with relation to each indicator, including average metrics that include all the companies that applied the common reference questionnaire, in addition to informing the group of top ten ranking companies. Furthermore, such a system reveals the set of synergies with other initiatives, such as the guidelines put forward by the Global Reporting Initiative (GRI), the Global Compact, the United Nations Millennium Development Goals, and by both the standards ISO 26000 and SA 8000.

In 2012, with the purpose to capitalize on the application of this tool, CTEEP joined two Workshops, covering the topics of Process and Applicability – with a focus on the review of the Third Generation of Ethos Indicators. These workshops aim at promoting the sharing of knowledge, with a view to institutionalize the new generation of metrics, both domestically and abroad, alongside with the consolidation of the corporate management nature of this model. During 2013, the Company plans to engage in these workshops, by means of both in-person meetings and the study of the material sent by the Institute.

Guia Exame de Sustentabilidade (Exame Sustainability Guide)

Always aware of market benchmarks and tools that may add to CTEEP's sustainability management, the Company participated, for the fifth year running (since 2008) of the information collection process related to Guia Exame de Sustentabilidade.

Prior to enrolling, the companies are required to fill out a questionnaire prepared by the *Centro de Estudos em Sustentabilidade* (Sustainability Study Center) of Fundação Getúlio Vargas (GVCes), containing nearly 140 questions related to the applicants' commitment to sustainability, transparency, corporate governance, in addition to the economic and financial performance and to social and environmental capabilities.

At the end of the process, the company receives a report containing the scores attributed to each topic, organized by themes, criteria and indicators, as well as the average metrics for the benchmarking group of Top 20 ranking companies. This material consists in an important self-evaluation tool that enables the company to identify opportunities for improvement in several areas.

CIER

The Regional Energy Integration Commission (CIER) is a non-profit organization, aimed at promoting and fostering the integration of regional electric power operators. CTEEP, as a CIER participant, develops a number of initiatives to bolster, among other aspects, efficiency within this sector; technical assistance and cooperation; sharing of both knowledge and experiences; research and development; as well as the regional consumption of electric power, with a special emphasis on environmental issues.

CODE OF ETHICS

CTEEP's Code of Ethics translates the Company's philosophy and corporate values, intended to strengthen its corporate identity and institutional integrity. The Company's Code of Ethics is aligned with the ethical principles endorsed by ISA and its subsidiaries.

This document sets out standards of conduct and behavior to be followed by all employees, board members, officers, directors, managers, outsourced service providers and temporary workers, as regards their professional relationship with the Company's stakeholders, on the grounds of ethical principles, alongside with the honest, constructive, upstanding and socially-responsible conduct.

For CTEEP, ethical attributes should include:

Transparency – To behave in such a way considered to be reliable, accessible, clear and honest.

Reciprocity – To pay respect to the dignity of those with whom the Company relates, within an environment of mutual acknowledgment of the rights and obligations applicable to the related parties.

Responsibility – Commitment to deliver what has been promised and to comply with the Organization's parameters, policies and standards.

Diversity – Awareness of the fact that differences between people contribute to an environment of respect and enrich the Organization in all locations and cultures where it has a footprint.

Commitment – It is the employees' duty to fulfill their responsibilities, with a view to help meet the goals laid down in the Organization's mission. This implies performing with care and dedication the respective tasks and duties assigned to each one of them.

The Code management is performed by the Internal Ethics Committee, whose purpose is to monitor individual manifestations and to carry out the necessary measures in the event of non-compliance. In 2012, no events regarding either discrimination or corruption were registered in the Company. (GRI S04, HR4)

Anticorruption

GRI S02, S04

Historically, there is no record on corruption incidents at CTEEP, and this situation remained unchanged in 2012. Within the Company's Integrated Risk Management Policy (IRM), one of the aspects that represents a corruption situation consists in the risk of "favoring employees and/or outsourced workers for unethical or illegal activities", which explains the emphasis on the need for confidentiality of information, particularly in any event involving people in a situation of conflict of interests.

Moreover, CTEEP adopts an Internal Control Policy, which covers the processes that are used to assure the effective control of its operations, including surveillance mechanisms based on risk assessment, as well as on the standpoints of monitoring, information and communication.

The ongoing controls aimed at mitigating such risk include the creation and dissemination of the Code of Ethics to all stakeholders; the availability of the Ethics Line (a tool intended to enable forwarding of doubts, critics and accusations related to unethical and anticorruption issues, accessible to all of the Company's stakeholders), requirement of confidentiality clauses for specific contracts; in addition to a Crisis Management Plan.

In 2012, CTEEP did not carry out any specific training on anticorruption policies and procedures. (GRI S03)



Competitiveness and Management

In 2012, 60 projects for reinforcements, improvements and modernizations were completed and put into operation.

STRATEGY

Sustainable growth with emphasis on business perpetuity and consistent creation of value sum up the essential pillars that underline the Company’s business strategy. In order to face up to the forthcoming growth challenges, CTEEP invests in the enhancement of the existing assets through reinforcement and new connections, alongside with the maintenance of a consistent discipline as regards the assessment of acquisition opportunities, by taking part in auctions of transmission lines.

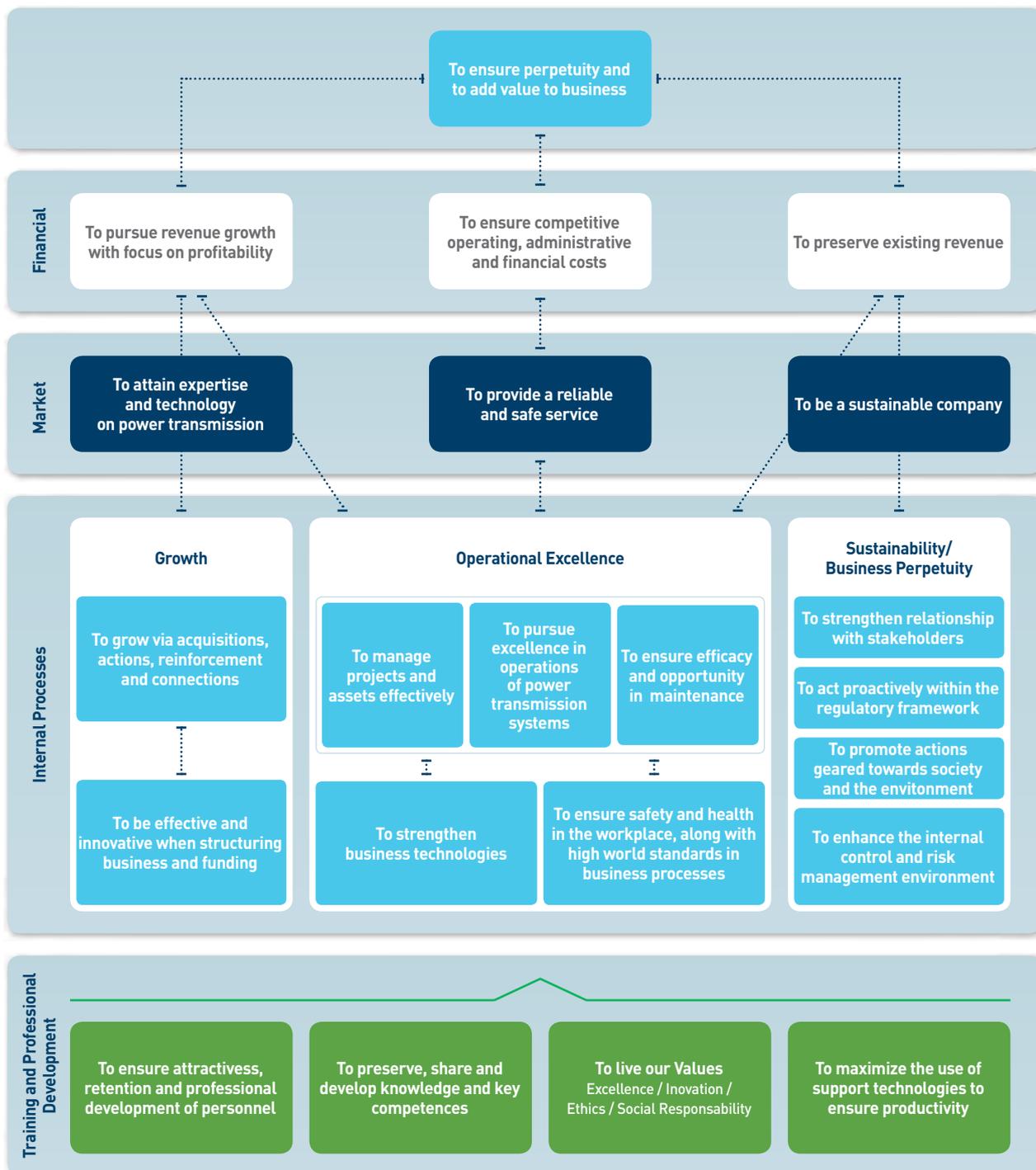
Strategic Map

Based on the Corporate Reference Framework tool, which covers all the strategic components – Vision, Mission, Values, Goal Map, Indicators, Targets and Projects – CTEEP adopts a well-structured and integrated strategic management model, aimed at attaining the most efficient assessment on the outreach of the Organization’s business strategy, strongly contributing to the decision-making process.

The Company uses the Balanced Scorecard (BSC) methodology in its management model, with a strategic map and different levels of indicators, so as to include all departments and have everyone cooperating to fulfill the Company’s strategic goals.

The management model also uses regular Strategic Assessment Meetings (RAE) focused on monitoring the projects that ensure the execution of the outlined strategy, in addition to disseminating the knowledge of the strategy and building awareness of everyone’s role in the fulfillment of CTEEP’s mission.

Strategic Map



RISK MANAGEMENT

GRI 1.2, 4.11

Corporate Risk Management is an essential aspect of CTEEP's management model and is subject to continuous improvement. For this reason, the Company keeps a formal risk management policy that entails the collection of information from different areas, with the purpose to enable mapping, monitoring and anticipating the set of risks that may interfere in the smooth management of operations, with an adverse impact on results or impairment of the Company's operational efficiency. In 2008, CTEEP created a Risk Committee formed by six members, who meet four times a year.

The Company adopts the Integrated Risk Management (IRM) tool, a system intended to assess and monitor risks and the internal process control environment, based on the international methodology named Enterprise Risk Management (ERM). This tool enables the identification of potential risks, so as to provide recommendation of actions to manage such risks throughout all corporate processes. CTEEP's model aims at tackling themes such as participation in transmission auctions, corporate governance and the Company's relationship with its subsidiaries.

CTEEP has currently mapped 38 risk scenarios that are continuously monitored and prioritized according to the degree of exposure and potential occurrence. The risks of greater relevance measured by CTEEP are:

- Growth-related;
- Delays in projects due to contractual default;
- Legal issues;
- Regulatory risks;
- Natural hazard risks;
- Human or procedure failures; and
- Accidents involving employees or outsourced workers.

The Company has developed four risk matrices, which enable management of the potential occurrence and the likely impact from each scenario based on four key resources: financial, human, information and image. In addition, the IRM tool is associated to internal controls, coupled with the monitoring of scenarios, which enables the early identification of the probability of failure occurrence.

In this sense, the Company has developed an Emergency Service Plan, which includes logistics information and resources for the recovery of Transmission Lines, thus ensuring their smooth operation. The goal is to cause the least impact on the electric power system, as well as to ensure employees' safety.

The Company provides periodic training to the maintenance staff, which covers the set of measures to be taken in the event of an emergency involving the community, authorities and industrial clients. During 2012, six training programs were offered in the area of risk management culture, totaling 48 hours and involving 58 employees from different areas and hierarchic positions.

Within the scope of financial risk analysis, the company makes use of exchange rate hedging instruments (swap derivatives), which aim at neutralizing forex risks deriving from foreign currency-denominated loans and financing.

With a view to pursue both updating and ongoing evolution of risk management tools, in 2012, the Risk Committee reviewed the risk scenario with regard to the issue involving noncompliant suppliers, alongside with the preparation of quarterly reports containing information on top priority risks. The review carried out by the Committee led to recommendations for improvement, which were put into effect during the course of the year, with special mention to:

Monthly monitoring of 30 suppliers, to be conducted by a specialized firm

Pre-registration of suppliers

Pre-evaluation of suppliers, with regard to their ability to deliver the service

Training of all managers

Also in 2012, a new strategic map was structured and disclosed, which provides a better alignment of the IRM tool to the issues of sustainability and business perpetuity of both the Company and the ISA Group, considered to be a key corporate management tool.

In the last quarter of the year, CTEEP held the Annual Meeting of Risk Management Teams at ISA. During the event, different themes were discussed, such as the enhancement of the IRM methodology, integration of the information provided by the Internal Audit, IRM and Process Management and the future creation of ISA Captive Reinsurance.

CLIMATE CHANGE-RELATED RISKS

GRI 1.2, EC2

CTEEP's top management remains alert as to the risks and impacts that climate change may bring about to the Company, in line with the guidelines set out by the ISA Group. The Organization assesses the likely changes in business management stemming from environmental aspects, as well as the incorporation of stricter environmental and social criteria within the regulatory scope, the configuration of the energy matrix and demands from society.

In addition to climatic events that may directly affect the Company's operations, the possibility of generating energy from cheaper and more efficient residential generators is another aspect that may have an impact on CTEEP's business and strategy in the upcoming years.

In this sense, the Company performs its activities in line with the agreement signed with the United Nations Development Program (UNDP), by developing programs that promote its employees' education, with the purpose to minimize risks and indentifying opportunities to cope with the climatic changes. In addition to investing in projects geared towards the efficiency of procedures, the Company focuses on the opportunity to offer new technologies and services to the society, thus strengthening its competitive advantages within the market.

EMERGENCY RESPONSE PLAN

GRI EU21

CTEEP maintains an Emergency Response Plan applicable to transmission lines in the event of collapsing metallic structures and failure in the electric system. This Plan entails logistics information and procedures for restoration of transmission lines,

aimed at minimizing the impact on the electric power system, as well as assuring employees' safety and health.

With the purpose to ensure refreshing and updating of the Emergency Response Plan, the Company offers regular training to the maintenance teams, including the necessary procedures as regards the communities, authorities and industrial customers.

CTEEP also keeps the public authorities and regulatory bodies informed on the details of such events, as well as on the restoration schedules, so as to receive their approval and enable them to monitor the progress of the preventive or corrective action plans. Disclosure of such information is provided by the press relations agency to the various communication media and posted on the Company's website.

Moreover, the Emergency Response Plan covers the events of environmental nature, by means of a system for the registration of occurrences. Such events are generally restrained within the boundaries of the substations and do not imply risks to the surroundings.

TECHNOLOGY PLANNING AND INNOVATION

GRI EU8

Within the ever-changing environment experienced by the Brazilian electric power sector, CTEEP finds itself confronted with a number of challenges, among which are the diversification of energy sources; the introduction of renewable energy sources into the system; the constant evolution of management concepts; development of more intelligent management techniques; coupled with both the expansion of energy grids and the introduction of new intelligent grid concepts. In order to tackle this issue, the Company has been striving to become well structured and to prove capable of transforming difficulties into opportunities towards innovation, in a sustainable and socially responsible manner.

Within the context of CTEEP's Research & Development Program, and in accordance with Law 9991/2000, which establishes that a fixed percentage of Net Operating Revenues be allocated to innovative projects, in 2012, the Company examined and structured a number of projects considered to be strategic for the consolidation of an innovative environment, and aligned with the Company's values. In 2012, four new projects were implemented, namely:

- **Development of a methodology aimed to identify and minimize the causes of leakage and deterioration of sealing materials used in SF₆ gas-insulated equipment**

This project is intended to identify the leading causes of SF₆ emissions at the Company, considering the general losses along the system, the losses deriving from leakage, losses during maintenance, as well as losses from gas cylinders. This project also aims at developing a methodology intended to analyze the deterioration of sealing materials on service, with the purpose to help prevent and repair leakage detected in SF₆ gas-insulated equipment and to determine the specification of sealing materials applicable to such equipment.

Operational partners: Diagno and Universidade Regional de Blumenau

- **Development of a Pilot System for Automatic Assessment of Dynamic Performance of the Electrical System, based on Synchronized Phasor Measurement**

In 2012, the Company started to develop a pilot system for automatic assessment of dynamic safety, intended to provide support to real-time decision making, by taking into account buffer zones and synchronized phasor measurement data. Thus, this initiative is expected to lead to prospecting of strategic resources concerning voltage control, and therefore prevent from resorting to unnecessary procedures; speed up and help restore the grid components, by providing real-time determination of maximum angles for the shut-down of rings, in addition to providing suggestions for re-dispatching measures; to provide support, within a very short-term time period, the assessment of the need to apply emergency-response interventions in the grid equipment, based on real-time data; to pursue enhancement of performance, aimed at mitigating the risk of producing any impact on major load centers of neighboring states. These results are expected to contribute to improve the quality of the electric public utility services.

Operational partners: Universidade Federal de Santa Catarina and HPPA Consultoria

- **Development of Voltage Sourced Converter (VSC) modeling for interconnected High-Voltage Direct Current (HVDC) grids**

Started in 2012, this project involves development of VSC technology, intended for application in power flow studies;

electrical and electromagnetic transients; controlling performance; and operations in meshed network systems and multi-terminals. This new modeling will enable an easier comparison between the technologies of line-commutated converters (LCC) and VSC, in addition to foster the use of meshed transmission grids and through direct current, which should support the integration of solar parks and wind farms.

Operational partner: J2 Consultoria

- **Profile of Multi-Chip Integrated Circuits (MCPs) for the Brazilian Transmission Market for Host System Application**

This project aims at determining a model for the integration of existing and future electric power transmission system management in Brazil. CTEEP has built up a vast knowledge on asset management and codified a major portion of this expertise into several computer programs, to meet the sequencing steps of business processes within this complex environment, featuring a strong interaction between the geographical scattered teams and diverse technical expertise. This project aims at developing tools that will act as platforms of existing or future system connections that CTEEP may acquire or develop.

Operational partners: InForma Software and Universidade Federal de Pernambuco

In 2012, investments in new and ongoing projects amounted to R\$ 12,952,112.42. This amount represents part of the total investment of R\$ 46 million in 22 projects, of which two cover Strategic themes proposed by ANEEL.

Investments carried out in 2012 are related to the following ongoing projects:

- **Identification of Potential Green Shield Areas, as an alternative to mowing areas not suitable for agriculture and Permanent Preservation Areas (PPA) under the Transmission Lines (Green Shield)**

This project initiated in 2009, aimed at developing a technique that allows for occupation of Permanent Preservation Areas (PPAs) with small native species. This initiative contributes to reduce maintenance carried out by trimming or mowing and help mitigate the risks of accidents and fires, in addition to bringing environmental benefits, such as the interconnection of forest fragments, by means of the formation of ecological corridors, preservation of water resources, as well as protection of the local

fauna and flora diversity. The development of this project led to the preparation of a Manual of Recovery of Riparian Forests under Electric Power Transmission Lines, in addition to the creation of a workshop to be attended by transmission line technicians, with a view to disseminate the technology.

Operational partner: Escola Superior de Agricultura Luiz de Queirós – USP

▪ Use of new methodologies to track oil spills in OF cables

Since 2009, this project has developed a local technology, based on the use of perfluorocarbon (PFC) gas traits to help tracking oil spills in OF cables, within the fastest time span possible, without the need to shut down the line, without hindering power supply. At present, this methodology is being used along the CTEEP's XAV-BAN Line (Xavantes – Bandeirantes).

Operational partner: AJOL Engenharia

▪ Development of Methodology and Computer Intelligence Tools to support Automatic Assessment of Occurrences

The development of this project aimed to automate of the process of assessing occurrences along the electric power transmission system, based on application of computer intelligence models, with the purpose of enhancing the quality of the electric public utility services.

Operational partners: Asotech and Enacom

▪ Development of a Specialized Diagnosis System based on on-line monitoring of noise level produced by transmission transformers, allowing for identification of internal electrical malfunctions

This project is geared towards developing an automated specialized system that provides support to decision-making, aimed at assisting the maintenance area in identifying and tracking malfunction in transmission transformers, by providing accurate diagnoses as to the most suitable type of maintenance, whether predictive, preventive or corrective.

Operational partners: Escola de Engenharia de São Carlos – USP and Universidade Estadual Paulista (UNESP) – Baurú

▪ Development of a Management System to monitor transmission line teleprotection and protection commands

The objective is to develop a management system to monitor transmission line teleprotection and protection commands, based on the information related to the functioning of this

type of relays, and thereafter providing support to the maintenance management of teleprotection systems.

Operational partner: Fundação para o Desenvolvimento Tecnológico da Engenharia

▪ Interactive System intended for Diagnosis of equipment malfunction, by means of Bayesian Networks

This project aims at developing an innovative methodology to support to expansion planning, provision of preliminary inputs and assistance to the identification of causes for failure in substation equipment and transmission lines.

Operational partners: Universidade Federal de Santa Catarina and Instituto Tecnológico de Pesquisa da Baixada Santista

▪ Strategic integrated reliability concerning cable connections of overhead high-voltage lines.

This study aims at developing a methodology to enable enhancement of Reliability in Electric Power Transmission Systems, particularly as concerns the line splices, as well as to help programming preventive inspections and maintenance, with a view to perfecting the quality of processes related to the execution of such splices.

Operational partner: PRINSIS Engenharia

▪ Efficient Methodology for an optimal Coordination of directional overcurrent releases in Meshed Electrical Systems

This projects aims at seeking development of an advanced and innovative methodology, which can enable practical and safe solutions concerning the problem of adjustment of directional overcurrent releases in protection systems installed in electric power transmission grids, with the purpose of assuring electrical system stability.

Operational partner: Fundação Para o Desenvolvimento de Bauru – FUNDEB

▪ Intelligent system intended to electric power transmission asset management, by means of tracking partial discharges.

Partial discharges from any equipment are responsible for the majority of failures in extra-high and high-voltage equipment services, in addition to being considered hardly detectable on site. This project aims to develop an intelligent system dedicated to detection, analysis and tracking of

equipment partial discharges, involving an automated interpretation of the electric discharges identification, taking into account the statistics measured under both laboratory and on-site conditions.

Operational partner: IEE – Instituto de Eletrotécnica e Energia/USP

▪ **Application of FACTS Technologies in Transmission Systems aimed to enhance Electrical System Performance**

Initiated in 2011, this project is intended to assess the application of FACTS equipment in the transmission grid, particularly in the Brazilian electric power industry's Basic Grid. The expected result is to attain an improvement in voltage control, damping of occasional oscillation in the system, alleviation of short circuit current, tighter control of the network components load, thus reducing the incidence of blackouts.

Operational partners: Marangon Engenharia and Universidade Federal de Itajubá

▪ **Real Time Adaptive Islanding System (AIS) Based on Monitoring the Stability of the Brazilian Interconnected System**

Since 2011, CTEEP has been engaged in the construction of an online real-time computer system intended to detect risk situations in the Company's transmission system. When the Brazilian Interconnected System is found to have a likely risky situation, the AIS determines and automatically starts the necessary procedures to maintain power supply to certain areas during the period of power network disturbances. This is made possible by the separation of transmission stretches, thus preventing from economic and safety impacts on the population.

Operational partner: CHOICE Technologies

▪ **Development of physic-chemical and dielectric methodologies, aimed at assessing the condition of oil-paper insulating systems in the equipment located in the Company's substations**

CTEEP has been developing, since 2011, physic-chemical and dielectric methodologies, aimed at assessing the condition of oil-paper insulating systems in the equipment located in the Company's substations. The expected result is to develop a predictive maintenance tool intended to mitigate the probability of failure in this type of equipment.

Operational partner: LACTEC

▪ **Construction of an integrated meteorological lightning, rain, temperature and wind sensor, which will enable real-time transmission of data, to be installed in a WEBGIS platform provided with an early warning system in case of severe weather phenomena**

GRI EC2

Initiated in 2011, this project comprises the construction of an integrated meteorological sensor dedicated to measure and perform real-time transmission of data related to lightning strikes, temperature, wind and rain, installed in a WEBGIS platform, for the purpose of providing short-term weather forecast, provided with an early warning system that may allow for a more efficient risk management in power transmission. At present, there is not any sensor carrying such features available in the market.

Operational partners: Climatempo and XMobots

▪ **System to provide adequate monitoring data on the Concentration of PCBs (polychlorinated biphenyl) in insulating liquid materials used in High-Voltage Electrical Equipment**

This project started in December 2011, with the purpose of developing a system consisting of a chromatograph, methodology and software, aimed at determining the concentration of PCBs in insulating liquid materials used in electrical equipment, such as power transformers. The presence of this substance represents a toxicological concern to both the environment and human health. In this sense, the Company remains alert to accurately monitor the concentration of PCBs in the insulating liquid material in its equipment, so as to assure a responsible approach towards its operations.

Operational partner: LACTEC

▪ **Intelligent Tools intended to Provide Diagnosis in Power Transmission Transformers Exposed to Extreme Electromagnetic Fields.**

This project aims at developing intelligent tools integrated to decision-making supporting systems, which will enable a complete diagnosis of damages found in power transmission transformers exposed to extreme electromagnetic fields. This project also entails the performance of exhaustive testing and trials that will allow for the assessment of the progress achieved and promote initiatives that should foster its improvement.

Operational partners: Escola de Engenharia de São Carlos – USP and Universidade Estadual Paulista (UNESP) – Bauru

Two projects connected with ANEEL's Strategic Themes are in progress, namely:

▪ **ANEEL Call No. 6: Supercable Project – Development of High-temperature Superconductor (HTS) Technology for Electrical Power Systems**

This project aims at narrowing the technological distance between the technical teams of the Brazilian concessionaires as compared to their international peers, which have already invested in and currently make use of the Superconductor Technology. This study encompasses the project, simulation, construction and laboratory trial of a three-phase Superconductor Cable 5-meter long prototype, by using second-generation superconducting tapes. The project also entails the installation of a prototype in a substation yet to be determined, provided with a cryogenic cooling system and a monitoring system. **Partnerships:** Cemig (applicant), ECATE, NovaTrans Energia, Transmissora Aliança and Universidade Federal Rural do Rio de Janeiro – UFRRJ (project executor).

▪ **Call nº 13 – Development of skills and evaluation of technical and commercial arrangements in distributed generation by photovoltaic systems connected to the network**

The scope of this strategic project entails, among other aspects, the installation of a photovoltaic solar energy plant of 525 kWp, as well as a solarimetric station, in addition to a study and evaluation of the impact from the photovoltaic generation on the distribution system.

Partnerships: CESP and the Permanent Program for the Efficient Use of Energy (USP) and Instituto de Eletrotécnica e Energia – IEE/USP (project executors)

Technology Prospecting

The second round of the Technology Prospecting Workshop held by CTEEP included a Maintenance Specialists Panel, which was attended by Brazilian and international professionals to discuss the technological trends for the electric power sector. In 2012, the highlight was the theme Maintenance Technologies applied in the Electric Power Transmission Systems, which comprised three major aspects: maintenance of substation equipment, maintenance of overhead and underground lines, telecommunication controls and commands, taking into account not only the current issues, but also the outlook for the next 10 years.

PRESENT AND FUTURE

The Technology Prospecting Workshop provided an overview of the present situation and the outlook for the future:

Where we stand...

- Demand for electric energy continues to grow, and thus credibility is more important than ever.
- Professional development and knowledge management are crucial for the evolution and business perpetuity for the companies operating in this sector.
- The physical space available for large projects, such as substations and transmission lines, has become scarce.
- Technological advances have been leading to great changes as regards equipment and processes, as a consequence of the migration from analogical to digital technology.

... what the future holds

- Transportation of large energy blocks for long distances should become usual – which will lead to a change in the design and maintenance of the current equipment, in addition to resorting to new technologies.
- Due to growing integration of processes and operations, the profile of professionals is expected to undergo a considerable change, from single-subject experts to professionals presenting a wider variety of specializations.
- The introduction of new materials shall be a solution for the potential increase in power transmission – an essential prospect, considering the shortage of space. One example is Nomex, a synthetic fiber used as an insulating material, which withstands higher temperatures. Consequently, certain equipment such as transformers will require a lower volume of material in its composition, thus resulting in smaller dimensions.
- Software shall withstand management of larger databases, providing more nimble and comprehensive analyses. This is expected to influence the design, operation and maintenance of equipment.

THE ELECTRIC POWER SECTOR

GRI EU6

According to the Ministry of Mines and Energy (MME), the Brazilian electric power system comprises the Brazilian Interconnected System (SIN), which integrates the South, Southeast/Mid-West, North and Northeast subsystems and some isolated systems that together cater for over 98% of the Brazilian population. The coordination and operational control of the SIN generation and transmission facilities are under the responsibility of the Brazilian Operator of the Electrical System (ONS) and are inspected and regulated by the Brazilian Electric Power Agency (ANEEL).

This sector had its regulatory framework consolidated by Law No. 9427/1995, amended by Law No. 10.848/2004, which set out the operation rules for the generation, transmission, distribution and commercialization of electric power.

It is the role of the Brazilian Federal Government – directly or through concession, authorization or license to third parties – to exploit electric power-related utility services and facilities and the hydroelectric use of watercourses. It is also their responsibility to set out the criteria to grant the right to research and exploit water resources, as well as to register, follow up and inspect such concessions and to legislate on watercourses and electric power matters.

Currently, according to the MME, the service of transportation of large energy blocks for long distances in Brazil is performed through 106,676 kilometers of transmission lines. This extension includes the basic grid, connections between power plants, international interconnections and 550.6 kilometers in the isolated systems. Up to 2014, a further 13,338 kilometers is planned to be implemented.

The expansion planning for the Brazilian electric power system is based on the 10-year Plan for Energy Expansion, coordinated by Empresa de Pesquisa Energética (EPE) (Energy Research Company), whose purpose is to provide market research statistics and reports aimed at feeding information to the energy sector planning. Based on the 10-year Plan for Energy Expansion prepared by EPE, it is made possible to develop both the Transmission Expansion Program (PET) covering a five-year pe-

riod and the Expansion and Reinforcement Plan (PAR), outlined for the next three years. The PET Program results from the joint efforts of all electric power-related undertakings by each region in the country, whereas the PAR Program is developed by the Brazilian Electric System Operator (ONS), considering the outlook for the short and medium-term horizon, on the grounds of the Brazilian Interconnected System (SIN)'s analysis. (GRI EU19)

The consensus solutions laid down by these groups provide support for the determination of the infrastructure works required for the expansion of the electric power system in the country, which thereafter are put forward in the document "Consolidation of Works", published by the Ministry of Mines and Energy (MME). Further information may be found in both the EPE and MME websites (www.epe.gov.br and www.mme.gov.br).

GROWTH

GRI EU6

CTEEP has played a key role as regards the country's development, by providing a major contribution to the growth of the SIN, through investments in substations and transmission lines that have been set up over the past years.

The expansion of the Company's business keeps pace with the growth of its own transmission system, acquisition of existing assets and its participation in auctions of available transmission assets. In 2012, the Company participated, without success, of two energy transmission auctions held by ANEEL. In the same period, investments made by CTEEP in reinforcements, modernization and improvement of existing assets, investment in workforce and capital increase in subsidiaries totaled R\$ 952.2 million.

In 2012, a total number of 60 reinforcement, improvement and modernization projects were completed and put to operation, including the Basic Grid and other Transmission System Facilities (DITs), which accounted for a further R\$ 29 million added to the Allowed Annual Revenue (RAP) granted to the Company, with investments in the amount of R\$ 202 million.

These projects contributed a 283.75 MVA increase in CTEEP's transformation capacity and enabled the construction and res-

toration of 150.6 km of transmission lines. Moreover, it was made feasible the installation of 207 current transformers, 203 section switches, 98 voltage transformers, 75 circuit breakers and 28 choke coils.

In light of the Government's incentive to foster development of alternative and renewable sources of electric power generation, and considering the social and environmental impact from both the construction and expansion of Hydroelectric Power Plants, it should be noted that there is an increasing number of thermoelectric plants using biomass in the country (especially from sugarcane). This trend is expected to be intensified in the upcoming years, particularly in the Southeast region, and it is worth mentioning that CTEEP is particularly watchful as regards this further demand.

To that end, the Company has been striving to promote the integration of this new source of energy into the Brazilian electric power system through its transmission system network. In 2012, five connections of biomass power plants were set up, through an investment of R\$ 1.2 million and RAP of R\$ 10 million.

In 2012, the Company obtained authorization from the Brazilian Electric Power Agency to carry out 58 projects concerning reinforcement of the transmission system, which will yield further revenues estimated at R\$ 13 million.

Subsidiaries:

IESUL

In 2012, one more project belonging to Lot I of Interligação Elétrica Sul – IESUL was put to commercial operations: the 230 kV Jorge Lacerda B transmission line – Siderópolis C3, located in the state of Santa Catarina. This concession agreement also includes the 230/69 kV Forquilha substation, already opera-

tional, and the 230 kV Joinville Norte – Curitiba C2 line, whose construction is in progress. This construction results from the increased demand for electric power in the South region of Santa Catarina State, deriving from the fiscal incentives intended to boost investments in installations of industrial complexes in that region. These projects added a further length of 47 km and 113 tower structures to the system.

Pinheiros

In 2012, the construction of the SE 345/138 kV Atibaia II was completed, a 400 MVA transformation substation, involving the construction of two 345 kV transmission line stretches, in two simple circuits, whose length consists in nearly 1.4 km in each line stretch.

Furthermore, approval was also granted to the reinforcement of Piratininga II substation, which entails the installation of two grounding transformers of 88/13.8 kV and 36.3 MVA, in addition to the installation of the respective 88 kV connection modules for both grounding devices.

The expansion of the 440/138 kV substation Mirassol II has also been authorized, with the installation of the second bank of 300 MVA transformers.

Serra do Japi

Substations Jandira e Salto, located in the state of São Paulo, were put into commercial operations, totaling 1,600 MVA of installed capacity. These projects will allow for a reinforced energy supply to the West and Northeast regions of the Greater São Paulo, an area that features a major industrial activity.

¹ Future revenues consider expansion or reinforcement in the electric power system, which will start generating revenues when completed.



Operational Performance

Losses in power transmission by the Company are estimated very low.

GRI PR1, EU6

For CTEEP, the quality of the electric energy transmission supplied to its customers consists in a major commitment that has always guided the Company's operational efficiency strategy. This can be evidenced by the fact that, for the fourth year running, the Company received an additional RAP in the amount of R\$ 3,867,618.34, related to the 2011/2012 Cycle, granted by ANEEL because of the high availability of its assets (99.9664%). This amount is 15% higher than the discount concerning the Variable Deduction for Unavailability (PVI) recorded during the same period.

Moreover, the assumptions regarding energy supply estimated for 2014, when the World Cup will be hosted in Brazil, has been underlining the Company's investments, thus contributing to increasing credibility towards the Brazilian electric power transmission system.

In order to meet this increasingly more demanding scenario, the Company has consistently invested in the application of new technologies that are assured to bring added value to its network, with special emphasis on operations and maintenance activities. This management approach is intended

to enhance efficiency and quality as regards its transmission services, since the Company's operating revenues are directly connected with the availability of its assets (transmission lines, transformers, reactive power compensation equipment, etc.). In this context, CTEEP has also developed the Asset Optimization Plan (AOP) and the Transmission Improvement Program (TIP), being both geared towards the consistent enhancement of its equipment and systems.

The Company is also aware that it is fundamental to ensure the safety of its employees, equipment and systems, by mitigating any likelihood of occurrence of accidents involving its personnel, or malfunction that may lead to power shortages, or that may bring about any impact on the Brazilian Interconnect System.

CTEEP maintains a very close relationship with the Energy Research Company (EPE) and with the Brazilian Operator of the Electrical System (ONS), so as to ensure that both its planning and execution of its operations are aligned with the system requirements, as well as in tune with the needs of the generation, distribution and consumers connected with the Company's network.

FREQUENCY AND DURATION OF INTERRUPTIONS

GRI EU12, EU28, EU29

With a view to ensuring the proper management of the system, CTEEP keeps a consistent monitoring of the Equivalent Frequency of Interruptions (FREQ), an indicator that measures the number of times that maximum demand experiences interruption during the monitoring period, as well as the Equivalent Duration of Interruptions (DREQ), which reflects the equivalent time of interruption in the maximum demand measured during the monitoring period.

The Company's losses from power transmission are very low, estimated at 1%. In 2012, the ratio of frequency interruptions showed a decline, whereas duration resulted slightly higher, year-over-year, as shown in the table below:

Year	DREQ CTEEP	FREQ CTEEP
2010	3,4350	0,1859
2011	3,3417	0,2554
2012	3,9757	0,2169

ADVANCED TECHNOLOGY

The majority of large-scale disturbances that occur in electric power systems derive from events and operational circumstances that are difficult to predict. This observation coupled with the increasing degree of complexity involved in this operation reveal evidence that it is essential to focus on development of more updated and effective tools aimed at monitoring and controlling electrical systems with real-time visibility.

In this sense, the Company uses, for example, the RTDS (Real-Time Digital Simulator) to carry out simulations of electrical phenomena such as failures and disturbances, and provide diagnosis on the malfunction in the protection system. Thus, it is possible to obtain more data for the diagnosis and handling real problems, in addition to analyzing the problems that have already occurred in the past.

CTEEP also uses the Operator Training Simulator (OTS), so as to enable the team of professionals to cope with any situation, by learning in details the power system behavior under any type of circumstances, including the operational functions, such as maneuver execution and operation routines. Thus, after the qualification of the team of professionals, the safety in operations should become more solid.

Other projects that apply advanced technologies aimed to enhance the Company's operational performance have already been mentioned in the topic on Research and Development in this report.

DIGITAL SUBSTATIONS

Following the advanced technology applied in the automated substation systems, coupled with the adoption of the standards laid down in IEC 61850, CTEEP started implementing a digitalization program in substations, which covered, in the initial stage, the substations of Mongaguá, Jaguari, Porto Ferreira, Mairiporã and Edgar de Souza.

The substations of Mongaguá, located in the shoreline of São Paulo State, was the first to be fully digitalized in early 2009. The digitalization of the substations of Jaguari, Porto Ferreira and Mairiporã, received investments of R\$ 12 million. At present, the digitalization of the SE Edgard de Souza substation is in progress, expected to be completed during the first half of 2014, which will absorb investments of R\$ 20 million.

This solution happens to meet all functions required by the substation's protection and automation system, conferring interoperability with equipment from other manufacturers, further enabling a more intelligent and economic maintenance. In the event of malfunction, this system allows for a more accurate and nimbler assessment, thus ensuring a shorter period of unavailability of the electric system. Moreover, the architecture model used has proved to be safe as regards the transmission of information throughout the communication network, thus allowing for increased reliability as concerns the data integrity required for the substation operation.



Economic and Financial Performance

In the year, EBITDA and EBITDA margin were higher than those recorded in 2011.

Within an economic environment of 0.9% growth in the Brazilian GDP in 2012, the domestic electric power consumption rose by 3.5% year-over-year, to an overall volume of 448,293 gigawatt-hours.

Power consumption by the industry sector, the largest weight one, remained virtually flat in relation to 2011, whereas in the commerce sector, power consumption grew by 7.9% and by 5.0% in the residential segment year-over-year.

As a consequence of a competent management, committed to its shareholders, in 2012, CTEEP's results remained stable in relation to the previous year, notwithstanding the market framework was rather challenging. In 2012, EBITDA and EBITDA margin exceeded the 2011 figures by 1.2% and 2.1 percentage points respectively. Furthermore, CTEEP's remuneration to shareholders amounted to R\$ 275.3 million in FY 2012.

REVENUES

GRI 2.8

In 2012, consolidated gross operating revenue came to R\$ 3,173.9 million, down 2.9% from the amount of R\$ 3,268.7 million in FY 2011.

CTEEP's revenues originates from the following sources: (i) construction services; (ii) operation and maintenance of electric power transmission lines; (iii) financial income; and (iv) other revenues.

In 2012, the Company's construction revenues totaled R\$ 976.7 million, down 11.5% from 2011. Construction revenues in 2012 had a positive impact from the progress of the IEMadeira works, along with the start of IEGaranhuns; on the other hand, such revenues were negatively affected by the start-up operations of the subsidiaries Pinheiros (substations of Getulina, Mirassol and Piratininga II), along with Serra do Japi, whose works were concluded during the fourth quarter of 2011 and first quarter of 2012 respectively; coupled with the completion of the works related to reinforcement and new connections in the existing assets of CTEEP (Parent Company).

Revenues from maintenance and operation totaled R\$ 594.7 million in 2012, representing a 7.1% growth as compared to the R\$ 555.1 million attained in 2011. This performance reflects the 4.26% increase in the IGP-M inflation index, which is used to adjust the RAP of the Parent Company's largest concession contract (059/2001), the 4.98% increase in the IPCA inflation index, which is used to adjust the RAPs of the subsidiaries for the 2012/2013 cycle, as well as the receipt of O&M revenue from the new energized reinforcements carried out during the course of 2012.

In 2012, financial income came to R\$ 1,584.8 million, flat in relation to the amount of R\$ 1,590.0 million reported in 2011, as a result of the change in the financial flow expected for realization of construction and reversal.

Financial income is recognized when potential future economic benefits are likely to flow to the Company and the amount of revenue can be accurately measured. Interest income is recognized by the linear method, based on the time frame and effective interest rates applicable to the outstanding amount of the principal. The effective interest rate is the one used to discount the expected future amount of receivables for the estimated maturity term of the financial asset in relation to the original net accounting value of the asset in question.

The impact of the readjustment of the RAP is related to the Financial Income, since the future cash inflow is bound to be readjusted, as a result of the new value determined by the regulatory body (ANEEL). Thus, the future cash flow is readjusted considering the new RAP amount, up until the end of the concession period. The new present value of this readjusted flow will consist in the basis for remuneration of the financial assets (accounts receivable) for the next cycle by the same effective interest rate.

The Company's other revenues relate to leasing to a fixed line telephone company and services concerning maintenance and technical analysis services provided to third parties.

As a result of the factors mentioned above, CTEEP's consolidated net operating revenue stood at R\$ 2,819.0 million in 2012, representing a decrease of 2.8% when compared with the R\$ 2,900.8 million registered in the previous year. (GRI 2.8)

Operating Costs and Expenses

GRI EC1

In 2012, operating costs and expenses remained virtually flat in relation with 2011, totaling R\$ 1,438.7 million, versus R\$ 1,450.4 in the previous year.

The change in the amount of costs and expenses recorded in 2012 mainly reflects the increase in personnel expenses, arising from the collective bargaining agreement, which resulted in a 6.0% increase granted in July 2012, coupled with the increase

in headcount; increase in costs and expenses from third-party services, deriving from the ongoing construction works in the subsidiary IEMadeira, whose amount declines proportionally to the change in the construction work revenue; increase in contingency expenses, which were subject to review, due to expectations of loss concerning some legal disputes, coupled with a successful outcome in a labor lawsuit, whose amount of R\$ 27.6 million was recognized in 2011; offset by the decrease in costs of materials, which vary in line with construction revenues, and reflected the start-up operations of the subsidiary Serra do Japi, following the completion of works during the first half of 2012.

EBITDA AND EBITDA MARGIN

Resulting from the events mentioned above, CTEEP recorded an EBITDA of R\$ 1,471.9 million in 2012, up 1.2% from the R\$ 1,454.6 million registered in 2011. EBITDA margin was 52.2%, representing a 2.1 percentage-point rise year-over-year.

OTHER NET OPERATING INCOME (EXPENSES)

Other net operating income (expenses) resulted in "other net operating income" in the amount of R\$ 57.9 million, and primarily result from the recognition of impacts resulting from extension of concession agreement No. 059/2001, pursuant to MP 579/2012 and MP 591/2012, in the amount of:

- (i) R\$ 4,444.5 million, related to the VNR updating concerning accounts receivable for compensation of investments realized and not amortized – Existing Service (SE) and New Investments (NI);
- (ii) R\$ 2,724.6 million, related to the write-off of estimated accounts receivable from construction considering estimated revenues of up to July 2015, upon expiration of the concession agreement in effect prior to Provisional Executive Order (MP) 579 and 591;
- (iii) R\$ 1,535.3 million, concerning the provision for adjustment of investment cost – SE;
- (iv) R\$ 87.1 million, relating to the write-off of the amount booked as replenishment of inventories.

FINANCIAL RESULT

The financial result registered in 2012 was a net financial expense of R\$ 211.4 million, representing a 5.4% increase over the net financial expense of R\$ 200.5 million in 2011, due to the Company's increased volume of debt. As at December 31, 2012, the debt balance was R\$ 3,694.5 million, versus R\$ 2,771.4 million at the close of FY 2011. Moreover, income from monetary adjustment and interests in the amount of R\$ 57.8 million were recognized in 2012, and readjusted by the IPCA + WACC (5.59%) from accounts receivable, on accounts of reversal, pursuant to Interministerial Order 580.

INCOME TAX AND SOCIAL CONTRIBUTION

Overheads with income tax and social contribution increased by 26.8%, amounting to R\$ 383.2 million in 2012, versus R\$ 303.8 million at the end of 2011. The effective rate of income tax and social contribution increased by 31.2% in 2012, versus 24.9% in 2011, the change reflecting the reduced use of the tax benefit arising from the payment of interest on shareholders' equity in 2012, as well as the reversal of the provision for the maintenance of the integrity of shareholders' equity.

NET INCOME

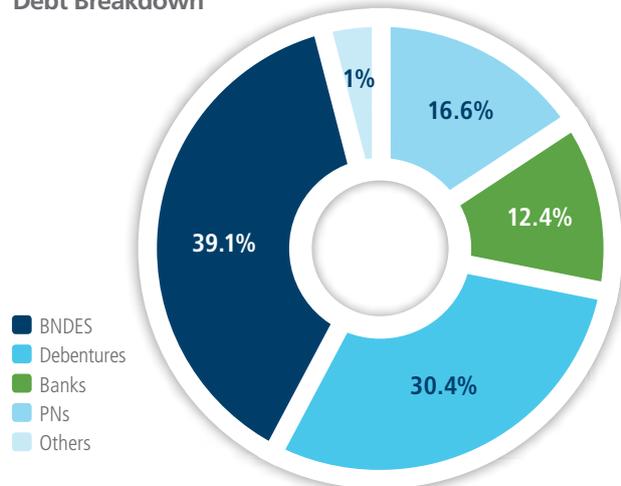
The increase in the rate bracket for income tax and social contribution had an adverse effect on the Company's net income for the period, which came to R\$ 843.5 million, down 7.8% from the 2011 net earnings of R\$ 915.3 million.

DEBT

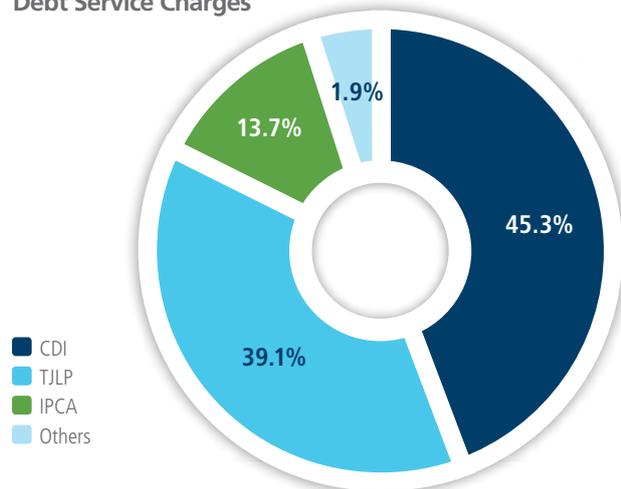
Consolidated gross debt as at December 31, 2012 amounted to R\$ 3,694.5 million, representing a 27.3% increase in relation to the close of FY 2011, chiefly due to additional fund raising carried out during the course of the period, namely: the 6th issue of promissory notes effected in the first quarter of 2012; the 2nd issue of debentures, in a single series, in July 2012; and the 3rd issue of promissory notes by IEMadeira in September 2012

Approximately 85.0% of CTEEP's debt is pegged to CDI and TJLP rates, being BNDES largest creditor of the Company, accounting for 39.1% of the total debt.

Debt Breakdown



Debt Service Charges



At the close of 2012, CTEEP's net debt amounted to R\$ 3,265.2 million, up 27.3% year-over-year. The Company's indebtedness ratio stood at 63.9% in 2012.

Loans and Financing

Consolidated

(R\$ million)	2011	2012
Gross Debt	2,771.4	3,694.5
Short Term	1,397.5	1,302.2
Long Term	1,373.9	2,392.2
Highly-Liquid Assets	207.3	429.2
Cash & Cash Equivalents	207.3	429.2
Net Debt	2,564.1	3,265.2

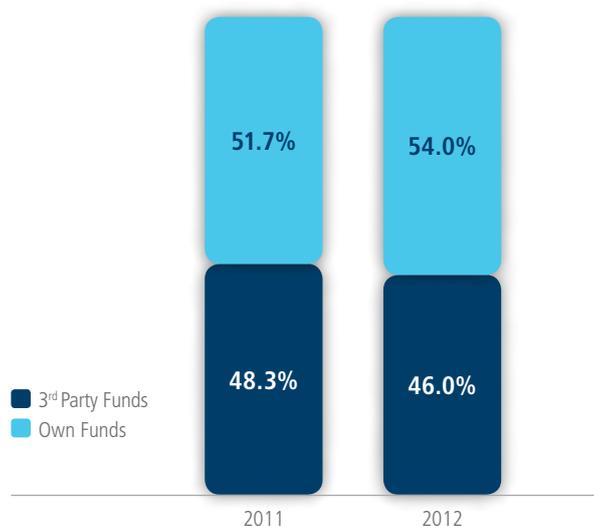
As a contractual obligation set out in its financing agreements, the Company must meet quarterly and yearly financial covenants, based on both quarterly information and annual financial statements for the corresponding fiscal periods, which are prepared in accordance with generally accepted accounting practices in Brazil. The Company's main covenant is the Net Debt/EBITDA ratio, which must be less than or equal to 3.5 times. At the close of FY 2012, CTEEP's Net Debt/EBITDA ratio stood at 2.2 times.

STATEMENT OF ADDED VALUE

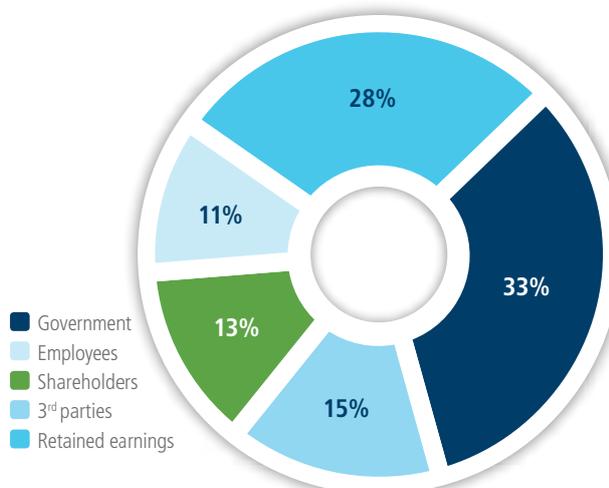
GRI EC1

In 2012, CTEEP's added value totaled R\$ 2,290.8, up 4.3% from 2011. From this total, R\$ 275.3 million was distributed to shareholders in the form of dividends and interest on equity, R\$ 804.2 million was channeled to the payment of federal, state and municipal taxes, fees and social contributions; R\$ 239.9 million was spent on payroll and fringe benefits; R\$ 403.3 million was spent on debt service charges; whereas R\$ 568.2 million was allocated to retained earnings.

Capital Structure



Added Value Breakdown



CAPITAL MARKETS

The year 2012 was once again marked by investors' caution with regards to the equity market. The European crisis, alongside with China's economic downturn and the sluggish recovery in the US economy, jointly contributed to hamper a positive evolution in the global stock markets in general.

In the domestic equity market, the Ibovespa index began showing signs of reversal in the downtrend by offsetting the losses of up to 7.5% during the first half, and closed the year up 7.4%. As regards the electric power companies, Provisional Executive Order (MP) 570 of September 2012, which relates to the renewal of generation, transmission and distribution of electric power, whose expiration dates fall between 2015 and 2017, caused stock prices to plunge.

The Electric Power Stock Index (IEE) was devalued by 11.7% in 2012, whereas CTEEP's common and preferred shares (BM&F-

BOVESPA TICKERS: TRPL3 and TRPL4 respectively) closed the year priced at R\$ 44.50 and R\$ 32.99 respectively, showing drops of 17.6% and 43.1% year-over-year.

As a result, CTEEP's market capitalization at the close of FY 2012 amounted to R\$ 5.8 billion.

The financial daily trading volume of CTEEP stock in BM&F-BOVESPA averaged R\$ 14.5 million in 2012, whereas the total amount reached R\$ 3.6 billion over the same period, with special emphasis on the second half of the year.

Since 2009, CTEEP has also listed Level 1 American Depositary Receipts (ADR) in the NYSE, backed by the Company's underlying common and preferred stock at the ratio of 1 Depositary Receipt for each share of both types. The Company's securities are traded on the US OTC market, and payment of dividends or interest on equity connected to the ADRs are effected in US Dollars.





Social Performance

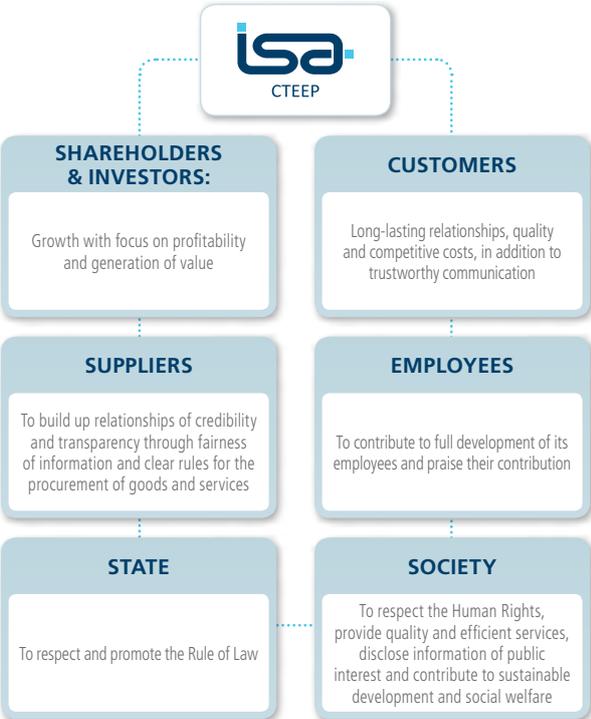
CTEEP's Relations with their public are guided by ethics, with transparent dialogues, integrity in their relationships and concern for the environment.

GRI 4.14, 4.15, 4.16

CTEEP considers "social responsibility" as one of its core values, which means that the Company has pledged to continuously pursue sustainable development, while honoring the commitment undertaken towards all stakeholders (social actions with common or similar interests that affect or are affected by the Company's activities). CTEEP's relationships are grounded on ethical principles, transparent dialogues, integrity and concern with the environment.

Employees, government, clients, shareholders and investors, suppliers and society are the stakeholders with which the Company keeps relationships. The engagement with such stakeholders is made possible by means of the availability of communication channels and assistance, research development, participation in public hearings and events, disclosure of results and corporate social responsibility projects, thus strengthening its guidelines towards a strategic performance, involving long-term projects and initiatives.

Commitments with Interest Groups





EMPLOYEES

GRI 2.8, LA1, LA13

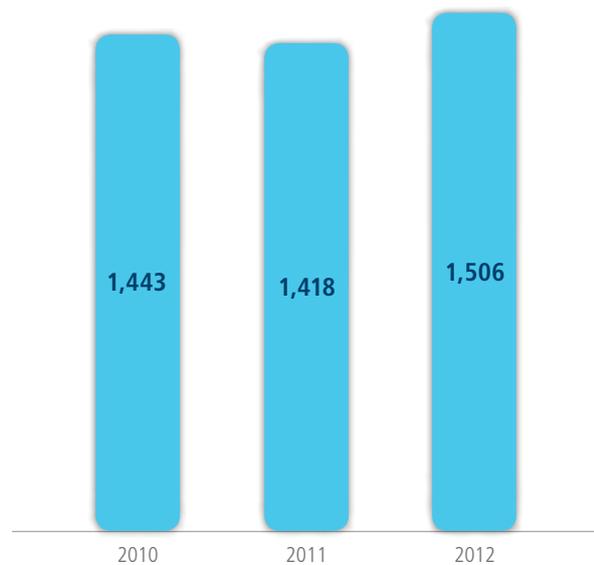
In addition to contributing to the reinforcement of the Brazilian electric power system, benefiting society as a whole, CTEEP seeks to acknowledge their talents and promote the development of its employees. To that end, the Company's people management guidelines represent an aspect of great relevance, therefore reiterating important aspects such as trust, accountability and teamwork.

In recognition of the employees' efforts, CTEEP hosted a ceremony named "Mérito Transmissão" (Transmission Merit) to honor 142 employees who have completed in 2012 15, 20, 25, 30 and 35 years of devotion to the company.

CTEEP closed the year 2012 with a workforce of 1,593 employees, of which 1,506 are workers registered under the CLT (the Consolidated Labor Law), whereas the remainder are represented by Board members, executive officers and interns. The Company adopts the practice of the local selection of applicants, seeking to hire candidates from the neighboring regions surrounding their operational units. (GRI EC7)

CTEEP employees are predominantly concentrated in the South-east region, all of which are registered under the CLT.

Own Employees by year



Employees by full-time or part-time work scheme

Full-time or part-time	Contract for indeterminate time or permanent	Contract for determinate time or temporary	Subtotal
Full-time	1,493	25	1,518
Part-time	0	75	75
Subtotal	1,493	100	1,593

Employees by gender

Gender	Contract for indeterminate time or permanent	Contract for determinate time or temporary	Subtotal
Male	1,344	79	1,423
Female	149	21	170
Subtotal	1,493	100	1,593

Employees by age group

Age group	Contract for indeterminate time or permanent	Contract for determinate time or temporary	Subtotal
> 50	253	19	272
30 to 50	1,005	6	1,011
< 30	235	75	310
Subtotal	1,493	100	1,593

Employees by functional category

Functional category	Subtotal	Age group			Gender		People with disabilities
		>50	30 to 50	<30	Male	Female	
Board members	20	16	4	0	17	3	0
CEO	1	1	0	0	1	0	0
Officers	4	2	2	0	4	0	0
Managers	26	11	15	0	21	5	0
Supervisors	84	28	56	0	74	10	0
Administrative	288	51	163	74	165	123	59
Operational Tech.	1,095	163	770	162	1,084	11	4
Interns	62	0	1	61	50	12	0
Apprentices	13	0	0	13	7	6	0
Subtotal	1,593	272	1,011	310	1,423	170	63

Note: The treatment of information of employees by functional category, CTEEP does not include subdivisions by ethnic categories.

Outsourced workers by category

GRI EU17

Category	Number	Percentage
Customer service/consumers and users	145	6%
Maintenance, cleaning, security and conservation	658	26%
Construction workers (Work Mgmt Dpt.)	1,313	52%
Other administrative activities	52	2%
Other maintenance activities	373	15%
Total number of outsourced workers	2,541	100%

Note.: The figures above represent the total number of outsourced workers, who provided services to CTEEP during 2012, regardless of the time period related to the contract or service. The number of working days that lasted the outsourced workers' services is not available.

Turnover

GRI LA2

In 2012, the turnover ratio of CTEEP's employees declined to 4.29% p.a., excluding CEO, Executive Officers, Board Members, interns and apprentices.

Turnover ratio² considering own employees, by gender

Gender	2011		2012	
	Dismissed	Turnover ratio	Dismissed	Turnover ratio
Male	53	4.19	44	3.27
Female	15	9.74	20	13.42
Total	68	4.80	64	4.29

² Turnover ratio is calculated based on the number of dismissed workers divided by the number of employees at the end of the period covered by the report.

Turnover ratio² considering own employees, by age group

Group	2011		2012	
	Dismissed	%	Dismissed	%
> 50	20	10.26	11	4.35
30 to 50	35	3.34	37	3.55
<30	13	7.39	16	8.04

Remuneration and Benefits

CTEEP keeps a competitive wage policy based on the employees' performance, applied according to a methodology recognized and practiced on the market, including the fact that no employees are remunerated only based on the Brazilian minimum wage. The lowest salary practiced by the Company in 2012 was R\$ 1,598, or 2.57 times higher than the local minimum wage (R\$ 622). (GRI EC5)

The Executive Officers and other executives, including managers, receive an annual bonus calculated according to their achievement of the performance indicator targets set out by CTEEP and ISA. The remuneration of the members of the Board of Directors

is not connected with the Company's performance. The Organization applies the Balanced ScoreCard (BSC) methodology to assess the strategic performance, including economic, social and environmental metrics. The indicators dashboard, named Integral Management Dashboard, as well as the weight for each indicator, are subject to approval by the Board of Directors. (GRI 4.5)

All employees hired under the CLT (the Consolidated Labor Law) for indeterminate time, hired according to the Brazilian Labor Law, for undetermined period, as well as the statutory officers, are eligible to receive the following fringe benefits: medical and dental assistance (extended to their dependants), meal vouchers or food allowances, staple foods baskets (for wages up to R\$ 4,836.00), transportation voucher, discounts on products granted by some drugstore chains that hold an agreement with the health plan, vacation bonuses above the rate established by CLT, and participation in training programs. In addition, mothers are offered daycare or baby sitter support and employees who have children with special needs and require full time attention receive a special daycare benefit. (GRI LA3)

Temporary workers (young apprentices and trainees) receive meal vouchers or food allowances, staple foods baskets, transportation voucher, medical assistance and life insurance. (GRI LA3)

The Company also offers a Retirement and Pension Supplementary Plan based on pre-established values, with contribution from the employees and the Company. The adherence is voluntary and all employees are eligible. In 2012, CTEEP allocated R\$ 3,859,200.00 to this plan. (GRI EC3)

Employees eligible for retirement by functional category. (next 10-year timeframe)

GRI EU15

Employees by gender

Functional category	%
Workers in lines and connections	4%
Substation operators	12%
Engineers	7%
Maintenance mechanics	3%
Others	20%

Relationship with Labor Unions

All 1,506 employees' contracts ruled by the Consolidated Labor Law regime are covered by collective bargaining agreements. The Code of Ethics, the Human Management Policy and the Labor Collective Agreement are the instruments used by the Company to guarantee that principles such as freedom of negotiation and association are observed in the whole value chain. (GRI LA4, HR5)

To tackle the chief occupational hazards and risks related to its operations, the Company maintains a joint committee with the participation of the unions that represent the category, for assessing and discussing health and safety matters within the Organization, that may affect both own employees and outsourced workers. Formal agreements established with the unions cover many issues, such as allowing employees over 50 years of age to broke down their vacation time into various periods, maintenance of dental exams as part of the periodical medical exam, and maintenance of an employee salary that is in functional re-adaptation as a result of occupational accident. In the event of a suspension of longer than 15 days, resulting from work or non-work related illness, employees have a regressive supplement salary system. (GRI LA9)

CTEEP conducts an ongoing organizational restructuring and operational change process preceded by a thorough assessment. Several aspects are analyzed, such as the feasibility of the implementation proposed and discussed between the top management and the areas involved, be it in terms of economic, financial or human questions. In general, the processes are carried out through a pilot project within a suitable time in advance so as to ensure that the involved parties are duly informed and minimally affected. (GRI LA5)

Professional Development

GRI LA11, EU14

For the purpose of preparing its human capital to cope with the challenges of the Brazilian power transmission sector, the Company carries out various training, educational, professional development and qualification events for its team of employees. Nearly R\$ 3 million was invested in 2012, of which R\$ 1.3 million was allocated in programs to the regional technical

teams and R\$ 1.7 million in training courses to employees of other areas (operations center, engineering, administrative, financial, legal, among other areas).

In 2012, the Corporate Education area set out the goal to carry out 60 hours of training per employee and reached the result of 68.75 hours, deriving from a significant rise in the budget concerning professional development. This investment allowed for a significant increase in the number of training hours in comparison with the previous year. Among all training formats (in-person, distance learning and training in the workplace), 926 groups were trained, totaling 106,523 hours/class involving 6,821 participants. (GRI LA10)

The Company also offers financial subsidies for education, including undergraduate and technical courses, post-graduation programs and language courses, which absorbed total investments of R\$ 941,000 during the year. The financial subsidy to fund these initiatives currently benefits 243 employees, of which 144 consists in new participants who engaged in the program during 2012. From the total number of beneficiaries, 150 are registered in undergraduate and technical courses, 60 in language classes and 33 in post-graduation programs, from which four are fully paid by CTEEP in specialization programs offered by the "Industry Research and Assistance Foundation" (FUPAI). The company also runs partnerships with educational institutions aimed at granting discounts to its employees.

Average training hours per employee

	CEO, Officers, Managers and Supervisors	Administrative, Operational Technicians and Interns	Total
2010	8.01	60.51	68.52
2011	3.76	48.8	52.56
2012	4.16	64.59	68.75

In the Regional Units, customized training courses were offered, such as: reading and comprehension of technical drawings, electric power system protection, batteries and rectifiers, teamwork, among others. Altogether, 1,145 employees who operate in Substations/Installations, Telecommunications, Commands

and Controls, Transmission lines and Equipment, took part in the 84 training groups organized in 2012. The instructors of the training courses apply an evaluation system both before and after the conclusion of the course, aimed at assessing the participants' learning progress.

In 2012, 317 training groups were organized, with the participation of 2,322 people, covering topics geared towards the skills required to perform their activities, health and safety in the workplace, and requirements driven by legislation.

The Company also promoted the participation of its employees in the 2012 edition of the Technical Panel, which serves as a forum to exchange knowledge between professionals of both CTEEP and ISA Group, a workshop that is held on a yearly basis. A number of 136 works were selected to be presented, of which 23 were prepared by CTEEP's professionals.

Education for Sustainability

GRI HR3

The Education for Sustainability Program aims at promoting training courses, seminars and other events related to Corporate Social Responsibility. The main purpose is to raise the professionals' degree of awareness about CTEEP's corporate strategy related to this matter, with special emphasis on the application of the Company's commitments in the employees' daily routine.

Within the scope of this program, the Company offers training courses via e-learning mode, by tackling issues such as an overview of sustainability both in Brazil and in the rest of the world; combating against child labor, forced labor or similar to slave work; fight against corruption; equal distribution of income; eradication of poverty; diversity; violence; environmental management; corporate sustainability within the electric power transmission sector and the Company's standpoint on these matters. All of the content is presented in an interactive way, through audiovisual media, in a recreational and playful way.

This training is intended to all hierarchical positions, as well as to all areas of the Company, and in 2012, it was held with the participation of 620 employees (39% of the Company's overall headcount), and summed up 1,240 hours of development workshops.

Professional Training Certification

To ensure the quality of service provided, the Company promotes, through specific training, the Professional Training Certification for Power System Operators, Substation Technicians and Technician's Assistants, and Installation Technicians. In 2012, 17 employees were evaluated, considering aspects such as technical, psychological and physical, in accordance with the guidelines laid down by the Brazilian Electrical System Operator. All participants receive the Certification, evidencing their skill in performing their functions within the Organization.

Career Development

GRI LA12

CTEEP's competency management model provides support for the employees to achieve the desired results and assist them to develop the best possible career pathways. This guidance is shared with the Company, which determines specific criteria and conveys the best opportunities to enable the employee to fulfill his professional development. It consists in a people management tool based on development the professional's strengths, aimed at guiding the employee's contribution to the success of the Organization.

The Assessment of Performance, already in its 4th cycle, consists in a process of determining result targets and individual development, in addition to helping narrow the feedback culture between managers and the professional evaluated. Thus, it is possible to assess the contribution of each professional to the Company's business, and focus the individual efforts towards a career development in a strategic manner.

In 2012, 84.31% of CTEEP employees were given formal assessment and follow-up on performance for the period.

Development of Young Professionals

GRI LA11, EU14

CTEEP recognizes the potential of its employees and invests in their professional development. In 2012, the Company engaged in the following programs:

Young Apprentice

In 2012, the Company took part in this program, whereby 13 apprentices were engaged in distinct areas, who were granted the opportunity to develop their professional competencies in the corporate world, and thus prepare themselves for the challenges of the labor market.

The apprentices are given transport vouchers, meal vouchers or food allowances, basic staple baskets, medical and dental care, as well as vacation bonuses.

Young Professionals

With the purpose of retaining qualified professionals, in 2012 CTEEP introduced the Young Professionals Program, focused on the development of future engineers to work in key areas of the Operations Division (Commands and Controls, Operations Center and Maintenance). In 2012, 11 professionals were hired, who will have the opportunity, during the period covered by the program, to experience working with a highly qualified team of professionals, and consequently have access to the technical knowledge required for their positions.

The program is geared towards new graduates who have hold bachelor degrees for at least two years in Electrical Engineering, Electro-technical Engineering, Energy Engineering and Computer Engineering. To assure the development of these employees, To make sure these professionals are properly developed, the Company also provides technical training intended to the specific needs of each area, as well as behavioral training.

Internship Program

With the purpose of developing potential talents in the Brazilian labor market, CTEEP maintains an Internship Program for students from university and technical levels. In 2012, 97 interns were selected to take part in the program, of which 51 came from a technical level and 46 at the level of higher education. The program includes technical and behavioral training, as well as practical activities in each area of specialization. An evidence of the success of the Program, 19 interns were hired by the Company in 2012.

The Internship Program includes presentation of individual projects developed by the interns, aimed at providing the Company with innovative solutions, developing and recognizing professional talents. In 2012, 49 projects were presented.

Partnership with SENAI

In 2012, a partnership between CTEEP and SENAI resulted in the creation of an apprenticeship program to provide professional experience in the field of Electro-electronics Technology, with duration of 2 years. With this initiative, the Company contributes to train technical labor force for the Brazilian electric sector and promotes social inclusion through in-house theoretical and practical education.

In addition to SENAI technical training, CTEEP complements the educational program by providing specific training in the area of electric power transmission. A number of 22 students take part in this program.

Knowledge Management and Innovation

CTEEP strives to foster an organizational culture geared towards innovation, and thus it has been exerting efforts to bolster the generation and dissemination of knowledge to create a suitable environment for knowledge sharing, cooperation and creativity. Based on this purpose, the Company introduced, in 2009, the Innovation and Knowledge Management Project.

In 2012, with the purpose of allowing the participation of all employees in this project, CTEEP launched the Knowledge Portal, consisting in a virtual workspace to foster the exchange of experiences and knowledge, which groups together all Knowledge Management tools. One of them, the Idea Channel, has already received the input of over 500 suggestions of improvement to boost innovation, while optimizing processes and activities in the Organization. Altogether, 107 employees submitted proposals during the last year and 25 ideas have been implemented.

The Professional Connections tool also promotes the exchanging of knowledge and experiences among employees. Through their profiles, they can identify professionals connected with critical themes and specific areas of knowledge, facilitating the contact between the Company's professionals. In addition, the Lessons Learned and Virtual Library tools are used by the employees to exchange experiences and documents, aimed at generating continuous learning, enhancing processes and generating good work practices.

Sustainability Committee

In December 2011, CTEEP created the Internal Sustainability Committee to promote the alignment and integration of all activities that contribute to sustainability, considering economical, social and environmental aspects. The Company aims at identifying opportunities for management improvement from a sustainable point of view; implementing, assessing, analyzing and following up on business sustainable initiatives by the use of market references and tools (e.g.: Global Compact, GRI, ISO 26000, Ethos Indicators, ISA Group Internal Indicators); supporting and disseminating sustainability-related actions; contributing to the preparation of the Annual and Sustainability Report; among other aspects.

The group is composed of approximately 20 participants, with representatives from different areas of the Company, such as the Corporate Social Responsibility (CSR), Communications, Investor Relations, Human Resources (including Training and



Development, Health and Safety in the workplace, Organizational Climate, Remuneration and Benefits), Engineering, Maintenance, Supplies and Administrative Division. The Strategic Management Head is responsible for the areas of CSR, Strategic Guidance, Technological and Innovation Planning, and reports directly to the CEO. In 2012, this Committee met five times, of which one had an extraordinary status.

Communication Channels

With the purpose of opening spaces for dialogues, so as to keep the staff abreast of the Company's strategic decisions, in addition to narrowing the communication between the top management and employees, CTEEP makes use of a number of communication tools and relationship with its employees.

One of the most effective channels of communication between Company management and employees is the CTEEP Circuit, launched in 2007. The Circuit promotes visits of the directors to the Company's units, who make presentations, respond to employees' questions on various topics such as strategy, growth, operations and human resources.

The 2012 edition of the CTEEP Circuit registered the participation of 639 employees. During the seven rounds held during the year, 96% of the employees stated to be satisfied or very satisfied about the event.

In addition to the CTEEP Circuit, the communication among employees is also carried out through other channels and meetings, such as the Primeira Linha (First Line) magazine, a Transnet (intranet), quarterly management meetings, among other opportunities.

Climate Survey

CTEEP carries out a Climate Survey, which monitors factors such as resources, autonomy, upper management, immediate supervisor and attraction and retention of talents.

The survey is conducted via internet, and registered an adhesion of 96%, with a favorability rate of 62% in 2012, representing an increase by five percentage points over the previous year.

Diversity

GRI LA14

With the objective to value, promote and manage diversity, CTEEP adopted the Diversity Program, with special emphasis on people with disabilities, which exceeds by far the mere compliance with the legislation in force, with a focus on respecting, welcoming and valuing the diversities, in line with the values conducted by the ISA Group. In 2012, 63 people integrated the workforce.

The Company has also adopted the principle of equality in pay for same value positions, without distinction between men and women. In 2012, the average pay for women was R\$ 5,506.00, whereas the average pay for men was R\$ 4,846.00. This difference was due to the fact that the operational workforce is predominantly occupied by men, whose average salary is lower.

Occupational Health and Safety

GRI LA8, PR1, EU16

CTEEP follows the ISA Group's Health and Safety Policy, based on the principles of prevention, personal care, participation, responsibility and permanent learning. CTEEP carries out training projects involving own employees and outsourced workers about this theme, and has a Social and Environmental Awareness Manual available to those involved in works, including themes such as environmental protection, health and safety in the workplace and proper social relationship with the people living in surrounding areas and work colleagues.

In 2012, CTEEP maintained conduction of the process of diagnosing and implementing OHSAS Standard 18001:2007, aimed at implementing and maintaining an occupational health and safety management system (OHSMS), and achieved significant advances as regards the control of processes and installation infrastructure.

Health and Quality of Life

There are no incidences of specific illnesses in CTEEP activities. Thus, the Company maintains a Quality of Life Program for its employees, focusing on preventive initiatives, which include campaigns to incentive to practice physical activities prevention of diseases. In some cases, such as the prevention of cancer of the lips and skin among employees whose jobs expose them to

the sun, the Company adopts specific guidelines, such as the inclusion of sunscreen into the set of protection materials, as well as the conduction of regular monitoring health examinations.

Safety in Electrical Installations

The Organization provides “step by step” procedures to technical and operational workers while performing their activities. These procedures include safety instructions, required resources and preventive conditions.

A Specific Instruction on Occupational Safety is also made available to workers that are exposed to Equipment and Installations of CTEEP’s Electric Power System, aimed at ensuring the workers’ preservation of health and physical integrity, by providing training and development programs.

Outsourced Workers

GRI EU18

In the case of outsourced workers, CTEEP holds an internal standard to monitor such workers, both hired and outsourced, in compliance with the Regulatory Standards (NR) from the Ministry of Labor and Employment for the sector. Moreover, outsourced workers must attend an orientation meeting, where they oriented and trained by contract managers on the risks to which they will be exposed. In 2012, 760 integration meetings were held.

The workers responsible for the work fronts also take development training prior to beginning their activities, by attending a training program of Internal Instructions focused on Health and Safety. IN 2012, 322 leaders of hired teams were trained. This training program covers Occupational Safety in handling Equipment and Installations of CTEEP’s Electric Power System, which accounts for 12.67% of CTEEP’s team of outsourced workers, of which 210 work in construction activities and 112 in maintenance.

Programa Viva Melhor (Live Better Program)

GRI LA8

This program offers to the Company’s employees and their families a specialized phone service to provide advice and guidance in eight areas: psychology, legal matters, educational methods,

physiotherapy, nutrition, physical conditioning, social assistance and financial advisory, including the conduction of lectures and initiatives of permanent communication.

The service is carried out individually, guaranteeing the confidentiality of the call. This program also involves the preparation of a report, containing the frequency of calls by subject, which enables the Company to propose solutions for the most frequently asked questions.

This service is free of charge and is available from Monday through Friday, from 8:00 a.m. to 10:00 p.m., and also provides assistance to emergency calls 24 hours a day.

Projeto Mais (More Project)

The Projeto Mais was launched by CTEEP in 2012 to raise awareness of its team of professional with regards to the importance of safe behaviors in the workplace. The pilot project implemented in the Sao Paulo regional unit included seminars, training programs and a communication campaign concerning relevant guidance on this issue.

With the support provided by a specialized consulting company, this project adopted the concepts of the Behavior Based Safety (BBS) methodology, which is grounded on the encouragement to adequate postures to lead to the reduction of risks in daily routine in the workplace.

An essential stage of the project consists in the observation process, through which an employee watches a colleague during his performance of a task, so as to evaluate the positive aspects and points of improvement concerning the activities. A positive return is stimulated, by focusing in possibilities of improvement, as opposed to criticism, which may be carried out, if necessary, in a confidential manner. A previous authorization by the professional being watched is also necessary.

Internal Accident Prevention Committee

GRI LA6

In compliance with Regulatory Standards from the Ministry of Labor and Employment, CTEEP monitors health and safety in-

dicators in order to enhance the Company's performance and prevent accidents from occurring.

Whenever operational employees or third parties are hired, technical training on Regulatory Standard 10 is required, which contains the minimal conditions and requirements for ensuring the safety and health of workers that come into contact with electrical facilities and services with electricity.

The Company also encourages the employees' participation in Occupational Health and Safety Committees, and holds 18 Internal Accident Prevention Committees (CIPAs), spread throughout the Regional Departments, Operations Department and Corporate Headquarters, composed of employees in technical-operational positions, administrative and supervisors, who attended, in 2012, 216 monthly regular meetings, in addition to plenary meetings including all interested employees.

Rate of accidents with injuries, absenteeism, lost days and deaths³

GRI LA7

	2010	2011	2012
Rate of Injuries (RI)	3.550	3.530	0.550
Number of Injuries	12	12	2
Number of Lost Days	147	125	14
Rate of Lost Days (LDR)	43.520	36.770	3.88
Rate of Absenteeism	-	-	0.95
Man-hours worked	-	-	3,824,100
Deaths	0	1	1

³ The rates of injuries, occupational illness, lost days and absenteeism, are calculated on the basis of the number of workers registered under the CLT, who total 1,506.

Also in 2012, seven Internal Accident Prevention Weeks (SIPAT) were held, one in each regional unit and one in the headquarters, including seminars and activities related to this matter.

Due to such initiatives carried out in 2012, CTEEP recorded a very positive performance, reporting a 155% reduction in the rate of Accidents with Temporary Absence, notwithstanding there was a fatal event, which occurred due to negligence in relation to compliance with safety procedures. The Company conducts the policy of sharing the information on likely accidents, so as to guide the employees with regard to the importance of complying with safety procedures during their performance of professional tasks.

There was also a reduction in the number of injuries, as well as in the rate of absence. The introduction of the automated monitoring of absenteeism rate was completed in 2012, and therefore there is no means of comparison with the previous years.

SUPPLIERS

CTEEP places great value on having a transparent, ethical trust-based relationship with its 2,082 current suppliers.

As a result, the Company has the CTEEP Supplier Program, which involves selecting, managing and evaluating suppliers on an ongoing basis by focusing on accurate information and clear rules for the hiring process, as well as including contract clauses with Corporate Social Responsibility (CSR) and Human Rights criteria. (GRI HR1, HR2)

Before a supplier is contracted, an online system searches, examines and identifies any possible economic, financial and technical risks, thus making the process more reliable.

In 2012, CTEEP worked with 678 suppliers of goods and 704 suppliers of services. In addition, it hired 2,782 new employees, 637 of whom for strategic positions as far as the Company's business is concerned.

CTEEP holds regular contract evaluation meetings—at which results, demands and future projects are presented—with contract Managers in order to strengthen the relationship with its

strategic suppliers. It also promotes the development of local suppliers, which accounted for 2.75% of the total amount of all contracts, always considering efficiency and competitiveness in the market in which the Regional Departments are located. The whole process is decentralized, so each regional office is responsible for contracting local suppliers. (GRI EC6)

Even though CTEEP's activities involve low risk of child labor or poor working conditions, the Company includes Human Rights provisions banning child and forced labor in all its supplier agreements.

No suppliers or contractors were found to be in breach of the agreement in this respect in 2012. (GRI HR6, HR7)

SOCIETY

GRI SO1

CTEEP seeks to contribute to sustainable development and social inclusion through initiatives and projects geared to the communities in the vicinity of its transmission lines and operations. These projects are funded by the Company itself and sponsored by third parties through the incentive laws. Sponsorship deals are closed after thorough transparent examination of the proposal submitted, in line with the Company's CSR guidelines.

In 2012, R\$3.2 million was invested in socio-cultural projects, R\$2,556,240.00 of which through incentive laws and R\$652,258.32 from the Company's own funds. These projects benefited 14,761 people directly and up to 70,000 indirectly (considering everyone that watched or visited the Company's projects).

Amigos da Energia

The Amigos da Energia [Friends of Energy] project, launched in 2012, was developed to create a closer relationship between the Company and the communities in the vicinity of its facilities and help them live near transmission lines safely. The activities include talks given at schools, neighborhood associations and other community spaces, about topics like: the importance of the energy transmission business; safety zones beneath transmission lines; risks related to kites, air balloons and unauthorized burning; and instruction for waste and debris disposal and for recycling.

This project is a major risk prevention initiative that has benefited 8,089 students and 549 teachers at 40 schools in 30 cities and towns in São Paulo State.

One of the communication tools used in the project is the hot-site Amigos da Energia (<http://amigosdaenergia.ideiaeconceito.com.br/>), which features content about the topics discussed in the talks; games, animated infographics explaining the route of electric power; and information about the Company, its sustainability activities and initiatives.

Circuito Cultural CTEEP

Since 2010, the Company has been organizing Circuito Cultural CTEEP [CTEEP Cultural Circuit], geared to children and teenagers from public schools. The project is intended to raise awareness of environmental preservation, transmission line maintenance, sustainable development, social responsibility, citizenship, education and culture by making videos, among other cultural activities. It, therefore, complements the Primary Education curriculum.

In 2012, 2,400 students from 60 schools in six cities participated in the project. Overall, 480 workshops were held, totaling 1,200 hours. In addition, the participants put on 60 recitals and 12 theater plays, and made six short films. Overall, the program reached 7,468 people, who participated in the activities and attended the performances and presentations.

The project is sponsored by CTEEP, with the support of the Ministry of Culture, and organized by H. Melillo Grupo de Articulação Social.

Musical Groups

Guri Santa Marcelina Children's and Teenagers' Groups

Since 2010, CTEEP has supported Projeto Guri [Child Project], organized by Associação de Cultura, Educação e Assistência Social Santa Marcelina [Santa Marcelina Cultural, Educational and Social Assistance Association], which provides music literacy and opportunities for social inclusion for children and youth (8 to 19 years of age) from São Paulo City.

The organizers create educational centers in the project areas, selected based on criteria like youth vulnerability, exposure to urban violence, academic level and teenage pregnancy. The participants then have social assistance services and have access to social networks, theme workshops, tutoring classes and job training for people with special needs.

In 2012, 303 students participated in seven groups, which put on 43 performances that drew an audience of 10,530 people. The project offered the students many educational activities, such as rehearsals, classes and masterclasses, in addition to the classes that they already took at the regional educational centers of Projeto Guri.

Grupos Artísticos Emesp

In 2012, CTEEP sponsored the creation of Grupos Artísticos Emesp [EMESP (Escola de Música do Estado de São Paulo, or São Paulo State Music School) Arts Groups], intended to increase the opportunities for the students from Associação de Cultura, Educação e Assistência Social Santa Marcelina to improve their repertoire practice. There are 15 groups playing different instruments. Their repertoire comprises both classical and popular music.

The EMESP Arts Groups consisted of 206 permanent members, as well as 1,009 guest members in 2012. They put on 30 performances to audience of 5,686 at different venues, such as Museu da Casa Brasileira, Fundação Maria Luisa e Oscar Americano, Teatro Fecap and Mosteiro de São Bento.

Grupos Jovens do Estado

The 2012 concert season of Grupos Jovens do Estado [State Youth Groups] featured conductors and soloists of prestige both in Brazil and worldwide, and included special trips and projects. It drew an audience of 16,245. The three musical groups of 120 grant recipients gave 51 concerts, 38 of which with the support of CTEEP, which has sponsored the project since 2009 to make quality music more accessible. The project is also coordinated by Associação de Cultura, Educação e Assistência Social Santa Marcelina.

Trabalhando a deficiência

Projeto Trabalhando a Deficiência [Working on Disability Project], developed by Santa Marcelina Cultura, offers the professionals from Projeto Guri Santa Marcelina job training focused on including children and teenagers with special needs and providing equal opportunities for them.

These job training programs are open to professionals who deal directly with the students, such as: the monitors of each location, support agents, teachers, social assistants and the employees who manage the program. The project also involves examining and proposing the production and/or adaptation of communication and/or educational materials to eliminate the obstacles to the participation of children and teenagers with special needs in the Guri Santa Marcelina educational program.



The project created 16 groups in 2012 and benefited 90 people (61 teachers and 29 students) directly. In addition, 255 professionals (comprising support agents, social assistants, monitors and other professionals from the Guri and EMESP groups) were given job training when the groups were created.

Film Production Incentive

In 2012, CTEEP sponsored two film projects connected with the electric sector, under the terms of the cultural incentive laws. The movies were "Fragmentos de Paixão" [Passion Fragments], produced by INPE [Instituto Nacional de Pesquisas Espaciais, or Brazilian National Institute for Space Research] and "Na Trilha da Energia" [On the Trail of Energy], produced by Instituto Acende Brasil ["Light Up Brazil Institute"]. Both productions are scheduled to be shown in 2013.

The documentary "Na Trilha da Energia", made by Canal Azul Consultoria Audiovisual LTDA., shows in a simple manner how electric power reaches consumers' homes, from generation through transmission to distribution. It also focuses on environmental and social concerns during the construction and operation of facilities.

"Fragmentos de Paixão", in turn, is a docudrama about lightning in the History of Brazil, including its impact on the electric sector and the context of climate change. The film traces the journey of a scientist who investigates six lives affected by lightning in different ways, thus showing how science and culture have viewed lightning from the discovery of Brazil to the future. Executive producer and director Lara Cardoso's project will also give visibility to a lightning protection campaign through educational events and exhibitions.

Energia Solidária

Programa Energia Solidária [Solidary Energy Program] was implemented in 2009 to promote volunteering among CTEEP's professionals. Employees who do volunteer work share information and experiences to promote volunteer initiatives in the Company.

In 2012, the Program focused on the Winter Clothes Collection Drive and the Christmas Drive, with donations from employees in the Company's Headquarters and Regional Offices. A total of

16 organizations were received about 2,900 donated toys and articles of winter clothing.

Fundação ABRINQ [Foundation of the Brazilian Association of Toy Manufacturers] participated in the Christmas Drive through Programa Nossas Crianças [Our Children Program].

Projeto Vila Nilo

GRI EC8

CTEEP continued Projeto Vila Nilo [Vila Nilo Project], which involves restoring the safety zone of a transmission line located between the cities of São Paulo and Guarulhos. There were illegal settlements and debris was dumped in the area, thus jeopardizing safety and affecting the Company's services.

After the area was repossessed and cleaned up, CTEEP hired a company to devise a project for a bike lane to be used by the local population. The project was submitted in 2012. The next step is to reevaluate the means to implement it, taking into account the current situation of the electric sector among other factors.

Community-based risk management

GRI PR1, EU20

Since CTEEP has an extensive transmission grid, it has to undertake a series of efficient guidance, inspection and prevention initiatives, among other measures, to ensure the safety of local communities and monitor service quality.

One of the main points in this regard is to create safety zones beneath transmission lines. These are delimited areas of an appropriate width safe for the construction, operation, maintenance and inspection of power lines, based on factors like the swinging of wires due to wind, the electrical effects on people, the size and position of the structures. The use of safety zones is restricted so that there is no risk to the population's physical integrity in case of incidents. There are safety signs and, when necessary, other devices, such as fences, to prevent trespassing. (GRI PR3)

In addition, transmission lines are inspected regularly as part of the maintenance routine. These inspections allow

detecting inappropriate use of safety zones (for example, for dumping waste), as well as illegal settlements, or unauthorized (total or partial) use of safety zones. Whenever an illegal settlement is found, CTEEP follows certain steps. First, it notifies squatters formally and warns them about the risks of remaining in the area. If the squatters refuse to leave the area voluntarily, the Company maps the settlement, makes a record of its features (with drawings, pictures and accounts), and sends the material to the Legal Department for analysis. Only if no agreement is reached out of court does the Company file a repossession lawsuit. In these cases, CTEEP makes plans, taking into account the characteristics of the local population. It checks, for example, if there are children, pregnant women, elderly people or people with special needs. The Company then coordinates actions with the State and local governments, the Police department, the Fire department, the São Paulo Traffic Engineering Company (CET), among other bodies, so that the dislocated families will be included in the Government's housing programs and the resources needed to carry out the eviction order (such as ambulances, social assistants and police force) are available. CTEEP has a partner to coordinate these actions and relocate the people and their goods.

In 2012, the Company filed 16 repossession suits that required relocating people. Two of these suits were settled in the same year. Except in the case of repossession suits, the Company displaced no-one to perform its services. It is worth noting that no suits led to death or accidents with users of CTEEP's services or equipment in the year. (GRI EU22, EU25)

In addition to complying with the requirements and safety rules applicable to electrical facilities, CTEEP has a major educational project, Amigos da Energia (Friends of Energy), which focuses on relationship building and risk prevention (further information in the Society section in this report).

The social communication initiatives with the population in the vicinity of new transmission lines and/or substations are part of the Environmental Management projects of each enterprise, under the responsibility of a specialized consulting firm, and include electric shock signaling in all the Company's units, in compliance with the legislation.

Indirect economic impact on society

GRI EC9

In addition to the direct influence that electric energy transmission has on the economy, this service also has a series of indirect economic impacts. Electric energy is connected with the development of society. Currently, it plays a more and more important role in people's everyday lives. The manufacturing and service industries are heavily dependent on the use of electric power. For final consumers, it provides a major improvement in life quality and comfort, often in connection with the possibility of using a wide range of household appliances and electronics.

Therefore, it is safe to say that electricity transmission services boost the economy, allow technological progress in different fields, facilitate communication and provide entertainment, among other direct and indirect effects.

Besides being part of this enormous complex web of influences, CTEEP also contributes to the development of the areas in which it is present. It creates jobs, boosts the local economy by increasing the local demand, promotes improvements in the local infrastructure indirectly, hires services and buys goods locally, pays taxes, etc.

The Company is aware of its potential for influence, but does not have any specific processes or procedures to identify and assess the significant indirect economic impacts of its activities, as well as the extent of these impacts.

COMMUNICATION CHANNELS

GRI PR3

Information about CTEEP is available through different communication channels accessible to all stakeholders. Corporate information can be found on the Company's website (www.cteep.com.br). Financial information is available in the annual financial statements. Contents about corporate governance, economic and financial performance, operational performance, corporate social responsibility and environmental performance initiatives are described in the Annual and Sustainability Report, also available on the Company's website. The Company's concession con-

tract, which describes the parties' procedures, rights and duties, can be found on the ANEEL (Brazilian Electric Energy Agency) website (www.aneel.gov.br).

Linha Ética [Ethical Line] – This communication channel answers questions and receives complaints related to the Company's Code of Ethics. Information is secret and monitored by CTEEP's CEO's Office. (GRI SO4)

Disque CTEEP [Dial CTEEP] – The hotline 0800 11 87 13 is the communication channel to report transmission line disconnections caused by vegetation burning.

Ombudsman's Office – This is CTEEP's channel that deals with issues that the other communication channels were not able to settle properly. The Ombudsman's Office can be accessed through the Company's website.

Fale Conosco [Talk to Us] – This channel receives requests, suggestions, complaints and questions. It can be accessed on CTEEP's website (www.cteep.com.br) or by e-mail at cteep@cteep.com.br.

COMPLIANCE

The Company respects and applies all regulatory frameworks, as well as all international agreements and treaties relevant to its business. As a result, there were no incidents of non-compliance with rules, regulations and voluntary codes concerning health, safety, disclosure of information about the Company's facilities and services (labeling) in the period covered by the report. (GRI PR2, PR4)

The same goes for communication. CTEEP's Communication Policy is based on the CONAR [the Brazilian National Advertising Self-Regulation Council] Code and other the electric sector rules. As a result, there were no incidents of non-compliance with regulations and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship in 2012. (GRI PR6, PR7)

The same goes for communication. CTEEP's Communication Policy is based on the CONAR [the Brazilian National Advertising

Self-Regulation Council] Code and other the electric sector rules. As a result, there were no incidents of non-compliance with regulations and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship in 2012. (GRI SO7, PR8)

Nevertheless, the Company is expecting a decision on an administrative appeal filed on 02.27.2012 in response to a tax delinquency notice issued by the Federal Revenue Department in connection with tax-like social contributions by reason of the non-cumulative system of PIS [Social Integration Program] and COFINS [Tax for Social Security Financing], in 2009 and 2010. (GRI SO8)

As far as products and services are concerned, the Company received the following notices from ANEEL in 2012:

1) Administrative Proceeding 48500.005093/2011-15, Infringement Notice 082/2012-SFE

This administrative proceeding is related to the outage of about 870 MW of the Eletropaulo Metropolitana Eletricidade de São Paulo S.A. load, resulting from an incident at Milton Fornasaro Substation in 2011. The infringement notice imposes a fine of R\$1,250,336.26. In April 2012, CTEEP filed an Administrative Appeal that is pending consideration.

2) Administrative Proceeding 48500.003216/2011-83, Infringement Notice 090/2012-SFE

In 2012, the Company paid a fine related to the administrative proceeding for irregularities in the operations and maintenance of Jupia and Salto Substations, which are part of CTEEP's 2011 concession. The initial amount of R\$384,304.46 was reduced to R\$139,508.89 after an appeal filed by the Company.

3) Administrative Proceeding 48500.000037/2012-75, Infringement Notice 122/2012-SFE/ANEEL

CTEEP received a fine in connection with service quality and failure to provide transmission services, in accordance with Articles 32 and 33 of Normative Resolution 270 between June 2010 and May 2011. The infringement notice imposes a fine of R\$416,167.00. In September 2012, CTEEP filed an Administrative Appeal that is pending consideration. (GRI PR9)

STATE

GRI 4.13, PR6

CTEEP participates actively in forums and institutions intended to develop Brazil's electric sector and has an intense relationship with the main government bodies. In 2012, it played a key role in the discussion about the renewal of the electric sector concession contracts, thus showing its firm commitment to society's interests and the sustainability of its business.

The Company also makes contributions to organizations that represent it in negotiations about issues relevant to the development of the electric sector and CTEEP's business. It has representatives in the Board of Directors, Committees and Commissions of the following government bodies and trade associations:

- **ONS** (Brazilian Operator of the Electrical System)
- **ABRATE** (Brazilian Large Electric Power Transmission Companies Association)
- **ABDIB** (Brazilian Infrastructure and Basic Industry Association)
- **ABCE** (Brazilian Electric Power Concessionaires Association)
- **CEPEL** (Electric Power Research Center)
- **CierBracrier** (CIER Brazilian Committee)
- **Cigré Brasil** (Brazilian Electric Power Production and Transmission Committee)
- **São Paulo State Department of Sanitation and Energy**

Since it does not become involved in the Brazilian political scene, CTEEP engaged in no lobbying activities and made no financial or in-kind contributions to any political parties, campaigns or institutions in 2012. (GRI SO5, SO6)

The Company received no financial assistance received from the government in 2012 in addition to financing lines from public institutions, R&D grants and investment grants for cultural activities, as explained in the Management Report. (GRI EC4)



CLIENTS

Building sustainable relationships with its clients and delivering quality, efficient and cost-effective services is one of CTEEP's key concerns. The Company has a Quality Management System based on the ISO 9001:2000 standard to be recognized by its clients for providing excellent electricity transmission services.

In 2012, CTEEP's client base included 16 distributors, 32 generators, 12 transmission companies and 7 free consumers and self-producers, stakeholders with which the Company has a close relationship so that it will get to know their needs, going beyond the provisions in their connection contracts and operator agreements. The Company has also encouraged the integration of free consumers to the energy grid by offering operation and maintenance services tailored to their needs (GRI EU3)

CLIENT MANAGEMENT

The Company regularly conducts a Client Satisfaction Survey designed to help it improve client management. The survey is carried out with uneven periodicity since it is connected with company and market issues. It was last conducted in 2010. (GRI PR5)

In 2012, the Company organized a workshop for managers and heads of departments involved in Client Management to develop improvement plans based on clients' expectations, needs and concerns identified by the latest survey.

One of the client management tools that the Company uses is the Client Management Improvement Plan, which involves

online communication channels, such as the Transmission Grid Access System, which allows agents to access the transmission system. Agents can register on the CTEEP website to have access to the Transmission Grid Access Manual and the Criteria and Procedures for Connection in CTEEP DITs. In addition, it is possible to monitor the progress of CTEEP's construction works and projects relevant to clients.

SHAREHOLDERS AND INVESTORS

GRI 4.4

CTEEP follows the rules and recommendations of CVM [the Brazilian Securities and Exchange Committee] and BM&F-BOVESPA [the São Paulo Securities, Commodities and Futures Exchange], on which the Company's preferred shares are listed, on Level 1 of Corporate Governance. The Company always gathers and posts material information to meet the market's demands, thus offering a permanent communication channel between the Company and its shareholders, investors and other stakeholders. To that end, it organizes and participates in meetings, conferences and different events. In addition, it has a calendar of earnings calls and provides any information requested as soon as possible, thus ensuring a transparent and ethical relationship with these stakeholders.

CTEEP also organizes the APIMEC (Association of Capital Market Investment Analysts and Professionals) earnings meetings. As a result, it earned the 11-Year Gold APIMEC Seal of Attendance in 2012.

In order to strengthen its relationship with the market, the Company also organized conferences with investors, roadshows, meetings at Company headquarters and replied to over 2,100 e-mails and phone calls in 2012.



Environmental Performance

The conservation and sustainable use of natural resources are expressed in CTEEP's Mission and its Environmental Policy.

ENVIRONMENTAL MANAGEMENT AND INVESTMENTS

The preservation and sustainable use of natural resources are part of CTEEP's Environmental Policy and Mission. These concepts pervade all CTEEP's activities and processes, in line with the Company's values.

CTEEP continued the maintenance works on the environmental management system at 99 substations and one transmission line, in addition to extending the system to one more transmission line (TL), the 308-km 440kV Água Vermelha - Araraquara TL, which crosses 25 cities and towns in São Paulo State. This TL received the environmental certification by the ABNT NBR ISO 14001:2004 standard, thus becoming part of the group of 31 substations and one transmission line certified in previous years.

In order to maintain and extend the environmental management system, the Company has to comply with over 320 federal, state and local legal requirements and standards, train the environmental emergency teams with simulations of real situations;

integrate service providers into the environmental management system and monitor them; and measure and dispose of waste in compliance with the environmental legislation.

In 2012, CTEEP invested R\$4.3 million in environmental initiatives, a considerable rise in relation to 2011 due to changes in the criteria for assessing information. (GRI EN30)

CTEEP's information assessment criteria are broken down into:

- Disposal of class I waste and the PCB disposal contract (further details in the "waste management" section)
- Awareness-Raising and Prevention Initiatives (monitoring and promotion of the Cuca Project, in São Paulo City), the Urban Orchard and the Burn Prevention Campaign.
- Environmental management connected with license renewals, inspection visits, certification auditing and construction of temporary waste storage facilities.
- Remediation related to construction works, in connection with the execution of an instrument of commitment for environmental recovery and a consent decree.



Environmental Expenditures

Type of expenditure	Amount	%
Waste disposal	2,870,000	65.7
Treatment of emissions	0	0.00
Remediation costs	231,666	5.3
Prevention costs	1,058,489	24.23
Environmental Management	208,075	4.76

All environmental incidents were recorded in EMS (Environmental Management System), including spills of insulating mineral oil from electrical equipment in operation at substations. These incidents were examined and dealt with as determined by EMS and the environmental legislation, and described in detail in the EMS critical analysis reports. These environmental incidents were limited to the area of the substations, so there is no evidence and/or report of environmental impacts in the vicinity of the facilities. (GRI EN23)

CTEEP’s maintenance procedures include equipment inspections and prevention of leakages and spills, as well as containment and remediation (in case of leakages or spills). In the event of major incidents, CTEEP hires a specialized com-

pany to recover the affected area, dispose of waste in the correct manner and take any other action required by environmental emergencies.

Materials

GRI EN1, EN2

Material consumption is carefully managed by the supplies department, in line with the policies and practices of the Company, which defined a group of materials considered essential for its business based on its demand for them and the amount spent on them. The changes in this list of materials from year to year are related to the Company’s operational demands, rather than to any specific project.

Non-renewable materials

Type of material	Unit of measurement	2011	2012
Bushings	Unit	196	70
Command and control cables*	Meters	280,000	262,320
Connectors	Unit	3,312	4,001
Circuit breakers	Unit	734	75
Structures*	Metric ton	2	214
Gas*	Cubic meters	240	788
Insulators	Unit	13,412	28,004
Oil*	Liter	5,000	4,801
Lightning rods	Unit	263	327
Reactors	Unit	2,886	2,903
Relays	Unit	554	988
Rectifiers	Unit	38	0
Section switches	Unit	273	50
Transformers	Unit	471	228

* These figures are approximations since different units of measurement are used in purchases.

Concerning material recycling, 3,209 500-sheet packs of A4 recycled paper were purchased. In addition, 1,720 kg of paper were recycled.

Waste Disposal

GRI EN2, EN22

CTEEP's Transmission System equipment with combined solid/liquid insulation systems uses insulating mineral oil, a petroleum by-product. The great advantage is that the oil can be fully regenerated and reused with the same useful life as new oil.

Therefore, CTEEP is proactive in regenerating the insulating mineral oil used in its transformers and reactors by using its mobile regeneration and treatment unit, which allows restoring the original physical and chemical features of the oil, thus making it possible to reuse it safely.

The total amount of insulating mineral oil in operational equipment in CTEEP's Transmission System is estimated at 25,000,000 liters.

About 1.5% of this amount is slightly contaminated with PCB (Polychlorinated biphenyls), products classified internationally under "Persistent Organic Pollutants" since it is bio-cumulative, bacteriostatic and non-biodegradable.

The Brazilian legislation allows using equipment with PCB-contaminated insulating mineral oil to the end of its useful life normally. Once this equipment is taken out of operation, the Company must see to the proper final disposal of this insulating material, which has to be considered Class I waste.

CTEEP has mapped all the PCB-contaminated insulating mineral oil in use in its Transmission System. When contaminated equip-

ment is taken out of operation, the Company adopts a specific procedure approved by environmental bodies to dispose of the insulating material.

In 2012, CTEEP hired a specialized, licensed company to be in charge of the final disposal of PCB-contaminated waste between 2013 and 2015. Therefore, CTEEP is going to take out of operation and see to the final disposal of the last pieces of equipment with PCB insulation systems and of all the PCB-contaminated insulating oil.

In 2012, CTEEP built three new temporary storage facilities for other types of waste generated regularly by its maintenance services. As a result, it now has five of these facilities (one in each Regional Department). This allows separating waste for final disposal in different lots, which is done by a specialized, licensed company hired for this purpose. The final process of disposal will be concluded in 2013.

In 2012, no final waste disposal was made; therefore, no waste was transported. No PCB-contaminated waste was disposed of either. (GRI EN24)

Disposal of Waste by type

Material	Quantity – 2011	Quantity – 2012	Disposal
Materials contaminated with oil or paint	8,807.94 Kg	9,247.35 Kg	co-processing
Lubricant oil and insulating oil (oil, sludge, sediments)	9,169.7 Kg	9,627.45 Kg	co-processing
Asbestos – Material waste comprised of asbestos cement (shingles, water tanks, etc.)	1,710 Kg	1,795.00 Kg	Class 1 landfill
Herbicide and insecticide packaging	126 Kg	132.30 Kg	incineration
Chemical products for cleaning parts	16,403 Kg	16,803.00 Kg	incineration
Rubber and tire scrap	765 Kg	841 Kg	co-processing
Metal halide, sodium, mixed, mercury and fluorescent light bulbs	9,995 units	9,595 units	recycling
Nickel/cadmium batteries	260 units	286 units	incineration
Dry battery/batteries	885 units	974 units	incineration
Light bulb reactor scrap	349 units	383 units	co-processing
Incandescent light bulbs	70 units	80 units	recycling

The residues of glass insulators, polypropylene foam and cartridges are still being monitored, however, no new volumes were found in 2012.

Water Resources

GRI EN8, EN10, EN21

Water use was monitored and consolidated in the Company's 47 substations, as well as in the Administrative Headquarters in São Paulo City, in the 12 months of 2012.

These substations used 37,025.92 m³ of water in the year, 22,843.43 m³ from artesian wells and 14,182.49 m³ from local or state public water supply systems. In turn, 4,963 m³ was used in the Administrative Headquarters.

Total Water Withdrawal by Source, in m³

	2010	2011	2012 ⁴
Groundwater	15,940.00	23,011.00	22,843.43
Municipal water supply or other water utilities	14,664.00	14,808.00	19,145.49
Total	30,604.00	37,819.00	41,988.92

CTEEP has no industrial processes requiring water use and discharges. Its water consumption is limited to the personal use by employees, some refrigeration systems and occasionally anti-fire activities in its facilities.

Direct and indirect greenhouse gas emissions (partially monitored)

Electric energy consumption * (Scope 2 – direct emissions)	Metric tons of CO ₂ e
Electricity–Headquarters	91.68
Electricity–Substations	1,355.34
Fuel consumption by the vehicle fleet * (Scope 1–direct emissions)	Metric tons of CO ₂ e
Gasoline (489,554.89 liters)	1,127.69
Ethanol (25,068.41 liters)	37.75
Diesel oil (357,959.02 liters)	939.86

⁴ The comparison of the water consumption of 2011 versus 2012 is not suitable, due to a change in basis of comparison between the two years, which considered water consumption in areas that had not been previously monitored.

* Data compiled by converting kWh and liters to CO₂e

The Company does not calculate the amount of recycle or re-used water systematically. However, a pilot rainwater harvesting project led to estimated savings of 40,000 liters of water in 2012. The collected water was used to wash electrical equipment for at the Registro substation, in São Paulo State.

During the year, 40 m³ of effluents from septic tanks (biological sludge) in CTEEP facilities was discharged in places where operations are being conducted, in accordance with the legal environmental requirements, usually sent to sanitation utilities.

GHG Emissions

GRI EN16, EN17, EN18, EN19, EN20

In 2012, CTEEP found opportunities to improve GHG emission management based on a survey conducted by the ISA Group about the Company's emissions in 2011. The Company is going to focus on implementing procedures for using, measuring and monitoring SF₆ and cooling gases. Although it does not measure all its greenhouse gas emissions, the Company monitors the emissions from its vehicle fleet and the emissions connected with the use of electric power, which are describe below.

It is worth adding that 306.47 kg of R22 (HCFC-22) gas was used in air conditioning systems in the year. SO_x and NO_x are not emitted in energy transmission operations.

Energy

GRI EN3, EN4

Energy consumption is monitored by the Company's environmental management system. In 2012, power supply to CTEEP's substations came from the electrical system itself. Consumption, monitored at 45 facilities, amounted to 76,237.88 gigajoules. This is an average increase of 13.32% year-over-year, largely due to enlargement and maintenance works in the electrical system performed by the Company.

The Company's substations use diesel-powered equipment when there is a power outage. The Company presently has no systematic records of diesel use.

In turn, 5,156.84 gigajoules from non-renewable sources was consumed at the Company's Administrative Headquarters, in São Paulo, in 2012.

Indirect energy Consumption by source, GJ:

	2010	2011	2012 ^a
Renewable (Substations)	58,394.35	67,274.74	76,237.88
Non-Renewable (Headquarters)	-	-	5,156.84

The Company has used an indicator system provided by a specialized company since 2011 and recorded performance data (such as the costs of a vehicle per km, fuel use and the ranking of the most efficient cars) to monitor the emissions and fuel consumption of its vehicle fleet.

Amount of direct primary energy consumed by the organization in GL:

	2010
Non-Renewable:	
Diesel oil	12,482.03
Gasoline	17,036.51
Renewable:	
Ethanol	660.05

To reduce electric power consumption, CTEEP has a program to replace incandescent light bulbs by LED bulbs in synoptic panels (used to indicate whether the equipment at a substations is energized or not) and air conditioning systems by more efficient options at the substations. In addition, it organizes awareness-raising initiatives and talks about the rational use of energy geared to staff and contractors. (GRI EN5, EN7)

Biodiversity

GRI EN11, EN12, EN13, EU13

Biodiversity management in CTEEP's service area is conducted jointly with the environmental body. Transmission lines crossing Environmental Protection Areas are clearly identified; however, studies about the conditions of these areas are conducted only on request of the environmental body, in connection with a new project, repowering or reconducting of the existing transmission line, which may involve a biodiversity survey of the area affected by the Company's facilities, among other procedures.

In 2012, CTEEP concluded the environmental compensation project at the Balatas State Forest, which involved replanting a total of 33 hectares and forest densification in 7.46 hectares. This initiative was undertaken in compliance with an environmental consent decree signed in 2002, which determined the total recovery of 272.9 hectares, in areas managed by the Instituto Florestal (an organization connected with the Department of the Environment). Replanting started in 2007, in line with the recovery plan designed jointly with FEALQ (Luiz de Queiroz Foundation for Agricultural Studies), which involves total replanting in 129.01 hectares and densification and natural regeneration in 143.98 hectares.

The environmental commitment also included compensations at the Experimental Stations of Mogi Guaçu (96.01 ha), Itapetininga (39.95 ha), Buri (49.83 ha) and Assis (46.74 ha), concluded in December 2010.

After 2002, the mitigations of environmental impacts from new projects were determined by an instrument of commitment to environmental recovery.

Location, biome and size of Environmental Protection Areas affected by the transmission line

Name of the transmission line	Voltage (kV)	Location	Area (ha)	Environmental Protection Areas affected by the transmission line (km ²)
LT Bauru – Cabreúva	440	Pederneiras Experimental Station	17.38	0.174
LT Ribeirão Preto – Sta. Bárbara D'Oeste	440	São Simão Reserve	2.95	0.029
LT Embu Guaçu – Sto. Ângelo	440	Serra do Mar State Park, Cubatão center	46.81	0.468
LT Embu Guaçu – Sul	345	Serra do Mar State Park, Cubatão center	58.11	0.581
LT Baixada Santista – Tijuco Preto C1-C2	345	Serra do Mar State Park, Cubatão center	12.13	0.121
LT Baixada Santista – Tijuco Preto C3	345	Serra do Mar State Park, Cubatão center	15.24	0.152
LT Baixada Santista – Sul	345	Serra do Mar State Park, Cubatão center	12.33	0.123
LT Assis – Chavantes	230	Horto Florestal de Palmital	2.95	0.029
LT Henry Borden – Baixada Santista	230	Serra do Mar State Park, Cubatão center	0.85	0.008
LT Ramal Guarulhos (LT 345 kV anhanguera-Guarulhos)	230	Cantareira State Park	12.02	0.12
LT Henry Borden – Piratininga	230	Serra do Mar State Park, Cubatão center	22.04	0.22
LT Capão Bonito – Registro	138	Carlos Botelho State Park	5.8	0.058
LT Cabreúva – Mairiporã	138	Juquery State Park	15.48	0.154
LT Porto Ferreira – Limoeiro	138	Casa Branca Experimental Station Reserve	4.5	0.045
LT Rib. Preto – Porto Ferreira	138	São Simão Reserve	2.06	0.02
LT São Carlos – Rio Claro I	138	Itirapina Ecological Station	2.92	0.029
LT Bertioga II – São Sebastião	138	Serra do Mar State Park, S. Sebastião center	48.65	0.486
LT Caraguatatuba – Ubatuba	138	Serra do Mar State Park in 4 stretches of the Caraguatatuba center	19.35	0.1935
Rio Pardo – São Sebastião	138	Serra do Mar State Park, S. Sebastião center	40.21	
LT Sto. Ângelo – Bertioga II	138	Serra do Mar State Park, Cubatão center	12.92	0.129
LT Santo Ângelo – Rio Pardo	138	Serra do Mar State Park, S. Sebastião center	77.18	0.771
LT São Sebastião – Caraguatatuba	138	Serra do Mar State Park, S. Sebastião center	8.65	0.086
LT Bertioga II – Vic. de Carvalho C1-C2	138	Serra do Mar State Park, Cubatão center	3.18	0.031
LT Bertioga II – Vic. de Carvalho C3-C4	138	Serra do Mar State Park, Cubatão center	7.4	0.074
LT Baixada Santista – Vic. De Carvalho	138	Serra do Mar State Park, Cubatão center	5.66	0.056
LT Capão Bonito – Registro	138	Carlos Botelho State Park	12.11	0.121
LT Embu Guaçu – Peruíbe	138	Serra do Mar State Park, Curucutu center	33.66	0.336
LT Paraibuna – Caraguatatuba	88	Serra do Mar State Park, Caraguatatuba center	31.61	0.316
LT Chavantes – Botucatu	88	Manduri State Forest	5.31	0.053
LT Pres. Prudente – Assis	88	Assis State Forest	8.76	0.087

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

GRI EN28

CTEEP received no significant fines and/or non-monetary sanctions and was a party to any arbitration proceedings related to environmental issues. In 2012, the Company received some notifications to provide explanations and take action in connection with environmental issues; however, these notifications led to no type of punishment.

MAIN PROJECTS

GRI EN14, EN26

Developing specific projects in different fields, through environmental education or new technologies, is one of the strategies that the Company uses to disseminate environmentally responsible practices that benefit the community. In this regard, CTEEP invests in innovative solutions for the industry, such as the Green Shield Project and the SF₆ Gas Project, described in the "Research and Development" section of this report.

Burn Prevention Campaign

Every year, CTEEP runs a Burn Prevention Campaign designed to raise awareness among stakeholders (plant personnel, rural workers, farmers, society and employees) about the risks of unauthorized burning in areas close to transmission towers. This practice may lead to outages, wildfires and risks to population safety and the environment. Through a media campaign, initiatives to build closer relationships with communities and informative talks, this project is intended to educate the population in the vicinity of transmission towers.

Each year, the campaign is run in three areas, each of which comprising eight to ten cities or towns. The areas are determined by CTEEP based on the incidents recorded in the previous years. The campaign lasts four months, between April and July, which is the beginning of the dry season.

In 2012, the Company invested R\$270,000.00 in the 12th edition of the campaign, which involved 2,125 in 42 cities and towns, chosen according to the risk of burning in the area.

The number of incidents and outages related to vegetation fire remained virtually stable year-over-year in 2012. The Company recorded 12 incidents of vegetation fire near transmission lines, causing 16 outages.

Cuca Project

The Cuca Project is developed by Cantareira State Park jointly with the Instituto Guatambu NGO. Supporting the program was one of the conditions for CTEEP to obtain the installation license for the Guarulhos-Anhanguera transmission line.

The project was designed to promote development and environmental education and includes initiatives for students and the community in the vicinity of the Company's facilities, inside and outside conservation units.

The project includes informative talks at schools and guided visits to the Park, focusing on the importance of the conservation unit, biodiversity, the role of transmission lines in the development of Brazil, citizenship and other issues related to the environmental impact of practices like illegal waste disposal, poaching, unauthorized vegetation fires, wildfires and trespassing.

CTEEP produced pamphlets for the target audience of the project, containing the history of the Cantareira State Park, preservation tips, information about CTEEP, educational games and other contents connected with environmental issues. In 2012, project activities reached an audience of over 12,000 people.

Urban Orchard

GRI EC8

CTEEP is one of the supporters of the Urban Orchard Project, an initiative of the São Paulo State Department of the Environment, jointly with public and private sector companies, to promote the environmental and landscape recovery along the banks of the Pinheiros River (São Paulo City), in addition to job training and environmental education programs. Whereas the Government sets and monitors parameters to ensure that the river banks are effectively recovered, the other partners hire employees to maintain the area.

According to the official project website, 26 km of both banks have been recovered, an effort involving 21 partners. So far, over 300,000 seedlings have been planted. CTEEP is responsible for maintaining an 800-m stretch of the river banks.

Annual Social Balance / 2012

1 - Basis of Calculation	2012 (R\$ `000)			2011 (R\$ `000)		
Net Operating Revenue (NOR)	1,888,432			2,025,847		
Operating Income (OI) Earnings before income tax and social contribution	1,183,240			1,188,425 (In the 2011 Report, this amount did not include social charges, and thus it has been re-stated as shown above)		
Gross Payroll (GP)	188,052			170,442		
2 - Internal Social Indicators	Amount (`000)	% over GP	% over NOR	Amount (`000)	% over GP	% over NOR
Meals	14,405	7.66%	0.76%	11,858	6.96%	0.59%
Compulsory social charges	49,186	26.16%	2.60%	44,317	26.00%	2.19%
Private pension	3,859	2.05%	0.20%	3,311	1.94%	0.16%
Health	13,475	7.17%	0.71%	12,393	7.27%	0.61%
Occupational health and safety	1,943	1.03%	0.10%	2,128	1.25%	0.11%
Education	900	0.48%	0.05%	841	0.49%	0.04%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Professional training and development	2,260	1.20%	0.12%	1,448	0.85%	0.07%
Daycare or daycare assistance	223	0.12%	0.01%	195	0.11%	0.01%
Profit sharing	11,500	6.12%	0.61%	12,230	7.18%	0.60%
Others	-	-	-	-	-	-
Total - Internal social indicators	97,751	51.98%	5.18%	88,721	52.05%	4.38%
3 - External Social Indicators	Amount (`000)	% over GP	% over NOR	Amount (`000)	% over GP	% over NOR
Education (Amigos da Energia Project)	245	0.02%	0.01%	0	0.00%	0.00%
Culture (Including own funds and sponsorship through fiscal incentive laws, such as: Guri Santa Marcelina, Grupos Jovens, Circuito Cultural CTEEP, Trabalhando a Deficiência, movie Na Trilha da Energia, movie Fragmentos de Paixão)	2,937	0.25%	0.16%	2,200	0.19%	0.11%
Health and sanitation	-	-	-	-	-	-
Sports	-	-	-	-	-	-
Combat against hunger and food safety	-	-	-	-	-	-
Others [The figure for 2012 includes the Energia Solidária Program. The amount paid to apprentices in 2011 - entered in this field in the previous report - was used from this indicator, as it has been in Gross Payroll.]	25	0.00%	0.00%	0	0.00%	0.00%
Total contributions to society	3,207	0.27%	0.17%	2,200	0.19%	0.11%
Taxes (excluding social charges) (This includes IRPJ, CSLL, PIS, Cofins and ISS)	321	0.03%	0.02%	400	0.03%	0.02%
Total - External social indicators	3,528	0.30%	0.19%	2,600	0.22%	0.13%
4 - Environmental Indicators	Amount (`000)	% over GP	% over NOR	Amount (`000)	% over GP	% over NOR
Investments related to production / Company's operations (Covers investments related to waste disposal and environmental management)	3,078	0.26%	0.16%	1,539	0.13%	0.08%
Investments in external programs and/or projects (In 2012, there was a change of criteria to measure the indicator, which became more comprehensive, starting to involve costs with prevention - Cuca Project, central waste storage construction, Urban Orchard, Fires Campaign - and remediation - TAC and TCRAs . See GRI EN30)	1,290	0.11%	0.07%	171	0.01%	0.01%
Total investments in environmental protection	4,368	0.37%	0.23%	1,710	0.14%	0.08%
Regarding the establishment of "annual targets" for minimizing waste, general consumption in production/operation and increasing efficacy in the use of natural resources, the company:	(x) no goals		(x) no goals		(x) no goals	
	() meets from 51 to 75%		() meets from 51 to 75%		() meets from 51 to 75%	
	() meets from 0 to 50%		() meets from 0 to 50%		() meets from 0 to 50%	
	() meets from 76 to 100%		() meets from 76 to 100%		() meets from 76 to 100%	

5 - Workforce Indicators	2012			2011		
N° employees at the end of period	1,506			1,418		
N° hirings during the period	126			111		
N° outsourced employees	2,541 (Considered the sum of outsourced workers who provided services to CTEEP throughout 2012, regardless of how long the contract or service lasted)			1,083 (Considered outsourced administrative workers from headquarters and regional units)		
N° interns	62			53		
N° employees over 45	575			499		
N° women working at the company	155			154		
% management positions occupied by women	1.00%			1.00%		
N° of black people working at the company	-			-		
% of supervisory positions occupied by black people	-			-		
N° of disabled people or people with special needs	63			65		
6 - Relevant Information regarding the Exercise of Corporate Citizenship	2012			2011		
Ratio between the highest and lowest pay (The criteria between the highest and lowest pay changed from 2011 to 2012, and build on the n° of CAGED, which covers only CLT employees.)	17			43		
Total number of occupational accidents	2			12		
Social and environmental projects developed by the company were defined by:	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors and management	<input type="checkbox"/> all employees	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors and management	<input type="checkbox"/> all employees
Safety and health standards in the workplace were defined by:	<input checked="" type="checkbox"/> directors and management	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa	<input checked="" type="checkbox"/> directors and management	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa
Regarding union freedom, the right to collective bargaining and internal representation of workers, the company:	<input type="checkbox"/> does not engage	<input type="checkbox"/> follows ILO standards	<input checked="" type="checkbox"/> encourages and follows ILO standards	<input type="checkbox"/> will not engage	<input type="checkbox"/> will follow ILO standards	<input checked="" type="checkbox"/> will encourage and follow ILO standards
Private pension covers:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and management	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and management	<input checked="" type="checkbox"/> all employees
Profit sharing includes:	<input type="checkbox"/> directors	<input type="checkbox"/> directors and management	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors and management	<input checked="" type="checkbox"/> all employees
In selecting suppliers, the same standards of ethics and social and environmental responsibility adopted by the company:	<input type="checkbox"/> are not considered	<input checked="" type="checkbox"/> are suggested	<input type="checkbox"/> are required	<input type="checkbox"/> are not considered	<input checked="" type="checkbox"/> are suggested	<input type="checkbox"/> are required
Regarding employee participation in volunteer work programs, the company:	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> supports	<input type="checkbox"/> organizes and encourages	<input type="checkbox"/> does not involve itself	<input checked="" type="checkbox"/> supports	<input type="checkbox"/> organizes and encourages
Total number of complaints and criticisms from consumers:	At the Company: 0	at Procon: 0	In the Courts: 0	At the Company: 0	at Procon: 0	In the Courts: 0
% of complaints and criticisms resolved:	At the Company: did not have	at Procon: did not have	In the Court: did not have	At the Company: did not have	at Procon: did not have	In the Courts: did not have
Total added value to distributed (in thousands of BRL):	In 2012: 2.061.349			In 2011: 2.009.616		
Distribution of Added Value (DAV):	33% government 11% employees 13% shareholders 15% third parties 28% withheld			30% government 10% employees 40% shareholders 14% third parties 6% withheld		

GRI Summary

GRI 3.12

Indicator	Profile	Page	Principles of the Global Compact	Notes
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	4		Answered
1.2	Description of key impacts, risks, and opportunities	4, 8 e 22		Answered
Organizational Profile				
2.1	Name of the organization	6		Answered
2.2	Primary brands, products, and/or services	6		Answered
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	6 e 7		Answered
2.4	Location of organization's headquarters	6 e 7		Answered
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	6		Answered
2.6	Nature of ownership and legal form	6		Answered
2.7	Markets served	6		Answered
2.8	Scale of the reporting organization.	6, 7, 9, 33 e 38		Answered
2.9	Significant changes during the reporting period regarding size, structure, or ownership	9 e 15		Answered
2.10	Awards received in the reporting period	54		Answered
Report parameters				
Report Profile				Answered
3.1	Reporting period for information provided	12		Answered
3.2	Date of most recent previous report (if any)	12		Answered
3.3	Reporting cycle (annual, biennial, etc.)	12		Answered
3.4	Contact point for questions regarding the report or its contents	74		Answered
Report Scope and Boundary				
3.5	Process for defining report content	12		Answered
3.6	Boundary of the report	12		Answered
3.7	State any specific limitations on the scope or boundary of the report	12		Answered
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	12		Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
3.9	Data measurement techniques and the bases of calculations	12		Answered
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	12		Answered
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	12		Answered
Global Reporting Initiative (GRI) Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report	65		Answered
Assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report	12		Answered
Governance, commitments, and engagement				
Governance				
4.1	Governance structure of the organization	14		Answered
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	15		Answered
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	15		Answered
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	15		Answered
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	41		Answered
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	14 e 17		Answered
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	14		Answered
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	11		Answered
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	15		Partially Answered
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	14 e 15		Answered
Commitments to External Initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	22		Answered
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	12 e 17		Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or views membership as strategic	17 e 53		Answered
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organization.	13, 37 e 53		Answered
4.15	Basis for identification and selection of stakeholders with whom to engage	13 e 37		Answered
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	13, 41, 52 e 54		Answered
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	13		Answered
Management Approach and Performance Indicators				
Economic Performance Indicators				
EC1	Direct economic value generated and distributed	33 e 35		Answered
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	23 e 26		Answered
EC3	Coverage of the organization's defined benefit plan obligations	41		Answered
EC4	Significant financial assistance received from government	53		Answered
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	40	6	Answered
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	48		Answered
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	38	6	Partially Answered
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	50 e 62		Answered
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	51		Partially Answered
Environmental Performance Indicators				
EN1	Materials used by weight or volume	56		Answered
EN2	Percentage of materials used that are recycled input materials	56 e 57		Answered
EN3	Direct energy consumption by primary energy source	60	8	Answered
EN4	Indirect energy consumption by primary source	60	8	Answered
EN5	Energy saved due to conservation and efficiency improvements	60	8,9	Partially Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	-	8,9	CTEEP is a transmission company and its product is energy, so there is no way to offer products or services with low power consumption
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	60		Partially Answered
EN8	Total water withdrawal by source	59	8	Answered
EN9	Water sources significantly affected by withdrawal of water	-		Not Applicable
EN10	Percentage and total volume of water recycled and reused	59		Partially Answered
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	60	8	Answered
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	60	8	Answered
EN13	Habitats protected or restored	60	8	Answered
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	62	7, 8	Answered
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	8	Not Applicable
EN16	Total direct and indirect greenhouse gas emissions by weight	59	8	Partially Answered
EN17	Other relevant indirect greenhouse gas emissions by weight	59	8	Partially Answered
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	59	7, 8,9	Partially Answered
EN19	Emissions of ozone-depleting substances by weight	59		Answered
EN20	NO, SO, and other significant air emissions by type and weight	59	8	Answered
EN21	Total water discharge by quality and destination.	59		Answered
EN22	Total weight of waste by type and disposal method.	57	8	Answered
EN23	Total number and volume of significant spills.	55	8	Answered
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	-	8	Not Applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	-		Not Applicable
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	62		Answered
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-		Not Applicable
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	62		Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	-		CTEEP's logistics network does not incur significant impacts
EN30	Total environmental protection expenditures and investments by type	55 e 63		Answered
Social Performance Indicators				
Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region	38		Partially Answered
LA2	Total number and rate of employee turnover by age group, gender, and region.	40	6	Partially Answered
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	41		Answered
LA4	Percentage of employees covered by collective bargaining agreements	41	1,3	Answered
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	41		Answered
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs	46	1, 3	Answered
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	46		Answered
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	45		Answered
LA9	Health and safety topics covered in formal agreements with trade unions	41		Answered
LA10	Average hours of training per year per employee-by-employee category	42		Answered
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	42 e 43		Answered
LA12	Percentage of employees receiving regular performance and career development reviews	43		Answered
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	38	1,6	Answered
LA14	Ratio of basic salary of men to women by employee category	45	1,6	Answered
Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	47		Answered
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	47		Partially Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	42		Answered
HR4	Total number of incidents of discrimination and actions taken	19	1, 6	Answered
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	41	1, 3	Answered
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	48	1, 2, 5	Answered
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	48	1, 2, 4	Answered
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	-		Not Answered for not being considered a material indicator, by the materiality matrix
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-	1	CTEEP does not operate within indigenous land. Not applicable
Society				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	48		Answered
S02	Percentage and total number of business units analyzed for risks related to corruption	19		Answered
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	19		Answered
S04	Actions taken in response to incidents of corruption	19	10	Answered
S05	Public policy positions and participation in public policy development and lobbying	53	10	Answered
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Didn't have any	10	Answered
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	52		Answered
S08	Monetary value of significant fines and total number of non-monetary sanctions or noncompliance with laws and regulations	52		Answered
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	30, 45 e 50		Answered
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	52		Answered

Indicator	Profile	Page	Principles of the Global Compact	Notes
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	52	8	Answered
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	52		Answered
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	54		Answered
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	52 e 53		Answered
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	52		Answered
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	52		Answered
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	53		Answered
Sector Supplement – Electric Utilities				
EU1	Installed capacity, broken down by primary energy source and by regulatory regime	-		Not Applicable. CTEEP is a transmission Company
EU2	Net energy output broken down by primary energy source and by regulatory regime	-		Not Applicable. CTEEP is a transmission Company
EU3	Number of residential, industrial, institutional and commercial customer accounts	54		Answered
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	6 e 9		Answered
EU5	Allocation of CO2e emissions allowances or equivalent, broken down by carbon trading framework.	-		CTEEP does not participate in the Market of carbon credits (projects CDM - Clean Development Mechanism) and does not count with projects that enable crediting.
EU6	Management approach to ensure short and long-term electricity availability and reliability	28 e 30	1, 2	Answered
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs	-		Not Applicable. CTEEP is a transmission Company
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	23	1, 2, 7, 8	Answered
EU9	Provisions for decommissioning of nuclear power sites	-		Not Applicable. CTEEP is a transmission Company
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	-		Not Applicable. CTEEP is a transmission Company

Indicator	Profile	Page	Principles of the Global Compact	Notes
EU11	Average generation efficiency of thermal plants by energy source and regulatory regime	-		Not Applicable. CTEEP is a transmission Company
EU12	Transmission and distribution losses as a percentage of total energy	30		Answered
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas	60		Answered
EU14	Programs and processes to ensure the availability of a skilled workforce	42		Answered
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	41		Answered
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	45		Answered
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities	40 e 46		Partially Answered. There is not measurement per days
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	45 e 46		Answered
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	28		Answered
EU20	Approach to managing the impacts of displacement	50	1, 2	Answered
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	23	1, 2	Answered
EU 22	Number of people physically or economically displaced and compensation, broken down by type of project	51	1, 2	Partially Answered
EU 23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services	-		Not Applicable. CTEEP is a transmission Company
EU 24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services	-		Not Applicable. CTEEP is a transmission Company
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	50	1, 2	Answered
EU26	Percentage of population not served in licensed distribution or service areas	-		Not Applicable. CTEEP is a transmission Company
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	-		Not Applicable. CTEEP is a transmission Company
EU28	Power outage frequency	30		Answered
EU29	Average power outage duration	30		Answered
EU30	Average plant availability factor by energy source and by regulatory regime	-		Not Applicable. CTEEP is a transmission Company



Statement GRI Application Level Check

GRI hereby states that **CTEEP** has presented its report "Annual and Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 22 April 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

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General coordination

Communication Department

Coordination of GRI indicators compilation

Strategic Management Department

GRI consulting

Visão Sustentável

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Graphic and online project

S+G Comunicação

Photos

Alexandre Wittboldt
 Acervo CTEEP

Glossary

Abbreviations of the Company's fields of operations:

AS: Supplies Department
EE: Engineering Department
EO: Works Management Department
EP: Expansion Planning Department
FC: Accounting Department
OB: Bauru Regional Unit Department
OC: Cabreúva Regional Unit Department
OJ: Jupiá Regional Unit Department
OMM: Maintenance Management Division
OPO: Operations Analysis Division
OS: São Paulo Regional Unit Department
OT: Taubaté Regional Unit Department
PJ: Legal Department

Other Abbreviations:

ABCE: Brazilian Electric Power Concessionaires Association
ABDIB: Brazilian Infrastructure and Basic Industry Association
ABRASCA: Brazilian Publicly-Held Companies' Association
ABRATE: Brazilian Large Electric Power Transmission Companies Association
ADR: American Depositary Receipts
ANEEL: Brazilian Electric Power Agency
APIMEC: Capital Market Investment Analysts and Professionals Association
BSC: Balanced ScoreCard
CEPEL: Electric Power Research Center
CHESF: São Francisco Hydroelectric Company
CierBracrier: (CIER Brazilian Committee)
Cigré Brasil: (Brazilian Electric Power Production and Transmission Committee)
CIPA: Internal Accident Prevention Committee
Coso: Committee of Sponsoring Organizations of the Treadway Commission
CTEEP: Companhia de Transmissão de Energia Elétrica Paulista
DCR: Regulatory Accounting Financial Statements
DITs: Other Transmission Installations
DRE: Fiscal Year Financial Statements
DREQ: Equivalent Duration of Interruptions
DRRE: Regulatory Accounting Financial Statements
EBITDA: Earning Before Interests, Taxes, Depreciation and Amortization
ENS: Non-Supplied Energy

EPE: Energy Research Company
ERM: Enterprise Risk Management
FREQ: Equivalent Frequency of Interruptions
GAEs: Emergency Assistance Groups
GIR: Integrated Risk Management
GRI: Global Reporting Initiative
GVO: Large Oil Volume
GWh: Gigawatt-hour
IEMADEIRA: Madeira Electrical Interconnection
IEMG: Minas Gerais Electrical Interconnection
IENNE: North and Northeast Electrical Interconnection
IESUL: South Electrical Interconnection
IF: São Paulo State Forest Institution
IFRS: International Financial Accounting Standards
IGC: Corporate Governance Index
km: Kilometer
kV: Kilovolts
LT: Transmission Line
MCC: Reliability Centered Maintenance
MME: Ministry of Mines and Energy
MV: Megavolts
MVA: Megavolt Ampere
MWh: Megawatt-hour
OMM: Maintenance Management Division
ONS: Brazilian Operator of the Electrical System
ONU: United Nations
PAR: Expansion and Reinforcement Plan
PET: Transmission Expansion Program
PG: Global Compact
PLR: Profit Sharing Program
PV: Variable Portion
RAP: Allowed Annual Revenue
RTDS: Real-Time Digital Simulator
Semasa: Santo André Municipal Environmental Secretariat
SF₆: Sulfur Hexafluoride
SGSST: Occupational Health and Safety Management System
SIESP: São Paulo State Energy Industry Union
SIN: Brazilian Interconnected System
STO: Operator Training Simulator
T: Transmission Tower
TWh: Terawatt-hour
Wh: Watt-hour



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